

Quarterly Report September 30, 2013



DEWAN FAROOQUE MOTORS LIMITED



DEWAN FAROOQUE MOTORS LIMITED

Company Information

Executive Directors

Dewan Mohammad Yousuf Farooqui

Chairman Board of Directors

Non-Executive Directors

Dewan Asim Mushfiq Farooqui
Dewan Abdullah Ahmed Swaleh
Dewan Abdul Baqi Farooqui
Mr. Haroon Iqbal
Mr. Ishtiaq Ahmad

Independent Director

Mr. Aziz-ul-Haque

The Election of the Board of Directors was held on October 26, 2011 as announced in notice of Annual General Meeting dated October 06, 2011. However, we are continuing with the previous Board of Directors as per the ex-parte order of the Honorable High Court of Sindh in civil suit No. 1287 / 2011 dated October 26, 2011, till the final order.

CHIEF EXECUTIVE OFFICER

Dewan Mohammad Yousuf Farooqui

PRESIDENT

Mr. Farooq Mustafa

CFO & COMPANY SECRETARY

Mr. Muhammad Naemuddin Malik

AUDIT COMMITTEE MEMBERS

| | |
|-------------------|----------|
| Mr. Aziz-ul-Haque | Chairman |
| Mr. Haroon Iqbal | Member |
| Mr. Ishtiaq Ahmad | Member |

HUMAN RESOURCE & REMUNERATION COMMITTEE MEMBERS

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

BANKERS

Allied Bank of Pakistan Limited
Askari Bank Limited
Bank Al Falah Limited
Bank Islami Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
KASB 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.

Directors' Report

The Board of Directors of your Company takes pleasure in presenting the un-audited condensed interim financial statements of the Company for the quarter ended September 30, 2013.

During the period under review the gross loss is Rs. 50.162 million and the after tax loss is Rs. 61.233 million.

Due to restriction in the age limit on imported used cars, the sales of local Car/LCV sector for the three months ended September 30, 2013 has shown a growth of 7.5% as compared to the corresponding period of last year. However, the increase in sales tax rate by 1% coupled with increase in withholding tax on registration of new cars has adversely impacted the stimulation in sales volumes. The industry is already facing a potential impact of inflation and depreciation of PKR against USD which during the period under review has depreciated by more than 6%. The Company has arranged a short term finance with a bank to convert the existing stock of CKD. The Company is going through tough conditions and making best endeavors to survive. A number of recovery suits have been instituted by Banks/Financial Institutions alleging default of company which are being successfully defended by our counsels. The proposal of re-profiling of the Company's debts is expected to be completed very soon. After the restructuring of debt the Company's operation will be normalized.

