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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](http://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, 2017.

During the period under review net sales is nil, gross loss is Rs. 25.274 million and the after-tax loss is Rs. 28.319 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, 2017**

		March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
<b>ASSETS</b>	Note	(Rs. in '000)	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	294,191	312,748
Available for sale investment	6	7,120	7,120
Long term deposits		3,020	3,020
<b>CURRENT ASSETS</b>			
Stock in trade	7	39,097	39,097
Trade debts		1,397	1,397
Advances - Considered good		11,236	4,973
Short term deposits and receivables		16,008	16,008
Advance income tax		2,713	2,598
Cash and bank balances		1,522	143
		<b>71,973</b>	<b>64,216</b>
		<b>376,304</b>	<b>387,104</b>
<b>EQUITY AND LIABILITIES</b>			
<b>AUTHORIZED SHARE CAPITAL</b>			
21,800,000 (June 2013: 21,800,000)			
Ordinary shares of Rs.10/- each		<b>218,000</b>	<b>218,000</b>
Issued, subscribed and paid-up share capital		<b>214,000</b>	214,000
Reserves - Net		<b>178,184</b>	178,184
Accumulated losses		<b>(1,566,218)</b>	(1,542,161)
		<b>(1,174,034)</b>	<b>(1,149,977)</b>
Surplus on revaluation of property, plant and equipment		<b>68,981</b>	73,243
<b>NON-CURRENT LIABILITIES</b>			
Long term loans - Unsecured	8	<b>94,557</b>	81,902
Deferred liability for staff gratuity		<b>16,446</b>	16,445
Deferred taxation		<b>32,868</b>	39,277
<b>CURRENT LIABILITIES</b>			
Trade and other payables		<b>371,845</b>	368,915
Mark-up accrued		<b>749,429</b>	741,152
Short term finance	9	<b>204,962</b>	204,897
Overdue portion of loan - Secured		<b>11,250</b>	11,250
		<b>1,337,486</b>	1,326,214
<b>CONTINGENCIES</b>			
	10	<b>--</b>	--
		<b>376,304</b>	<b>387,104</b>

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 2017**

	Nine Months Ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
<b>Note</b>	-----Unaudited----- (Rs. in '000)			
<b>Sales - Net</b>	--	--	-	-
Cost of sales	(25,274)	(22,067)	(7,578)	(7,931)
Gross loss	(25,274)	(22,067)	(7,578)	(7,931)
<b>Operating expenses</b>				
Distribution expenses	(371)	(409)	(124)	(136)
Administrative expenses	(2,974)	(4,104)	(909)	(1,353)
Other expenses	--	--	-	-
	(3,345)	(4,513)	(1,033)	(1,489)
<b>Operating loss</b>	(28,619)	(26,580)	(8,611)	(9,420)
Other income	9	3	1	1
Finance cost	(6,118)	(13,792)	(591)	(589)
Loss before taxation	(34,728)	(40,369)	(9,201)	(10,008)
Deferred taxation	6,409	6,641	646	1,872
<b>Loss after taxation</b>	(28,319)	(33,728)	(8,555)	(8,136)
Loss per share - Basic and diluted	(1.32)	(1.58)		

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 2017

	March 31, 2017	March 31, 2016
-----Unaudited----- (Rs. in '000)		
Loss for the period	<b>(28,319)</b>	(33,728)
Changes in fair values of available for sale financial asset	--	(18,704)
Transfer from surplus on revaluation of property, plant and equipment in respect		
- Incremental depreciation	<b>6,177</b>	6,736
- Related deferred tax	<b>(1,915)</b>	(2,155)
	<b>4,262</b>	4,581
<b>Total comprehensive loss for the period</b>	<b><u>(24,057)</u></b>	<u>(47,851)</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 2017**

	March 31, 2017	March 31, 2016
-----Unaudited----- (Rs. in '000)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	<b>(36,889)</b>	(39,731)
<b>Adjustment for non-cash and other items</b>		
Depreciation	<b>22,876</b>	20,447
(Gain) / loss on disposal of fixed assets	<b>(9)</b>	--
Provision for gratuity	<b>--</b>	288
Unwinding of discount / present value adjustment - Net	<b>(2,160)</b>	--
Finance cost	<b>8,278</b>	13,792
	<b>28,985</b>	34,527
	<b>(7,904)</b>	(5,204)
<b>Changes in operating assets and liabilities</b>		
(Increase) / decrease in current assets		
Stock in trade	<b>--</b>	(15)
Trade debts	<b>--</b>	--
Advances	<b>(8,419)</b>	(220)
Increase / (decrease) in current liabilities		
Trade and other payables	<b>2,935</b>	(2,882)
	<b>(5,484)</b>	(3,117)
<b>Payments for:</b>		
Income tax - Net	<b>(110)</b>	(13)
Payment of gratuity	<b>(2)</b>	--
Finance cost	<b>(112)</b>	6,274
	<b>(112)</b>	6,261
Net cash inflows from operating activities	<b>(13,500)</b>	(2,060)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale proceed of fixed assets	<b>--</b>	--
Net cash inflows from investing activities	<b>--</b>	--
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Subordinated loan	<b>14,814</b>	11,911
Payment of long term loan	<b>65</b>	(9,250)
<b>Net cash outflows from financing activities</b>	<b>14,879</b>	2,661
Net increase / (decrease) in cash and cash equivalents	<b>1,379</b>	601
Cash and cash equivalents at beginning of the period	<b>143</b>	136
<b>Cash and cash equivalents at end of the period</b>	<b>1,522</b>	737

