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DEWAN AUTOMOTIVE ENGINEERING LIMITED

Company Information

BOARD OF DIRECTORS

Executive Director

Mr. Haroon Iqbal
CEO & Chairman Board of Directors

Non-Executive Directors

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

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 of the Company for the quarter ended September 30, 2017.

During the period under review net sales is nil, gross loss is Rs. 6.800 million and the after tax loss is Rs.9.691 million.

The sale of local Car/LCV sector for the quarter ended September 30, 2017 has shown a growth of 21% as compared to the corresponding period of last year. The main reason for the growth is the availability of car financing at low interest rate, introduction of new models and better security condition. With availability of bank financing at lower rates, positive economic growth and rising income levels, the outlook of the industry continued to be positive. Due to non-availability of banking lines, the production activity of the Company during the period under review remained suspended. The Company is going through tough conditions and making best endeavors to survive and has taken up the matter with the banks.

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



HAROON IQBAL
Chief Executive Officer & Chairman

Karachi: April 27, 2018

ڈائریکٹرز رپورٹ

دیوان آٹوموٹیووانجینئرنگ لمیٹڈ کا بورڈ آف ڈائریکٹرز مورخہ 30 ستمبر 2017ء کو ختم ہونے والی سہ ماہی کے غیر آڈٹ شدہ رپورٹ مع مالی گوشارے آپ کے سامنے پیش کرتے ہوئے مسرت کے ساتھ خیر مقدم کرتا ہے۔ اقتصادی جائزہ زیر نظر سہ ماہی رپورٹ میں کمپنی کی کارکردگی کچھ اس طرح رہی۔ پیداواری سرگرمیاں نہ ہونے کی وجہ سے فروخت صفر رہی جبکہ مجموعی خسارہ 6.800 ملین روپے اور بعد از ٹیکس خسارہ 9.691 ملین روپے رہا۔

مورخہ 30 ستمبر 2017ء کو ختم ہونے والی سہ ماہی میں مقامی طور پر کار/LCV کی تیاری میں گزشتہ سال کے مقابلے میں 21% بڑھوتری نظر آرہی ہے۔ شرح پیداوار میں اضافہ کی بنیادی وجہ بینکوں کا کم شرح سود ہے۔ نئے ماڈل کی گاڑیوں کی آمد اور ملک کے بہتر ہوتے حالات ہیں۔ کم شرح سود پر قرضہ جات کی فراہمی، مثبت پیداواری سرگرمی اور آمدنی میں اضافہ صنعتوں میں استحکام لاسکتا ہے۔ بینکنگ لائنوں کی عدم دستیابی کے باعث زیر نظر سہ ماہی میں بھی کمپنی کی پیداواری سرگرمیاں معطل رہیں۔ کمپنی اپنے مشکل حالات میں بقا کیلئے سخت محنت کر رہی ہے اور معاملات کو بینکوں کے سامنے رکھا ہے۔

آخر میں ہم اللہ سبحانہ و تعالیٰ سے دعا گو ہیں کہ وہ نبی آخر الزماں حضرت محمد ﷺ پر کروڑ ہا رحمتیں اور برکتیں نازل فرمائے اور حضرت محمد ﷺ کے صدقہ طفیل میں ہمیں درست رہنمائی کے ساتھ طاقت اور صحت عطا فرمائے۔ ہماری کمپنی کو ملک و قوم کی خوشحالی کا باعث بنائے۔ ہمیں امن و سکون، اخوت و بھائی چارے کے ساتھ سچی مملت اسلامیہ بنائے۔ آمین یا رب العالمین۔