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

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

Under / By Authority of Board of Directors



DEWAN MOHAMMAD YOUSUF FAROOQUI
Chief Executive

Karachi: October 29, 2013

DEWAN FAROOQUE MOTORS LIMITED

Condensed Interim Balance Sheet
As at September 30, 2013

| | September 30, 2013 Unaudited | June 30, 2013 Audited |
|---|------------------------------------|-----------------------------|
| ------(Rupees in '000)----- | | |
| ASSETS | | |
| NON-CURRENT ASSETS | | |
| Property, Plant and Equipment | 1,408,403 | 1,435,040 |
| Long-term deposits (with leasing companies) | 39,175 | 39,175 |
| CURRENT ASSETS | | |
| Stores and spares | 87,406 | 74,722 |
| Stock-in-trade | 627,771 | 611,005 |
| Trade debts - considered good | 25,787 | 28,002 |
| Short term loans to associated undertakings - considered good | 752,919 | 752,919 |
| Advances, deposits, prepayments and other receivables - considered good | 877,898 | 763,323 |
| Investment | 158,861 | 191,864 |
| Taxation - net | 22,925 | 22,789 |
| Cash and bank balances | 257,785 | 117,422 |
| | 2,811,352 | 2,562,046 |
| TOTAL ASSETS | 4,258,930 | 4,036,261 |
| EQUITY AND LIABILITIES | | |
| SHARE CAPITAL AND RESERVES | | |
| Share Capital | | |
| Authorized | | |
| 120,000,000 (June 30, 2013: 120,000,000) Ordinary shares of Rs.10 each | 1,200,000 | 1,200,000 |
| Issued, subscribed and paid-up | | |
| 108,735,287 (June 30, 2013: 108,735,287) Ordinary shares of Rs.10 each | 1,087,353 | 1,087,353 |
| Reserves | (3,341,105) | (3,246,869) |
| | (2,253,752) | (2,159,516) |
| NON-CURRENT LIABILITIES | | |
| Long term loans - secured | - | - |
| Long term loan - unsecured | 24,499 | 24,499 |
| Long term security deposits | 17,700 | 17,700 |
| Deferred Liabilities | 4,552 | 4,552 |
| CURRENT LIABILITIES | | |
| Trade and other payables | 2,766,830 | 2,614,199 |
| Short term finances-secured | 2,486,084 | 2,313,764 |
| Current maturity of long term loans - overdue | 1,171,383 | 1,179,429 |
| Current maturity of liabilities against assets subject to finance lease | 41,634 | 41,634 |
| | 6,465,931 | 6,149,026 |
| CONTINGENCIES AND COMMITMENTS | | |
| TOTAL EQUITY AND LIABILITIES | 4,258,930 | 4,036,261 |

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



Dewan Mohammad Yousuf Farooqui
Chief Executive



Haroon Iqbal
Director

Condensed Interim Profit and Loss Account
For the quarter ended September 30, 2013

| | Quarter Ended | |
|--|------------------------------|------------------------------|
| | September 30, 2013 Unaudited | September 30, 2012 Unaudited |
| | ----- (Rupees in '000) ----- | |
| GROSS SALES | 925 | 106 |
| Sales tax | 134 | 15 |
| NET SALES | 791 | 91 |
| Cost of sales | 50,953 | 36,054 |
| GROSS (LOSS) | (50,162) | (35,963) |
| Distribution expenses | 15,611 | 10,706 |
| Administration and general expenses | 13,705 | 9,346 |
| | 29,316 | 20,052 |
| OPERATING (LOSS) | (79,478) | (56,015) |
| OTHER INCOME | 24,584 | 34,308 |
| | (54,893) | (21,707) |
| Finance cost | 6,340 | 12 |
| (LOSS) BEFORE TAXATION | (61,233) | (21,719) |
| TAXATION | - | - |
| NET (LOSS) FOR THE PERIOD | (61,233) | (21,719) |
| Basic and Diluted (Loss) per share (Rupee) | (0.56) | (0.20) |

Note

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



Dewan Mohammad Yousuf Farooqui
Chief Executive



Haroon Iqbal
Director

DEWAN FAROQUE MOTORS LIMITED

Condensed Interim Statement of Comprehensive Income
For the quarter ended September 30, 2013

| | Quarter Ended | |
|---|------------------------------------|------------------------------------|
| | September 30, 2013 Unaudited | September 30, 2012 Unaudited |
| | ------(Rupees in '000)----- | |
| (Loss) for the period | (61,233) | (21,719) |
| Other comprehensive (loss)/ profit for the period | | |
| Available for sale financial assets: | | |
| - Changes in fair value | (33,003) | 42,512 |
| Total comprehensive (loss) / income for the period | (94,236) | 20,793 |

