

Quarterly Report **2015**
March 31,



DEWAN FAROOQUE MOTORS LIMITED

 **YD** | A YOUSUF DEWAN COMPANY

DEWAN FAROOQUE MOTORS LIMITED

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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
Dewan Abdul Baqi Farooqui
Mr. Haroon Iqbal
Syed Muhammad Anwar

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
Dewan Abdul Rehman Farooqui	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 period ended March 31, 2015.

During the period under review the gross sales was Rs. 62.341 million, gross loss was Rs. 108.581 million and the after tax loss was Rs. 97.207 million.

The sale of local Car/LCV sector for the nine months period ended March 31, 2015 has shown a growth of 23% as compared to the corresponding period of last year. The introduction of new models and the deliveries to the Punjab Government under the 'Apna Rozgar' scheme are the main contributors to the increase in volumes. With improving economic indicators, the outlook of the industry remains strong. The continued depreciation of Japanese Yen against PKR is benefiting all the assemblers. The imposition of regulatory duty on import of certain steel products used in manufacturing of auto parts will increase the input cost. 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 the Board of Directors



DEWAN MOHAMMAD YOUSUF FAROOQUI
Chief Executive

Karachi: April 23, 2015

DEWAN FAROOQUE MOTORS LIMITED

Condensed Interim Balance Sheet
As at March 31, 2015

	Note	March 31, 2015 Unaudited	June 30, 2014 Audited
		(Rs. in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	6	1,255,799	1,328,587
Long-term deposits (with leasing companies)		36,000	36,000
CURRENT ASSETS			
Stores and spares		68,646	71,235
Stock-in-trade		97,652	143,390
Trade debts - considered good		20,111	24,405
Short term loans to associated undertakings - considered good		738,984	738,984
Advances, deposits, prepayments and other receivables - Considered good		766,686	693,090
Investment	7	170,607	204,729
Taxation - net		28,836	27,514
Cash and bank balances		123,624	129,990
		2,015,146	2,033,337
TOTAL ASSETS		3,306,945	3,397,924
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorized			
120,000,000 (June 30, 2014: 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, 2014: 108,735,287) Ordinary shares of Rs.10 each		1,087,353	1,087,353
Reserves		(3,470,542)	(3,339,213)
		(2,383,189)	(2,251,860)
NON-CURRENT LIABILITIES			
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
CURRENT LIABILITIES			
Loan from Director		29,549	24,499
Trade and other payables		2,277,966	2,242,666
Short term finances-secured	8	2,141,569	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
		5,668,907	5,628,557
CONTINGENCIES AND COMMITMENTS			
	9		
TOTAL EQUITY AND LIABILITIES		3,306,945	3,397,924

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 Profit and Loss Account

For the nine months and quarter ended March 31, 2015

	Nine Months Ended		Quarter Ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Note	-----Unaudited----- (Rs. in '000)			
GROSS SALES	62,341	1,075,069	12,958	453,983
Sales tax	<u>9,080</u>	156,223	<u>1,890</u>	65,975
Commission	<u>1,430</u>	32,670	<u>350</u>	13,170
	10,510	188,893	2,240	79,145
NET SALES	51,831	886,176	10,718	374,838
Cost of sales	<u>160,412</u>	844,207	<u>44,532</u>	362,230
GROSS PROFIT / (LOSS)	(108,581)	41,969	(33,814)	12,608
Distribution expenses	<u>42,835</u>	53,369	<u>16,055</u>	17,274
Administration and general expenses	<u>24,299</u>	55,606	<u>6,448</u>	20,322
	67,134	108,975	22,503	37,596
OPERATING (LOSS)	(175,715)	(67,006)	(56,317)	(24,988)
OTHER INCOME	78,651	75,980	24,547	24,459
	<u>(97,064)</u>	8,974	<u>(31,770)</u>	(529)
Finance cost	10 <u>143</u>	18,072	<u>48</u>	165
(LOSS) BEFORE TAXATION	(97,207)	9,098	(31,818)	(694)
TAXATION	-	9,188	-	3,808
NET (LOSS) FOR THE PERIOD	(97,207)	(18,286)	(31,818)	(4,502)
Basic and diluted (Loss) per share (Rupee)	11 <u>(0.89)</u>	(0.17)	<u>(0.29)</u>	(0.04)

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 Statement of Comprehensive Income
For the nine months and quarter ended March 31, 2015

	Nine Months Ended		Quarter Ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
	-----Unaudited----- (Rs. in '000)			
(Loss) for the period	(97,207)	(18,286)	(31,818)	(4,501)
Other comprehensive income / (loss) for the period:				
Available for sale financial assets:				
- Changes in fair value	(34,122)	50,063	(46,428)	47,267
Total comprehensive (loss) for the period	<u>(131,329)</u>	<u>31,777</u>	<u>(78,246)</u>	<u>42,766</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

Condensed Interim Cash Flow Statement
For the nine months and quarter ended March 31, 2015

