

Quarterly Report
September 30, 2019



DEWAN AUTOMOTIVE ENGINEERING LIMITED



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DEWAN AUTOMOTIVE ENGINEERING LIMITED

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



A YOUSUF DEWAN COMPANY

Directors' Report

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

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

During the period under review the financial performance is as follows.

	September 2019	September 2018
	(Rupees in '000)	
Sales- Net	-	6,251
Gross (Loss)	(5,180)	(1,024)
Profit/(Loss) after taxation	98,463	(10,551)

The production activity of the Company during the quarter ended September 30, 2019 remained suspended due to closure of the Company to which sales were being made. The company is operating under tough conditions due to the aforesaid reason and making best endeavors to survive. Once working capital is available then the company can exploit its full potential.

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)

Waseem-ul-Haq Ansari
Chief Executive Officer

Syed Maqbool Ali
Director

Karachi: October 30, 2019

ڈائریکٹر رپورٹ:

دیوان آٹوموٹو انجینئرنگ لمیٹڈ کا بورڈ آف ڈائریکٹر مورخہ 30 ستمبر 2019ء کو ختم ہونے والی سہ ماہی کے غیر آڈٹ شدہ مالی حسابات کی رپورٹ بمعہ گوشوارے آپ کے سامنے پیش کرتے ہوئے مسرت کے ساتھ خیر مقدم کرتا ہے۔

زیر نظر سہ ماہی میں کمپنی کی خالص فروخت صفر رہی، کل خسارہ 5.180 ملین روپے اور بعد از ٹیکس خالص منافع 98.463 ملین روپے رہا

زیر نظر سہ ماہی کے دوران کمپنی کی مصنوعات کی خرید کنندہ کمپنی کے کاروباری عمل معطل رہنے کی وجہ سے پیداواری سرگرمیاں معطل رہیں۔ سرمائے کی قلت کی وجہ سے کمپنی مارکیٹ ضروریات کے مطابق اپنی پوری صلاحیت کو استعمال نہیں کر سکتی۔

آخر میں ہم اللہ تبارک و تعالیٰ کے حضور سجدہ ریز ہو کر دعا کرتے ہیں کہ وہ نبی کریمؐ کے وسیلے سے ہماری مدد اور رہنمائی کرتا رہے اور کمپنی، قوم اور وطن عزیز کو اپنی حفظ و امان میں رکھے اور بھرپور ترقی کرنے کی توفیق عطا کرے۔ ساتھ ہی اللہ تعالیٰ سے دعا انگلتے ہیں کہ امت مسلمہ میں امن، چین اور بھائی چارہ پیدا کرے۔ (آمین)۔

سید مقبول علی
ڈائریکٹر

وسیم الحق انصاری
چیف ایگزیکٹو آفیسر

کراچی۔ مورخہ 30 اکتوبر 2019ء





A YOUSUF DEWAN COMPANY


Condensed Interim Statement Of Financial Position As At 30 September 2019

	Note	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
(Rs. in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	199,676	259,767
Available for sale investment	6	4,200	4,200
		203,876	263,967
CURRENT ASSETS			
Stock in trade	7	2,025	2,025
Advances, prepayments & other receivables		162,631	5,077
Advance income tax		3,423	3,423
Cash and bank balances		423	411
		168,502	10,936
		372,378	274,903
EQUITY AND LIABILITIES			
AUTHORIZED SHARE CAPITAL			
21,800,000 (June 2017: 21,800,000)			
Ordinary shares of Rs.10/- each		218,000	218,000
Issued, subscribed and paid-up share capital		214,000	214,000
Capital reserves			
Merger reserves		82,090	82,090
Settlement claim from Ford Motors		86,194	86,194
Surplus on revaluation of property, plant & equipments		59,326	79,483
Revenue reserves			
General reserves		9,900	9,900
Accumulated losses		(1,569,962)	(1,688,580)
		(1,118,452)	(1,216,913)
NON-CURRENT LIABILITIES			
Long term loans - Unsecured	8	147,049	147,049
Deferred liability for staff gratuity		1,544	1,544
Deferred taxation		22,533	30,995
		171,126	179,588
CURRENT LIABILITIES			
Trade and other payables		368,420	366,085
Mark-up accrued		785,155	779,741
Short term finance	9	154,879	155,152
Overdue portion of loan - Secured		11,250	11,250
		1,319,704	1,312,228
CONTINGENCIES			
	10	--	--
		372,378	274,903

