

ANNUAL REPORT  
**2016**



**DEWAN FAROOQUE MOTORS LIMITED**



**YD**

| A YOUSUF DEWAN COMPANY

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## Company Information

### Executive Directors

Dewan Muhammad Yousuf Farooqui Chairman Board of Directors  
 Mr. Waseem-ul- Haque Ansari  
 Mr. Muhammad Naeemuddin Malik  
 Mr. Mohammad Saleem Baig

### Non-Executive Directors

Mr. Haroon Iqbal  
 Syed Muhammad Anwar

### Independent Director

Mr. Aziz-ul-Haque

### CHIEF EXECUTIVE OFFICER

Dewan Muhammad Yousuf Farooqui

### CFO & COMPANY SECRETARY

Mr. Muhammad Naeem Uddin Malik

### AUDIT COMMITTEE MEMBERS

|                     |          |
|---------------------|----------|
| Mr. Aziz-ul-Haque   | Chairman |
| Syed Muhammad Anwar | Member   |
| Mr. Haroon Iqbal    | Member   |

### HUMAN RESOURCE & REMUNERATION COMMITTEE MEMBERS

|                                |          |
|--------------------------------|----------|
| Mr. Haroon Iqbal               | Chairman |
| Dewan Muhammad Yousuf Farooqui | Member   |
| Mr. Aziz-ul-Haque              | Member   |

### BANKERS

Allied Bank of Pakistan Limited  
 Askari Bank Limited  
 Bank Al Falah Limited  
 Faysal Bank Limited  
 Habib Bank Limited  
 Meezan Bank Limited  
 National Bank of Pakistan  
 NIB Bank Limited  
 Pak Oman Investment Company Limited  
 Silk Bank Limited  
 Saudi Pak Industrial and Agricultural  
 Investment Co. (Pvt.) Limited  
 Standard Chartered Bank  
 Summit Bank  
 The Bank of Khyber  
 The Bank of Punjab  
 United Bank Limited

### AUDITORS

Feroze Sharif Tariq & Co.  
 Chartered Accountants  
 4/N/4, Block 6, P.E.C.H.S.,  
 Karachi.

### LEGAL ADVISORS

A.K. Brohi & Co.

### TAX ADVISOR

Sharif & Co. (Advocates)  
 3rd Floor, Uni Plaza,  
 I.I. Chundrigar Road, Karachi.

### SHARES REGISTRAR / TRANSFER AGENT

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

### REGISTERED OFFICE

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

### CORPORATE OFFICE

7th & 8th Floor, Block 'A',  
 Finance & Trade Centre,  
 Off Shahrah-e-Faisal,  
 Karachi.

### REGIONAL OFFICES

Lahore  
 Dewan Centre, PIA Tower,  
 Egerton Road,

### Islamabad

House # 58, F-7/2,  
 Margalla Road,

### FACTORY

Jilaniabad, Budhu Talpur,  
 District Sajawal,  
 Sindh.

## Mission Statement

To be the No. 1 automobile company in Pakistan

- ✿ To assume leadership role in the technological advancement of the industry and to achieve the highest level of quantitative indigenization.
- ✿ To offer high value, economical and qualitative solutions to address the commuting needs of a diverse range of customers.
- ✿ To seek long-term and good relations with our suppliers and dealers with fair, honest and mutually profitable dealings.
- ✿ To be a totally customer oriented company and to achieve Total Customer Satisfaction.
- ✿ To create a work environment, which motivates recognizes and rewards achievements at all levels of the organization.
- ✿ To produce environment friendly vehicles.
- ✿ To be a contributing corporate citizen for the betterment of society, and to exhibit a socially responsible behavior.

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of Dewan Farooque Motors Limited ("DFML" or "the Company") will be held on Thursday, October 27, 2016, at 02:30 p.m. at Dewan Cement Limited Factory Site, at Deh Dhand, Dhabeji, District Malir, Karachi, Pakistan; to transact the following businesses upon recitation from Holy Qur'aan and other religious recitals:

### Ordinary Business:

1. To confirm the minutes of the preceding Extra Ordinary General Meeting of the Company held on Thursday, May 19, 2016;
2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2016, together with the Directors' and Auditors' Reports thereon;
3. To appoint the Statutory Auditors' of the Company for the ensuing year, and to fix their remuneration;
4. To consider any other business with the permission of the Chair.

### Special Business:

1. To consider and approve short term loan to an associated company in compliance with the provisions of Section 208 of the Companies Ordinance, 1984.

By order of the Board



**Muhammad Naeem Uddin Malik**  
**Company Secretary**

Karachi: October 01, 2016

**"Statement under Section 160(1)(b) of the Companies Ordinance, 1984, concerning the Special Business, is attached along with the Notice circulated to the members of the Company, and is deemed an integral part hereof"**

### NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from October 20, 2016 to October 27, 2016 (both days inclusive).
2. Members are requested to immediately notify change in their addresses, if any, at our Shares Registrar Transfer Agent BMF Consultants Pakistan (Private) Limited, located at Anum Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, adjacent to Baloch Colony Bridge, Karachi, Pakistan.

3. A member of the Company entitled to attend and vote at this meeting, may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company at the above said address, not less than 48 hours before the meeting.
4. CDC Account holders will further have to observe the following guidelines, as laid down in Circular 01 dated January 20, 2000, issued by the Securities and Exchange Commission of Pakistan:

**a) For Attending Meeting:**

- i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original National Identity Card (CNIC), or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney, along with the specimen signature of the nominee, shall be produced (unless it has been provided earlier) at the time of meeting.

**b) For Appointing Proxies:**

- i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements.
- ii) Two persons, whose names, addresses, and CNIC numbers shall be mentioned on the form, shall witness the proxy.
- iii) Attested copies of CNIC or passport of the beneficial owners and proxy shall be furnished along with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney, along with the specimen signature of the nominee, shall be produced (unless it has been provided earlier) along with the proxy form to the Company.

## Statement Under Clause (B) of Sub-section (1) of Section 160 of The Companies Ordinance, 1984

This statement is annexed as an integral part of the Notice of the Eighteenth Annual General Meeting of Dewan Farooque Motors Limited ("the Company" or "DFML") to be held on Thursday, October 27, 2016 at Dewan Cement Factory Site, at Deh Dhando, Dhabeji, District Malir, Karachi, Pakistan; and sets out the material facts concerning the Special Business to be transacted at the meeting.

### SPECIAL BUSINESS

To consider and approve renewal of the sanctioned limit of short term loan to an associated company in compliance with the provisions of Section 208 of the Companies Ordinance, 1984.

| SR #   | DESCRIPTION  | LOANS AND ADVANCES                                 |
|--|--|--|
|  |  | <b>Dewan Automotive Engineering Limited</b>        |
| a)   | Total Investment approved  | Rs. 679.325 million                                |
| b)   | Amount of investment made to-date  | Rs. 154.878 million                                |
| c)   | Reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and                     | Loan Adjusted                                      |
| d)   | Material change in the financial statement of associated company since date of the resolution passed for approval of investment in such Company: | June 2012  |
| e)   | (Loss) per share   | -9.01  |
| f)   | Shareholders equity  | -1,767.261   |
| g)   | Total Assets   | 803.178  |
| h)   | Break-up Value   | -82.58   |
| <b>RENEWAL IN PREVIOUS LIMITS REQUESTED I.E:</b> |  | Sanctioned<br>To be reduced to Rs. 154.878 million |

In this regard, the following resolution is proposed to be passed, with or without modification, as a "SPECIAL RESOLUTION":

**"RESOLVED THAT, the company, in accordance with the provisions of Section 208 of the Companies Ordinance, 1984, Clause 111 (X) of the Memorandum of Association and the terms and conditions hereby approved in the Seventeenth Annual General Meeting of the Company, be and is hereby authorized and empowered to renew the adjusted sanctioned limit for short term loan sought for approval in the previous general meeting in respect of following associated company:**

### LOAN

**Borrowing Company:**  
**Dewan Automotive Engineering Limited**

**(Rupees in Million)**  
**154.878**

**The renewal of the limits shall be for a period of one year and shall be renewable in the next general meeting for further period of one year."**



## Directors' Report

The Board of Directors of Dewan Farooque Motors Limited is pleased to present its annual report along with the Company's audited financial statements for the year ended June 30, 2016 and welcomes you to the 18th Annual General Meeting.

### Financial Overview

The summary of financial performance for the year, along with the comparative figures of financial year 2016 is as follows:

|                      | Year ended<br>June 30, 2016     | Year ended<br>June 30, 2015 |
|----------------------|---------------------------------|-----------------------------|
|                      | ------(Rupees in thousand)----- |                             |
| Gross Sales          | 23,827                          | 65,154                      |
| Gross (loss)         | (130,742)                       | (132,746)                   |
| Operating (loss)     | (204,149)                       | (222,919)                   |
| Net (loss) after tax | (43,060)                        | (113,287)                   |

### Year under review:

Overall automobile sector sales in the passenger car and LCV segment for FY16 has shown a significant growth of 21% when compared with the last year, the total units sold being 215,793. The continued strong sale of car models introduced last year, lowest car financing rates, extra demand under 'Apna Rozgar Scheme' launched by the Government of Punjab which has concluded in February 2016, better law and order situation in the Country and improved macroeconomic conditions are the main factors behind the surge in volumes. With the growth in Pakistan's economy it is expected that the automobile sales volumes will further improve. The new Auto Development Policy 2016-21 which the Government has announced in the last quarter of FY16 has offered incentives to attract investment in green field projects as well as revival of closed units. It is expected that the new policy will attract entry of new players in Pakistan market and will ensure healthy competition.

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 current financial situation, the Company is taking various countermeasures and has taken up the matter with the banks. The proposal for re-profiling of Company's debts is expected to be completed in the near future and the operations of the Company will be normalized. The details of overdue loans from the banks and other financial institutions/leasing companies have been disclosed in the notes to the accounts. Subsequent to year end the Company has entered into an agreement with Daehan-Dewan Motor Company (Pvt.) Ltd for manufacture of vehicles under toll manufacturing arrangement and the production is expected to start in near future.

The Auditors have qualified the report due to significance of the matter as referred in Para (a) and (b) of the Auditors Report. The Management has explained the status of the matter in respective notes to the financial statements. The Management is fully confident that the company would be able to, finalize the financial restructuring with the lenders and will come out of current situation.

We humbly and gratefully bow our heads before Almighty Allah, the most Gracious and most Merciful, who has rewarded and blessed your Company with His Innumerable bounties in these difficult times.

**IF YE GIVE THANKS, I WILL GIVE YOU MORE (AL-QURAN)**



### Corporate and financial reporting framework:

- The financial statements for the year ended June 30, 2016, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flow and changes in equity;
- Proper books of accounts of the company have been maintained;
- Appropriate accounting policies, except as disclosed in note 2.6.2, have been consistently applied in preparation of financial statements for the year ended June 30, 2016 and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards (IFRS) as applicable in Pakistan, have been followed in preparation of financial statements and departure there from, if any, has been adequately disclosed in the financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- The Management has explained their views in detail regarding the going concern ability of the company in note 1.1 and non-provisioning of mark up in note 23 of the annexed financial statements.
- There has been no material departure from the best practice of the corporate governance, as detailed in the listing regulations of the stock exchange of Pakistan;
- Summarized key operating and financial data of last six years is enclosed with the report;
- All taxes have been paid and nothing is outstanding, except as disclosed in note 16 of the annexed audited financial statement;
- The fair value of the Provident Fund's Investment as at June 30, 2016 was Rs.65.990 (2015: Rs.64.419) million.
- The Board of Directors comprise of individuals with diversified knowledge who endeavor to contribute towards the aim of the Company with the best of their abilities. During the year five meetings of the Board were held. The attendance of directors was as follows;

#### NAME OF DIRECTOR

#### NO. OF MEETINGS ATTENDED

|                                |   |
|--------------------------------|---|
| Dewan Mohammad Yousuf Farooqui | 5 |
| Dewan Abdul Rehman Farooqui    | 5 |
| Mr. Haroon Iqbal               | 6 |
| Mr. Aziz-ul-Haque              | 6 |
| Mr. Waseem-ul-Haq Ansari       | 6 |
| Mr. Syed Muhammad Anwar        | 6 |
| Mr. Ishtiaq Ahmed              | 5 |
| Mr. Muhammad Naeemuddin Malik  | 1 |

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Leave of absence was granted to directors who could not attend Board meetings.

The audit committee comprises of three directors, one of them is an independent director and two are non-executive directors. During the year four meeting were held, members' attendance in these meeting is as under:

| <b>Name of Director</b>         | <b>No. of meetings attended</b> |
|---------------------------------|---------------------------------|
| Mr. Aziz-ul-Haque               | 4                               |
| Mr. Haroon Iqbal                | 4                               |
| Mr. Dewan Abdul Rehman Farooqui | 4                               |

During the year one meeting of the human resource & remuneration committee was held, members' attendance in these meeting is as under:

| <b>Name of Director</b>        | <b>No. of meetings attended</b> |
|--------------------------------|---------------------------------|
| Mr. Haroon Iqbal               | 1                               |
| Dewan Muhammad Yousuf Farooqui | 1                               |
| Mr. Aziz-ul-Haque              | 1                               |

### **Auditors:**

The present Auditors M/s. Feroze Sharif Tariq & Co. (Chartered Accountants) have retired and offers themselves for re-appointment.

The Board of Director on recommendation of the Audit committee has recommended the re-appointment of M/s. Feroze Sharif Tariq & Co. (Chartered Accountants).

### **Loss per share**

The Loss per Share is Re. 0.40

### **Dividend**

Due to accumulated losses and the circumstances explained above, the directors have not recommended dividend for the year.

### **Pattern of Shareholding:**

The Pattern of Shareholding of the Company as at June 30, 2016 is included in the Annual Report.

### **Trading in Company Shares**

None of the Directors, Executives, and their spouses and minor children have traded in the shares of the Company during the year.

### **Vote of Thanks:**

On behalf of the Board, I thank you, the valued shareholders, Federal and Provincial Governments and their functionaries, banks, development financial institutions, leasing companies, dealers, vendors and customers for their continued support and patronage.

The Board would also like to appreciate the valuable services, loyalty and efforts rendered by the executives, staff members and workers of the Company, during the year under review.

**Conclusion:**

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-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 Board of Directors

**Statement under section 241 (2) of the Companies Ordinance, 1984**

The chief Executive Officer of the Company is presently out of country and hence, these financial statements have been signed by the two directors as required under section 241 (2) of the Companies Ordinance 1984.



