

DEWAN FAROOQUE MOTORS LIMITED

Quarterly Report  
September 30, 2015



## Contents

Company Information .....	01
Directors' Report .....	02
Condensed Interim Balance Sheet .....	03
Condensed Interim Profit and Loss Account .....	04
Condensed Interim Statement of Comprehensive Income .....	05
Condensed Interim Cash Flow Statement .....	06
Condensed Interim Statement of Changes in Equity .....	07
Notes to the Condensed Interim Financial Statements .....	08

## DEWAN FAROOQUE MOTORS LIMITED

### Company Information

#### Executive Directors

Dewan Mohammad Yousuf Farooqui  
Mr. Waseem-ul- Haque Ansari

Chairman Board of Directors

#### Non-Executive Directors

Dewan Abdul Rehman Farooqui  
Mr. Haroon Iqbal  
Syed Muhammad Anwar  
Mr. Ishtiaq Ahmad

#### Independent Director

Mr. Aziz-ul-Haque

#### CHIEF EXECUTIVE OFFICER

Dewan Mohammad Yousuf Farooqui

#### PRESIDENT

Mr. Farooq Mustafa

#### CFO & COMPANY SECRETARY

Mr. Muhammad Naeem Uddin Malik

#### AUDIT COMMITTEE MEMBERS

Mr. Aziz-ul-Haque	Chairman
Dewan Abdul Rehman Farooqui	Member
Mr. Haroon Iqbal	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, 2015.

During the period under review the gross sales is Rs. 8.304 million, gross loss is Rs. 29.927 million and the after tax loss is Rs. 31.985.

The sale of local Car/LCV sector for the quarter ended September 30, 2015 has shown a robust growth of 73% as compared to the corresponding period of last year. The introduction of new models, availability of car financing at attractive rates and the sales to the Punjab Government under the 'Apna Rozgar' scheme are the main drivers behind growth in volumes. With increased per capita income and recovery in overall economy, the outlook of the industry remains strong. 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

#### **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.



**Dewan Abdul Rehman Farooqui**  
Director



**Haroon Iqbal**  
Director

Karachi: October 28, 2015

DEWAN FAROOQUE MOTORS LIMITED

**Condensed Interim Balance Sheet**  
**As at September 30, 2015**

	Note	September 30, 2015 Unaudited	June 30, 2015 Audited
------(Rupees in '000)-----			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	6	1,218,856	1,241,244
Long-term deposits (with leasing companies)		36,000	36,000
<b>CURRENT ASSETS</b>			
Stores and spares		66,333	66,333
Stock-in-trade		83,668	89,065
Trade debts - considered good		22,260	22,259
Short term loans to associated undertakings - considered good		738,984	738,984
Advances, deposits, prepayments and other receivables - Considered good		775,040	750,109
Investment	7	445,537	406,110
Taxation - net		19,505	18,921
Cash and bank balances		120,150	122,202
		<b>2,271,477</b>	2,213,983
<b>TOTAL ASSETS</b>		<b>3,526,333</b>	3,491,227
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Share Capital</b>			
<b>Authorized</b>			
120,000,000 (June 30, 2015: 120,000,000)			
Ordinary shares of Rs.10 each		1,200,000	1,200,000
<b>Issued, subscribed and paid-up</b>			
108,735,287 (June 30, 2015: 108,735,287)			
Ordinary shares of Rs.10 each		1,087,353	1,087,353
<b>Reserves</b>			
		(3,299,618)	(3,307,060)
		<b>(2,212,265)</b>	(2,219,707)
<b>NON-CURRENT LIABILITIES</b>			
Long term loans - secured		-	-
Liabilities against assets subject to finance lease		-	-
Long term security deposits		16,700	16,700
Deferred Liabilities		4,527	4,527
<b>CURRENT LIABILITIES</b>			
Loan from Director		63,281	36,198
Trade and other payables		2,293,635	2,292,117
Short term finances-secured	8	2,140,632	2,141,569
Current maturity of long term loans		1,179,429	1,179,429
Current maturity of liabilities against assets subject to finance lease		40,394	40,394
		<b>5,717,371</b>	5,689,707
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,526,333</b>	3,491,227

The annexed notes from 1 to 14 form an integral part of these condensed interim 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.

