

Quarterly Report  
March 31,

**2017**



**DEWAN FAROOQUE MOTORS LIMITED**



**YD**

| A YOUSUF DEWAN COMPANY

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## Company Information

### Executive Directors

Dewan Muhammad Yousuf Farooqui Chairman Board of Directors  
 Mr. Waseem-ul- Haque Ansari  
 Mr. Muhammad Naeemuddin Malik  
 Mr. Mohammad Saleem Baig

### Non-Executive Directors

Mr. Haroon Iqbal  
 Syed Muhammad Anwar

### Independent Director

Mr. Aziz-ul-Haque

### CHIEF EXECUTIVE OFFICER

Dewan Muhammad Yousuf Farooqui

### CFO & COMPANY SECRETARY

Mr. Muhammad Naeem Uddin Malik

### AUDIT COMMITTEE MEMBERS

Mr. Aziz-ul-Haque Chairman  
 Syed Muhammad Anwar 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  
 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

Plot # 6, Street # 9, Sector  
 G-8/2

### 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, 2017.

During the period under review the gross sales was Rs.97.515 million, gross loss is Rs.111.167 million and the after-tax loss is Rs.14.354 million.

The sale of local Car/LCV sector for the nine months' period ended March 31, 2017 has shown a modest decline of 5% as compared to the corresponding period of last year. Adjusting for the last year's volumes under the Apna Rozgar Scheme the segment has shown a positive growth. With the growing trade and economic activities coupled with expansion in road infrastructure it is expected that the growth in the sector will remain buoyant. Consequent to announcement of ADP 2016-2021, new players are joining hands with local partners and are in contact with the Government with intention to enter into the Pakistan market. 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. During the first quarter of the period under review, the Company has entered into an agreement with Daehan-Dewan Motor Company (Pvt.) Ltd for manufacture of vehicles under toll manufacturing arrangement. The production will commence soon after grant of requisite approvals which are in process with the Government. It is expected that the approvals will be given shortly.

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 MUHAMMAD YOUSUF FAROOQUI**  
Chief Executive

Karachi: April 27, 2017

DEWAN FAROOQUE MOTORS LIMITED

**Condensed Interim Balance Sheet**  
As at March 31, 2017

	Note	March 31, 2017 Unaudited	June 30, 2016 Audited
(Rs. in '000)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	6	1,096,579	1,158,584
Long-term deposits (with leasing companies)		-	36,000
Investment	7	1,142,332	1,012,246
<b>CURRENT ASSETS</b>			
Stores and spares		62,015	63,914
Stock-in-trade		64,116	95,907
Trade debts - considered good		61,124	22,859
Short term loans to associated undertakings - considered good		154,879	154,879
Advances, deposits, prepayments and other receivables - Considered good		787,467	786,406
Taxation - net		24,568	22,066
Cash and bank balances		130,473	138,609
		1,284,642	1,284,640
<b>TOTAL ASSETS</b>		<b>3,523,553</b>	<b>3,491,470</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Share Capital</b>			
<b>Authorized</b>			
150,000,000 (June 30, 2016: 150,000,000)			
Ordinary shares of Rs.10 each		1,500,000	1,500,000
<b>Issued, subscribed and paid-up</b>			
138,735,287 (June 30, 2016: 108,735,287)			
Ordinary shares of Rs.10 each		1,387,353	1,087,353
Advance against issue of share capital		-	300,000
<b>Reserves</b>		<b>(3,427,390)</b>	<b>(3,413,036)</b>
		<b>(2,040,037)</b>	<b>(2,025,683)</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term security deposits		16,700	16,700
Deferred Liabilities		4,514	4,514
<b>CURRENT LIABILITIES</b>			
Loan from Director	8	86,315	-
Trade and other payables		2,324,453	2,291,766
Short term finances-secured	9	1,978,024	1,986,171
Current maturity of long term loans		1,153,584	1,179,429
Current maturity of liabilities against assets subject to finance lease		-	38,573
		5,542,376	5,495,939
<b>CONTINGENCIES AND COMMITMENTS</b>	10		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,523,553</b>	<b>3,491,470</b>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.



