

Quarterly Report March 31, 2014



DEWAN FAROOQUE MOTORS LIMITED



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Company Information

Executive Directors

Dewan Mohammad Yousuf Farooqui

Chairman Board of Directors

Non-Executive Directors

Dewan Abdul Rehman Farooqui

Dewan Abdul Baqi Farooqui

Mr. Haroon Iqbal

Mr. Waseem-ul- Haque Ansari

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 Naeemuddin 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 and nine months ended March 31, 2014.

During the period under review the gross sales is Rs. 1.075 billion, gross profit is Rs. 41.969 million and the after tax loss is Rs. 18.286 million.

The sale of local Car/LCV sector for the nine months ended March 31, 2014 has shown a modest growth of 4% as compared to the corresponding period of last year. The recent appreciation of Pak Rupee vs. US\$ have resulted in cost reduction enabling the industry to pass on the benefit to the consumers. It is expected that consequent to price reduction the volumes will improve. The new AIDP is scheduled to be announced soon which will have a long term bearing on the industry. We expect that the new framework will be industry supportive. It is imperative that the Government should maintain its current policy regarding age restriction on import of used cars. 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: April 25, 2014

Condensed Interim Balance Sheet As at March 31, 2014

	Note	March 31, 2014 Unaudited	June 30, 2013 Audited
(Rs. in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	6	1,355,240	1,435,040
Long-term deposits (with leasing companies)		39,175	39,175
CURRENT ASSETS			
Stores and spares		79,911	74,722
Stock-in-trade		243,131	611,005
Trade debts - considered good		35,870	28,002
Short term loans to associated undertakings - considered good		738,984	752,919
Advances, deposits, prepayments and other receivables - Considered good		731,133	763,323
Investment	7	241,927	191,864
Taxation - net		17,773	22,789
Cash and bank balances		131,543	117,422
		2,220,272	2,562,046
TOTAL ASSETS		3,614,687	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		(3,215,092)	(3,246,869)
		(2,127,739)	(2,159,516)
NON-CURRENT LIABILITIES			
Long term loan - secured		-	-
Long term loan - unsecured		24,499	24,499
Long term security deposits		17,700	17,700
Deferred Liabilities		4,527	4,552
CURRENT LIABILITIES			
Trade and other payables		2,352,206	2,614,199
Short term finances-secured		2,122,431	2,313,764
Current maturity of long term loans - overdue	8	1,179,429	1,179,429
Current maturity of liabilities against assets subject to finance lease		41,634	41,634
		5,695,700	6,149,026
CONTINGENCIES AND COMMITMENTS			
	9		
TOTAL EQUITY AND LIABILITIES		3,614,687	4,036,261

The annexed notes from 1 to 14 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 Profit and Loss Account

For the nine months and quarter ended March 31, 2014

	Nine Months Ended		Quarter Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Note	-----Unaudited----- (Rs. in '000)			
GROSS SALES	1,075,069	2,466	453,983	915
Sales tax	156,223	340	65,975	126
Commission	32,670	-	13,170	-
	188,893	340	79,145	126
NET SALES	886,176	2,126	374,838	789
Cost of sales	844,207	117,454	362,230	34,542
GROSS PROFIT / (LOSS)	41,969	(115,328)	12,608	(33,753)
Distribution expenses	53,369	32,331	17,274	10,619
Administration and general expenses	55,606	28,901	20,322	9,999
Provision for obsolesce/slow moving stock	-	10,704	-	-
	108,975	71,936	37,596	20,618
OPERATING (LOSS)	(67,006)	(187,264)	(24,988)	(54,371)
OTHER INCOME	75,980	94,080	24,459	28,177
	8,974	(93,184)	(529)	(26,194)
Finance cost	10 18,072	178	165	154
(LOSS) BEFORE TAXATION	(9,098)	(93,362)	(694)	(26,348)
TAXATION	9,188	-	3,808	-
NET (LOSS) FOR THE PERIOD	(18,286)	(93,362)	(4,502)	(26,348)
Basic / diluted (Loss) per share (Rupee)	11 (0.17)	(0.76)	(0.04)	(0.14)

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



Dewan Mohammad Yousuf Farooqui
Chief Executive



Haroon Iqbal
Director

Condensed Interim Statement of Comprehensive Income
For the nine months and quarter ended March 31, 2014

	Nine Months Ended		Quarter Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	-----Unaudited----- (Rs. in '000)			
(Loss) for the period	(18,286)	(93,362)	(4,501)	(26,348)
Other comprehensive income / (loss):				
Available for sale financial assets:				
- Changes in fair value	50,063	50,903	47,267	5,314
Total comprehensive income / (loss) for the period	<u>31,777</u>	<u>(42,459)</u>	<u>42,766</u>	<u>(21,034)</u>

The annexed notes from 1 to 14 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 Cash Flow Statement
For the nine months ended March 31, 2014