**Haroon Iqbal**  
Director



**Aziz-ul-Haque**  
Director

Karachi: September 30, 2016

## Key Operating and Financial Data

| PARTICULARS                                       | 2016                     | 2015        | 2014        | 2013        | 2012        | 2011        |
|---|--------------------------|-------------|-------------|-------------|-------------|-------------|
|   | ..... Rs. in '000' ..... |             |             |             |             |             |
| Gross Sales                                       | <b>23,827</b>            | 65,154      | 1,195,574   | 3,533       | 3,263       | 210,025     |
| Net Sales   | <b>19,801</b>            | 54,161      | 986,779     | 3,044       | 3,047       | 176,383     |
| Gross (loss) / profit                             | <b>(130,742)</b>         | (132,746)   | (54,987)    | (165,072)   | (189,113)   | (301,939)   |
| Operating (loss) / profit                         | <b>(204,149)</b>         | (222,919)   | (183,761)   | (243,694)   | (287,854)   | (486,623)   |
| (Loss) / profit before tax                        | <b>(43,060)</b>          | (113,287)   | (105,209)   | (316,740)   | (228,637)   | (1,228,916) |
| (Loss) / profit after tax                         | <b>(43,060)</b>          | (113,287)   | (115,428)   | (316,740)   | (221,463)   | (1,219,753) |
| Retained Earnings                                 | <b>(3,413,036)</b>       | (3,369,976) | (3,256,688) | (3,246,869) | (3,026,061) | (2,856,492) |
| Share Capital                                     | <b>1,087,353</b>         | 1,087,353   | 1,087,353   | 1,087,353   | 1,087,353   | 1,087,353   |
| Shareholders Equity                               | <b>(2,025,683)</b>       | (2,282,623) | (2,169,335) | (2,159,516) | (1,938,708) | (1,769,139) |
| Fixed Assets                                      | <b>1,158,584</b>         | 1,241,244   | 1,328,587   | 1,435,041   | 1,553,240   | 1,683,939   |
| Total Assets                                      | <b>3,491,470</b>         | 3,428,311   | 3,480,449   | 4,036,261   | 4,141,633   | 4,278,755   |
| <b>FINANCIAL ANALYSIS</b>                         |                          |             |             |             |             |             |
| <b>Profitability Ratios</b>                       |                          |             |             |             |             |             |
| Gross (Loss) / Profit Margin                      | <b>-660.28%</b>          | -245.10%    | -5.57%      | -5423.19%   | -6206.97%   | -171.18%    |
| Operating (loss) / profit Margin                  | <b>-1031.00%</b>         | -411.59%    | -18.62%     | -8006.20%   | -9447.78%   | -275.89%    |
| (loss) / profit before tax                        | <b>-217.46%</b>          | -209.17%    | -10.66%     | -10406.00%  | -7504.18%   | -696.73%    |
| (loss) / profit after tax                         | <b>-217.46%</b>          | -209.17%    | -11.70%     | -10406.00%  | -7268.73%   | -691.54%    |
| <b>Return on Investment</b>                       |                          |             |             |             |             |             |
| (loss) / Earnings per share before tax (Rs/share) | <b>(0.40)</b>            | (1.04)      | (0.97)      | (2.91)      | (2.10)      | (13.13)     |
| (loss) / Earnings per share after tax (Rs/share)  | <b>(0.40)</b>            | (1.04)      | (1.06)      | (2.91)      | (2.04)      | (13.02)     |
| <b>Activity Ratios</b>                            |                          |             |             |             |             |             |
| Sales to Total Assets-Times                       | <b>0.01</b>              | 0.02        | 0.34        | 0.00        | 0.00        | 0.05        |
| Sales to Fixed Assets-Times                       | <b>0.02</b>              | 0.05        | 0.90        | 0.00        | 0.00        | 0.12        |
| <b>Liquidity Ratios</b>                           |                          |             |             |             |             |             |
| Current ratio (excluding current maturity of LTL) | <b>0.30</b>              | 0.40        | 0.41        | 0.52        | 0.52        | 0.53        |
| Current ratio (including current maturity of LTL) | <b>0.23</b>              | 0.32        | 0.32        | 0.42        | 0.42        | 0.44        |
| Book value per share (Rs)                         | <b>(18.63)</b>           | (20.99)     | (19.95)     | (19.86)     | (17.83)     | (18.90)     |

## Statement Of Compliance with The Code Of Corporate Governance For the Year Ended June 30, 2016

The statement is being presented to comply with the Code of Corporate Governance ("CCG") contained in the Listing Regulation No. 5.19.23 of the Rule Book of Pakistan Stock Exchange Limited ("PSX") for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the board includes One Independent Director, Three Non-Executive Directors and Three Executive Directors of the Company.

| Category                | Name of Directors  |
|-------------------------|--|
| Independent Director    | Aziz-ul-Haque  |
| Executive Directors     | Dewan Muhammad Yousuf Farooqui<br>Waseem-ul-Haque Ansari<br>Muhammad Naeem Uddin Malik |
| Non-Executive Directors | Dewan Abdul Rehman Farooqui<br>Haroon Iqbal<br>Syed Muhammad Anwar                     |

2. Five Directors have confirmed that they are not serving as director in more than seven listed companies including this Company, however, two directors are serving as director in more than seven listed Yousuf Dewan Companies.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the board on August 28, 2015 was filled up by the Directors within four days while another casual vacancy occurring on the board on February 24, 2016 was filled up by the Directors on the same day.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors have been taken by the board/shareholders.

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8. The meetings of the board were presided over by the Chairman and, in his absence, by the director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified on clause (xi) of CCG, two directors are exempted from the requirement of directors' training program and three of the Directors are qualified under the directors training program.
10. There was no change in the position of CFO, Company Secretary and Head of Internal Audit during the year.
11. The Directors report for this year has been prepared in compliance with the requirement of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The director, CEO and executives do not hold any interest in the shares of the company other than the disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of CCG.
15. The board has formed an Audit Committee. It comprises three members of whom one is an independent director, who is also the Chairman and two members are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members of whom one is an independent director, one is an executive director and one is a non-executive director and the Chairman of the committee is a non-executive director.
18. The board has set up an effective internal audit function. The staffs are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation Accountants (IFAC) guidelines on code of ethics are adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The closed period, prior to the announcement of interim/final results, and business decisions, which may materially effect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all the other material principles enshrined in the CCG have been complied with.

**Statement under section 241 (2) of the Companies Ordinance, 1984**

The chief Executive Officer of the Company is presently out of country and hence, these financial statements have been signed by the two directors as required under section 241 (2) of the Companies Ordinance 1984.



**Haroon Iqbal**  
Director



**Aziz-ul-Haque**  
Director

Karachi: September 30, 2016



## **REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Dewan Farooque Motors Limited** ("the Company") to comply with the Rule book of Pakistan Stock Exchange Limited Chapter 5, clause 5.19.23 (b) of the Code of Corporate Governance, where the company is listed.

The responsibility for compliance with the 'Code of Corporate Governance' is that of the Board of Directors of the company. Our responsibility is to review, to the extent, where such compliance can be objectively verified, whether the 'Statement of Compliance' reflects the status of the company's compliance with the provisions of the 'Code of Corporate Governance' and report if it does not and to highlight any compliance with the requirements of the code. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Director's Statement on internal Control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

The code requires the Company to place before the Audit committee, and upon recommendation of the Audit committee, place before the Board of Directors for their consideration and approval its related party transactions distinguishing between transactions carried out on term equivalent to those that prevail in arm's length transactions and transaction which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Following instances of Non-compliances with the requirements of the Code were observed which are not stated in the Statement of Compliance.

- a) Chairman of the company has been elected from executive directors, furthermore he also holds position of Chief Executive officer, Whereas code requires that chairman shall be elected from non-executive directors and chairman and Chief Executive Officer shall not be the same person;
- b) The board has includes one independent director, whereas in our opinion he does not meet the criteria of independence due to his cross director ship in other group companies.

- c) The chairman of Audit committee is not an independent director due to the reason reflect in para (b) above.

Based on our review, except for the above instances of non compliance, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2016.

Futhermore, we highlight that two directors of the company are serving as director in more than seven listed Companies as reflected in the note 2 in the statement of compliance.



(CHARTERED ACCOUNTANTS)

Place: Karachi

Date: September 30, 2016

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Dewan Farooque Motors Limited, as at June 30, 2016, and related Profit and Loss account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended, and we state that, we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) The financial statements of the company for the year ended June 30, 2016 as disclosed in note 1.1 to the financial Statements reflect loss after taxation of Rs. 43.060 (2015: Rs. 113.287) million and as of that date it has accumulated losses of Rs. 3.413 (2015: Rs.3.370) billion which resulted in net capital deficiency of Rs. 2.026 (2015: Rs. 2.283) billion and its current liabilities exceeded its current assets by Rs. 4.211 (2015: Rs.3.882) billion and total assets by Rs. 2.004 (2015: Rs. 2.261) billion without providing the markup as refer in below para (b). The operations of the company were closed from November 2010 to August 2013 and reclose since March 2014 due to working capital constraints. Furthermore, the company has been unable to ensure timely repayments of debts owing to financial institutions due to liquidity problems and short term finance facilities have expired and not been renewed by banks. Following course, certain lenders have gone into litigation for repayment of liabilities through attachment and sale of company's hypothecated / mortgaged properties as disclosed in note 18.4 to the financial Statements. These conditions lead us to believe that the going concern assumption used in preparation of these financial Statements is inappropriate; consequently, the assets and liabilities should have been stated at their realizable and settlement amounts respectively.
- b) The company has not made provision of markup for the year amounting to Rs. 324.431 million (refer note 23) on account of restructuring proposal offered to the lenders as described in note 1.1 to the financial statements. Non-provisioning of markup is based on management's hope that the restructuring proposal will be accepted by lenders in the proposed manner. In our opinion, since the proposal has not been accepted by the lenders so far and the lenders, instead of accepting the restructuring proposal, have preferred filing suits against the company, therefore the provision of markup should be made in these financial statements. Had the provision of markup been made in the financial statements, the loss after taxation for the year would have been higher by Rs. 324.431 million and markup payable would have been higher and shareholders' equity would have been lower by Rs. 4.404 billion.

- c) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- d) in our opinion:
- i) the Balance Sheet and Profit and Loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
- ii) the expenditure incurred during the year was for the purpose of the Company's business; and
- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- e) in our opinion, and to the best of our information and according to the explanations given to us, because of the significance of the matters discussed in para (a) further coupled with the effects of the matter discussed in para (b) above, the Balance Sheet, Profit & Loss Account, statement of Comprehensive income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof do not conform with approved accounting standards as applicable in Pakistan, and, do not give the information required by the Companies Ordinance, 1984, in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the loss its Comprehensive income, Cash flows and Changes in Equity for the year then ended; and
- f) In our opinion, "no Zakat was deductible at source under the Zakat and Ushr Ordinance 1980".

Without further, modifying our opinion, we draw attention to the following;

As part of our audit of the financial statements for the year ended June 30, 2016, we also audited the adjustments on account of change in accounting policy and Estimates as described in note 35 to the financial statements that were applied to amend the financial statements for the year ended June 30, 2015 and 2014. In our opinion, such adjustments are appropriate and have been properly reflected.



Place: KARACHI  
Dated: September 30, 2016

**CHARTERED ACCOUNTANTS**  
Audit Engagement Partner: Mohammad Ghalib

# Balance Sheet

As At June 30, 2016

|   | Note | June 30,<br>2016   | Restated<br>June 30,<br>2015 | Restated<br>June 30,<br>2014 |
|---|------|--------------------|------------------------------|------------------------------|
| <b>ASSETS</b>   |      |                    |                              |                              |
| ----- (Rs. in '000) -----   |      |                    |                              |                              |
| <b>NON-CURRENT ASSETS</b>   |      |                    |                              |                              |
| Property, Plant and Equipment   | 3    | <b>1,158,584</b>   | 1,241,244                    | 1,328,587                    |
| Long-term deposits (with leasing companies)                             |      | <b>36,000</b>      | 36,000                       | 36,000                       |
| Investment  | 4    | <b>1,012,246</b>   | 343,194                      | 297,473                      |
| <b>CURRENT ASSETS</b>   |      |                    |                              |                              |
| Stores and spares   | 5    | <b>63,914</b>      | 66,333                       | 71,235                       |
| Stock-in-trade  | 6    | <b>95,907</b>      | 89,065                       | 143,390                      |
| Trade debts - considered good   |      | <b>22,859</b>      | 22,259                       | 24,405                       |
| Short term loans to associated undertakings - considered good           | 7    | <b>154,879</b>     | 738,984                      | 738,984                      |
| Advances, deposits, prepayments and other receivables- considered Good  | 8    | <b>786,406</b>     | 750,109                      | 693,090                      |
| Taxation - net  | 9    | <b>22,066</b>      | 18,921                       | 17,295                       |
| Cash and bank balances  | 10   | <b>138,609</b>     | 122,202                      | 129,990                      |
|   |      | <b>1,284,640</b>   | 1,807,873                    | 1,818,389                    |
| <b>TOTAL ASSETS</b>   |      | <b>3,491,470</b>   | 3,428,311                    | 3,480,449                    |
| <b>EQUITY AND LIABILITIES</b>   |      |                    |                              |                              |
| <b>SHARE CAPITAL AND RESERVES</b>                                       |      |                    |                              |                              |
| <b>Share Capital</b>  |      |                    |                              |                              |
| <b>Authorized</b>   |      |                    |                              |                              |
| 150,000,000 (2015: 120,000,000) Ordinary shares of Rs.10 each           |      | <b>1,500,000</b>   | 1,200,000                    | 1,200,000                    |
| Issued, subscribed and paid-up  | 11   | <b>1,087,353</b>   | 1,087,353                    | 1,087,353                    |
| Advance against issue of share capital                                  | 11.2 | <b>300,000</b>     | -                            | -                            |
| Reserves  |      | <b>(3,413,036)</b> | (3,369,976)                  | (3,256,688)                  |
|   |      | <b>(2,025,683)</b> | (2,282,623)                  | (2,169,335)                  |
| <b>NON-CURRENT LIABILITIES</b>  |      |                    |                              |                              |
| Long term loans - secured   | 12   | -                  | -                            | -                            |
| Liabilities against assets subject to finance lease                     | 13   | -                  | -                            | -                            |
| Long term security deposits   |      | <b>16,700</b>      | 16,700                       | 16,700                       |
| Deferred Liabilities  | 14   | <b>4,514</b>       | 4,527                        | 4,527                        |
| <b>CURRENT LIABILITIES</b>  |      |                    |                              |                              |
| Loan from director  | 15   | -                  | 36,198                       | 24,499                       |
| Trade and other payables  | 16   | <b>2,291,766</b>   | 2,292,117                    | 2,242,666                    |
| Short term finances-secured   | 17   | <b>1,986,171</b>   | 2,141,569                    | 2,141,569                    |
| Current maturity of long term loans                                     | 12   | <b>1,179,429</b>   | 1,179,429                    | 1,179,429                    |
| Current maturity of liabilities against assets subject to finance lease | 13   | <b>38,573</b>      | 40,394                       | 40,394                       |
|   |      | <b>5,495,939</b>   | 5,689,707                    | 5,628,557                    |
| <b>CONTINGENCIES AND COMMITMENTS</b>                                    | 18   |                    |                              |                              |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                     |      | <b>3,491,470</b>   | <b>3,428,311</b>             | <b>3,480,449</b>             |

The annexed notes from 1 to 36 form an integral part of these financial statements.

### Statement under section 241 (2) of the Companies Ordinance, 1984

The chief Executive Officer of the Company is presently out of country and hence, these financial statements have been signed by the two directors as required under section 241 (2) of the Companies Ordinance 1984.



