



DKL/Admin/20200301

March 25, 2020

Mr. Hafiz Maqsood Munshi,
Manager - RAD
Pakistan Stock Exchange, Limited,
Stock Exchange, Building,
Karachi.

Subject: Non Compliance of PSX Regulation No. 5.11.1. (i) &(ii)

Dear Sir

1. With reference to PSX letter No. PSX / N-260 dated March 03, 2020, it is stated that perusal of plain reading of regulation No 5.11.1(i) of PSX rule Book, and the light of PSX letter, we submitting the following reply.

(a) That the company has changed its memorandum on May 02, 2019 after getting necessary approvals from shareholders and Registrar of Companies. Company opted for consultancy business and during last 08 months, company has generated revenue from consultancy services as under :-

Last 02 Months of Year 2018-19 Rs. 1,225,000/-.

First 06 Months of Year 2019-20 Rs. 1,425,413/-.

(Financial statements showing income from consultancy, already shared on PSX website)

(b) That a running company which has changed its line of business less than a year ago after getting necessary approvals from regulators, and has shown execution of its plan through carrying out its regular business activities, and same is verifiable from its financial statements, thus taking any adverse action is not justified in cannons of any law. Further, the situation demands assistance and lenient view be taken with regards to company affairs thus giving reasonable time to streamline its operations in accordance with new line of business.

DREKKAR KINGSWAY LIMITED


(Formerly Gauhar Engineering Limited)

Office # 17, 2nd Floor, Anwar Arcade, I-8 Market, Islamabad, Pakistan

Drekkar Kingsway

- (c) That during audit of annual accounts for the year ended June, 30, 2019 and half year accounts review for the period ended December 31, 2019, **auditors have removed the observation "company is not doing any business"** . Auditors through their respective reports has further, confirmed that company is doing business of consultancy.
- (d) That auditors were briefed during their review, about the upcoming consultancy projects of the company which are in pipe line. Company is hopeful that, auditors will remove the going concern assumption / adverse opinion in upcoming audit for year 19-20 as company is going to engage with group of companies for regular contracts for provisioning of consultancy services.
- (e) That company will provide certificate from auditors after getting its forecasts and projections reviewed from the auditors making in line with its future business, thus there is no doubt about the operations of the company.
2. That due to the above cited solid facts, You are requested to kindly remove the impugned notice and remove from defaulter counter and not to take any adverse action as the company is fully functional and doing the business

Truly


(Ehmer Iqbal)
Chief Executive Officer



DREKKAR KINGSWAY LIMITED
(Formerly Gauhar Engineering Limited)

Office # 17 2nd Floor, Aneeq Arcade, I-8 Market, F-7/1, Islamabad

**Independent Auditors' Review Report
To the Members of Drekkar Kingsway Limited**

Report on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Drekkar Kingsway Limited** ("the Company") as at December 31, 2019 and the related condensed interim statement of profit or loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six month period then ended (here-in-after referred to as 'the interim financial statements'). Management is responsible for the preparation and presentation of the interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures included in the condensed interim profit or loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2018 and December 31, 2019 have not been reviewed, as we are required to review only the cumulative figures for half year ended December 31, 2019.

Scope of Review

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

Basis for Adverse Conclusion

1. As disclosed in note 6 to annexed interim financial statements, the loan of Rs. 53 million receivable by M/s Noor Capital (Private) Limited from its related party, M/s Service Fabrics Limited, was novated to the Company. As a result, the Company is contractually liable to repay aforementioned outstanding balance to M/s Noor Capital (Private) Limited after recovering the receivable from M/s Service Fabrics Limited. Through this arrangement, the Company recorded receivable from M/s Service Fabrics Limited to the tune of Rs. 53 as well as a corresponding liability towards M/s Noor Capital (Private) Limited. As on June 30, 2019, this liability was reduced to a net payable amount of Rs. 28,690,147 after setting off the earlier receivable balance of M/s Noor Capital (Private) Limited. The balance as on December 31, 2019 is Rs. 28,898,947. The Company has classified this payable balance as a non-current liability, which should have been recorded as a current liability in the absence of any payment terms agreed with M/s Noor Capital (Private) Limited.



Further, the Company has not tested the receivable balance of Rs. 53 million for impairment /expected credit loss which is non-compliance of IFRS 9. The latest published financial statements of M/s Service Fabrics Limited reveal that it has ceased its operations many years ago and disposed off its entire property, plant and equipment; it is not generating any revenue while its accumulated loss amount to Rs. 358.584 million as of June 30, 2019 and as of that date its current liabilities exceed its current assets by Rs. 45.523 million and its total liabilities exceed its total assets by Rs. 201.036 million. Owing to these facts, the amount receivable from M/s Service Fabrics Limited does not seem to be recoverable.

Considering that balance receivable from M/s Service Fabrics Limited may not be recoverable, and owing to this factor, the amount payable to M/s Noor Capital (Private) Limited may not be paid, these balances need a revision/reversal. Had these factors been considered and adjusting entries for the reversal been passed, the Company's accumulated loss would have increased by Rs. 24.101 million and the net liabilities of the Company would have exceeded its assets by Rs. 461,165 vis-à-vis the entire equity of the Company would have eroded.

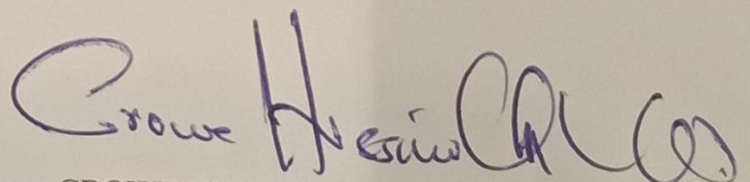
2. The Company has generated revenue to the tune of Rs. 1.425 million during the half year ended December 31, 2019 arising from consultancy services only. In the absence of any projections that could depict that continuous / recurring revenue streams may be generated in foreseeable future, the going concern assumption used in the preparation of these interim financial statements of the Company is not appropriate. However, the management has not disclosed these factors in the interim financial statements and prepared its interim financial statements on going concern basis.

Adverse Conclusion

Our review indicates that, because the impairment of receivables (net) is not recorded in the annexed interim financial statements and the going concern assumption used in the preparation of the interim financial statements cannot be substantiated, as described in the *Basis for Adverse Conclusion*, these interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's report is Muhammad Nasir Muneer.

Lahore
Dated: 12 6 FEB 2020



CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants