

DEWAN FAROOQUE MOTORS LIMITED

Quarterly Report
March 31, 2016



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
Mr. Muhammad Naeemuddin Malik

Chairman Board of Directors

Non-Executive Directors

Dewan Abdul Rehman 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 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
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.

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, 2016.

During the period under review the gross sales is Rs. 21.717 million, gross loss is Rs. 78.250 million and the after tax loss is Rs. 87.903 million.

The sale of local Car/LCV sector for the nine months period ended March 31, 2016 has shown a growth of 36% as compared to the corresponding period of last year. The continued demand for passenger cars, improved availability of auto finance, 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 and the rising per capita income the outlook of the industry remains strong. The government has recently announced new automotive development policy 2016-2021. It is expected that the new policy will attract fresh foreign investment and bring more employment opportunities, thereby strengthening the economy of the country. 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 25, 2016

DEWAN FAROOQUE MOTORS LIMITED

Condensed Interim Balance Sheet
As at March 31, 2016

	Note	March 31, 2016 Unaudited	June 30, 2015 Audited
		(Rs. in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	6	1,181,342	1,241,244
Long-term deposits (with leasing companies)		36,000	36,000
CURRENT ASSETS			
Stores and spares		65,098	66,333
Stock-in-trade		83,280	89,065
Trade debts - considered good		22,853	22,259
Short term loans to associated undertakings - considered good		158,063	738,984
Advances, deposits, prepayments and other receivables - Considered good		786,989	750,109
Investment	7	869,494	406,110
Taxation - net		20,027	18,921
Cash and bank balances		130,114	122,202
		2,135,918	2,213,983
TOTAL ASSETS		3,353,260	3,491,227
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorized			
120,000,000 (June 30, 2015: 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, 2015: 108,735,287)			
Ordinary shares of Rs.10 each			
		1,087,353	1,087,353
Reserves			
		(3,456,026)	(3,307,060)
		(2,368,673)	(2,219,707)
NON-CURRENT LIABILITIES			
Long term security deposits		16,700	16,700
Deferred Liabilities		4,514	4,527
CURRENT LIABILITIES			
Loan from Director		150,733	36,198
Trade and other payables		2,333,572	2,292,117
Short term finances-secured	8	2,044,733	2,141,569
Current maturity of long term loans		1,132,197	1,179,429
Current maturity of liabilities against assets subject to finance lease		39,484	40,394
		5,700,719	5,689,707
CONTINGENCIES AND COMMITMENTS			
	9		
TOTAL EQUITY AND LIABILITIES		3,353,260	3,491,227

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, 2016

Note	Nine Months Ended		Quarter Ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	-----Unaudited----- (Rs. in '000)			
GROSS SALES	21,717	62,341	13,208	12,958
Sales tax	<u>3,176</u>	9,080	<u>1,925</u>	1,890
Commission	<u>500</u>	1,430	<u>390</u>	350
	3,676	10,510	2,315	2,240
NET SALES	18,041	51,831	10,893	10,718
Cost of sales	96,291	160,412	29,019	44,532
GROSS LOSS	(78,250)	(108,581)	(18,126)	(33,814)
Distribution expenses	<u>28,349</u>	42,835	<u>8,089</u>	16,055
Administration and general expenses	<u>17,782</u>	24,299	<u>3,141</u>	6,448
	46,131	67,134	11,230	22,503
OPERATING LOSS	(124,381)	(175,715)	(29,356)	(56,317)
OTHER INCOME	36,856	78,651	3,526	24,547
	(87,525)	(97,064)	(25,830)	(31,770)
Finance cost	10 378	143	350	48
LOSS BEFORE TAXATION	(87,903)	(97,207)	(26,180)	(31,818)
TAXATION	-	-	-	-
NET LOSS FOR THE PERIOD	(87,903)	(97,207)	(26,180)	(31,818)
Basic and diluted Loss per share (Rupee)	11 (0.81)	(0.89)	(0.24)	(0.29)

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, 2016

	Nine Months Ended		Quarter Ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	-----Unaudited----- (Rs. in '000)			
Loss for the period	(87,903)	(97,207)	(26,180)	(31,818)
Other comprehensive loss for the period:				
Available for sale financial assets:				
- Changes in fair value	(61,063)	(34,122)	(17,144)	(46,428)
Total comprehensive loss for the period	<u>(148,966)</u>	<u>(131,329)</u>	<u>(43,324)</u>	<u>(78,246)</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, 2016