**Haroon Iqbal**  
Director



**Aziz-ul-Haque**  
Director

# Profit and Loss Account

For The Year Ended June 30, 2016

|   | Note | June 30,<br>2016 | Restated<br>June 30,<br>2015 |
|---|------|------------------|------------------------------|
| ------(Rs. in '000)-----                        |      |                  |                              |
| <b>GROSS SALES</b>                              | 19   | <b>23,827</b>    | 65,154                       |
| Sales tax                                       |      | <b>3,486</b>     | 9,493                        |
| Commission and discounts                        |      | <b>540</b>       | 1,500                        |
|   | 19   | <b>4,026</b>     | 10,993                       |
| <b>NET SALES</b>                                |      | <b>19,801</b>    | 54,161                       |
| Cost of sales                                   | 19   | <b>150,543</b>   | 186,907                      |
| <b>GROSS (LOSS)</b>                             |      | <b>(130,742)</b> | (132,746)                    |
| Distribution expenses                           | 20   | <b>39,244</b>    | 53,643                       |
| Administration and general expenses             | 21   | <b>34,163</b>    | 36,530                       |
| <b>OPERATING (LOSS)</b>                         |      | <b>(204,149)</b> | (222,919)                    |
| <b>OTHER INCOME</b>                             | 22   | <b>171,224</b>   | 116,491                      |
|   |      | <b>(32,925)</b>  | (106,428)                    |
| Finance cost                                    | 23   | <b>137</b>       | 142                          |
| Provision for obsolescence / slow moving stocks |      | <b>9,998</b>     | 6,717                        |
|   |      | <b>10,135</b>    | 6,859                        |
| <b>(LOSS) BEFORE TAXATION</b>                   |      | <b>(43,060)</b>  | (113,287)                    |
| <b>TAXATION</b>                                 | 24   | -                | -                            |
| <b>NET (LOSS) AFTER TAXATION</b>                |      | <b>(43,060)</b>  | (113,287)                    |
| Basic (loss) per share (Rupees)                 | 25   | <b>(0.40)</b>    | (1.04)                       |
| Diluted (loss) per share (Rupees)               | 25   | <b>(0.39)</b>    | (1.04)                       |

The annexed notes from 1 to 36 form an integral part of these financial statements.

### Statement under section 241 (2) of the Companies Ordinance, 1984

The chief Executive Officer of the Company is presently out of country and hence, these financial statements have been signed by the two directors as required under section 241 (2) of the Companies Ordinance 1984.



**Haroon Iqbal**  
Director



**Aziz-ul-Haque**  
Director

# Statement of Comprehensive Income

For The Year Ended June 30, 2016

|  | June 30,<br>2016         | Restated<br>June 30,<br>2015 |
|--|--------------------------|------------------------------|
|  | ------(Rs. in '000)----- |                              |
| (Loss) for the year                                      | <b>(43,060)</b>          | (113,287)                    |
| <b>Other comprehensive income / (loss):</b>              |                          |                              |
| <b>Available for sale financial assets:</b>              |                          |                              |
| - Changes in fair value                                  | -                        | 201,381                      |
| - Change in Fair value Reversed as per note 2.6.2 and 35 |                          | (201,381)                    |
| Total comprehensive profit / (loss) for the year         | <b>(43,060)</b>          | (113,287)                    |

The annexed notes from 1 to 36 form an integral part of these financial statements.

#### Statement under section 241 (2) of the Companies Ordinance, 1984

The chief Executive Officer of the Company is presently out of country and hence, these financial statements have been signed by the two directors as required under section 241 (2) of the Companies Ordinance 1984.



**Haroon Iqbal**  
Director



**Aziz-ul-Haque**  
Director



# Cash Flow Statement

For The Year Ended June 30, 2016

|   | Note | June 30,<br>2016   | Restated<br>June 30,<br>2015 |
|---|------|--------------------|------------------------------|
| ------(Rs. in '000)-----  |      |                    |                              |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                                    |      |                    |                              |
| (Loss) before taxation  |      | <b>(43,060)</b>    | (113,287)                    |
| Add / (Less) :  |      |                    |                              |
| Depreciation  |      | <b>90,150</b>      | 96,655                       |
| Gain on disposal of fixed assets  |      | -                  | (1,549)                      |
| Gain due to Change in valuation of investment in associates                   |      | <b>(144,605)</b>   | (45,722)                     |
| Financial charges   |      | <b>137</b>         | 142                          |
|   |      | <b>(54,318)</b>    | 49,526                       |
|   |      | <b>(97,378)</b>    | (63,761)                     |
| Decrease in stores & spares   |      | <b>2,419</b>       | 4,902                        |
| Decrease / (Increase) in stock in trade                                       |      | <b>(6,842)</b>     | 54,325                       |
| Decrease / (Increase) in trade debts  |      | <b>(600)</b>       | 2,146                        |
| Decrease / (Increase) in advances, deposits, pre-payments & other receivables |      | <b>(41,299)</b>    | (57,017)                     |
| Increase / (Decrease) in trade, other payables and borrowings                 |      | <b>(349)</b>       | 49,451                       |
| Tax (paid)  |      | <b>(3,145)</b>     | (1,628)                      |
| Dividend (paid)   |      | <b>(1)</b>         | -                            |
| Financial charges (paid)  |      | <b>(137)</b>       | (142)                        |
| Gratuity (paid)   |      | <b>(13)</b>        | -                            |
|   |      | <b>(49,968)</b>    | 52,037                       |
| <b>Net cash flow from operating activities</b>                                |      | <b>(147,346)</b>   | (11,724)                     |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                                    |      |                    |                              |
| Capital expenditure incurred  |      | <b>(7,490)</b>     | (9,726)                      |
| Short term loans (recovered from) associated undertakings                     |      | <b>59,659</b>      | -                            |
| Markup received on short term loans to associated undertakings                |      | <b>5,000</b>       | -                            |
| Sale Proceeds of fixed assets   |      | -                  | 1,963                        |
| <b>Net cash flow from investing activities</b>                                |      | <b>57,169</b>      | (7,763)                      |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                                    |      |                    |                              |
| Advance against issue of share capital  |      | <b>263,802</b>     | 11,699                       |
| Finance Lease repayments  |      | <b>(1,821)</b>     | -                            |
| <b>Net cash flow from financing activities</b>                                |      | <b>261,981</b>     | 11,699                       |
| <b>NET INCREASE / (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>               |      | <b>171,805</b>     | (7,788)                      |
| <b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>                 |      | <b>(2,019,367)</b> | (2,011,579)                  |
| <b>CASH &amp; CASH EQUIVALENTS AT END OF THE PERIOD</b>                       | 26   | <b>(1,847,562)</b> | (2,019,367)                  |

The annexed notes from 1 to 36 form an integral part of these financial statements.

## Statement under section 241 (2) of the Companies Ordinance, 1984

The chief Executive Officer of the Company is presently out of country and hence, these financial statements have been signed by the two directors as required under section 241 (2) of the Companies Ordinance 1984.



**Haroon Iqbal**  
Director



**Aziz-ul-Haque**  
Director

# Statement Of Changes In Equity

For The Year Ended June 30, 2016

|   | Share Capital                        | Share Capital                         | Reserves              |                   | Total       |
|---|--------------------------------------|---------------------------------------|-----------------------|-------------------|-------------|
|   | Issued,<br>subscribed<br>and paid-up | Advance<br>against issue<br>of shares | Accumulated<br>(loss) | Total<br>Reserves |             |
|   | ------(Rs. in '000)-----             |                                       |                       |                   |             |
| <b>Balance as at July 01, 2014 - as Reported</b>  | 1,087,353                            | -                                     | (3,349,432)           | (3,349,432)       | (2,262,079) |
| Effect due to change in valuation method of investment<br>in Associated Company note 2.6.2 and 4 and 35 |                                      |                                       | 17,788                | 17,788            | 17,788      |
| Reversal in the values of impairment<br>charge in investmnet  |                                      |                                       | 74,956                | 74,956            | 74,956      |
| <b>Balance as at July 01, 2014 - as Restated</b>  | 1,087,353                            | -                                     | (3,256,688)           | (3,256,688)       | (2,169,336) |
| <b>Balance as at July 01, 2014</b>  | 1,087,353                            | -                                     | (3,256,688)           | (3,256,688)       | (2,169,336) |
| Total Comprehensive profit for the year   | -                                    | -                                     | (113,287)             | (113,287)         | (113,287)   |
| <b>Balance as at June 30, 2015 - Restated</b>   | 1,087,353                            | -                                     | (3,369,976)           | (3,369,976)       | (2,282,623) |
| <b>Balance as at July 01, 2015</b>  | 1,087,353                            | -                                     | (3,369,976)           | (3,369,976)       | (2,282,623) |
| Total Comprehensive profit for the year   | -                                    | -                                     | (43,060)              | (43,060)          | (43,060)    |
| Receipts  | -                                    | 300,000                               | -                     | -                 | 300,000     |
| <b>Balance as at June 30, 2016</b>  | 1,087,353                            | 300,000                               | (3,413,036)           | (3,413,036)       | (2,025,683) |

The annexed notes from 1 to 36 form an integral part of these financial statements.

### Statement under section 241 (2) of the Companies Ordinance, 1984

The chief Executive Officer of the Company is presently out of country and hence, these financial statements have been signed by the two directors as required under section 241 (2) of the Companies Ordinance 1984.

  
**Haroon Iqbal**  
 Director

  
**Aziz-ul-Haque**  
 Director

# Notes To The Financial Statements

For The Year Ended June 30, 2016

## 1 THE COMPANY AND ITS OPERATIONS

Dewan Farooque Motors Limited was incorporated in Pakistan on December 28, 1998 as a public limited company. The shares of the company are quoted on the Pakistan Stock Exchange. The registered office of the Company is situated at 7th floor, Block 'A', Finance and Trade Centre, Off - Shahr-e-Faisal, Karachi, while its manufacturing facilities is situated at Jilianabad, Budhu Talpur, Distric Sajawal, Sindh.

The Company has entered into separate technical license / collaboration agreements with Hyundai Motor Company, Korea and KIA Motors Corporation, Korea. The principal activity of the Company is the assembly, progressive manufacturing and sales of Hyundai and KIA vehicles in Pakistan.

The Company commenced commercial production through the interim facility from January 01, 2000. The main facility came into commercial operation from January 01, 2001.

Subsequent to the year ended June 30, 2016 the company entered into an agreement dated August 01, 2016 with Daehan-Dewan Motor Company (Private) Limited (a Related Party ) to manufacture the vehicles on Toll manufacturing basis.

### 1.1 GOING CONCERN ASSUMPTION

The company has incurred a Loss after taxation of Rs. 43.060 million during the year ended June 30, 2016. As of that date it has accumulated losses of Rs.3.413 billion and its current liabilities exceeded its current asset by Rs. 4.211 billion. Furthermore, cumulatively the company has not provided markup on its borrowings from banks and financial institutions amounting to Rs. 4.404 billion. The working capital constraints resulted in closure of production activities leading to gross loss situation. The Company has suspended its production from November 2010 till August 2013 and again closed the production since March 2014 . Further, the company has been unable to ensure timely repayments of debts owing to financial institutions due to liquidity problems and the short term facilities have not been renewed by banks/financial institutions. Following course the lenders have gone into litigations for repayment of liabilities through attachment and sale of Company's hypothecated /mortgaged properties. As disclosed in note 18.4 to the financial statements the restructuring proposal submitted by the company to lenders is in the process of negotiation and is expected to be approved in near future. These conditions indicates the existence of material uncertainty, which may cast significant doubt about company ability to continue as going concern.

These financial statements have been prepared on going concern assumption because the above conditions are temporary and would reverse. The management is confident that the outcome will be positive as the company is negotiating reprofiling of the debt with all the lenders and is expected to be finalized in due course. Accordingly, the company has approached its lenders for the restructuring of its entire debt in the following manner:

- a) All the debt obligations of the company be converted into interest bearing long term loan in proportion to their respective current exposures;
- b) Principal to be repaid in 10 years inclusive of 1 year grace period.
- c) Mark-up payable as on December 31, 2008 to be frozen and paid quarterly over a period of three years commencing after 3 months from the restructuring date.

# Notes To The Financial Statements

For The Year Ended June 30, 2016

The management believes that the restructuring proposal presented is workable and would enable the company to service its debts. Therefore, the management is confident that the proposal will be accepted by its lenders. Accordingly, these financial statements have been prepared on a going concern basis.

## 2 Statement of compliance

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 23 to the financial statements, for which the management concludes that provisioning of markup (note 24) 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 (IASB) 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.

### 2.1 Basis of preparation

These accounts have been prepared under the historical cost convention, except that investments classified as Available for sale are remeasured, after initial recognition, at fair value through equity.

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.3 New / revised standards, interpretations and amendments

The Company has adopted the following revised standards, amendments and interpretation of IFRSs which became effective for the current year:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 – Equity Method in Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures

The adoption of the above accounting standards did not have any effect on the financial statements.

Standards and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

# Notes To The Financial Statements

For The Year Ended June 30, 2016

| <b>Standard or Interpretation</b>  | <b>Effective date (accounting periods beginning on or after)</b> |
|--|--|
| IFRS 2: Share-based Payments – Classification and measurement of Share based Payments Transaction (Amendments)   | 01-Jan-18  |
| IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements - Investment Entities (Amendment)                              | 01-Jan-16  |
| IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalized  |
| IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)   | 01-Jan-16  |
| IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)   | 01-Jan-16  |
| IAS 7 Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)   | 01-Jan-17  |
| IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)  | 01-Jan-17  |
| IAS 16 Property, Plant and Equipment and IAS 38 intangible assets Clarification of Acceptable Method of Depreciation and – mortization (Amendment)   | 01-Jan-16  |
| IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)   | 01-Jan-16  |
| IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)  | 01-Jan-16  |

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| <b>Standard</b>  | <b>IASB Effective date (accounting periods beginning on or after)</b> |
|--|---|
| IFRS 9 – Financial Instruments: Classification and Measurement | 01-Jan-18   |
| IFRS 14 – Regulatory Deferral Accounts                         | 01-Jan-16   |
| IFRS 15 – Revenue from Contracts with Customers                | 01-Jan-18   |
| IFRS 16 – Leases   | 01-Jan-19   |

## Notes To The Financial Statements

For The Year Ended June 30, 2016

### 2.4 Significant Accounting estimates adjustments and Assumptions

The preparation of financial statements in conformity with approved accounting standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgment in application of the company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were exercised by management in the application of accounting policies in the financial statements are as follows:

- i. Useful lives of Property, Plant and equipment (note 2.5 and 3.1)
- ii. Provision for doubtful trade debts (note 2.9)
- iii. Income taxes (note 2.12 and 24)
- iv. Classification and valuation of investments (note 2.6 and 4)
- v. Provision for Slow moving stores and spares (notes 2.7 and 5)
- vi. Provision for Slow moving stock in trade (notes 2.8 and 6)

### 2.5 Tangible fixed assets

#### Property Plant and Equipment Owned

These are stated at cost less accumulated depreciation except for freehold land and capital work in progress which are stated at cost. Cost of certain fixed assets and capital work in progress comprises of historical cost and the cost of borrowings during construction / erection period in respect of specific loans / borrowings.

Depreciation is charged to income using the reducing balance method whereby the cost of an asset is written off over its estimated useful life. The rates of depreciation are stated in note 3.1 to the accounts. Depreciation is charged in proportion to the use of assets in the respective year.

The assets' residual values and useful lives are reviewed at each financial year end, and adjusted, if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to income as and when incurred whereas major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gain or loss on disposal of fixed assets are included in income currently.

#### Capital work-in-progress

All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

# Notes To The Financial Statements

For The Year Ended June 30, 2016

## Leased

Assets held under finance leases are stated at cost less accumulated depreciation. The outstanding obligations under finance leases less financial charges allocated to future periods are shown as a liability. Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the finance balance outstanding. The finance charge is charged to profit and loss account and is included under finance cost.

Depreciation is charged at the same rates as charged on company's owned assets.

## 2.6 Investment

**2.6.1.** The management determines the appropriate classification of the investments, in accordance with the IFRSs, at the time of purchase depending on the purpose for which the investments are acquired and re-evaluate this classification on a regular basis. The existing investment of the company has been categorized as available for sale.

Available for sale investments are initially recognized at cost being the fair value of the consideration given including acquisition charges associated therewith.