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



Dewan Mohammad Yousuf Farooqui
 Chief Executive



Haroon Iqbal
 Director

Condensed Interim Cash Flow Statement

For the quarter ended September 30, 2013

| | September 30, 2013 Unaudited | September 30, 2012 Unaudited |
|---|------------------------------------|------------------------------------|
| ------(Rupees in '000)----- | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| (Loss) before taxation | (61,233) | (21,719) |
| Add / (Less) : Depreciation | 26,636 | 29,474 |
| Financial charges | 6,340 | 12 |
| | 32,976 | 29,486 |
| | (28,257) | 7,767 |
| (Increase) in stores & spares | (12,683) | - |
| (Increase) / Decrease in stock in trade | (16,767) | 68 |
| Decrease in trade debts | 2,215 | 68 |
| (Increase) in advances, deposits, pre-payments & other receivables | (114,576) | (34,662) |
| Increase in trade, other payables and borrowings | 152,632 | 10,247 |
| Tax (paid) | (136) | 5,541 |
| Financial charges (paid) | (6,340) | (12) |
| | 4,345 | (18,750) |
| Net cash flow from operating activities | (23,912) | (10,983) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Short term loans (recovered from) associated undertakings | - | 6,771 |
| Markup received on short term loans to associated undertakings | - | 6,647 |
| Net cash flow from investing activities | - | 13,418 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Long term loans (repaid) | (8,044) | - |
| Net cash flow from financing activities | (8,044) | - |
| NET (DECREASE) / INCREASE IN CASH & CASH EQUIVALENTS | (31,956) | 2,435 |
| CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | (2,196,343) | (1,785,601) |
| CASH & CASH EQUIVALENTS AT END OF THE PERIOD | (2,228,299) | (1,783,166) |

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



Dewan Mohammad Yousuf Farooqui
Chief Executive



Haroon Iqbal
Director

DEWAN FAROOQUE MOTORS LIMITED

Condensed Interim Statement of Changes in Equity
For the quarter ended September 30, 2013

| Share Capital | Accumulated Loss | Total |
|---------------|------------------|-------|
|---------------|------------------|-------|

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

| | | | |
|---|-------------------------|---------------------------|---------------------------|
| Balance as on July 01, 2012 | 1,087,353 | (3,026,061) | (1,938,708) |
| Total comprehensive profit for the period | - | 20,793 | 20,793 |
| Balance as on September 30, 2012 | <u>1,087,353</u> | <u>(3,005,268)</u> | <u>(1,917,915)</u> |
| Balance as on July 01, 2013 | 1,087,353 | (3,246,869) | (2,159,516) |
| Total comprehensive (loss) for the period | - | (94,236) | (94,236) |
| Balance as on September 30, 2013 | <u>1,087,353</u> | <u>(3,341,105)</u> | <u>(2,253,752)</u> |

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



Dewan Mohammad Yousuf Farooqui
Chief Executive



Haroon Iqbal
Director

Notes to the Condensed Interim Financial Statements For the quarter ended September 30, 2013

1 THE COMPANY AND ITS OPERATION

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 all the stock exchanges in Pakistan. The registered office of the Company is situated at 7th floor, Block 'A', Finance and Trade Centre, Off - Shahrah-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.

2 GOING CONCERN ASSUMPTION

The company incurred Loss after taxation of Rs. 61.233 million during the quarter ended September 30, 2013. As of that date it has accumulated losses of Rs.3.341 billion and its current liabilities exceeded its current asset by Rs. 3.655 billion and total assets by Rs. 2.207 billion. Furthermore, cumulatively the company has not provided markup on its borrowings from banks and financial institutions amounting to Rs.2.779 billion. The working capital constraints resulted in closure of production activities leading to gross loss situation. Further the company is facing litigations with the lenders (Banks and the financial institutions) amounting to Rs. 7.243 billion to the financial statements, furthermore, the banks/financial institutions have not renewed the facilities/credit limits. These financials have been prepared under going concern assumption as the management feels the aforesaid situation are temporary not permanent and would reverse in future. The restructuring proposal submitted by the company to lenders is in the final stage of negotiation and is expected to be approved and closed in near future.

These Condensed interim 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) Principle 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.

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.