ہارون اقبال

چیف ایگزیکٹو آفیسر و چیئر مین

کراچی مورخہ 27 اپریل 2018ء

Condensed Interim Balance Sheet As at September 30, 2017

	Note	September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
(Rs. in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	282,291	288,005
Available for sale investment	6	7,120	7,120
Long term deposits		3,020	3,020
CURRENT ASSETS			
Stock in trade	7	--	--
Advances - Considered good		10,434	10,059
Sales tax receivable		16,008	16,008
Advance income tax		2,428	2,277
Cash and bank balances		853	132
		<u>29,723</u>	<u>28,476</u>
		<u>322,154</u>	<u>326,621</u>
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
Reserves - Net		178,184	178,184
Accumulated losses		(1,583,098)	(1,574,729)
		<u>(1,190,914)</u>	<u>(1,182,545)</u>
Surplus on revaluation of property, plant and equipment		66,239	67,561
NON-CURRENT LIABILITIES			
Long term loans - Unsecured	8	114,282	113,726
Deferred liability for staff gratuity		16,720	16,720
Deferred taxation		31,656	32,223
CURRENT LIABILITIES			
Trade and other payables		365,079	362,635
Mark-up accrued		752,963	750,172
Short term finance	9	154,879	154,879
Overdue portion of loan - Secured		11,250	11,250
		<u>1,284,171</u>	<u>1,278,936</u>
CONTINGENCIES			
	10	--	--
		<u>322,154</u>	<u>326,621</u>

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 Profit And Loss Account - (Un-audited)
For The Quarter Ended 30 September 2017

	Quarter Ended	
	September 30, 2017	September 30, 2016
Note	------(Rupees in '000)-----	
Sales - Net	-	--
Cost of sales	(6,800)	(8,985)
Gross loss	(6,800)	(8,985)
Operating expenses		
Distribution expenses	(112)	(124)
Administrative expenses	(549)	(1,050)
Other expenses	--	--
	(661)	(1,174)
Operating loss	(7,461)	(10,159)
Other income	1	--
Finance cost	11 (2,792)	(2,748)
Loss before taxation	(10,252)	(12,907)
Deferred taxation	561	1,131
Loss after taxation	(9,691)	(11,776)
Loss per share - Basic and diluted	(0.45)	(0.55)

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 Comprehensive Income - (Un-audited)
For The Quarter Ended 30 September 2017

Quarter Ended	
September 30, 2017	September 30, 2016

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

Loss for the period	(9,691)	(11,776)
Transfer from surplus on revaluation of property, plant and equipment in respect		
- Incremental depreciation	1,883	3,428
- Related deferred tax	(561)	(1,131)
	1,322	2,297
Total comprehensive loss for the period	<u>(8,369)</u>	<u>(9,479)</u>

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 Cash Flows - (Un-audited)
For The Quarter Ended 30 September 2017

	September 30, 2017	September 30, 2016
	(Rs. in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(10,252)	(12,907)
Adjustment for non-cash and other items		
Depreciation	5,708	6,185
Finance cost	2,792	2,748
	8,500	8,933
	(1,752)	(3,974)
Changes in operating assets and liabilities		
(Increase) / decrease in current assets		
Advances	(375)	(205)
Increase / (decrease) in current liabilities		
Trade and other payables	2,444	2,099
	2,069	1,894
Payments for:		
Income tax - Net	(151)	(106)
Finance cost	(1)	(2)
	(152)	(108)
Net cash outflows from operating activities	165	(2,188)
CASH FLOWS FROM INVESTING ACTIVITIES	--	4
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loan from director	556	4,123
Short term finance - Unsecured	--	30
Net cash inflow from financing activities	556	4,153
Net increase in cash and cash equivalents	721	1,969
Cash and cash equivalents at beginning of the period	132	143
Cash and cash equivalents at end of the period	853	2,112

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 Of Changes In Equity - (Un-audited) For The Quarter Ended 30 September 2017

Issued, subscribed and paid-up share capital	Capital reserves		Revenue reserves		Total
	Merger reserve	Settlement claim from Ford	General reserve	Accumulated losses	

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

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	-	-	-	-	(11,776)	(11,776)
Incremental depreciation transfer from surplus on revaluation of property, plant and equipment - Net of tax	-	-	-	-	2,297	2,297
	-	-	-	-	(9,479)	(9,479)
Balance as at 30 September 2016	214,000	82,090	86,194	9,900	(1,551,640)	(1,159,456)
Balance as at 1 July 2017	214,000	82,090	86,194	9,900	(1,574,729)	(1,182,545)
Total comprehensive loss for the year						
Loss for the period	-	-	-	-	(9,691)	(9,691)
Incremental depreciation transfer from surplus on revaluation of property, plant and equipment - Net of tax	-	-	-	-	1,322	1,322
	-	-	-	-	(8,369)	(8,369)
Balance as at 30 September 2017	214,000	82,090	86,194	9,900	(1,583,098)	(1,190,914)