After initial recognition, investment which are classified as available for sale are remeasured at fair value. Unrealized gains and losses on available for sale investments are recognized in equity till the investment is sold or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

### 2.6.2 Investment in Associate Companies

Upto last year investment has been shown in the financial Statement as available for sale. From current year the Investment has been reclassified as investment in associates as the Board members in the investee Company are common. The investment has been valued applying Equity Method in accordance with IAS 28 Accounting for investment in associates. The effects have been taken in the financial statements retrospectively as fully disclosed in note 35 to the financial Statements.

## 2.7 Stores and spares

These are valued at cost determined on weighted average basis. Items in transit are valued at cost comprising of invoice values plus other charges incurred thereon accumulated to the balance sheet date.

Stores, spares and Loose tools are regularly reviewed by the management and any obsolete items are brought down to their NRV.

## 2.8 Stock-in-trade

Raw materials and Components are valued at cost. Those in transit are stated at invoice price plus other charges paid thereon upto the balance sheet date. Cost is determined on a moving average basis.

Work-in-process is valued at material cost consisting of CKD kits, local vendor parts and consumables.



## Notes To The Financial Statements

For The Year Ended June 30, 2016

CBU (finished goods) in hand are valued at the lower of cost and net realizable value. Cost is determined on moving average basis.

Goods-in-transit are valued at purchase price, freight value and other charges incurred thereon upto the balance sheet date.

Stock-in-trade is regularly reviewed by the management and any obsolete items are brought down to their NRV.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to make sale.

### 2.9 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoice amount. Those considered irrecoverable are written off and provision is made against those considered doubtful. Provision for impairment is based on the management's assessment of customers' outstanding and creditworthiness. Bad debts are written-off as and when identified.

### 2.10 Staff retirement benefits

The company upto December 31, 2003, was operating an un-funded gratuity scheme for its employees. Provision was made accordingly in the financial statements to cover obligations under the scheme. The Company has fully provided for the liability under the gratuity scheme as of December 31, 2003.

Effective from January 1, 2004, the company has, in place of gratuity scheme, established a recognized provident fund scheme (defined Contribution Plan) for its permanent employees. Equal contributions are being made in respect thereof by company and employees in accordance with the terms of scheme.

### 2.11 Long term loans / Borrowings

Long term loans/ Borrowings are initially recognized at cost. After initial recognition same are measured at original recorded amount less principal repayments thereof.

### 2.12 Taxation

#### Current

The charge for current taxation is based on taxable income at current rates of taxation after taking into account tax rebates and credits available, if any, or one percent of turnover or Alternate Corporate Tax whichever is higher. Alternate Corporate Tax is calculated in accordance with the provisions of Section 113C of Income Tax Ordinance.

#### Deferred

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized.

# Notes To The Financial Statements

For The Year Ended June 30, 2016

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

## 2.13 Trade and other payables

Liability for trade and other amounts payable, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

## 2.14 Warranty obligations

These are accounted for on the basis of claims lodged on the company.

## 2.15 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. All monetary assets and liabilities in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date except for liabilities covered under forward exchange contracts, if any, which are translated at the contracted rates. Exchange differences on foreign currency translations are included in income along with any related hedge effects.

## 2.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## 2.17 Financial instruments

### 2.17.1 Financial assets

#### 2.17.1.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39) "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The financial assets of the company are categorized as follows:

#### a) At fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short term fluctuations in prices are classified as "financial assets at fair value through profit or loss' category.

# Notes To The Financial Statements

For The Year Ended June 30, 2016

## b) Loans and receivables

These are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. The company's loans and receivables comprise of trade debts, loan and advances, deposits, cash and bank balances and other receivables in the balance sheet.

## c) Held to maturity

These are financial assets with fixed or determinable payments and fixed maturity with the company having positive intent and ability to hold to maturity.

## d) Available for sale

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held to maturity (c) financial assets at fair value through profit or loss.

### 2.17.1.2 Initial recognition and measurement

All financial assets are recognized at the time the company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs associated with these financial assets are taken directly to the profit and loss account.

### 2.17.1.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

#### a) 'Financial asset at fair value through profit or loss' & 'available for sale'

Financial assets at fair value through profit or loss' are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

#### b) 'Loans and receivables' & 'held to maturity'

Loans and receivables and held to maturity financial assets are carried at amortized cost.

### 2.17.1.4 Impairment

The company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. Impairment loss on all financial assets is recognized in the profit and loss account. In arriving at the provision in respect of any diminution in long-term financial assets, consideration is given only if there is a permanent impairment in the value of the financial assets.

# Notes To The Financial Statements

For The Year Ended June 30, 2016

## 2.17.1.5 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements, when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously.

## 2.17.2 Financial liabilities

All financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument.

## 2.17.3 Derecognition

Financial assets are derecognised at the time when the company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

## 2.18 Impairment

The carrying amounts of the Company's assets except for inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in profit and loss account.

## 2.19 Revenue recognition

Sales are recognized as revenue when goods are invoiced to customers.

Return on bank deposits are on an accrual basis.

Markup on loan to associated undertaking is recognized on an accrual basis.

Agency commission is recognized when shipments are made by the principal.

Unrealized gains / loss arising on re-measurement of investments classified as "financial assets at fair value through "profit or loss" are included in the profit and loss account in the period in which these arise.

Realised capital gains / loss on sale of investments are recognized in the profit and loss account at the time of sale.

Dividend income is recognised when the right to receive the dividend is established

## 2.20 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and at banks and short term finances. The cash and cash equivalents are subject to insignificant risk of changes in value.

## Notes To The Financial Statements

For The Year Ended June 30, 2016

### 2.21 Related Party transactions and transfer pricing

The Company enters into transactions with related parties on an arm's length basis. Royalty and fee for technical services are accounted for at the rates mentioned in the respective agreements, duly registered with the State Bank of Pakistan.

### 2.22 Provisions

Provisions are recognized when the company has present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 2.23 Off setting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when the company has a legally enforceable right to offset the recognized amounts and the company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 2.24 Dividends distribution and transfer between reserves

Dividends declared are transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognized in the financial statements in the year in which such dividends are approved / transfers are made.

### 2.25 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

### 2.26 Segment Reporting

The Company uses management approach for segment reporting, under which segment information is required to be presented on the same basis as that used for internal reporting purposes. Operating segments have been determined and presented in a manner consistent with the internal reporting provided to the chief operating decision-maker. The company has determined operating segments on the basis of business activities i.e. manufacturing and trading activities. Segment assets have not been disclosed in these financial statements as these are not reported to the chief operating decision-maker on a regular basis.

|  | Note | June 30,<br>2016          | June 30,<br>2015 |
|--|------|---------------------------|------------------|
|  |      | ----- (Rs. in '000) ----- |                  |
| <b>3 PROPERTY, PLANT AND EQUIPMENT</b> |      |                           |                  |
| Operating fixed assets                 | 3.1  | <b>1,158,584</b>          | 1,241,244        |
|  |      | <b>1,158,584</b>          | 1,241,244        |

# Notes To The Financial Statements

For The Year Ended June 30, 2016

## 3.1 The statement of the operating fixed assets is as follows:

|                                 | Tangible - owned |                |                     |                        |               |                  |                  | Tangible - leased   |          |               | Total            |
|---------------------------------|------------------|----------------|---------------------|------------------------|---------------|------------------|------------------|---------------------|----------|---------------|------------------|
|                                 | Free hold land   | Buildings      | Plant and machinery | Furniture and fixtures | Vehicles      | Office Equipment | Sub total        | Plant and machinery | Vehicles | Sub total     |                  |
| ------(Rupees in '000)-----     |                  |                |                     |                        |               |                  |                  |                     |          |               |                  |
| <b>As at July 01 ,2015</b>      |                  |                |                     |                        |               |                  |                  |                     |          |               |                  |
| Cost                            | 78,033           | 1,136,347      | 1,517,244           | 165,150                | 306,690       | 87,081           | 3,290,545        | 80,000              | -        | 80,000        | 3,370,545        |
| Accumulated depreciation        | -                | 515,681        | 1,128,016           | 110,825                | 264,263       | 58,926           | 2,077,711        | 51,590              | -        | 51,590        | 2,129,301        |
| <b>Net book value</b>           | <b>78,033</b>    | <b>620,666</b> | <b>389,228</b>      | <b>54,325</b>          | <b>42,427</b> | <b>28,155</b>    | <b>1,212,834</b> | <b>28,410</b>       | <b>-</b> | <b>28,410</b> | <b>1,241,244</b> |
| <b>Year ended June 30, 2016</b> |                  |                |                     |                        |               |                  |                  |                     |          |               |                  |
| Opening net book value          | 78,033           | 620,666        | 389,228             | 54,325                 | 42,427        | 28,155           | 1,212,834        | 28,410              | -        | 28,410        | 1,241,244        |
| Additions                       | -                | -              | -                   | -                      | 7,390         | 100              | 7,490            | -                   | -        | -             | 7,490            |
| <b>Disposals</b>                |                  |                |                     |                        |               |                  |                  |                     |          |               |                  |
| Cost                            | -                | -              | -                   | -                      | -             | -                | -                | -                   | -        | -             | -                |
| Accumulated depreciation        | -                | -              | -                   | -                      | -             | -                | -                | -                   | -        | -             | -                |
| <b>Transfer</b>                 |                  |                |                     |                        |               |                  |                  |                     |          |               |                  |
| Cost                            | -                | -              | -                   | -                      | -             | -                | -                | -                   | -        | -             | -                |
| Accumulated depreciation        | -                | -              | -                   | -                      | -             | -                | -                | -                   | -        | -             | -                |
| Depreciation for the year       | -                | 31,019         | 38,953              | 5,433                  | 9,085         | 2,819            | 87,309           | 2,841               | -        | 2,841         | 90,150           |
| Closing net book value          | <b>78,033</b>    | <b>589,647</b> | <b>350,275</b>      | <b>48,892</b>          | <b>40,732</b> | <b>25,436</b>    | <b>1,133,015</b> | <b>25,569</b>       | <b>-</b> | <b>25,569</b> | <b>1,158,584</b> |
| <b>As at June 30, 2016</b>      |                  |                |                     |                        |               |                  |                  |                     |          |               |                  |
| Cost                            | 78,033           | 1,136,347      | 1,517,244           | 165,150                | 314,080       | 87,181           | 3,298,035        | 80,000              | -        | 80,000        | 3,378,035        |
| Accumulated depreciation        | -                | 546,700        | 1,166,969           | 116,258                | 273,348       | 61,745           | 2,165,020        | 54,431              | -        | 54,431        | 2,219,451        |
| Net book value                  | <b>78,033</b>    | <b>589,647</b> | <b>350,275</b>      | <b>48,892</b>          | <b>40,732</b> | <b>25,436</b>    | <b>1,133,015</b> | <b>25,569</b>       | <b>-</b> | <b>25,569</b> | <b>1,158,584</b> |
| Depreciation rate % per annum   |                  | 5%             | 10%                 | 10%                    | 20%           | 10%              |                  | 10%                 | 20%      |               |                  |
| <b>As at July 01 ,2014</b>      |                  |                |                     |                        |               |                  |                  |                     |          |               |                  |
| Cost                            | 78,033           | 1,136,347      | 1,517,244           | 165,150                | 299,356       | 87,081           | 3,283,211        | 80,000              | -        | 80,000        | 3,363,211        |
| Accumulated depreciation        | -                | 483,030        | 1,084,735           | 104,789                | 257,839       | 55,798           | 1,986,191        | 48,433              | -        | 48,433        | 2,034,624        |
| Net book value                  | <b>78,033</b>    | <b>653,317</b> | <b>432,509</b>      | <b>60,361</b>          | <b>41,517</b> | <b>31,283</b>    | <b>1,297,020</b> | <b>31,567</b>       | <b>-</b> | <b>31,567</b> | <b>1,328,587</b> |
| <b>Year ended June 30, 2015</b> |                  |                |                     |                        |               |                  |                  |                     |          |               |                  |
| Opening net book value          | 78,033           | 653,317        | 432,509             | 60,361                 | 41,517        | 31,283           | 1,297,020        | 31,567              | -        | 31,567        | 1,328,587        |
| Additions                       | -                | -              | -                   | -                      | 9,726         | -                | 9,726            | -                   | -        | -             | 9,726            |
| <b>Disposals</b>                |                  |                |                     |                        |               |                  |                  |                     |          |               |                  |
| Cost                            | -                | -              | -                   | -                      | 2,392         | -                | 2,392            | -                   | -        | -             | 2,392            |
| Accumulated depreciation        | -                | -              | -                   | -                      | 1,978         | -                | 1,978            | -                   | -        | -             | 1,978            |
| <b>Transfer</b>                 |                  |                |                     |                        |               |                  |                  |                     |          |               |                  |
| Cost                            | -                | -              | -                   | -                      | 35,230        | -                | 35,230           | -                   | (35,230) | (35,230)      | -                |
| Accumulated depreciation        | -                | -              | -                   | -                      | 28,753        | -                | 28,753           | -                   | (28,753) | (28,753)      | -                |
| Depreciation for the year       | -                | 32,651         | 43,281              | 6,036                  | 8,402         | 3,128            | 93,498           | 3,157               | (6,477)  | (6,477)       | 96,655           |
| Closing net book value          | <b>78,033</b>    | <b>620,666</b> | <b>389,228</b>      | <b>54,325</b>          | <b>42,427</b> | <b>28,155</b>    | <b>1,212,834</b> | <b>28,410</b>       | <b>-</b> | <b>28,410</b> | <b>1,241,244</b> |
| <b>As at June 30, 2015</b>      |                  |                |                     |                        |               |                  |                  |                     |          |               |                  |
| Cost                            | 78,033           | 1,136,347      | 1,517,244           | 165,150                | 306,690       | 87,081           | 3,290,545        | 80,000              | -        | 80,000        | 3,370,545        |
| Accumulated depreciation        | -                | 515,681        | 1,128,016           | 110,825                | 264,263       | 58,926           | 2,077,711        | 51,590              | -        | 51,590        | 2,129,301        |
| Net book value                  | <b>78,033</b>    | <b>620,666</b> | <b>389,228</b>      | <b>54,325</b>          | <b>42,427</b> | <b>28,155</b>    | <b>1,212,834</b> | <b>28,410</b>       | <b>-</b> | <b>28,410</b> | <b>1,241,244</b> |
| Depreciation rate % per annum   |                  | 5%             | 10%                 | 10%                    | 20%           | 10%              |                  | 10%                 | 20%      |               |                  |

3.1.1 The above assets are mortgaged with the Financial Institutions /Banks as disclosed in note no 18.4 and the note 1.1 to the financial Statements.