	March 31, 2016	March 31, 2015
	-----Unaudited----- (Rs. in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(87,903)	(97,207)
Add / (Less) : Depreciation	67,386	72,374
Gain on disposal of fixed assets	-	(1,549)
Financial charges	378	143
	67,764	70,968
	(20,139)	(26,239)
Decrease in stores & spares	1,235	2,589
Decrease in stock in trade	5,785	45,738
(Increase) / Decrease in trade debts	(594)	4,294
(Increase) in advances, deposits, pre-payments & other receivables	(36,880)	(73,596)
Increase in trade, other payables and borrowings	41,457	35,299
Tax (paid)	(1,104)	(1,321)
Financial charges (paid)	(378)	(143)
Gratuity (paid)	(13)	-
	9,508	12,860
Net cash flow from operating activities	(10,631)	(13,379)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(7,491)	-
Short term loans recovered from associated undertakings	56,475	-
Sale Proceeds of fixed assets	-	1,963
Net cash flow from investing activities	48,984	1,963
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans (repaid)	(47,231)	-
Loan from Directors	114,535	5,050
Finance Lease repayments	(910)	-
Net cash flow from financing activities	66,394	5,050
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	104,747	(6,366)
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(2,019,367)	(2,011,579)
CASH & CASH EQUIVALENTS AT END OF THE PERIOD	(1,914,620)	(2,017,945)

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, 2016

	Share Capital	Unappropriated Profit / (Loss)	Total
-----Unaudited----- (Rs. in '000)			
Balance as on July 01, 2014	1,087,353	(3,339,213)	(2,251,860)
Total comprehensive loss 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>
Balance as on July 01, 2015	1,087,353	(3,307,060)	(2,219,707)
Total comprehensive loss for the period	-	(148,966)	(148,966)
Balance as on March 31, 2016	<u>1,087,353</u>	<u>(3,456,026)</u>	<u>(2,368,673)</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, 2016 (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 - 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.

2 GOING CONCERN ASSUMPTION

The company incurred Loss after taxation of Rs. 87.903 million during the nine months period ended March 31, 2016. As of that date it has accumulated losses of Rs. 3.456 billion and its current liabilities exceeded its current asset by Rs. 3.582 billion. Furthermore, cumulatively the company has not provided markup on its borrowings from banks and financial institutions amounting to Rs.4.538 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. 6.884 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, 2016 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 March 31, 2015.

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	Nine Months Ended March 31, 2016 Unaudited	Year Ended June 30, 2015 Audited
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(Rs. in '000)

6 PROPERTY PLANT AND EQUIPMENTS

Operating Property Plant and Equipments 6.1	1,181,343	1,241,244
	1,181,343	<u>1,241,244</u>

6.1 WDV of Operating Fixed Assets

Opening Balance	3,370,546	3,363,212
Add: Addition during the period	7,491	9,726
	3,378,037	<u>3,372,938</u>
Less: Deletion during the period	-	(2,392)
	3,378,037	<u>3,370,546</u>
Less : Accumulated Depreciation as on March 31, 2016 (June 30, 2015)	(2,196,694)	(2,129,301)
	1,181,343	<u>1,241,244</u>

7 INVESTMENT - AVAILABLE FOR SALE - At fair value

Investment in Ordinary shares of Dewan Cement Limited (DCL) - Related Party (65,375,445 ordinary shares of Rs. 10 each (27,968,445 ordinary shares as on June 30, 2015))	804,131	279,685
Change in the fair value of investments	65,362	126,425
	869,493	<u>406,110</u>
Market value (Rupees per share)	13.30	<u>14.52</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 25, 2016 (i.e. the date on which the financial statements were authorized for issue) is Rs. 15 per share, thereby increasing the market value of the investment by Rs. 111.138 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, 2015 as disclosed the banks/Financial institutions has filed suits aggregate amounting to Rs. 6.884 billion .

10 FINANCE COST

During the period ended March 31, 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. 458.929 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. 458.929 million and consequently the Share holders equity would have been lower and accrued markup would have been higher by Rs. 4.538 billion. The said non provisioning is the contravention with the requirements of IAS 23 "Borrowing Costs".

Nine Months Ended		Quarter Ended	
March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
-----Unaudited-----			
(Rs. in '000)			

11 (LOSS) PER SHARE - Basic/Diluted

Net (Loss) for the period	(87,903)	(97,207)	(26,180)	(31,818)
Weighted average number of ordinary shares issued during the year	108,735	108,735	108,735	108,735
(Loss) Per Share - Basic/Diluted (Rupee)	(0.81)	(0.89)	(0.24)	(0.29)

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, 2016 Unaudited	Year Ended June 30, 2015 Audited
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(Rs. in '000)

Sales	5	972
Markup charged for the period on short term loans to associated undertakings	36,017	68,430
Loan recovered from associated undertaking	56,475	-
Loan received from director	114,535	11,699
Provident Fund	1,192	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 April 25, 2016 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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