	March 31, 2014	March 31, 2013
	-----Unaudited----- (Rs. in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) before taxation	(9,098)	(93,362)
Add / (Less) : Depreciation	79,912	88,421
Gain on disposal of fixed assets	(7)	-
Financial charges	18,072	178
	97,977	88,599
	88,879	(4,763)
(Increase)/decrease in stores & spares	(5,189)	459
Decrease in stock in trade	367,874	11,520
(Increase)/decrease in trade debts	(7,868)	49
Decrease/(Increase) in advances, deposits, pre-payments & other receivables	29,220	(88,344)
(Decrease) in trade, other payables and borrowings	(261,991)	(53,515)
Tax (paid)	(4,173)	5,603
Financial charges (paid)	(18,072)	(178)
Gratuity (paid)	(25)	-
	99,776	(124,405)
Net cash flow from operating activities	188,655	(129,168)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(288)	-
Short term loans (recovered from) associated undertakings	13,935	79,989
Markup received on short term loans to associated undertakings	2,971	25,211
Sale Proceeds of fixed assets	182	-
Net cash flow from investing activities	16,800	105,200
CASH FLOW FROM FINANCING ACTIVITIES		
Loan from Directors	-	24,499
Net cash flow from financing activities	-	24,499
NET INCREASE IN CASH & CASH EQUIVALENTS	205,455	531
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(2,196,343)	(1,785,601)
CASH & CASH EQUIVALENTS AT END OF THE PERIOD	(1,990,888)	(1,785,070)

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



Dewan Mohammad Yousuf Farooqui
Chief Executive



Haroon Iqbal
Director

Condensed Interim Statement of Changes in Equity
For the nine months ended March 31, 2014

	Share Capital	Unappropriated Profit / (Loss)	Total
-----Unaudited----- (Rs. in '000)			
Balance as on July 01, 2012	1,087,353	(3,026,061)	(1,938,708)
Total comprehensive (loss) for the period	-	(42,459)	(42,459)
Balance as on March 31, 2013	<u>1,087,353</u>	<u>(3,068,520)</u>	<u>(1,981,167)</u>
Balance as on July 01, 2013	1,087,353	(3,246,869)	(2,159,516)
Total comprehensive income for the period	-	31,777	31,777
Balance as on March 31, 2014	<u>1,087,353</u>	<u>(3,215,092)</u>	<u>(2,127,739)</u>

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



Dewan Mohammad Yousuf Farooqi
Chief Executive



Haroon Iqbal
Director

Notes to the Condensed Interim Financial Statements

For the nine months ended March 31, 2014 (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.

- 1.1 The Company commenced commercial production through the interim facility from January 01, 2000. The main facility came into commercial operation from January 01, 2001. The company has stopped its production activities since October 2010 to September 2013.

2 GOING CONCERN ASSUMPTION

The company incurred Loss after taxation of Rs. 18.286 million during the nine months period ended March 31, 2014. As of that date it has accumulated losses of Rs.3.215 billion and its current liabilities exceeded its current asset by Rs. 3.475 billion and total assets by Rs. 2.081 billion. Furthermore, cumulatively the company has not provided markup on its borrowings from banks and financial institutions amounting to Rs.3.145 billion. The working capital constraints resulted in closure of production activities leading to gross loss situation as disclosed in note 1.1 to the condensed interim financial statements. 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 mangement 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 nine months period ended March 31, 2014 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 March 31, 2013.

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.

	Note	Nine months ended March 31, 2014 Unaudited	Year Ended June 30, 2013 Audited
(Rs. in '000)			
6 PROPERTY PLANT AND EQUIPMENTS			
Operating Property Plant and Equipments	6.1	1,355,240	1,435,040
		1,355,240	1,435,040
6.1 WDV of Operating Fixed Assets			
Opening Balance		3,364,381	3,365,631
Add: Addition during the period		288	-
		3,364,669	3,365,631
Less: Deletion during the period		982	(1,250)
		3,363,687	3,364,381
Less : Accumulated Depreciation as on March 31, 2014		(2,008,447)	(1,929,340)
		1,355,240	1,435,040

DEWAN FAROOQUE MOTORS LIMITED

Note	Nine months ended March 31, 2014 Unaudited	Year ended June 30, 2013 Audited
(Rs. in '000)		
7 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	279,685	279,685
Accumulated Impairment	(37,758)	(87,821)
	241,927	191,864
Market value (Rupees per share)	8.65	6.86
Percentage of equity held	7.19%	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 April 25, 2014 (i.e. the date on which the financial statements were authorized for issue) is Rs. 8.4 per share, thereby decreasing the market value of the investment by Rs. 6.992 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, 2013. As disclosed the banks/Financial institutions has file suits aggregate amounting to Rs. 7.243 billion .

10 FINANCE COST

During the period ended March 31, 2014 the company has not provided the markup on Long term and short term borrowing from banks and financial institutions to the extent of Rs.549.247 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 by Rs.549.247 million and consequently the Share holders equity would have been lower and accrued markup would have been higher by Rs.3.145 billion. The said non provisioning is the contravention with the requirements of IAS 23 "Borrowing Costs".

	For the Nine Months Ended		Quarter Ended	
	Mar-31, 2014	Mar-31, 2013	Mar-31, 2014	Mar-31, 2013
	-----Unaudited----- (Rs. in '000)			
11 (LOSS) PER SHARE - Basic/Diluted				
Net Loss for the period	(18,286)	(93,362)	(4,501)	(26,348)
Weighted average number of ordinary shares issued during the year	108,735	108,735	108,735	108,735
(Loss) Per Share -Basic/Diluted (Rupees)	(0.17)	(0.86)	(0.04)	(0.24)

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:

	Nine months ended March 31, 2014 Unaudited	Year Ended June 30, 2013 Audited
	(Rs. in '000)	
Sales	31,020	1,170
Markup charged for the period on short term loans to associated undertakings	75,509	119,347
Markup received for the period on short term loans to associated undertakings	2,971	23,437
Loan recovered from associated undertaking	13,935	122,781
Loan received from director	-	24,499

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 April 25, 2014 by the Board of Directors of the Company.

14 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