## Notes To The Financial Statements

For The Year Ended June 30, 2016

### 3.2 Depreciation charge for the period has been allocated as follows:

|                                     | Note | June 30,<br>2016          | June 30,<br>2015 |
|-------------------------------------|------|---------------------------|------------------|
|                                     |      | ----- (Rs. in '000) ----- |                  |
| Cost of goods manufactured          | 19.1 | <b>78,430</b>             | 83,991           |
| Distribution expenses               | 20   | <b>4,507</b>              | 4,544            |
| Administration and general expenses | 21   | <b>7,213</b>              | 8,120            |
|                                     |      | <b>90,150</b>             | 96,655           |

## 4 INVESTMENT

|  | Note | June 30,<br>2016          | Restated<br>June 30,<br>2015 |
|--|------|---------------------------|------------------------------|
|  |      | ----- (Rs. in '000) ----- |                              |
| Investment in Ordinary shares of<br>Dewan Cement Limited (DCL) - An associated<br>company on equity method |      |                           |                              |
| 65,375,455 ordinary shares of Rs. 10 each<br>(2015: 27,968,455 ordinary shares of Rs. 10 each)             | 4.1  | <b>804,131</b>            | 279,685                      |
| Share of Profit  |      | <b>208,115</b>            | 63,509                       |
|  |      | <b>1,012,246</b>          | 343,194                      |
| Fair value as per Market price Quoted in<br>Pakistan stock Exchange  | 7.2  | <b>946,636</b>            | 406,110                      |
| <b>Market value (Rupees per share)</b>   |      | <b>15.48</b>              | 14.52                        |
| <b>Percentage of equity held</b>   |      | <b>13.50%</b>             | 6.44%                        |

**4.1** The summaries financial information of the associates over which the company exercises significant influence based on audited financial statements for the year ended June 30, 2016 are as follows:

|                                  | Note | June 30,<br>2016          | June 30,<br>2015 |
|----------------------------------|------|---------------------------|------------------|
|                                  |      | ----- (Rs. in '000) ----- |                  |
| Total Assets                     |      | <b>25,434,769</b>         | 24,638,612       |
| Total Liabilities                |      | <b>12,311,559</b>         | 12,993,857       |
| Revenues                         |      | <b>12,879,095</b>         | 11,245,246       |
| Profit after tax                 |      | <b>1,499,941</b>          | 709,668          |
| Accumulated Profit up to June 30 |      | <b>1,611,402</b>          | 1,337,877        |



## Notes To The Financial Statements

For The Year Ended June 30, 2016

|   | Note      | June 30,<br>2016 | June 30,<br>2015 |
|---|-----------|------------------|------------------|
| <b>5. STORES AND SPARES</b>   |           |                  |                  |
| ----- (Rs. in '000) -----   |           |                  |                  |
| Stores  |           | <b>19,448</b>    | 20,427           |
| Spares  |           | <b>49,530</b>    | 50,970           |
|   |           | <b>68,978</b>    | 71,397           |
| Less : Provision for obsolescence / slow moving stocks                      |           | <b>(5,064)</b>   | (5,064)          |
|   |           | <b>63,914</b>    | 66,333           |
| <b>6. STOCK-IN-TRADE</b>  |           |                  |                  |
| <b>Manufacturing stock</b>  |           |                  |                  |
| Raw materials and components  |           | <b>144,225</b>   | 144,225          |
| Finished goods  |           | <b>3,742</b>     | 17,932           |
|   |           | <b>147,967</b>   | 162,157          |
| Trading stock (including in transit of<br>Rs. 2.540 Million (2015 Rs.Nil) ) |           | <b>59,899</b>    | 28,869           |
| Less : Provision for obsolescence / slow moving stocks                      |           | <b>(111,959)</b> | (101,961)        |
|   |           | <b>95,907</b>    | 89,065           |
| <b>7. SHORT TERM LOANS TO ASSOCIATED UNDERTAKINGS - Considered good</b>     |           |                  |                  |
| Dewan Automotive Engineering Limited  | 7.1 & 7.2 | <b>154,879</b>   | 679,325          |
| Dewan Motors (Private) Limited  | 7.1       | <b>-</b>         | 59,659           |
|   |           | <b>154,879</b>   | 738,984          |

**7.1** The company has charged markup on loans to associated undertakings carrying markup @1% above the borrowing of the company. At the end of the period these loans carries markup at the rate of 7.05% ( 2015: 9.26%) per annum.

**7.2.** During the year the Company recovered its loan to the extent of Rs. 524.446 million by taking 37,407,000 shares of Dewan Cement Limited, held by Dewan Automotive Engineering Limited.

## Notes To The Financial Statements

For The Year Ended June 30, 2016

|   | June 30,<br>2016          | June 30,<br>2015 |
|---|---------------------------|------------------|
|   | ----- (Rs. in '000) ----- |                  |
| <b>8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b> |                           |                  |
| <b>Advances - Considered good</b>                               |                           |                  |
| Suppliers and contractors                                       |                           |                  |
| Considered doubtful   | <b>181,467</b>            | 181,467          |
| Less: Provision for doubtful advances                           | <b>(181,467)</b>          | (181,467)        |
|   | -                         | -                |
| Employees   | <b>4,555</b>              | 57               |
| Sales tax and custom duty                                       | <b>8,158</b>              | 6,927            |
|   | <b>12,713</b>             | 6,984            |
| <b>Deposits</b>   |                           |                  |
| Margin against letters of guarantees                            | <b>2,050</b>              | 2,050            |
| Margin against letter of Credit                                 | <b>4,350</b>              | -                |
| Others  | <b>17,640</b>             | 12,235           |
|   | <b>24,040</b>             | 14,285           |
| <b>Other receivables</b>  |                           |                  |
| Markup on loans to associated undertakings (note 7)             | <b>749,653</b>            | 728,840          |
|   | <b>786,406</b>            | 750,109          |

### 9. TAXATION

Income tax assessments of the Company have been finalized upto and including the tax year 2015 relating to income year ended June 30, 2015 and certain appeals for the Tax years 2009 and 2010 are pending before the income tax appellate authorities. However, the Commissioner of Income Tax may at any time during a period of five years from the date of filing of return may select the deemed assessment for audit. The company is in gross loss, therefore no provision has been made in the accounts for minimum tax as per provisions of the Income Tax Ordinance, 2001.

### 10. CASH AND BANK BALANCES

|                                   | Note | June 30,<br>2016          | June 30,<br>2015 |
|-----------------------------------|------|---------------------------|------------------|
|                                   |      | ----- (Rs. in '000) ----- |                  |
| Cash in hand                      |      | <b>648</b>                | 599              |
| Cash at banks in current accounts | 10.1 | <b>137,961</b>            | 121,603          |
|                                   |      | <b>138,609</b>            | 122,202          |

**10.1** One of the Company's current account has been blocked by the bank. The Company has gone into litigation against this action of the bank demanding release of the blocked amount. The matter is pending in the High Court of Sindh. Further, confirmation from most of the banks are not received as the company is in litigation with banks.

# Notes To The Financial Statements

For The Year Ended June 30, 2016

## 11. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

| 2016<br>(No of Shares in '000) | 2015    | Note   | June 30,<br>2016<br>------(Rs. in '000)----- | June 30,<br>2015 |
|--------------------------------|---------|--|--|------------------|
| <b>105,065</b>                 | 105,065 | Ordinary shares of Rs.10/- each fully paid in cash                 | <b>1,050,651</b>                             | 1,050,651        |
| <b>3,670</b>                   | 3,670   | Ordinary shares of Rs.10/- each, issued as fully paid bonus shares | <b>36,702</b>                                | 36,702           |
| <b>108,735</b>                 | 108,735 |  | <b>1,087,353</b>                             | 1,087,353        |

**11.1** 13,650,000 (2015: 13,650,000) shares are held by Related party.

**11.2** Advance against Shares transferred from loan from Director note 15 to the financial statements. The Company has issued Shares on July 21, 2016 to a director of the company as per approval granted by Securities and Exchange Commission of Pakistan.

## 12. LONG TERM LOANS - secured

### From banking companies and other financial institutions

|  |      |                  |           |
|--|------|------------------|-----------|
| Allied Bank Limited - I                                | 12.1 | <b>71,429</b>    | 71,429    |
| Saudi Pak Agricultural and Investment Company - I      | 12.2 | <b>90,000</b>    | 90,000    |
| National Bank of Pakistan                              | 12.3 | <b>62,500</b>    | 62,500    |
| NIB Bank (formerly PICIC)                              | 12.4 | <b>110,000</b>   | 110,000   |
| Pak Oman Investment Company Limited                    | 12.5 | <b>82,500</b>    | 82,500    |
| Saudi Pak Agricultural and Investment Company - II     | 12.6 | <b>63,000</b>    | 63,000    |
| Summit Limited   | 12.7 | <b>700,000</b>   | 700,000   |
|  |      | <b>1,179,429</b> | 1,179,429 |
| Less:- Current portion shown under current liabilities | 12.8 | <b>1,179,429</b> | 1,179,429 |
|  |      | <b>-</b>         | -         |

**12.1** The loan carries mark up at the base rate plus 2.5% per annum. Base rate has been defined as average rate of ASK SIDE of the six months KIBOR. Base rate will be set at the last business day before the installment date for the immediately preceding installment. Presently markup on the finance works out to 14.51% (2015 : 14.51 %) per annum.

The loan was rescheduled during the year and is to be paid in seven equal monthly installments commencing from June 29, 2008 and ending on December 31, 2008.

This loan is secured by way of parri passu charge over all present and future fixed assets including land, building, plant and machinery of the Company.

**12.2** The loan carries mark up at the base rate plus 3.00% per annum. Base rate has been defined as average ASK rate of the six months KIBOR. Base rate will be set on the last day of preceding quarter. Presently markup on the finance works out to 15.01% (2015: 15.01%) per annum.

## Notes To The Financial Statements

For The Year Ended June 30, 2016

The loan is repayable in ten equal semi annual installments, with quarterly markup payments, commencing from January 26, 2006 and ending on October 26, 2010.

The loan is secured by First Pari Passu hypothecation charge and equitable mortgage over fixed assets of the company.

- 12.3** The finance carries mark up at the base rate plus 2.50% per annum. Base rate has been defined as average rate of ASK SIDE of the six months KIBOR. Base rate will be set on the last day of preceding quarter. Presently markup on the finance works out to 14.51% (2015: 14.51%) per annum.

The loan was repayable in eight equal quarterly installments commencing from January 13, 2006 and ending on October 13, 2007.

The loan was secured by First Pari Passu charge over plant and machinery and equitable mortgage over land and building of the company.

- 12.4** The finance carries mark up at the base rate plus 4.00 % per annum. Base rate has been defined as ASK rate of six months KIBOR prevailing on the last business day at the beginning of each quarterly period. Presently markup on the finance works out to 16.01% (2015: 16.01 %) per annum.

The finance is repayable in twenty equal quarterly installments commencing from March 30, 2006 and ending on December 30, 2010.

The loan is secured by First Pari Passu charge over all the present and future fixed assets of the company.

- 12.5** The finance carries mark up at the base rate plus 2.50% per annum. Base rate has been defined as ASK rate of six months KIBOR prevailing on the last day of preceding semi annual period. Presently markup on the finance works out to 14.51 % (2015 : 14.51 %) per annum.

The finance has been rescheduled and is to be paid in thirty three equal monthly installments commencing from August 31, 2008 and ending on April 30, 2011.

The finance is secured by first charge over fixed assets of the company by way of hypothecation of plant and machinery and equitable mortgage of land and building of the company.

- 12.6** The loan carries mark up at the base rate plus 3% per annum. Base rate has been defined as average ASK rate of the six months KIBOR. Base rate will be set first time on date of disbursement and subsequently on January 1st and July 1st. Presently markup on the finance works out to 15.01 % (2015: 15.01%) per annum.

The loan is repayable in ten equal half yearly installments, with quarterly markup payments, commencing from August 14,2007 and ending on February 14, 2012.

The loan is secured by First Pari Passu charge over fixed assets of the company.

## Notes To The Financial Statements

For The Year Ended June 30, 2016

**12.7** The loan carries mark up at the base rate plus 3% per annum. Base rate has been defined as average ASK rate of the six months KIBOR. Base rate will be reset on bi-annual basis i.e. on January 1st and July 1st every year. Presently markup on the finance works out to 15.01% (2015: 15.01%) per annum.

The loan is repayable through monthly installments within five years including one year grace period, markup shall continuously be paid on calendar quarter basis during grace period. The loan is secured by First Pari Passu charge over fixed assets of the company.

**12.8** This includes overdue installments amounting to Rs. 1,179,429 million. Banks/financial institutions has filed suit in the High Court of Sindh U/s 9 of Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery through sale of company's assets. The company is defending these cases. The outcome is awaited and it is expected that it will be in favour of company as fully disclosed in note no. 18.4 to the financial Statements.

**12.9** Since the Company is in litigation with banks confirmation from most of them have not been received.

### 13. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

|   | <b>June 30,<br/>2016</b>  | <b>June 30,<br/>2015</b> |
|---|---------------------------|--------------------------|
|   | ----- (Rs. in '000) ----- |                          |
| Opening Balance                                 | <b>40,394</b>             | 40,394                   |
| Payments  | <b>(1,821)</b>            | -                        |
| Current portion shown under current liabilities | <b>(38,573)</b>           | (40,394)                 |
|   | <b>-</b>                  | -                        |

|   | <b>June 30, 2016</b>      |                  | June 30, 2015             |                  |
|---|---------------------------|------------------|---------------------------|------------------|
|   | Minimum lease<br>Payments | Present<br>Value | Minimum lease<br>Payments | Present<br>Value |
| Not later than one year                                 | 41,162                    | 38,573           | 41,162                    | 40,394           |
| Later than one year                                     | -                         | -                | -                         | -                |
|   | 41,162                    | 38,573           | 41,162                    | 40,394           |
| Payment   | (1,821)                   | -                | -                         | -                |
|   | 39,341                    | 38,573           | 41,162                    | 40,394           |
| Financial charges                                       | (768)                     | -                | (768)                     | -                |
|   | 38,573                    | 38,573           | 40,394                    | 40,394           |
| Current portion shown<br>under current liabilities 13.1 | (38,573)                  | (38,573)         | (40,394)                  | (40,394)         |
|   | -                         | -                | -                         | -                |

**13.1** This includes overdue installments amounting to Rs. 38.573 (2015: 40.394) million.

## Notes To The Financial Statements

For The Year Ended June 30, 2016

|  | Note   | June 30,<br>2016 | June 30,<br>2015 |
|--|--------|------------------|------------------|
| ----- (Rs. in '000) -----  |        |                  |                  |
| <b>14. DEFERRED LIABILITIES</b>  |        |                  |                  |
| Deferred taxation  | 14.1   | -                | -                |
| Staff gratuity   | 14.2   | <b>4,514</b>     | 4,527            |
|  |        | <b>4,514</b>     | 4,527            |
| <b>14.1 Deferred Taxation</b>  |        |                  |                  |
| Credit balance arising due to:   |        |                  |                  |
| Accelerated tax depreciation allowances  |        | <b>210,766</b>   | 220,805          |
| Less: Debit balance arising due to:  |        |                  |                  |
| Gratuity   |        | <b>1,444</b>     | 1,494            |
| Carry forward tax losses and others  |        | <b>605,068</b>   | 1,117,082        |
|  |        | <b>606,512</b>   | 1,118,576        |
| <b>Deferred tax assets</b>   |        | <b>(395,746)</b> | (897,771)        |
| <b>Deferred tax asset not recognized</b>   |        | <b>395,746</b>   | 897,771          |
|  |        | -                | -                |
| <b>14.2 Staff gratuity</b>   |        |                  |                  |
| Balance at the beginning of the period   |        | <b>4,527</b>     | 4,527            |
| Less: Payments made during the period  |        | <b>13</b>        | -                |
|  |        | <b>4,514</b>     | 4,527            |
| <b>15. LOAN FROM DIRECTOR</b>  |        |                  |                  |
| Balance at the beginning of the period   |        | <b>36,198</b>    | 24,499           |
| Add: Loan received during the year   |        | <b>263,802</b>   | 11,699           |
|  |        | <b>300,000</b>   | 36,198           |
| Less: Transfer to Advance against issue of shares  |        | <b>(300,000)</b> | -                |
|  |        | -                | 36,198           |
| <p>The above loan has been transferred to Advance against issue of shares. Further the same Shares have been issued on July 21, 2016 to the director of the Company.</p> |        |                  |                  |
| <b>16. TRADE AND OTHER PAYABLES</b>  |        |                  |                  |
| <b>Creditors</b>   |        |                  |                  |
| Trade creditors  |        | <b>2,128,126</b> | 2,129,811        |
| <b>Accrued liabilities</b>   |        |                  |                  |
| Accrued expenses   |        | <b>161,635</b>   | 160,490          |
| Payable to provident fund  | 16.1   | -                | -                |
| Unclaimed dividend   |        | <b>1,814</b>     | 1,815            |
| Sales tax payable  |        | <b>191</b>       | 1                |
|  |        | <b>2,291,766</b> | 2,292,117        |
| <b>16.1 General Disclosures</b>  |        |                  |                  |
| Size of fund   |        | <b>65,990</b>    | 64,419           |
| Cost of investments  |        | <b>65,919</b>    | 64,339           |
| Fair value of investments  | 16.1.1 | <b>65,990</b>    | 64,419           |
| Percentage of investments  |        | <b>100%</b>      | 100%             |

## Notes To The Financial Statements

For The Year Ended June 30, 2016

**16.1.1** The breakup of fair value of investments is:

|                           | June 30, 2016<br>----- (Unaudited) ----- |            | June 30, 2015 |            |
|---------------------------|--|------------|---------------|------------|
|                           | (Rs. in '000)                            | (%)        | (Rs. in '000) | (%)        |
| Term Deposit Certificates | 30,000                                   | 45         | 30,000        | 47         |
| Money Market Fund         | -  | -          | 300           | -          |
| Bank balance              | 35,990                                   | 55         | 34,119        | 53         |
| <b>Total</b>              | <b>65,990</b>                            | <b>100</b> | <b>64,419</b> | <b>100</b> |

**16.1.2** Investments of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

**June 30, 2016**      **June 30, 2015**  
-----**(Rs. in '000)**-----

### 17. SHORT TERM FINANCES - SECURED

Under mark-up / profit arrangements

**1,986,171**      **2,141,569**

The facilities for short term finances under markup / profit arrangements available from various banks amounted to Rs. 2,255 (2015: Rs.2,255) million.