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



Haroon Iqbal
Chief Executive Officer



Muhammad Naem Uddin Malik
Director

**Notes To The Condensed Interim Financial Information - (Un-audited)
For The Quarter Ended 30 September 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 quarter ended 30 September 2017 reflect that the Company has sustained a net loss after taxation of Rs. 9.691 million (June 2017: Rs.38.250 million) and, as of that date it has accumulated losses of Rs.1,583.098 million (June 2017: Rs.1,574.729 million) which have resulted in net capital deficiency of Rs.1,190.914 million (June 2017: Rs.1,182.545 million) and its current liabilities exceeded its current assets by Rs.1,254.448 million (June 2017: Rs.1,250.460 million) and total assets by Rs.962.017 million (June 2017: Rs.952.315 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 quarter ended September 30, 2017 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 2017.

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 2017.
- 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 2017.

DEWAN AUTOMOTIVE ENGINEERING LIMITED

Note	September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
(Rs. in '000)		
5	PROPERTY, PLANT AND EQUIPMENT	
	Operating fixed assets - At cost less accumulated depreciation	288,005
	282,291	<u>288,005</u>
6	AVAILABLE FOR SALE INVESTMENT	
	Investment in associated company Dewan Mushtaq Trade Limited (Public, unquoted company) 4,000,000 (June 2017: 4,000,000)	40,000
	Ordinary shares of Rs.10/- each	(32,880)
	Accumulated impairment loss on investment	(32,880)
	40,000	<u>40,000</u>
	(32,880)	<u>(32,880)</u>
	7,120	<u>7,120</u>

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	September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
(Rs. in '000)		
7	STOCK IN TRADE	
	Raw materials and components	127,861
	Work in process	2,701
	Finished goods - manufacturing stock	3,567
	Trading stock	30,263
	127,861	<u>127,861</u>
	2,701	<u>2,701</u>
	3,567	<u>3,567</u>
	30,263	<u>30,263</u>
	164,392	<u>164,392</u>
	Provision for slow moving and obsolescence stocks	(164,392)
	(164,392)	<u>(164,392)</u>
	--	<u>--</u>
8	LONG TERM LOAN - Unsecured	
	From director - At amortized cost	
	Loan received - Opening	246,980
	Received during the period / year	60,125
	Present value adjustment	(249,368)
	Interest charged to profit and loss account	55,989
	307,105	<u>246,980</u>
	556	<u>60,125</u>
	(249,368)	<u>(249,368)</u>
	55,989	<u>55,989</u>
	114,282	<u>113,726</u>

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	September 30, 2017 (Un-audited)	June 30, 2017 (Audited)
(Rs. in '000)			
9 SHORT TERM FINANCE			
From related party (associated company) - Unsecured Interest bearing	9.1	154,879	154,879

9.1 This is an unsecured finance from associated company, which carries mark-up @ 7.14% per annum (June 2017: @ 7.14% 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 2017.

11 FINANCE COST AND MARK-UP ACCRUED

Company has not made the provision of mark-up for the period amounting to Rs.0.132 million (Up to 30 June 2017: Rs.13.181 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.0.132 millions and accrued mark-up would have been higher and shareholders' equity would have been lower by Rs.13.313 million. The said non provisioning is departure from the requirements of IAS-23 'Borrowing Costs'.

DEWAN AUTOMOTIVE ENGINEERING LIMITED

Note	September 30, 2017 (Un-audited)	September 30, 2017 (Audited)
	(Rs. in '000)	

12 TRANSACTIONS WITH RELATED PARTIES

Associated company:

Mark-up expense	<u>2,791</u>	<u>2,748</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 April 27, 2018 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