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


Waseem-ul-Haque Ansari
Chief Executive Officer


Syed Maqbool Ali
Director


Muhammad Naeem Uddin Malik
Chief Financial Officer

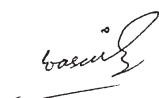
DEWAN AUTOMOTIVE ENGINEERING LIMITED

Condensed Interim Profit And Loss Account - (Un-audited)
For The Quarter Ended 30 September 2019


Note	Quarter Ended	
	September 30, 2019	September 30, 2018
	------(Rupees in '000)-----	

Sales - Net	-	6,251
Cost of sales	(5,180)	(7,274)
Gross loss	(5,180)	(1,023)
Operating expenses		
Distribution expenses	(89)	(102)
Administrative expenses	(1,162)	(2,478)
	(1,251)	(2,580)
Operating loss	(6,431)	(3,603)
Other income	101,847	22
Finance cost	(5,415)	(7,439)
Income/(Loss) before taxation	90,001	(11,020)
Deferred' taxation	8,462	469
Income/(Loss) after taxation	98,463	(10,551)
Earning/(Loss) per share - Basic and diluted	4.60	(0.49)

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


Waseem-ul-Haque Ansari
Chief Executive Officer


Syed Maqbool Ali
Director


Muhammad Naeem Uddin Malik
Chief Financial Officer



A YOUSUF DEWAN COMPANY

**Condensed Interim Statement of Comprehensive Income -
(Un-audited)
For The Quarter Ended 30 September 2019**

Quarter Ended	
September 30, 2019	September 30, 2018
----- (Rupees in '000) -----	

Income/(Loss) for the period

98,463

(10,551)

Total comprehensive Income/(loss) for the period

98,463

(10,551)

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

Waseem-ul-Haque Ansari
Chief Executive Officer

Syed Maqbool Ali
Director

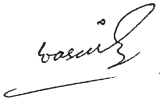
Muhammad Naeem Uddin Malik
Chief Financial Officer


DEWAN AUTOMOTIVE ENGINEERING LIMITED


Condensed Interim Statement Of Cash Flows - (Un-audited)
For The Quarter Ended 30 September 2019

	September 30, 2019	September 30, 2018
	(Rs. in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	90,000	(11,020)
Adjustment for non-cash and other items		
Depreciation	4,381	5,121
Other Income	(101,847)	(22)
Unwinding of discount / present value adjustment - Net	--	3,789
Finance cost	5,415	3,649
	(92,051)	12,537
	(2,051)	1,517
Changes in operating assets and liabilities		
(Increase) / decrease in current assets		
Stock in trade	--	(1,992)
Advances	--	(129)
Increase / (decrease) in current liabilities		
Trade and other payables	2,336	(3,682)
	2,336	(5,803)
Payments for:		
Income tax - Net	--	(187)
	--	(187)
Net cash outflows from operating activities	285	(4,473)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition in fixed assets	--	(82)
Sale proceeds from disposal of fixed assets	--	--
	--	(82)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loan from director	--	1,725
Short term finance - Unsecured	(273)	--
Net cash inflow from financing activities	(273)	1,725
Net increase in cash and cash equivalents	12	(2,830)
Cash and cash equivalents at beginning of the period	411	3,132
Cash and cash equivalents at end of the period	423	302

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


Waseem-ul-Haque Ansari
Chief Executive Officer


Syed Maqbool Ali
Director


Muhammad Naeem Uddin Malik
Chief Financial Officer



A YOUSUF DEWAN COMPANY

Condensed Interim Statement Of Changes In Equity - (Un-audited) For The Quarter Ended September 30, 2019

Issued, subscribed and paid-up share capital	Capital reserves				Revenue reserves			Total
	Merger reserve	Revaluation surplus on property, plant & equipments	Settlement claim from Ford	Capital reserves	General reserve	Accumulated losses	Revenue reserves	

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

Balance as at 1 July 2018- As reported	214,000	82,090	71,168	86,194	239,452	9,900	(1,626,470)	(1,616,570)	(1,163,118)
Prior year adjustment of staff gratuity					-		15,684	15,684	15,684