  
**Dewan Abdul Rehman Farooqui**  
Director

  
**Haroon Iqbal**  
Director

## Condensed Interim Profit and Loss Account For the quarter ended September 30, 2015

	Quarter Ended	
	September 30, 2015 Unaudited	September 30, 2014 Unaudited
Note	----- (Rupees in '000) -----	
<b>GROSS SALES</b>	<b>8,304</b>	<b>28,937</b>
Sales tax	1,218	4,209
Commission	110	650
	<b>1,328</b>	<b>4,859</b>
<b>NET SALES</b>	<b>6,976</b>	<b>24,078</b>
Cost of sales	36,903	62,503
<b>GROSS (LOSS)</b>	<b>(29,927)</b>	<b>(38,425)</b>
Distribution expenses	11,444	13,503
Administration and general expenses	7,543	8,538
	<b>18,987</b>	<b>22,041</b>
<b>OPERATING (LOSS)</b>	<b>(48,914)</b>	<b>(60,466)</b>
<b>OTHER INCOME</b>	<b>16,949</b>	<b>26,822</b>
	<b>(31,965)</b>	<b>(33,644)</b>
Finance cost	10 20	48
<b>(LOSS) BEFORE TAXATION</b>	<b>(31,985)</b>	<b>(33,692)</b>
<b>TAXATION</b>	-	-
<b>NET (LOSS) FOR THE PERIOD</b>	<b>(31,985)</b>	<b>(33,692)</b>
<b>Basic and diluted (Loss) per share (Rupee)</b>	11 <b>(0.29)</b>	<b>(0.31)</b>

The annexed notes from 1 to 14 form an integral part of these condensed interim 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.

  
**Dewan Abdul Rehman Farooqui**  
Director

  
**Haroon Iqbal**  
Director

DEWAN FAROQUE MOTORS LIMITED

**Condensed Interim Statement of Comprehensive Income**  
**For the quarter ended September 30, 2015**

	Quarter Ended	
	September 30, 2015 Unaudited	September 30, 2014 Unaudited
	------(Rupees in '000)-----	
(Loss) for the period	(31,985)	(33,692)
<b>Other comprehensive income / (loss) for the period:</b>		
<b>Available for sale financial assets:</b>		
- Changes in fair value	39,427	(23,214)
<b>Total comprehensive profit / (loss) for the period</b>	<b>7,442</b>	<b>(56,906)</b>

The annexed notes from 1 to 14 form an integral part of these condensed interim 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.

  
**Dewan Abdul Rehman Farooqui**  
 Director

  
**Haroon Iqbal**  
 Director

## Condensed Interim Cash Flow Statement

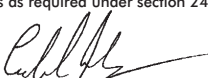
For the quarter ended September 30, 2015

	September 30, 2015 Unaudited	September 30, 2014 Unaudited
------(Rupees in '000)-----		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) before taxation	<b>(31,985)</b>	(33,692)
Add / (Less) : Depreciation	<b>22,387</b>	24,139
Financial charges	<b>20</b>	48
	<b>22,407</b>	24,187
	<b>(9,578)</b>	(9,505)
Decrease in stores & spares	<b>-</b>	2,193
Decrease in stock in trade	<b>5,397</b>	21,708
(Increase) / Decrease in trade debts	<b>(2)</b>	1,722
(Increase) in advances, deposits, pre-payments & other receivables	<b>(24,932)</b>	(24,126)
Increase/ (Decrease) in trade, other payables and borrowings	<b>1,517</b>	(1,215)
Tax (paid)	<b>(581)</b>	(150)
Financial charges (paid)	<b>(20)</b>	(48)
	<b>(18,621)</b>	84
<b>Net cash flow from operating activities</b>	<b>(28,199)</b>	(9,421)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>Net cash flow from investing activities</b>	-	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loan from Directors	<b>27,084</b>	-
Net cash flow from financing activities	<b>27,084</b>	-
<b>NET DECREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>(1,115)</b>	(9,421)
<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>	<b>(2,020,482)</b>	(2,021,000)

The annexed notes from 1 to 14 form an integral part of these condensed interim 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.

  
**Dewan Abdul Rehman Farooqui**  
 Director

  
**Haroon Iqbal**  
 Director



DEWAN FAROQUE MOTORS LIMITED

**Condensed Interim Statement of Changes in Equity**  
For the quarter ended September 30, 2015

	Share Capital	Unappropriated Profit / (Loss)	Total
	-----Unaudited----- ----- (Rupees in '000) -----		
<b>Balance as on July 01, 2014</b>	1,087,353	(3,349,432)	(2,262,079)
Total comprehensive (loss) for the period	-	(56,906)	(56,906)
<b>Balance as on September 30, 2014</b>	<b><u>1,087,353</u></b>	<b><u>(3,406,338)</u></b>	<b><u>(2,318,985)</u></b>
Balance as on July 01, 2015	1,087,353	(3,307,060)	(2,219,707)
Total comprehensive income for the period	-	7,442	7,442
<b>Balance as on September 30, 2015</b>	<b><u>1,087,353</u></b>	<b><u>(3,299,618)</u></b>	<b><u>(2,212,265)</u></b>

The annexed notes from 1 to 14 form an integral part of these condensed interim 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.