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 2017**

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 2015** 214,000 82,090 478,810 86,194 9,900 (1,943,567) (1,072,573)

**Total comprehensive loss for the year**  
 Loss for the period

-	-	-	-	-	(33,728)	(33,728)
Net change in fair value of available-for-sale financial assets	-	(18,704)	-	-	-	(18,704)
Un-realized gain transferred to equity	-	(460,106)	-	-	460,106	-
Incremental depreciation transfer from surplus on revaluation of property, plant and equipment - Net of tax	-	-	-	-	4,581	4,581
	-	(478,810)	-	-	430,959	(47,851)

**Balance as at 31 March 2016** **214,000 82,090 -- 86,194 9,900 (1,512,608) (1,120,424)**

**Balance as at 1 July 2016** 214,000 82,090 - 86,194 9,900 (1,542,161) (1,149,977)

Total comprehensive loss for the year  
 Loss for the period

-	-	-	-	-	(28,319)	(28,319)
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-
Un-realized gain transferred to equity	-	-	-	-	-	-
Incremental depreciation transfer from surplus on revaluation of property, plant and equipment - Net of tax	-	-	-	-	4,262	4,262
	-	-	-	-	(24,057)	(24,057)

**Balance as at 31 March 2015** **214,000 82,090 -- 86,194 9,900 (1,566,218) (1,174,034)**

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 2017**

### **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 2017 reflect that the Company has sustained a net loss after taxation of Rs. 28.319 million (June 2016: Rs. 64.807 million) and, as of that date it has accumulated losses of Rs.1,566.218 million (June 2016: Rs.1,542.161 million) which have resulted in net capital deficiency of Rs.1,174.034 million (June 2016: Rs.1,149.977 million) and its current liabilities exceeded its current assets by Rs. 1,265.513 million (June 2016: Rs.1,261.998 million) and total assets by Rs. 961.182 million (June 2016: Rs. 939.110 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 as mentioned in 29.1 to the financial statements, 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 2016.
- 3.3 The figures included in the condensed interim profit and loss account for the nine months ended 31 March 2017 and 2016 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 2016 and 2015.

### **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 2016.
- 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 2016.

Note	March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
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(Rs. in '000)

## 5 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - At cost less accumulated depreciation	<b>294,191</b>	312,748
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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	<b>40,000</b>	40,000
Accumulated impairment loss on investment	<b>(32,880)</b>	(32,880)
	<b>7,120</b>	7,120

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, 2017 (Un-audited)	June 30, 2016 (Audited)
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(Rs. in '000)

## 7 STOCK IN TRADE

Raw materials and components	<b>127,861</b>	127,861
Work in process	<b>2,701</b>	2,701
Finished goods - Manufacturing stock	<b>3,567</b>	3,567
Trading stock	<b>30,263</b>	30,263
	<b>164,392</b>	164,392
Provision for slow moving and obsolescence stocks	<b>(125,295)</b>	(125,295)
	<b>39,097</b>	39,097

## 8 LONG TERM LOAN - Unsecured

From director - At amortized cost		
Loan received - Opening	8.1 <b>246,980</b>	224,739
Received during the year	<b>14,814</b>	22,241
Accumulated present value adjustment	<b>(220,837)</b>	(211,509)
Accumulated interest charged to profit and loss account	<b>53,600</b>	46,431
	<b>94,557</b>	81,902

## 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.

		March 31, 2017 (Un-audited)	June 30, 2016 (Audited)
(Rs. in '000)			
<b>9 SHORT TERM FINANCE</b>	Note		
From financial institutions - Secured Short term running finance	9.1	<b>49,310</b>	49,310
From related party (associated company) - Unsecured Interest bearing	9.2	<b>154,879</b>	154,879
Temporary book overdraft		<b>773</b>	708
		<b><u>204,962</u></b>	<u>204,897</u>

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 2016: 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, 2016 financial statements.

9.2 This is an unsecured finance from associated company, which carries mark-up @ 7.14% per annum (June 2016: @ 15.62% 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 2016.

### 11 FINANCE COST AND MARK-UP ACCRUED

The Company has not made the provision of mark-up for the period amounting to Rs. 4.275 million (Up to 30 June 2016: Rs.57.816 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. 4.275 millions and accrued mark-up would have been higher and shareholders' equity would have been lower by Rs. 62.091 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, 2017 (Un-audited)	March 31, 2016 (Audited)
(Rs. in '000)		
<b>Associated Company:</b>		
Mark-up expense	<b>8,278</b>	21,466

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