**Dewan Muhammad Yousuf Farooqui**  
Chief Executive



**Haroon Iqbal**  
Director

## Condensed Interim Profit and Loss Account

For the nine months and quarter ended March 31, 2017

	Nine Months Ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Note	-----Unaudited----- (Rs. in '000)			
<b>GROSS SALES</b>	<b>97,515</b>	21,717	<b>32,658</b>	13,208
Sales tax	13,193	3,176	5,214	1,925
Commission	20	500	-	390
	<b>13,213</b>	3,676	<b>5,214</b>	2,315
<b>NET SALES</b>	<b>84,302</b>	18,041	<b>27,444</b>	10,893
Cost of sales	195,469	96,291	66,995	29,019
<b>GROSS LOSS</b>	<b>(111,167)</b>	(78,250)	<b>(39,551)</b>	(18,126)
Distribution expenses	14,733	28,349	3,870	8,089
Administration and general expenses	26,314	17,782	9,205	3,141
	<b>41,047</b>	46,131	<b>13,075</b>	11,230
<b>OPERATING LOSS</b>	<b>(152,214)</b>	(124,381)	<b>(52,626)</b>	(29,356)
<b>OTHER INCOME</b>	138,845	36,856	<b>68,242</b>	3,526
	<b>(13,369)</b>	(87,525)	<b>15,616</b>	(25,830)
Finance cost	142	378	67	350
<b>PROFIT / (LOSS) BEFORE TAXATION</b>	<b>(13,511)</b>	(87,903)	<b>15,549</b>	(26,180)
TAXATION	843	-	274	-
<b>NET PROFIT/ (LOSS) FOR THE PERIOD</b>	<b>(14,354)</b>	(87,903)	<b>15,275</b>	(26,180)
Basic / diluted Profit/(Loss) per share (Rupee)	<b>(0.11)</b>	(0.64)	<b>0.11</b>	(0.19)

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.



**Dewan Muhammad 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, 2017**

	Nine Months Ended		Quarter Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	-----Unaudited----- (Rs. in '000)			
Profit/(Loss) for the period	(14,354)	(87,903)	15,275	(26,180)
<b>Other comprehensive loss for the period:</b>				
<b>Available for sale financial assets:</b>				
- Changes in fair value	-	(61,063)	-	(17,144)
<b>Total comprehensive Profit/(Loss) for the period</b>	<b>(14,354)</b>	<b>(148,966)</b>	<b>15,275</b>	<b>(43,324)</b>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.



**Dewan Muhammad Yousuf Farooqui**  
Chief Executive



**Haroon Iqbal**  
Director

**Condensed Interim Cash Flow Statement**  
For the nine months ended March 31, 2017

	March 31, 2017	March 31, 2016
	-----Unaudited----- (Rs. in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) before taxation	<b>(13,511)</b>	(87,903)
Add / (Less) : Depreciation	<b>62,007</b>	67,386
Gain due to Change in valuation of investment in associates	<b>(130,087)</b>	-
Financial charges	<b>142</b>	378
	<b>(67,938)</b>	67,764
	<b>(81,449)</b>	(20,139)
Decrease in stores & spares	<b>1,899</b>	1,235
Decrease in stock in trade	<b>31,791</b>	5,785
(Increase) in trade debts	<b>(38,265)</b>	(594)
(Increase) in advances, deposits, pre-payments & other receivables	<b>(1,061)</b>	(36,880)
Increase in trade, other payables and borrowings	<b>32,687</b>	41,457
Tax (paid)	<b>(3,345)</b>	(1,104)
Financial charges (paid)	<b>(142)</b>	(378)
Gratuity (paid)	<b>-</b>	(13)
	<b>23,564</b>	9,508
<b>Net cash flow from operating activities</b>	<b>(57,885)</b>	(10,631)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	<b>-</b>	(7,491)
Short term loans (recovered from) associated undertakings	<b>-</b>	56,475
<b>Net cash flow from investing activities</b>	<b>-</b>	48,984
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loans (repaid)	<b>(25,845)</b>	(47,231)
Loan from Directors	<b>86,315</b>	114,535
Repayment of Finance Lease-net	<b>(2,573)</b>	(910)
<b>Net cash flow from financing activities</b>	<b>57,897</b>	66,394
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>12</b>	104,747
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>(1,847,562)</b>	(2,019,367)
<b>CASH &amp; CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>(1,847,550)</b>	(1,914,620)

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.