  
**Dewan Abdul Rehman Farooqui**  
Director

  
**Haroon Iqbal**  
Director

## **Notes to the Condensed Interim Financial Statements For the quarter ended September 30, 2015 (Unaudited)**

### **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. 31.985 million during the quarter ended September 30, 2015. As of that date it has accumulated losses of Rs. 3.300 billion and its current liabilities exceeded its current asset by Rs. 3.446 billion. Furthermore, cumulatively the company has not provided markup on its borrowings from banks and financial institutions amounting to Rs.4.237 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 amounting to Rs. 7.228 billion through attachment and sale of Company's hypothecated /mortgaged properties. 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 existance of material uncertainty, which may cast significant doubt about company ability to continue as going concern.

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.

## DEWAN FAROOQUE MOTORS LIMITED

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, 2015 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 2015.
- 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 2015, 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 September 30, 2014.

### 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 2015.
- 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 2015.

	Note	Quarter ended September 30, 2014 Unaudited	Year Ended June 30, 2014 Audited
------(Rs. in '000)-----			
<b>6</b>			
<b>PROPERTY PLANT AND EQUIPMENTS</b>			
Operating Property Plant and Equipments	6.1	<u>1,218,856</u>	<u>1,241,244</u>
		<u>1,218,856</u>	<u>1,241,244</u>
<b>6.1 WDV of Operating Fixed Assets</b>			
Opening Balance		<b>3,370,546</b>	3,363,212
Add: Addition during the period		-	9,726
		<b>3,370,546</b>	3,372,938
Less: Deletion during the period		-	(2,392)
		<b>3,370,546</b>	3,370,546
Less : Accumulated Depreciation as on September 30, 2015		<b>(2,151,690)</b>	(2,129,301)
		<u>1,218,856</u>	<u>1,241,244</u>
<b>7</b>			
<b>INVESTMENT - AVAILABLE FOR SALE - At fair value</b>			
Investment in Ordinary shares of Dewan Cement Limited (DCL) - Related Party (27,968,445 ordinary shares of Rs. 10 each)		<b>279,685</b>	279,685
Change in the fair value of investments		<b>165,852</b>	126,425
		<u>445,537</u>	<u>406,110</u>
Market value (Rupees per share)		<u>15.93</u>	14.52
Percentage of equity held		<u>7.19%</u>	7.19%

7.1 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 28, 2015 (i.e. the date on which the financial statements were authorized for issue) is Rs. 15.53 per share, thereby decreasing the market value of the investment by Rs. 11.187 million.

#### **8 SHORT TERM BORROWING**

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

#### **9 CONTINGENCIES AND COMMITMENTS**

##### **Contingencies**

There is no material change in the contingencies and commitments since the last audited financial statements as at June 30, 2015 as disclosed the banks/Financial institutions has filed suits aggregate amounting to Rs. 7.228 billion.

**DEWAN FAROOQUE MOTORS LIMITED**

**10 FINANCE COST**

During the period ended September 30, 2015 the Company has not provided the markup on Long term and short term borrowing from banks and financial institutions to the extent of Rs.157.449 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 period the loss of the Company would have been increased by Rs.157.449 million and consequently the Share holders equity would have been lower and accrued markup would have been higher by Rs.4.237 billion. The said non provisioning is the contravention with the requirements of IAS 23 "Borrowing Costs".

For the quarter ended	
September 30, 2015 Unaudited	September 30, 2014 Unaudited

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

**11 (LOSS) PER SHARE - Basic/Diluted**

Net Loss for the period	<b>(31,985)</b>	(33,692)
Weighted average number of ordinary shares issued during the year	<b>108,735</b>	108,735
(Loss) Per Share -Basic/Diluted (Rupee)	<b>(0.29)</b>	(0.31)

**12 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, 2015 Unaudited	Year Ended June 30, 2015 Audited
--	---	---

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

Sales	<b>5</b>	972
Markup charged for the period on short term loans to associated undertakings	<b>16,950</b>	68,430
Loan received from director	<b>27,084</b>	11,699
Provident Fund	<b>197</b>	1,815

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

**13 DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements have been authorized for issue on October 28, 2015 by the Board of Directors of the Company.

**14 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.



**Dewan Abdul Rehman Farooqui**  
Director



**Haroon Iqbal**  
Director



[WWW.YOUSUFDEWAN.COM](http://WWW.YOUSUFDEWAN.COM)

CORPORATE