The rate of markup / profit ranges from 8.74% to 20% (2015: 8.74% to 20.00%) per annum.

The facilities are secured by way of pari passu charge against hypothecation of the company's stock in trade and book debts and are generally for a period of one year, renewable at the end of the period.

Since the company is in litigation with banks confirmations from most of them have not been received.

### 18. CONTINGENCIES AND COMMITMENTS

#### Contingencies

**18.1** The company, in the past, received demand notices from the Customs Authorities claiming short recovery of Rs. 344.587 million in aggregate on account of custom duties, sales tax and income tax on royalty paid to Hyundai Motor Company (HMC) and Kia Motor Corporation (KMC), taking the view that the royalty pertains to the imported CKD kits as opposed to company view that the same is independent of the import of CKD kits and relates to the local manufacturing of the motor vehicles.

During the year ended June 30, 2008, the Custom, Excise and Sales Tax Appellate Tribunal has decided the case in company's favor resulting in reversal of demand to the extent of Rs.257.487 million. Against the decision of Custom, Excise and Sales Tax Appellate Tribunal, the Custom Authorities have filed an appeal before the High Court of Sindh which is pending for hearing. It is expected that the decision will be in favour of the Company. The company also expect a similar decision against the cases for the balance amount of Rs.87.1 million, as the facts of the cases and questions of law involved are identical.

## Notes To The Financial Statements

For The Year Ended June 30, 2016

**18.2** Sales tax Appeal against order in original no. 31/2004 dated 28-2-2004 in respect of demand of Rs 3.2 million filed before commissioner Inland Revenue (Appeal I) Karachi has been decided in favor of the company as per order passed as per STA/35/LTU/2013 dated 17-6-2013 by CIR (Appeals-I) Karachi. The Commissioner Inland Revenue, Zone I, LTU, Karachi has filed appeal before the Appellate Tribunal Inland Revenue, Karachi against the order No. STA-35/LTU/2013 dated 17-6-2013 and is pending for adjudication.

**18.3** Letter of guarantees issued by the banks amounting to Rs. 250.336 (2015: Rs. 250.336) million.

**18.4** In respect of liabilities towards banks / financial institutions disclosed in note 12,16 and 17 to the financial statements, the banks /financial institutions have filed suits in Honorable High Court of Sindh at Karachi for recovery of their liabilities through attachment and sale of Company's hypothecated / mortgaged properties. The aggregate suits amount is Rs. 6.884 billion.

The management has disputed the claim and is strongly contesting the cases. The management has filed counter claims alleging that the banks claims are highly exaggerated as they have charged markup on markup and other levies higher than the rate of markup agreed and other charges in violation of State Bank of Pakistan rules and all other applicable laws of Pakistan. The management is hopeful that the decision will be in favor of the company and the base less suits shall be rejected by the concerned courts. Since all the cases are pending before Honorable Courts therefore the ultimate outcome cannot be established at this stage.

### Commitments

**18.5** Capital expenditure commitments outstanding amounts to Rs. Nil (2015: Nil ).

**18.6** Commitments in respect of letters of credit other than for capital expenditure amounts to Rs. Nil (2015: Nil).

## 19 OPERATING RESULTS

| Note                                | Manufacturing    |               | Trading         |               | Total            |               |
|-------------------------------------|------------------|---------------|-----------------|---------------|------------------|---------------|
|                                     | June 30, 2016    | June 30, 2015 | June 30, 2016   | June 30, 2015 | June 30, 2016    | June 30, 2015 |
|                                     | (Rs. in '000)    |               |                 |               |                  |               |
| <b>Sales</b>                        | <b>22,203</b>    | 63,440        | <b>1,624</b>    | 1,714         | <b>23,827</b>    | 65,154        |
| Sales tax                           | <b>3,226</b>     | 9,218         | <b>260</b>      | 275           | <b>3,486</b>     | 9,493         |
| Commission and discounts            | <b>540</b>       | 1,500         | -               | -             | <b>540</b>       | 1,500         |
|                                     | <b>3,766</b>     | 10,718        | <b>260</b>      | 275           | <b>4,026</b>     | 10,993        |
| <b>Net sales</b>                    | <b>18,437</b>    | 52,722        | <b>1,364</b>    | 1,439         | <b>19,801</b>    | 54,161        |
| <b>Cost of sales</b>                |                  |               |                 |               |                  |               |
| Opening stock                       | <b>17,931</b>    | 64,888        | <b>28,869</b>   | 29,520        | <b>46,800</b>    | 94,408        |
| Cost of goods manufactured          | <b>135,217</b>   | 138,946       | -               | -             | <b>135,217</b>   | 138,946       |
| Purchases                           | -                | -             | <b>29,627</b>   | 353           | <b>29,627</b>    | 353           |
| Closing stock                       | <b>(3,742)</b>   | (17,931)      | <b>(57,359)</b> | (28,869)      | <b>(61,101)</b>  | (46,800)      |
|                                     | <b>149,406</b>   | 185,903       | <b>1,137</b>    | 1,004         | <b>150,543</b>   | 186,907       |
| <b>Gross (loss) / profit</b>        | <b>(130,969)</b> | (133,181)     | <b>227</b>      | <b>435</b>    | <b>(130,742)</b> | (132,746)     |
| Distribution expenses               | <b>36,543</b>    | 52,217        | <b>2,703</b>    | 1,426         | 39,244           | 53,643        |
| Administration and general expenses | <b>31,810</b>    | 35,560        | <b>2,353</b>    | 970           | 34,163           | 36,530        |
|                                     | <b>68,353</b>    | 87,777        | <b>5,056</b>    | 2,396         | 73,407           | 90,173        |
| <b>Operating (Loss) / profit</b>    | <b>(199,322)</b> | (220,958)     | <b>(4,829)</b>  | (1,961)       | (204,149)        | (222,919)     |



## Notes To The Financial Statements

For The Year Ended June 30, 2016

|   | Note | June 30,<br>2016 | June 30,<br>2015 |
|---|------|------------------|------------------|
| ----- (Rs. in '000) -----                     |      |                  |                  |
| <b>19.1 Cost of goods manufactured</b>        |      |                  |                  |
| <b>Raw material and vendor parts consumed</b> |      |                  |                  |
| Opening stock                                 |      | <b>144,225</b>   | 144,225          |
| Purchases                                     |      | -                | -                |
| Closing stock                                 |      | <b>(144,225)</b> | (144,225)        |
|   |      | -                | -                |
| Stores and spares consumed                    |      | <b>2,525</b>     | 5,648            |
| Salaries, wages and other benefits            | 19.2 | <b>44,923</b>    | 39,910           |
| Insurance                                     |      | -                | 1,000            |
| Depreciation                                  | 3.2  | <b>78,430</b>    | 83,991           |
| Communication                                 |      | <b>236</b>       | 308              |
| Printing, stationery and office supplies      |      | <b>7</b>         | 34               |
| Rent, rates & Taxes                           |      | <b>188</b>       | 100              |
| Legal & Professional                          |      | <b>100</b>       | -                |
| Utilities                                     |      | <b>4,847</b>     | 4,240            |
| Traveling & entertainment                     |      | <b>234</b>       | 1,535            |
| Vehicle running                               |      | <b>1,834</b>     | 1,230            |
| Fee & subscription                            |      | -                | 526              |
| Repairs and maintenance                       |      | <b>1,893</b>     | 424              |
|   |      | <b>135,217</b>   | 138,946          |
|   |      | <b>135,217</b>   | 138,946          |

**19.2** Included herein is a sum of Rs. 0.532 (2015: Rs. 0.542) million relating to recognized Provident fund scheme.

### 20. DISTRIBUTION EXPENSES

|  |      |               |        |
|--|------|---------------|--------|
| Salaries, allowances and other benefits  | 20.1 | <b>31,193</b> | 37,345 |
| Depreciation                             | 3.2  | <b>4,507</b>  | 4,544  |
| Insurance                                |      | -             | 24     |
| Traveling & entertainment                |      | <b>1,027</b>  | 6,381  |
| Vehicle running                          |      | <b>1,475</b>  | 2,212  |
| Communication                            |      | <b>710</b>    | 891    |
| Printing, stationery and office supplies |      | <b>34</b>     | 91     |
| Legal and professional                   |      | <b>10</b>     | 1,718  |
| Advertising & sales promotion            |      | -             | 97     |
| Fee and subscription                     |      | <b>12</b>     | 2      |
| Repairs and maintenance                  |      | <b>56</b>     | 16     |
| Warranty claims and PDI & FFS            |      | <b>220</b>    | 322    |
|  |      | <b>39,244</b> | 53,643 |

## Notes To The Financial Statements

For The Year Ended June 30, 2016

**20.1** Included herein is a sum of Rs. 0.611 (2015: Rs. 0.796) million relating to recognized Provident fund scheme.

**20.2** The distribution expenses have been allocated between manufacturing and trading activities (note 19) on the basis of net sales.

|  | Note | June 30,<br>2016 | June 30,<br>2015 |
|--|------|------------------|------------------|
| ----- (Rs. in '000) -----                      |      |                  |                  |
| <b>21. ADMINISTRATION AND GENERAL EXPENSES</b> |      |                  |                  |
| Salaries, allowances and other benefits        | 21.1 | <b>21,275</b>    | 23,165           |
| Rent, rates and taxes                          |      | <b>100</b>       | 100              |
| Depreciation                                   | 3.2  | <b>7,213</b>     | 8,120            |
| Insurance                                      |      | <b>7</b>         | 193              |
| Traveling & entertainment                      |      | <b>312</b>       | 1,010            |
| Vehicle running                                |      | <b>1,571</b>     | 1,211            |
| Communication                                  |      | <b>169</b>       | 622              |
| Utilities                                      |      | <b>-</b>         | 32               |
| Printing, stationery and office supplies       |      | <b>381</b>       | 487              |
| Legal and professional                         |      | <b>1,670</b>     | 220              |
| Advertising & publicity                        |      | <b>65</b>        | 33               |
| Fee and subscription                           |      | <b>823</b>       | 723              |
| Repairs and maintenance                        |      | <b>37</b>        | 74               |
| Auditors' remuneration                         | 21.2 | <b>540</b>       | 540              |
|  |      | <b>34,163</b>    | 36,530           |

**21.1** Included herein is a sum of Rs.0.354 (2015: Rs. 0.477) million relating to recognized Provident fund scheme.

### 21.2 Auditors' remuneration

|   |            |     |
|---|------------|-----|
| Audit fee                               | <b>330</b> | 330 |
| Interim review and other certifications | <b>110</b> | 110 |
| Out of pocket expenses                  | <b>100</b> | 100 |
|   | <b>540</b> | 540 |

**21.3** The administration and general expenses have been allocated between manufacturing and trading activities (note 19) on the basis of net sales.

|  |       | June 30,<br>2016 | June 30,<br>2015 |
|--|-------|------------------|------------------|
| ----- (Rs. in '000) -----                            |       |                  |                  |
| <b>22. OTHER INCOME</b>                              |       |                  |                  |
| Gain on disposal of fixed assets                     |       | <b>-</b>         | 1,549            |
| Profit on Short Term Loan to Associated undertakings | 7.1   | <b>25,813</b>    | 68,430           |
| Others   |       | <b>806</b>       | 790              |
| Share of profit of equity investment in associate    | 2.6.2 | <b>144,605</b>   | 45,722           |
|  |       | <b>171,224</b>   | 116,491          |

# Notes To The Financial Statements

For The Year Ended June 30, 2016

## 23 FINANCE COST

During the year ended June 30, 2016 the company has not provided the markup on Long term and short term borrowing from banks and financial institutions to the extent of Rs. 324.431 million, accumulated Rs. 4.404 billion. The management is hope full that the decision of the court will be in favor of the company and the restructuring proposal will be accepted by the lenders. However had the company provided this amount in the financial statements during the year the loss of the company would have been increased and consequently the Share holders equity would have been lower and accrued markup would have been higher by the same amount. The said non provisioning is the contravention with the requirements of IAS 23 "Borrowing Costs".

## 24 TAXATION

The Company is in gross loss, therefore no provision is required for minium tax as per provisions of the Income Tax Ordinance.

## 25. (LOSS) PER SHARE

**June 30,  
2016**      **June 30,  
2015**  
-----**(Rs. in '000)**-----

### 25.1 Basic (loss) per share

|  |                    |                 |           |
|--|--------------------|-----------------|-----------|
| Net (loss) for the period                  | Rs. In thousand    | <b>(43,060)</b> | (113,287) |
| Weighted average number of ordinary shares | number in thousand | <b>108,735</b>  | 108,735   |
| Basic (loss) per share                     | Rupees             | <b>(0.40)</b>   | (1.04)    |

### 25.2 Diluted (loss) per share

|  |                    |                 |           |
|--|--------------------|-----------------|-----------|
| Net (loss) for the period                  | Rs. In thousand    | <b>(43,060)</b> | (113,287) |
| Weighted average number of ordinary shares | number in thousand | <b>109,393</b>  | 109,393   |
| Diluted (loss) per share                   | Rupees             | <b>(0.39)</b>   | (1.04)    |

**June 30,  
2016**      **June 30,  
2015**  
-----**(Rs. in '000)**-----

## 26. CASH AND CASH EQUIVALENTS

|                        |                    |             |
|------------------------|--------------------|-------------|
| Cash and bank balances | <b>138,609</b>     | 122,202     |
| Short term finances    | <b>(1,986,171)</b> | (2,141,569) |
|                        | <b>(1,847,562)</b> | (2,019,367) |

# Notes To The Financial Statements

For The Year Ended June 30, 2016

## 27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for the remuneration to the Chief Executive, Director and Executives are as follows:

|  | June 30, 2016            |          |            | June 30, 2015   |          |            |
|--|--------------------------|----------|------------|-----------------|----------|------------|
|  | Chief Executive          | Director | Executives | Chief Executive | Director | Executives |
|  | ----- Rs. in '000' ----- |          |            |                 |          |            |
| Managerial remuneration                  | -                        | 4,436    | 19,835     | -               | 3,318    | 24,524     |
| Bonus                                    | -                        | -        | -          | -               | -        | -          |
| House rent, utilities and other benefits | -                        | 2,219    | 6,793      | -               | 726      | 8,608      |
| Retirement benefits                      | -                        | 109      | 1,025      | -               | 109      | 1,299      |
| Medical                                  | -                        | -        | -          | -               | -        | -          |
| Leave passage / assistance               | -                        | 6,764    | 27,653     | -               | 4,153    | 34,431     |
|  | <u>1</u>                 | <u>2</u> | <u>10</u>  | <u>1</u>        | <u>1</u> | <u>9</u>   |
| No. of persons                           |                          |          |            |                 |          |            |

The remuneration paid to both the directors of the company, are executive directors.