3 BASIS OF PREPARATION

- 3.1 This condensed interim financial information of the Company for the quarter ended September 30, 2013 has been prepared in accordance with the requirements of the International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.
- 3.2 This condensed interim financial information of the Company does not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual separate financial statements of the Company as at and for the year ended 30 June 2013.
- 3.3 This condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand.
- 3.4 The comparative balance sheet presented in this condensed interim financial information has been extracted from the audited annual separate financial statements of the Company for the year ended 30 June 2013, whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the period ended 30 September 2012.

4 ACCOUNTING POLICIES

- 4.1 The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual separate financial statements of the Company for the year ended 30 June 2013.
- 4.2 Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company except where changes affected presentation and disclosures in this condensed interim financial information.

5 ESTIMATES AND JUDGMENTS

- 5.1 The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.
- 5.2 Estimates and judgments made by management in the preparation of this condensed interim financial information are the same as those that were applied to the audited annual separate financial statements of the Company as at and for the year ended 30 June 2013.

| Quarter ended September 30, 2013 Unaudited | Year Ended June 30, 2013 Audited |
|---|---|
|---|---|

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

6 INVESTMENT - AVAILABLE FOR SALE - At fair value

Investment in Ordinary shares of
Dewan Cement Limited (DCL) - Related Party
27,968,445 ordinary shares of Rs. 10 each
Accumulated Impairment

| | |
|------------------------------------|---------------------|
| 279,685 (120,824) | 279,685 (87,821) |
| 158,861 | 191,864 |
| 5.68 | 6.86 |
| 7.19% | 7.19% |

Market value (Rupees per share)

Percentage of equity held

6.1 The market price of related party's share wherein company has investment shows decreasing trend from the date of balance sheet to the date the financial statements were authorized for issue. The market price of DCL's share as of October 29, 2013 (i.e. the date on which the financial statements were authorized for issue) is Rs.5.12 per share, thereby decreasing the market value of the investment by Rs. 15.662 million.

7 SHORT TERM BORROWING

The Short term borrowings has not been renewed by the Banks as of Balance sheet date.

8 CONTINGENCIES AND COMMITMENTS Contingencies

There is no material change in the contingencies and commitments since the last audited financial statements as at June 30, 2013 as disclosed the banks/Financial institutions have filed suits aggregate amounting to Rs. 7.243 billion .

9 FINANCE COST

During the period ended September 30, 2013 the company has not provided the markup on Long term and short term borrowing from banks and financial institutions to the extent of Rs.183.794 million. The management is hopeful 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".

DEWAN FAROOQUE MOTORS LIMITED

| | For the quarter ended | |
|---|------------------------------------|-----------------------------|
| | September 30, 2013 Unaudited | June 30, 2013 Audited |
| ------(Rs. in '000)----- | | |
| 10 EARNING PER SHARE - Basic/Diluted | | |
| Net Loss for the period | (61,233) | (316,740) |
| Weighted average number of ordinary shares issued during the year | 108,735 | 108,735 |
| Loss Per Share -Basic and Diluted (Rupees) | (0.56) | (2.91) |

11 TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

Related parties transactions are carried out in the normal course of business. Material transaction during the period are given below:

| | Quarter ended September 30, 2013 Unaudited | Year Ended June 30, 2013 Audited |
|---|---|---|
| ------(Rs. in '000)----- | | |
| Sales | 17 | 1,170 |
| Markup charged for the period on short term loans to associated undertakings | 24,034 | 119,347 |
| Markup received for the period on short term loans to associated undertakings | - | 23,437 |
| Loan recovered from associated undertaking | - | 122,781 |
| Loan received from director | - | 24,499 |

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

12 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been authorized for issue on October 29, 2013 by the Board of Directors of the Company.

13 GENERAL

Figures have been rounded off to the nearest thousand rupees.



Dewan Mohammad Yousuf Farooqui
Chief Executive



Haroon Iqbal
Director

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CORPORATE