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DEWAN AUTOMOTIVE ENGINEERING LIMITED

Company Information

BOARD OF DIRECTORS

Executive Director
Mr. Haroon Iqbal
CEO & Chairman Board of Directors
Mr. Manzoor Ahmed

Non-Executive Directors

Mr. Waseem-ul-Haque Ansari
Mr. Muhammad Naeemuddin Malik
Syed Maqbool Ali
Mr. Ishtiaq Ahmed

Independent Director

Mr. Azizul Haque

COMPANY SECRETARY

Mr. Muhammad Naeemuddin Malik

AUDIT COMMITTEE

Mr. Azizul Haque	Chairman
Mr. Ishtiaq Ahmed	Member
Syed Maqbool Ali	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Syed Maqbool Ali	Chairman
Mr. Haroon Iqbal	Member
Mr. Waseem-ul-Haque Ansari	Member

AUDITORS

Faruq Ali & Company
Chartered Accountants
C-88, ground floor, KDA Scheme No. 1
Main Karsaz road,
Opposite maritime museum Karachi.

LEGAL ADVISORS

A. K Brohi

SHARE REGISTRAR / TRANSFER AGENT

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

BANKERS

Muslim Commercial Bank Ltd.
Bank Islami Pakistan Ltd.
Soneri Bank Ltd.

REGISTERED OFFICE

Finance & Trade Centre
Block-A, 7th Floor,
Shahrah-e-Faisal, Karachi

FACTORY

Dewan City Sajawal District Thatta, Sindh.

WEBSITE

www.yousufdewan.com

Directors' Report

The Board of Directors of your Company takes pleasure in presenting the un-audited condensed interim financial statements for the quarter ended March 31, 2015.

During the period under review net sales is nil, gross loss is Rs. 23.515 million and the after-tax loss is Rs. 88.564 million

Due to non-availability of banking lines, the production activity of the Company during the year remained suspended, resulting in unabsorbed fixed and other cost which ultimately contributed to the financial loss of the Company. The company is operating under tough conditions due to the aforesaid reason and making best endeavors to survive. To overcome the financial situation, the Company is taking various counter measures and has taken up the matter with the banks.

Conclusion:

In conclusion, we bow, beg and pray to Almighty Allah, Rehman-o-Rahim, in the name of his beloved Prophet, Muhammad, peace be upon him, for continued showering of His blessing, guidance, strength, health and prosperity to us, our Company, country and nation and also pray to Almighty Allah to bestow peace, harmony, brotherhood and unity in true Islamic spirit to whole of Muslim Ummah, Ameen, Summa Ameen.

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

Under / By Authority of the Board of Directors



Haroon Iqbal
Chief Executive Officer & Chairman

Karachi: February 07, 2019

DEWAN AUTOMOTIVE ENGINEERING LIMITED

Condensed Interim Balance Sheet
As at March 31, 2015

		March 31, 2015 (Un-audited)	June 30, 2014 (Audited)
ASSETS	Note	(Rs. in '000)	
NON-CURRENT ASSETS			
Property, plant and equipment	5	347,512	370,313
Available for sale investment	6	7,360	7,360
Deferred cost		48	194
Long term deposits		3,020	3,020
CURRENT ASSETS			
Stock in trade	7	79,792	79,792
Trade debts		1,397	3,445
Advances - Considered good		4,938	4,937
Short term deposits and receivables		16,007	16,008
Advance income tax		2,572	2,425
Available for sale investments - At fair value		228,183	273,819
Cash and bank balances		91	175
		332,980	380,601
		690,920	761,488
EQUITY AND LIABILITIES			
AUTHORIZED SHARE CAPITAL			
21,800,000 (June 2013: 21,800,000)			
Ordinary shares of Rs.10/- each		218,000	218,000
Issued, subscribed and paid-up share capital		214,000	214,000
Reserves - Net		342,027	387,663
Accumulated losses		(1,920,328)	(1,836,345)
		(1,364,301)	(1,234,682)
Surplus on revaluation of property, plant and equipment		81,334	85,915
NON-CURRENT LIABILITIES			
Long term loans - Unsecured	8	63,587	56,667
Deferred liability for staff gratuity		15,871	15,990
Deferred taxation		36,655	45,386
Long term loan - Secured		--	3,000
CURRENT LIABILITIES			
Trade and other payables		377,771	371,980
Mark-up accrued		727,285	658,847
Short term finance	9	728,635	728,635
Overdue portion of loan - Secured		19,583	23,750
Current portion of long term loan		4,500	6,000
		1,857,774	1,789,212
CONTINGENCIES			
	10	--	--
		690,920	761,488

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



Haroon Iqbal
Chief Executive Officer



Muhammad Naeem Uddin Malik
Director

Condensed Interim Profit And Loss Account - (Un-audited)
For The Nine Months Ended 31 March 2015