The chief executive, director and certain executives of the company are provided free use of company maintained cars.

## 28. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

The related parties and associate undertakings comprise Hyundai Motor Company, Kia Motors Corporation, associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel disclosed in the respective notes, are as follows:

|   | June 30,<br>2016          | June 30,<br>2015 |
|---|---------------------------|------------------|
|   | ----- (Rs. in '000) ----- |                  |
| Sales   | 42                        | 972              |
| Markup charged for the period on short term loans to associated undertakings  | 25,813                    | 68,430           |
| Amount received against markup on short term loans to associated undertakings | 5,000                     | -                |
| Loan received / transferred to Advance Against Share Capital from Director    | (36,198)                  | 11,699           |
| Loan recovered/settled from associated undertaking                            | 584,105                   | -                |
| Advance Against Share Capital   | 263,802                   | -                |
| Shares against loan settlement  | 524,446                   | -                |
| Provident Fund  | 1,497                     | 1,815            |

Transactions with associated undertakings and related parties are undertaken on an arm's length basis.

## 29. PLANT CAPACITY AND PRODUCTION

Capacity of the plant on single shift basis is 10,000 (2015:10,000) units. Production during the year from the facility is Nil (2015: Nil) units. The production for the year remained suspended due to freezing of working capital limits by banks.

## Notes To The Financial Statements

For The Year Ended June 30, 2016

### 30. FINANCIAL INSTRUMENTS BY CATEGORY

|                       | <b>As at June 30, 2016</b>      |                                    |                |
|-----------------------|---------------------------------|------------------------------------|----------------|
|                       | Loans and<br>receivables        | Derivatives<br>used for<br>hedging | Total          |
|                       | ----- <b>Rs. in '000'</b> ----- |                                    |                |
| <b>Assets</b>         |                                 |                                    |                |
| Loans                 | -                               | -                                  | -              |
| Deposits              | 36,000                          | -                                  | 36,000         |
| Trade debts           | 22,859                          | -                                  | 22,859         |
| Other receivables     | 749,653                         | -                                  | 749,653        |
| Cash and bank balance | 138,609                         | -                                  | 138,609        |
|                       | <u>947,121</u>                  | <u>-</u>                           | <u>947,121</u> |

|                          | <b>As at June 30, 2016</b>                             |   |                  |
|--------------------------|--|---|------------------|
|                          | Liabilities at fair<br>value through<br>profit or loss | Financial<br>liabilities at<br>amortized cost | Total            |
|                          | ----- <b>Rs. in '000'</b> -----                        |   |                  |
| <b>Liabilities</b>       |  |   |                  |
| Trade and other payables | -  | 2,289,762                                     | 2,289,762        |
|                          | <u>-</u>   | <u>2,289,762</u>                              | <u>2,289,762</u> |

|                       | <b>As at June 30, 2015</b>      |                                    |                |
|-----------------------|---------------------------------|------------------------------------|----------------|
|                       | Loans and<br>receivables        | Derivatives<br>used for<br>hedging | Total          |
|                       | ----- <b>Rs. in '000'</b> ----- |                                    |                |
| <b>Assets</b>         |                                 |                                    |                |
| Loans                 | -                               | -                                  | -              |
| Deposits              | 36,000                          | -                                  | 36,000         |
| Trade debts           | 22,259                          | -                                  | 22,259         |
| Other receivables     | 728,840                         | -                                  | 728,840        |
| Cash and bank balance | 122,202                         | -                                  | 122,202        |
|                       | <u>909,301</u>                  | <u>-</u>                           | <u>909,301</u> |

|                          | <b>As at June 30, 2015</b>                             |   |                  |
|--------------------------|--|---|------------------|
|                          | Liabilities at fair<br>value through<br>profit or loss | Financial<br>liabilities at<br>amortized cost | Total            |
|                          | ----- <b>Rs. in '000'</b> -----                        |   |                  |
| <b>Liabilities</b>       |  |   |                  |
| Trade and other payables | -  | 2,290,301                                     | 2,290,301        |
|                          | <u>-</u>   | <u>2,290,301</u>                              | <u>2,290,301</u> |

# Notes To The Financial Statements

For The Year Ended June 30, 2016

## 31 FINANCIAL RISK MANAGEMENT

### 31.1 Credit risk

Credit risk is the risk that one party to the financial instruments will fail to discharge its obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

The Company has maintained bank balances with various banks having rating ranging between AA+ to AA-

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to need contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the company's performance to developments affecting a particular industry.

Credit risk arises from derivative financial instruments and balances with bank and financial institutions, as well as credit exposures to customers, including trade receivables and committed transaction. Out of the total financial assets of Rs. 2,041.231 (2015: Rs 2,032.782) million, the financial assets which are subject to credit risk amounted to Rs. 955.986 (2015: Rs. 1,504.425) million.

The company manages credit risk in trade receivables by limiting significant exposure to any individual customer, by obtaining advance against sales, by monitoring credit exposure and continuing assessment of credit worthiness of such customers as well as by close monitoring of operations of the associated undertakings.

### 31.2 Liquidity Risk

Liquidity risk reflects the company's inability of raising funds to meet commitments. Management closely monitors the company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers. Further, company treasury maintains flexibility in funding by keeping committed credit lines available.

### 31.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk and interest rate risk.

#### 31.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company manages its currency risk by close monitoring of currency markets. As per central bank regulations, the company cannot hedge its currency risk exposure.

#### 31.3.2 Interest rate risk

Interest / markup rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest / markup rates. Sensitivity to interest / markup rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The company manages this mismatches through risk management strategies where significant changes in gap position can be adjusted. The company exposed to interest / markup rate risk is respect of the following

# Notes To The Financial Statements

For The Year Ended June 30, 2016

|  | Interest/<br>mark-up rate<br>% | Interest / Markup bearing |                            |                  | Non-Interest / Markup bearing |                            |                  | Total            |
|--|--------------------------------|---------------------------|----------------------------|------------------|-------------------------------|----------------------------|------------------|------------------|
|  |                                | Maturity upto<br>one year | Maturity after<br>one year | Sub-total        | Maturity upto<br>one year     | Maturity after<br>one year | Sub-total        | June 30,<br>2016 |
|  |                                | (Rupees in '000)          |                            |                  |                               |                            |                  |                  |
| <b>ON-BALANCE SHEET FINANCIAL INSTRUMENTS</b>  |                                |                           |                            |                  |                               |                            |                  |                  |
| <b>June 30, 2016</b>                           |                                |                           |                            |                  |                               |                            |                  |                  |
| <b>FINANCIAL ASSETS</b>                        |                                |                           |                            |                  |                               |                            |                  |                  |
| Trade debts                                    |                                | -                         | -                          | -                | 22,859                        | -                          | 22,859           | <b>22,859</b>    |
| Loans to associated undertakings               | 7.05                           | 154,879                   | -                          | 154,879          | -                             | -                          | -                | <b>154,879</b>   |
| Advances, deposits and other receivables       |                                | -                         | -                          | -                | 778,248                       | -                          | 778,248          | <b>778,248</b>   |
| Investment in Associate                        |                                | -                         | -                          | -                | 946,636                       | -                          | 946,636          | <b>946,636</b>   |
| Cash and bank balances                         |                                | -                         | -                          | -                | 138,609                       | -                          | 138,609          | <b>138,609</b>   |
|  |                                | <u>154,879</u>            | <u>-</u>                   | <u>154,879</u>   | <u>1,886,352</u>              | <u>-</u>                   | <u>1,886,352</u> | <b>2,041,231</b> |
| <b>FINANCIAL LIABILITIES</b>                   |                                |                           |                            |                  |                               |                            |                  |                  |
| Long term loans                                | 14.51-16.01                    | 1,179,429                 | -                          | 1,179,429        | -                             | -                          | -                | <b>1,179,429</b> |
| Long term deposits                             |                                | -                         | -                          | -                | -                             | 16,700                     | 16,700           | <b>16,700</b>    |
| Trade and other payables                       |                                | -                         | -                          | 2,289,762        | -                             | -                          | 2,289,762        | <b>2,289,762</b> |
| Short term finances                            | 8.74-20.00                     | 1,986,171                 | -                          | 1,986,171        | -                             | -                          | -                | <b>1,986,171</b> |
|  |                                | <u>3,165,600</u>          | <u>-</u>                   | <u>3,165,600</u> | <u>2,289,762</u>              | <u>16,700</u>              | <u>2,306,462</u> | <b>5,472,062</b> |
| <b>OFF-BALANCE SHEET FINANCIAL INSTRUMENTS</b> |                                |                           |                            |                  |                               |                            |                  |                  |
| Commitment in respect of letters of credit     |                                | -                         | -                          | -                | -                             | -                          | -                | <b>-</b>         |
| Outstanding bank guarantee                     |                                | -                         | -                          | -                | 233,336                       | 17,000                     | 250,336          | <b>250,336</b>   |
|  |                                | <u>-</u>                  | <u>-</u>                   | <u>-</u>         | <u>233,336</u>                | <u>17,000</u>              | <u>250,336</u>   | <b>250,336</b>   |
| <b>ON-BALANCE SHEET FINANCIAL INSTRUMENTS</b>  |                                |                           |                            |                  |                               |                            |                  |                  |
| <b>June 30, 2015</b>                           |                                |                           |                            |                  |                               |                            |                  |                  |
| <b>FINANCIAL ASSETS</b>                        |                                |                           |                            |                  |                               |                            |                  |                  |
| Trade debts                                    |                                | -                         | -                          | -                | 22,259                        | -                          | 22,259           | <b>22,259</b>    |
| Loans to associated undertakings               | 9.26                           | 738,984                   | -                          | 738,984          | -                             | -                          | -                | <b>738,984</b>   |
| Advances, deposits and other receivables       |                                | -                         | -                          | -                | 743,183                       | -                          | 743,183          | <b>743,183</b>   |
| Investment                                     |                                | -                         | -                          | -                | 406,110                       | -                          | 406,110          | <b>406,110</b>   |
| Cash and bank balances                         |                                | -                         | -                          | -                | 122,202                       | -                          | 122,202          | <b>122,202</b>   |
|  |                                | <u>738,984</u>            | <u>-</u>                   | <u>738,984</u>   | <u>1,293,754</u>              | <u>-</u>                   | <u>1,293,754</u> | <b>2,032,738</b> |
| <b>FINANCIAL LIABILITIES</b>                   |                                |                           |                            |                  |                               |                            |                  |                  |
| Long term loans                                | 14.51-16.01                    | 1,179,429                 | -                          | 1,179,429        | -                             | -                          | -                | <b>1,179,429</b> |
| Long term deposits                             |                                | -                         | -                          | -                | -                             | 16,700                     | 16,700           | <b>16,700</b>    |
| Trade and other payables                       |                                | -                         | -                          | -                | 2,290,301                     | -                          | 2,290,301        | <b>2,290,301</b> |
| Short term finances                            | 8.74-20.00                     | 2,141,569                 | -                          | 2,141,569        | -                             | -                          | -                | <b>2,141,569</b> |
|  |                                | <u>3,320,998</u>          | <u>-</u>                   | <u>3,320,998</u> | <u>2,290,301</u>              | <u>16,700</u>              | <u>2,307,001</u> | <b>5,627,999</b> |
| <b>OFF-BALANCE SHEET FINANCIAL INSTRUMENTS</b> |                                |                           |                            |                  |                               |                            |                  |                  |
| Commitment in respect of letters of credit     |                                | -                         | -                          | -                | -                             | -                          | -                | <b>-</b>         |
| Outstanding bank guarantee                     |                                | -                         | -                          | -                | 233,336                       | 17,000                     | 250,336          | <b>250,336</b>   |
|  |                                | <u>-</u>                  | <u>-</u>                   | <u>-</u>         | <u>233,336</u>                | <u>17,000</u>              | <u>250,336</u>   | <b>250,336</b>   |

## Notes To The Financial Statements

For The Year Ended June 30, 2016

### 31.3.3 Fair value of financial instruments

Fair value is an amount for which an assets could be exchanged, or a liability settled, between knowledgeable willing parties in arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

As at the reporting date the fair value of all financial assets and liabilities are estimated to approximate their carrying values.

### 32. Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures commensuration to the circumstances.

Consistent with others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholder. Debt is calculated as total borrowings ('long term loan' and short term borrowings' as shown in the balance sheet). total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

### 33. NUMBER OF EMPLOYEES

Number of persons employed as at year end were 78 (2015: 88) and the average number of persons employed during the year were 63 (2015: 91).

### 34. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on September 30, 2016 by the Board of Directors of the company.

### 35. CORRESPONDING FIGURES

The corresponding figures have been reclassified, restated and rearranged wherever necessary to facilitate comparison, significant restatements / reclassification in these financial statements as under.

Investment in associated Company as previously disclosed as available for sale at Market value of Pakistan stock Exchange Rates` on June 30, in accordance with IAS-39 'Financial Instruments: Recognition and Measurement'. Accordingly, management has decided to apply Equity Method retrospectively in accordance with the requirements of IAS-28 'Accounting for Investment in Associates and IAS - 8 'Accounting Policies, Changes in accounting estimates and Errors'. Consequently the comparative figures for the prior periods have also been restated, therefore,



# Notes To The Financial Statements

For The Year Ended June 30, 2016

after taking effect of the value of investment the Prior Periods Balance sheet, Profit and Loss account, Cash flow statements, Statement of Comprehensive Income, Statement of Change in Equity and Relevant notes have been Restated during the year . Further, after recognition of the investmnet on Equity Basis the investmnet has been reclassified from Short term investment to Long term Investment.

The effects of above restatements on the financial statements are as follows:

------(Rs. in '000)-----

|  | ----- 2015 -----       |                                | ----- 2014 ----- |                        |                                |             |
|--|------------------------|--------------------------------|------------------|------------------------|--------------------------------|-------------|
|  | As previously reported | Impact due to change in policy | As Restated      | As previously reported | Impact due to change in policy | As Restated |
| <b>Effect on balance sheet</b>           |                        |                                |                  |                        |                                |             |
| Investment                               | 406,110                | (62,916)                       | 343,194          | 204,729                | 92,744                         | 297,473     |
| Accumulated Losses/Reserves              | (3,307,060)            | (62,916)                       | (3,369,976)      | (3,349,432)            | 92,744                         | (3,256,688) |
| <b>Effect on Profit and Loss Account</b> |                        |                                |                  |                        |                                |             |
| Other Income                             | 70,769                 | 45,722                         | 116,491          | -                      | -                              | -           |
| Profit For the year                      | (159,009)              | 45,722                         | (113,287)        | -                      | -                              | -           |
| Earning per Share                        | (1.46)                 | (0.42)                         | (1.04)           | -                      | -                              | -           |
| <b>Other Comprehensive Income</b>        | <b>42,372</b>          | <b>(155,659)</b>               | <b>(113,287)</b> | <b>-</b>               | <b>-</b>                       | <b>-</b>    |

## 36. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Statement under section 241 (2) of the Companies Ordinance, 1984

The chief Executive Officer of the Company is presently out of country and hence, these financial statements have been signed by the two directors as required under section 241 (2) of the Companies Ordinance 1984.