Balance as at 1 July 2018- as restated	214,000	82,090	71,168	86,194	239,452	9,900	(1,610,786)	(1,600,886)	(1,147,434)
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Total comprehensive loss for the year
Loss for the period
Incremental depreciation transfer from
surplus on revaluation of property, plant
and equipment - Net of tax

-	-			-	-	(10,551)	(10,551)	(10,551)
-	-	(1,278)		(1,278)		1,278	1,278	-
-	-	(1,278)	-	(1,278)	-	(9,273)	(9,273)	(10,551)

Balance as at 30 September 2018- as restated	214,000	82,090	69,890	86,194	238,174	9,900	(1,620,059)	(1,610,159)	(1,157,985)
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Balance as at 1 July 2019	214,000	82,090	79,483	86,194	247,767	9,900	(1,688,580)	(1,678,680)	(1,216,913)
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Total comprehensive loss for the year

Loss for the period
Other comprehensive income
surplus on revaluation of property, plant
and equipment - Net of tax

-	-			-	-	98,463	98,463	98,463
-	-	(20,157)		(20,157)	-	20,157	20,157	-
-	-	(20,157)		(20,157)	-	118,620	118,620	98,463

Balance as at 30 September 2019	214,000	82,090	59,326	86,194	227,610	9,900	(1,569,960)	(1,560,060)	(1,118,450)
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The annexed notes form an integral part of the interim condensed financial information.

Waseem-ul-Haque Ansari
Chief Executive Officer

Syed Maqbool Ali
Director

Muhammad Naeem Uddin Malik
Chief Financial Officer

**Notes To The Condensed Interim Financial Informations -
(Un-audited)
For The Quarter Ended 30 September 2019**

1 THE COMPANY AND ITS OPERATIONS

Dewan Automotive Engineering Limited is a public Limited Company quoted on Pakistan Stock Exchange Limited (trading in defaulter counter). The Company's business is the assembly-cum progressive manufacture and sale of tractors, light commercial vehicles and motorcycles and trading / manufacturing of parts and implements related thereto. The Company was incorporated on May 6, 1982 and commenced commercial operations in August, 1983. The Company was taken over by Yousuf Dewan Companies in April 2004. The Company's registered office is located at Dewan Centre, 3-A Lalazar, Beach Hotel Road, Karachi.

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 defaulters' counter of PSX and trading of its shares was suspended. The proposed delisting is under consideration of the management. The Company has rectified the default and requested for withdrawal of directions. Hence no action by the exchange under clause 5.11.1.(f) & 5.11.1.(g) is warranted under the said circumstance.

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 GOING CONCERN ASSUMPTION

The condensed interim financial information for the quarter ended September 30, 2019 reflect that the Company has earned a net profit after taxation Rs. 98.463 million (June 2019: Rs.(84.046) million) and, as of that date it has accumulated losses of Rs.1,569.962 million (June 2019: Rs.1,688.580 million) which have resulted in net capital deficiency of Rs.1,118.452 million (June 2019: Rs.1,216.913 million) and its current liabilities exceeded its current assets by Rs. 1,151.202 million (June 2019: Rs.1,301.292 million) and total assets by Rs. 947.326 million (June 2019: Rs. 1,037.325 million). The Company has been unable to ensure scheduled repayments of borrowings and to the creditors due to the liquidity problems. Following course, certain lenders has gone into litigation for repayment of liabilities through attachment and sale of the Company's hypothecated / mortgaged properties. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. therefore the Company may not be able to realize its assets and discharge its liabilities in normal course of business.



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

3 STATEMENT OF COMPLIANCE

- 3.1 During the preceding financial year, the Companies Act 2017 (the Act) was promulgated, however, as per Securities and Exchange Commission of Pakistan's (SECP) circular 23 of 2017 dated October 04, 2017 as clarified by Institute of Chartered Accountants of Pakistan vide its circular no 17/2017 dated October 06, 2017, the companies shall prepare their annual and interim condensed interim financial information for the periods ending on or before December 31, 2017 in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, this condensed interim financial information of the Company for the first quarter ended September 30, 2019 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed.
- 3.2 This condensed interim financial information do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended 30 June 2019.
- 3.3 The figures included in the condensed interim profit and loss account for the quarter ended 30 September 2019 and 2018 and in the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the accumulated figures for the years ended 30 June 2019 and 2018.