	Nine Months Ended		Quarter Ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Note	-----Unaudited----- (Rs. in '000)			
Sales - Net	--	39,127	-	5,343
Cost of sales	(23,515)	(48,062)	(7,041)	(10,550)
Gross loss	(23,515)	(8,935)	(7,041)	(5,207)
Operating expenses				
Distribution expenses	(453)	(501)	(151)	(167)
Administrative expenses	(3,948)	(7,143)	(1,097)	(3,092)
Other expenses	--	--	(296)	
	(4,401)	(7,644)	(1,544)	(3,259)
Operating loss	(27,916)	(16,579)	(8,585)	(8,466)
Other income	315	126	300	45
Finance cost	(69,694)	(70,546)	(18,888)	(21,588)
Loss before taxation	(97,295)	(86,999)	(27,173)	(30,009)
Deferred taxation	8,731	3,467	5,032	920
Loss after taxation	(88,564)	(83,532)	(22,141)	(29,089)
Loss per share - Basic and diluted	(4.14)	(3.90)		

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



Haroon Iqbal
Chief Executive Officer



Muhammad Naeem Uddin Malik
Director

DEWAN AUTOMOTIVE ENGINEERING LIMITED

Condensed Interim Comprehensive Income - (Un-audited)
for the nine months ended 31 March 2015

	March 31, 2015	March 31, 2014
-----Unaudited----- (Rs. in '000)		
Loss for the period	(88,564)	(83,532)
Changes in fair values of available for sale financial asset	(45,636)	66,959
Transfer from surplus on revaluation of property, plant and equipment in respect		
- Incremental depreciation	6,736	8,026
- Related deferred tax	(2,155)	(2,729)
	4,581	5,297
Total comprehensive loss for the period	<u>(129,619)</u>	<u>(11,276)</u>

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



Haroon Iqbal
Chief Executive Officer



Muhammad Naeem Uddin Malik
Director

Condensed Interim Statement Cash Flows - (Un-audited) For The Nine Months Ended 31 March 2015

	March 31, 2015	March 31, 2014
-----Unaudited----- (Rs. in '000)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(100,281)	(86,999)
Adjustment for non-cash and other items		
Depreciation	22,648	26,828
(Gain) / loss on disposal of fixed assets	(296)	--
Provision for gratuity	(119)	--
Amortization of deferred cost & intangible assets	146	146
Unwinding of discount / present value adjustment - Net Finance cost	--	(888)
	69,694	71,434
	92,073	97,520
	(8,208)	10,521
Changes in operating assets and liabilities		
(Increase) / decrease in current assets		
Stock in trade	--	603
Trade debts	2,048	(1,041)
Advances	--	(69)
Increase / (decrease) in current liabilities		
Current portion of long term loan	(1,500)	--
Over-due portion of long term loan	(4,167)	--
Trade and other payables	5,789	(190)
	2,170	(697)
Payments for:		
Income tax - Net	(147)	(1,791)
Staff gratuity	--	(530)
Finance cost	(1,256)	(1,796)
	(1,403)	(4,117)
Net cash inflows from operating activities	(7,441)	5,707
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale proceed of fixed assets	450	(232)
Net cash inflows from investing activities	450	(232)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subordinated loan	9,907	4,500
Payment of long term loan	(3,000)	(4,500)
Net cash outflows from financing activities	6,907	--
Net increase / (decrease) in cash and cash equivalents	(84)	5,475
Cash and cash equivalents at beginning of the period	175	597
Cash and cash equivalents at end of the period	91	6,072

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



Haroon Iqbal
Chief Executive Officer



Muhammad Naeem Uddin Malik
Director

DEWAN AUTOMOTIVE ENGINEERING LIMITED

Condensed Interim Statement Of Changes In Equity - (Un-audited)
For The Nine Months Ended 31 March 2015

Issued, subscribed and paid-up share capital	Capital reserves			Revenue reserves		Total
	Merger reserve	Unrealized (loss) / gain due to change fair value of Investments	Settlement claim from Ford	General reserve	Accumulated losses	

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

Balance as at 1 July 2013 214,000 82,090 192,272 86,194 9,900 (1,738,144) (1,153,688)

Total comprehensive loss for the year
 Loss for the period

-	-	-	-	-	(83,532)	(83,532)
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Net change in fair value of
 available-for-sale financial assets

-	-	66,959	-	-	-	66,959
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Incremental depreciation transfer from
 surplus on revaluation of property, plant
 and equipment - Net of tax

-	-	-	-	-	5,298	5,298
-	-	66,959	-	-	(78,234)	(11,275)

Balance as at 31 March 2014 **214,000 82,090 259,231 86,194 9,900 (1,816,378) (1,164,963)**

Balance as at 1 July 2014 214,000 82,090 209,479 86,194 9,900 (1,836,345) (1,234,682)

Total comprehensive loss for the year
 Loss for the period

-	-	-	-	-	(88,564)	(88,564)
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Net change in fair value of
 available-for-sale financial assets

-	-	(45,636)	-	-	-	(45,636)
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Incremental depreciation transfer from
 surplus on revaluation of property, plant
 and equipment - Net of tax

-	-	-	-	-	4,581	4,581
-	-	(45,636)	-	-	(83,983)	(129,619)

Balance as at 31 March 2015 **214,000 82,090 163,843 86,194 9,900 (1,920,328) (1,364,301)**