**Haroon Iqbal**  
Director



**Aziz-ul-Haque**  
Director

**DEWAN FAROOQUE MOTORS LIMITED**

**Pattern of Shareholding under Regulation 37(xx)(i) of the Code of Corporate Governance**

as at June 30, 2016

| Sr #         | Categories of Shareholders   | Number of Shareholders | Number of Shares held | % of Shareholding |
|--------------|--|------------------------|-----------------------|-------------------|
| 1.           | Associated Companies   | 1                      | 13,650,000            | 12.55%            |
| 2.           | NIT and ICP  |                        |                       | 0.00%             |
| 3.           | Directors, CEO, their Spouses & Minor Children   | 9                      | 42,229,904            | 38.84%            |
| 4.           | Executives   |                        |                       | 0.00%             |
| 5.           | Public Sector Companies & Corporations   | 48                     | 3,772,465             | 3.47%             |
| 6.           | Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds | 9                      | 576,175               | 0.53%             |
| 7.           | Individuals  | 5,038                  | 48,506,698            | 44.61%            |
| <b>TOTAL</b> |  | <b>5,105</b>           | <b>108,735,242</b>    | <b>100.00%</b>    |

**DETAILS OF CATEGORIES OF SHAREHOLDERS**

| Sr #   | Names                          | Number of Shareholders | Number of Shares held | % of Shareholding |
|--|--------------------------------|------------------------|-----------------------|-------------------|
| <b>1. Associated Companies</b>                               |                                |                        |                       |                   |
| 1.1  | Dewan Sugar Mills Limited      | 1                      | 13,650,000            | 12.55%            |
|  |                                | <b>1</b>               | <b>13,650,000</b>     | <b>12.55%</b>     |
| <b>2. NIT and ICP</b>  |                                |                        |                       |                   |
|  |                                | -                      | -                     | -                 |
| <b>3. Directors, CEO, their Spouses &amp; Minor Children</b> |                                |                        |                       |                   |
| <b>Directors and CEO</b>                                     |                                |                        |                       |                   |
| 3.1  | Dewan Muhammad Yousuf Farooqui | 1                      | 41,255,654            | 37.94%            |
| 3.2  | Dewan Abdul Rehman Farooqui    | 1                      | 500                   | 0.00%             |
| 3.3  | Mr. Haroon Iqbal               | 1                      | 500                   | 0.00%             |
| 3.4  | Mr. Aziz ul Haq                | 1                      | 500                   | 0.00%             |
| 3.5  | Mr. Waseem-ul-Haque Ansari     | 1                      | 500                   | 0.00%             |
| 3.6  | Mr. Syed Muhammad Anwar        | 1                      | 500                   | 0.00%             |
| 3.7  | Mr. Muhammad Naemuddin Malik   | 1                      | 500                   | 0.00%             |
|  |                                | <b>7</b>               | <b>41,258,654</b>     | <b>37.94%</b>     |
| <b>Spouses of Directors and CEO</b>                          |                                |                        |                       |                   |
| 3.8  | Mrs. Hina Yousuf               | 1                      | 472,500               | 0.43%             |
| 3.9  | Mrs. Sameena Rehman            | 1                      | 498,750               | 0.46%             |
|  |                                | 2                      | 971,250               | 0.89%             |
| <b>Minor Children of Directors and CEO</b>                   |                                |                        |                       |                   |
|  |                                | -                      | -                     | -                 |

**SHAREHOLDERS HOLDING 5% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY**

| Sr # | Names                          | Number of Shareholders | Number of Shares held | % of Shareholding |
|------|--------------------------------|------------------------|-----------------------|-------------------|
| 1    | Dewan Muhammad Yousuf Farooqui | 1                      | 41,255,654            | 37.94%            |
| 2    | Dewan Sugar Mills Limited      | 1                      | 13,650,000            | 12.55%            |

**DETAILS OF TRADING IN THE SHARES OF THE COMPANY BY DIRECTORS, CEO, CFO, COMPANY SECRETARY, THEIR SPOUSES AND MINOR CHILDREN**

**During the year under review, none of the CEO, CFO, Directors, Company Secretary, their spouses and minor children have traded in the shares of the Company.**

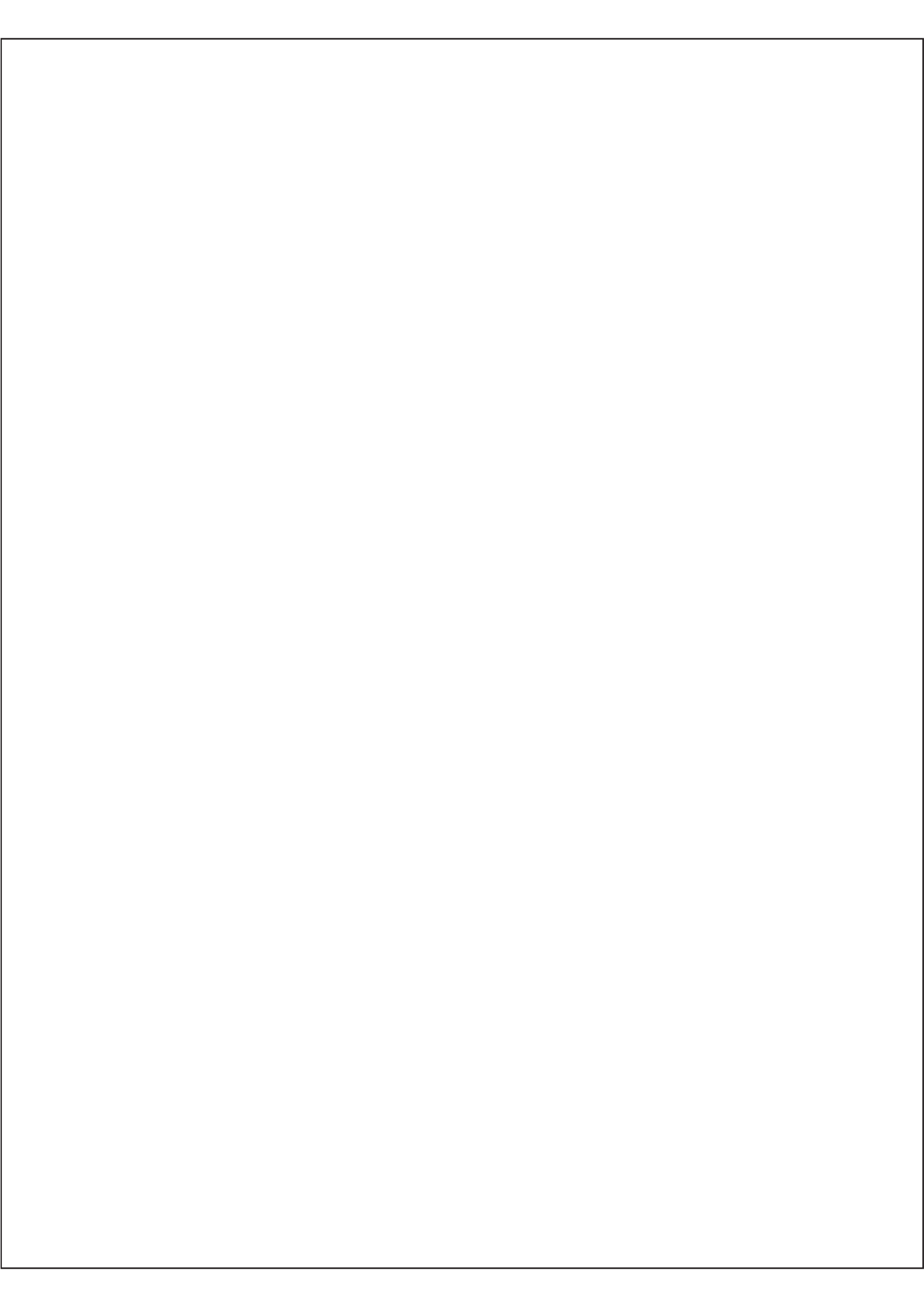
**THE COMPANIES ORDINANCE, 1984  
(Section 236(1) and 464)  
PATTERN OF SHAREHOLDING**

1. Incorporation Number **0039756**
2. Name of the Company **DEWAN FAROOQUE MOTORS LIMITED**
3. Pattern of holding of the shares held by the Shareholders as at **30.06.2016**

| 4. | Number of Shareholders | Shareholdings |   |            | Total Shares held |                    |
|----|------------------------|---------------|---|------------|-------------------|--------------------|
|    | 439                    | 1             | - | 100        | Shares            | 13,522             |
|    | 669                    | 101           | - | 500        | Shares            | 302,503            |
|    | 1256                   | 501           | - | 1,000      | Shares            | 1,023,994          |
|    | 1609                   | 1,001         | - | 5,000      | Shares            | 4,690,142          |
|    | 510                    | 5,001         | - | 10,000     | Shares            | 4,182,616          |
|    | 281                    | 10,001        | - | 20,000     | Shares            | 4,194,964          |
|    | 140                    | 20,001        | - | 30,000     | Shares            | 3,568,772          |
|    | 53                     | 30,001        | - | 40,000     | Shares            | 1,873,624          |
|    | 24                     | 40,001        | - | 50,000     | Shares            | 1,141,799          |
|    | 17                     | 50,001        | - | 60,000     | Shares            | 954,500            |
|    | 11                     | 60,001        | - | 70,000     | Shares            | 715,500            |
|    | 10                     | 70,001        | - | 80,000     | Shares            | 756,500            |
|    | 5                      | 80,001        | - | 90,000     | Shares            | 431,000            |
|    | 12                     | 90,001        | - | 100,000    | Shares            | 1,165,292          |
|    | 13                     | 100,001       | - | 120,000    | Shares            | 1,435,606          |
|    | 8                      | 120,001       | - | 140,000    | Shares            | 1,044,090          |
|    | 8                      | 140,001       | - | 160,000    | Shares            | 1,205,050          |
|    | 3                      | 160,001       | - | 180,000    | Shares            | 519,000            |
|    | 4                      | 180,001       | - | 200,000    | Shares            | 776,000            |
|    | 4                      | 200,001       | - | 220,000    | Shares            | 853,500            |
|    | 1                      | 220,001       | - | 240,000    | Shares            | 228,000            |
|    | 2                      | 240,001       | - | 260,000    | Shares            | 507,182            |
|    | 1                      | 260,001       | - | 280,000    | Shares            | 265,000            |
|    | 3                      | 280,001       | - | 300,000    | Shares            | 862,500            |
|    | 1                      | 300,001       | - | 370,000    | Shares            | 365,000            |
|    | 2                      | 370,001       | - | 400,000    | Shares            | 791,500            |
|    | 3                      | 400,001       | - | 500,000    | Shares            | 1,443,750          |
|    | 2                      | 500,001       | - | 550,000    | Shares            | 1,060,500          |
|    | 1                      | 550,001       | - | 600,000    | Shares            | 580,000            |
|    | 1                      | 600,001       | - | 650,000    | Shares            | 648,000            |
|    | 1                      | 650,001       | - | 700,000    | Shares            | 700,000            |
|    | 1                      | 700,001       | - | 800,000    | Shares            | 800,000            |
|    | 1                      | 800,001       | - | 950,000    | Shares            | 950,000            |
|    | 2                      | 950,001       | - | 1,000,000  | Shares            | 1,952,000          |
|    | 1                      | 1,000,001     | - | 2,000,000  | Shares            | 1,365,000          |
|    | 2                      | 2,000,001     | - | 2,500,000  | Shares            | 4,757,500          |
|    | 1                      | 2,500,001     | - | 3,000,000  | Shares            | 2,505,682          |
|    | 1                      | 3,000,001     | - | 4,000,000  | Shares            | 3,200,000          |
|    | 1                      | 4,000,001     | - | 14,000,000 | Shares            | 13,650,000         |
|    | 1                      | 14,000,001    | - | 42,000,000 | Shares            | 41,255,654         |
|    | <b>5,105</b>           | <b>TOTAL</b>  |   |            |                   | <b>108,735,242</b> |

**THE COMPANIES ORDINANCE, 1984**  
**(Section 236(1) and 464)**  
**PATTERN OF SHAREHOLDING**

| 5.  | Categories of Shareholders  | Shares held | Percentage |
|-----|---|-------------|------------|
| 5.1 | Directors, Chief Executive Officer, their spouses and minor children        | 42,229,904  | 38.84%     |
| 5.2 | Associated Companies, undertakings and related parties                      | 13,650,000  | 12.55%     |
| 5.3 | NIT and ICP   | -           | 0.00%      |
| 5.4 | Banks, Development Financial Institutions, Non-Banking Finance Companies    | 46,550      | 0.04%      |
| 5.5 | Insurance Companies   | -           | 0.00%      |
| 5.6 | Modarabas and Mutual Funds  | 529,625     | 0.49%      |
| 5.7 | Shareholders holding 5%   | 54,905,654  | 50.49%     |
| 5.8 | General Public  |             |            |
|     | a. Local  | 48,499,698  | 44.60%     |
|     | b. Foreign  | 7,000       | 0.01%      |
| 5.9 | Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees) | 3,772,465   | 3.47%      |



## Form of Proxy

I/we \_\_\_\_\_  
of \_\_\_\_\_ being  
a member (s) of **DEWAN FAROOQUE MOTORS LIMITED** and holder of \_\_\_\_\_  
Ordinary Shares as per Registered Folio No./CDC Participant's ID and Account No.  
\_\_\_\_\_ hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him \_\_\_\_\_  
of \_\_\_\_\_  
who is also member of **DEWAN FAROOQUE MOTORS LIMITED** vide Registered Folio  
No./CDC Participant's ID and Account No. \_\_\_\_\_ as my/our proxy to vote for  
me/us and on my/our behalf at the 18th Annual General Meeting of the Company to be  
held on Thursday, October 27, 2016 at 02:30 a.m. and my adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016.



Signature \_\_\_\_\_

Witness: \_\_\_\_\_  
Signature

Witness: \_\_\_\_\_  
Signature

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

**IMPORTANT:**

1. A proxy should also be a member of the company.
2. A member of the Company entitled to attend and vote all meeting, may appoint another member as his/her proxy to attend and vote instead of him/her.
3. Proxies, In order to be effective, must be received by the Company, duly completed, at our Shares Registrar Transfer Agent BMF Consultants Pakistan (Private) Limited, located at Anum Estate Building, Room # 301 & 311, 3rd Floor, 49, Darul Anum Society, Main Shahrah-e-Faisal, Adjacent to Baloch Colony Bridge, Karachi, Pakistan, not later than 48 hours before the meeting.

**4. Further Instructions for CDC Account holders:**

- i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall the proxy form as per the above requirements.
- ii) Two persons, whose names, addresses, and CNIC numbers shall be mentioned on the form, shall witness the proxy.
- iii) Attested copies of CNIC or passport of the beneficial owners and proxy shall be furnished alongwith the proxy form.
- iv) The proxy shall produce his/her original CNIC or original at the time of meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney, alongwith the specimen signature of the nominee, shall be produced (unless it has been provided earlier) alongwith the proxy form to the Company.