4 SIGNIFICANT ACCOUNTING POLICIES

- 4.1 The accounting policies adopted in the preparation of this condensed interim financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2019.
- 4.2 The preparation of condensed interim financial information in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and judgment applied by the management in preparation of this condensed interim financial information is same as those applied in preparation of annual financial statements of the company for the year ended 30 June 2019.

DEWAN AUTOMOTIVE ENGINEERING LIMITED

	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
	(Rs. in '000)	
5 PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets - At cost less accumulated depreciation	199,676	259,767
6 AVAILABLE FOR SALE INVESTMENT		
Investment in associated company Dewan Mushtaq Trade Limited (Public, unquoted company) 4,000,000 (June 2018: 4,000,000) Ordinary shares of Rs.10/- each Accumulated impairment loss on investment	40,000 (35,800)	40,000 (35,800)
	4,200	4,200
6.1 Since these investment is in unquoted company therefore this is measured at cost less accumulated impairment because the fair value can not be measured reliably.		
7 STOCK IN TRADE		
Raw materials and components	129,886	129,886
Trading stock	30,263	30,263
	160,149	160,149
Provision for slow moving and obsolescence stocks	(158,124)	(158,124)
	2,025	2,025
8 LONG TERM LOAN - Unsecured		
	Note	
	September 30, 2019 (Un-audited)	June 30, 2018 (Audited)
	(Rs. in '000)	
From Sponsor - At amortized cost		
Loan received - Opening	318,434	314,064
Received during the period / year	--	4,370
Accumulated present value adjustment	(255,801)	(255,801)
Accumulated interest charged to profit and loss account	84,416	84,416
	147,049	147,049



8.1 The above loan is interest free and unsecured. This loan shall be treated as subordinated to the principal amounts of the long term debt owing to the creditors of the Company from time to time and to all debts of the Company from time to time owing to the banks and financial institutions and accordingly may only be repaid by the Company in whole or in part provided that upon such repayment, the Company shall comply with the debt to equity ratio requirements of the Prudential Regulations of State Bank of Pakistan as applicable to the Company for the time being.

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

9 SHORT TERM FINANCE

From related party
(associated company) - Unsecured

Interest bearing	9.1	154,879	154,879
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9.1 This is an unsecured finance from associated company, which carries mark-up @ 13.90% per annum (June 2019: @ 11.64% per annum).

10 CONTINGENCIES AND COMMITMENTS

There has been no significant change in the status of contingencies and commitments as reported in the annual financial statements for the year ended 30 June 2019.

11 FINANCE COST AND MARK-UP ACCRUED

Company has not made the provision of mark-up for the period amounting to Rs.0.501 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 period would have been higher by Rs.0.501 millions and accrued mark-up would have been higher and shareholders' equity would have been lower by Rs.16.488 million. The said non provisioning is departure from the requirements of IAS-23 'Borrowing Costs'.

DEWAN AUTOMOTIVE ENGINEERING LIMITED

Note	September 30, 2019 (Un-audited)	September 30, 2018 (Audited)
	(Rs. in '000)	

12 TRANSACTIONS WITH RELATED PARTIES

Associated company:

Mark-up expense	<u>5,415</u>	<u>3,637</u>
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The transaction with associated companies are in the normal course of business and have been entered on an arm's length basis.

13 CORRESPONDING FIGURES

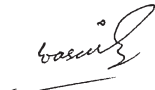
In order to comply with the requirements of International Accounting Standard 34 "Interim Financial Reporting", balance sheet has been compared with the balances of annual financial statements, whereas profit and loss account, statement of comprehensive income, cash flow statement and statement of changes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

14 DATE OF AUTHORISATION FOR ISSUE


The condensed interim financial information was authorised for issue on October 30, 2019 by the Board of Directors of the Company.

15 GENERAL

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


Waseem-ul-Haque Ansari
Chief Executive Officer


Syed Maqbool Ali
Director


Muhammad Naeem Uddin Malik
Chief Financial Officer

DEWAN AUTOMOTIVE ENGINEERING LIMITED

WWW.YOUSUFDEWAN.COM