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



Haroon Iqbal
 Chief Executive Officer



Muhammad Naeem Uddin Malik
 Director

Notes To The Condensed Interim Financial Information - (Un-audited) For The Nine Months Ended 31 March 2015

1 THE COMPANY AND ITS OPERATIONS

Dewan Automotive Engineering Limited is a public Limited Company quoted on Pakistan Stock Exchange Limited (trading in defaulter counter). The Company's business is the assembly-cum progressive manufacture and sale of tractors, light commercial vehicles and motorcycles and trading / manufacturing of parts and implements related thereto. The Company was incorporated on May 6, 1982 and commenced commercial operations in August, 1983. The Company was taken over by Dewan Mushtaq Group in April 2004. The Company's registered office is located at 7th Floor, Block-A, Finance & Trade Centre, Shahrah-e-Faisal, Karachi.

2 GOING CONCERN ASSUMPTION

The condensed interim financial information for the nine months ended 31 March 2015 reflect that the Company has sustained a net loss after taxation of Rs. 88.564 million (June 2014: Rs. 105.264 million) and, as of that date it has accumulated losses of Rs.1,920.328 million (June 2014: Rs.1,836.343 million) which have resulted in net capital deficiency of Rs.1,364.301 million (June 2014: Rs.1,234.680 million) and its current liabilities exceeded its current assets by Rs.1,524.794 million (June 2014: Rs.1,408.609 million) and total assets by Rs. 1,166.854 million (June 2014: Rs.1,027.722 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 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan with the exception of departure of IFRS for which the management concludes that provisioning of mark-up would conflict with the objective of financial statements. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 provision of and directives issued under the Companies Ordinance, 1984. In case requirement differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.
- 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 2014.
- 3.3 The figures included in the condensed interim profit and loss account for the nine months ended 31 March 2015 and 2014 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 half year ended 31 December 2014 and 2013.

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 2013.
- 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 2014.

Note	March 31, 2015 (Un-audited)	June 30, 2014 (Audited)
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(Rs. in '000)

5 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - At cost less accumulated depreciation	347,512	370,313
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6 AVAILABLE FOR SALE INVESTMENT

Investment in associated company Dewan Mushtaq Trade Limited (Public, unquoted company) 4,000,000 (June 2013: 4,000,000) Ordinary shares of Rs.10/- each	40,000	40,000
Accumulated impairment loss on investment	(32,640)	(32,640)
	7,360	7,360

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.

Note	March 31, 2015 (Un-audited)	June 30, 2014 (Audited)
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(Rs. in '000)

7 STOCK IN TRADE

Raw materials and components	127,861	127,861
Work in process	2,701	2,701
Finished goods - Manufacturing stock	3,567	3,567
Trading stock	30,263	30,263
	164,392	164,392
Provision for slow moving and obsolescence stocks	(84,600)	(84,600)
	79,792	79,792

8 LONG TERM LOAN - Unsecured

From director - At amortized cost		
Loan received - Opening	8.1 213,089	207,089
Received during the year	6,600	6,000
Accumulated present value adjustment	(193,092)	(188,452)
Accumulated interest charged to profit and loss account	36,990	32,030
	63,587	56,667

DEWAN AUTOMOTIVE ENGINEERING LIMITED

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.

	Note	March 31, 2015 (Un-audited)	June 30, 2014 (Audited)
(Rs. in '000)			
9 SHORT TERM FINANCE			
From financial institutions - Secured Short term running finance	9.1	49,310	49,310
From related party (associated company) - Unsecured Interest bearing	9.2	679,325	679,325
		728,635	728,635

9.1 This represents short term bank borrowing from a commercial bank against limit of Rs.50 million at mark-up rate ranging from 2% over 6 months KIBOR (June 2014: from 2% over 6 months KIBOR) payable quarterly in arrears. The facility is secured by way of first charge over stock in trade and receivables of the Company. The facility has not been renewed by the bank, however the Company has approached its lenders for restructuring of liabilities and further the bank has gone into litigation as more fully explained in June 30, 2014 financial statements.

9.2 This is an unsecured finance from associated company, which carries mark-up @ 9.07% per annum (June 2014: @ 13.45% per annum).

10 CONTINGENCIES

There has been no significant change in the status of contingencies as reported in the annual financial statements for the year ended 30 June 2014.

11 FINANCE COST AND MARK-UP ACCRUED

The Company has not made the provision of mark-up for the period amounting to Rs.6.500 million (Up to 30 June 2014: Rs.56.424 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.6.500 millions and accrued mark-up would have been higher and shareholders' equity would have been lower by Rs. 62.924 million. The said non provisioning is departure from the requirements of IAS-23 'Borrowing Costs'.

12 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise related group companies, associate, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Material transactions and balances with related parties are given below:

Note	March 31, 2015 (Un-audited)	March 31, 2014 (Audited)
	(Rs. in '000)	

Associated Company:

Mark-up expense	68,328	69,636
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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 07 February 2019 by the Board of Directors of the Company.

15 GENERAL

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



Haroon Iqbal
Chief Executive Officer



Muhammad Naeem Uddin Malik
Director