	March 31, 2015	March 31, 2014
	-----Unaudited----- (Rs. in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) before taxation	(97,207)	(9,098)
Add / (Less) : Depreciation	72,374	79,912
Gain on disposal of fixed assets	(1,549)	(7)
Financial charges	143	18,072
	70,968	97,977
	(26,239)	88,879
Decrease/(Increase) in stores & spares	2,589	(5,189)
Decrease in stock in trade	45,738	367,874
Decrease in trade debts	4,294	(7,868)
(Increase) / Decrease in advances, deposits, pre-payments & other receivables	(73,596)	29,220
Decrease / (Increase) in trade, other payables and borrowings	35,299	(261,991)
Tax (paid)	(1,321)	(4,173)
Financial charges (paid)	(143)	(18,072)
Gratuity (paid)	-	(25)
	12,860	99,776
Net cash flow from operating activities	(13,379)	188,655
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	-	(288)
Short term loans (recovered from) associated undertakings	-	13,935
Markup received on short term loans to associated undertakings	-	2,971
Sale Proceeds of fixed assets	1,963	182
Net cash flow from investing activities	1,963	16,800
CASH FLOW FROM FINANCING ACTIVITIES		
Loan from Directors	5,050	-
Net cash flow from financing activities	5,050	-
NET INCREASE IN CASH & CASH EQUIVALENTS	(6,366)	205,455
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(2,011,579)	(2,196,343)
CASH & CASH EQUIVALENTS AT END OF THE PERIOD	(2,017,945)	(1,990,888)

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 Statement of Changes in Equity
For the nine months and quarter ended March 31, 2015

	Share Capital	Unappropriated Profit / (Loss)	Total
-----Unaudited----- (Rs. in '000)			
Balance as on July 01, 2013	1,087,353	(3,246,869)	(2,159,516)
Total comprehensive (loss) 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>
Balance as on July 01, 2014	1,087,353	(3,339,213)	(2,251,860)
Total comprehensive income for the period	-	(131,329)	(131,329)
Balance as on March 31, 2015	<u>1,087,353</u>	<u>(3,470,542)</u>	<u>(2,383,189)</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

Notes to the Condensed Interim Financial Statements For the nine months and quarter ended March 31, 2015

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.

2 GOING CONCERN ASSUMPTION

The company incurred Loss after taxation of Rs. 97.207 million during the nine months period ended March 31, 2015. As of that date it has accumulated losses of Rs. 3.470 billion and its current liabilities exceeded its current asset by Rs. 3.654 billion. Furthermore, cumulatively the company has not provided markup on its borrowings from banks and financial institutions amounting to Rs.3.898 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 nine months period ended March 31, 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 2014.
- 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 2014, 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, 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 2014.
- 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 2014.

Note	Nine Months ended March 31, 2015 Unaudited	Year Ended June 30, 2014 Audited
(Rs. in '000)		
6 PROPERTY PLANT AND EQUIPMENTS		
Operating Property Plant and Equipments 6.1	1,255,799	1,328,587
	<u>1,255,799</u>	<u>1,328,587</u>
6.1 WDV of Operating Fixed Assets		
Opening Balance	3,363,212	3,364,381
Add: Addition during the period	-	288
	3,363,212	3,364,669
Less: Deletion during the period	2,392	(1,457)
	3,360,820	3,363,212
Less : Accumulated Depreciation as on March 31, 2015	(2,105,021)	(2,034,624)
	<u>1,255,799</u>	<u>1,328,587</u>
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	(109,078)	(74,956)
	<u>170,607</u>	<u>204,729</u>
Market value (Rupees per share)	<u>6.10</u>	<u>7.32</u>
Percentage of equity held	<u>7.19%</u>	<u>7.19%</u>

7.1 The market price of related party's share wherein company has investment shows increasing 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 23, 2015 (i.e. the date on which the financial statements were authorized for issue) is Rs. 6.61 per share, thereby increasing the market value of the investment by Rs.14.264 million.

DEWAN FAROOQUE MOTORS LIMITED

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, 2014 as disclosed the banks/Financial institutions has file suits aggregate amounting to Rs. 7.228 billion .

10 FINANCE COST

During the period ended March 31, 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.561.208 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.561.208 million and consequently the Share holders equity would have been lower and accrued markup would have been higher by Rs.3.898 billion. The said non provisioning is the contravention with the requirements of IAS 23 "Borrowing Costs".

For the Nine Months Ended		Quarter Ended	
March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
-----Unaudited----- (Rs. in '000)			

11 (LOSS) PER SHARE - Basic/Diluted

Net Loss for the period	<u>(97,207)</u>	<u>(18,286)</u>	<u>(31,818)</u>	<u>(4,501)</u>
Weighted average number of ordinary shares issued during the year	<u>108,735</u>	<u>108,735</u>	<u>108,735</u>	<u>108,735</u>
(Loss) Per Share - Basic/Diluted (Rupees)	<u>(0.89)</u>	<u>(0.17)</u>	<u>(0.29)</u>	<u>(0.04)</u>

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, 2015 Unaudited	Year Ended June 30, 2014 Audited
(Rs. in '000)		
Sales	973	32,034
Purchases	-	38,442
Markup charged for the period on short term loans to associated undertakings	76,346	101,219
Markup received for the period on short term loans to associated undertakings	-	2,971
Loan recovered from associated undertaking	-	13,935
Loan received from director	5,050	-

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 23, 2015 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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