**Dewan Muhammad Yousuf Farooqui**  
Chief Executive



**Haroon Iqbal**  
Director



DEWAN FAROOQUE MOTORS LIMITED

**Condensed Interim Statement of Changes in Equity**

For the nine months ended March 31, 2017

	Share Capital	Advance against issue of share	Unappropriated Profit / (Loss)	Total
----- Unaudited ----- (Rs. in '000)				
<b>Balance as on July 01, 2015</b>	<b>1,087,353</b>	<b>-</b>	<b>(3,307,060)</b>	<b>(2,219,707)</b>
Total comprehensive loss for the period	-	-	(148,966)	(148,966)
<b>Balance as on March 31, 2016</b>	<b><u>1,087,353</u></b>	<b><u>-</u></b>	<b><u>(3,456,026)</u></b>	<b><u>(2,368,673)</u></b>
Balance as on July 01, 2016	1,087,353	300,000	(3,413,036)	(2,025,683)
Issued during the period	300,000	(300,000)	-	-
Total comprehensive loss for the period	-	-	(14,354)	(14,354)
<b>Balance as on March 31, 2017</b>	<b><u>1,387,353</u></b>	<b><u>-</u></b>	<b><u>(3,427,390)</u></b>	<b><u>(2,040,037)</u></b>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.



**Dewan Muhammad Yousuf Farooqui**  
Chief Executive



**Haroon Iqbal**  
Director

## **Notes to the Condensed Interim Financial Statements For the nine months ended March 31, 2017 (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 Pakistan Stock Exchange. 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, District Sajawal, Sindh.

The principal activity of the Company is the assembly, progressive manufacturing and sale of 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. 14.354 million during the period ended March 31, 2017. As of that date it has accumulated losses of Rs. 3.427 billion and its current liabilities exceeded its current asset by Rs. 4.258 billion. Furthermore, cumulatively the company has not provided markup on its borrowings from banks and financial institutions amounting to Rs.4.644 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 existence 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.

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 period ended March 31, 2017 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 2016.
- 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 2016, 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, 2016.

### **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 2016.
- 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 2016.

Note	Nine months Ended March 31, 2017 Unaudited	Year Ended June 30, 2016 Audited
(Rs. in '000)		
<b>6 PROPERTY PLANT AND EQUIPMENTS</b>		
Operating Property Plant and Equipments 6.1	<b>1,096,579</b>	1,158,584
	<u><b>1,096,579</b></u>	<u>1,158,584</u>
<b>6.1 WDV of Operating Fixed Assets</b>		
Opening Balance	<b>3,378,036</b>	3,370,546
Add: Addition during the period	-	7,490
	<u><b>3,378,036</b></u>	<u>3,378,036</u>
Less: Deletion during the period	-	-
	<u><b>3,378,036</b></u>	<u>3,378,036</u>
Less : Accumulated Depreciation as on March 31, 2017 (June 30, 2016)	<u><b>(2,281,457)</b></u>	<u>(2,219,452)</u>
	<u><b>1,096,579</b></u>	<u>1,158,584</u>
<b>7 INVESTMENT</b>		
Investment in Ordinary shares of Dewan Cement Limited (DCL) - An associated company on equity method		
65,375,455 ordinary shares of Rs. 10 each	<b>804,131</b>	804,131
Share of Profit	<b>338,201</b>	208,115
	<u><b>1,142,332</b></u>	<u>1,012,246</u>
Fair value as per Market price Qouted in Pakisatn stock Exchange	<u><b>1,580,779</b></u>	<u>946,636</u>
<b>Market value (Rupees per share)</b>	<u><b>24.18</b></u>	<u>15.48</u>
<b>Percentage of equity held</b>	<u><b>13.50%</b></u>	<u>13.50%</u>
<b>8 LOAN FROM DIRECTOR</b>		
The loan obtained from director is interest free and payable on demand		
<b>9 SHORT TERM BORROWING</b>		
The Short term borrowings has not been renewed by the Banks as of Balance sheet date.		

DEWAN FAROOQUE MOTORS LIMITED

**10 CONTINGENCIES AND COMMITMENTS**

**Contingencies**

There is no material change in the contingencies and commitments since the last audited financial statements as at June 30, 2016 as disclosed the banks/Financial institutions has filed suits aggregate amounting to Rs. 6.884 billion .

**11 FINANCE COST**

During the period ended March 31, 2017 the Company has not provided the markup on Long term and short term borrowing from banks and financial institutions to the extent of Rs.240.385 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.240.385 million and consequently the Share holders equity would have been lower and accrued markup would have been higher by Rs.4.644 billion. The said non provisioning is the contravention with the requirements of IAS 23 "Borrowing Costs".

Nine months Ended		Quarter Ended	
March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
-----Unaudited-----			
(Rs. in '000)			

**12 LOSS PER SHARE - Basic/Diluted**

Net Profit/(Loss) for the period	(14,354)	(87,903)	15,275	(26,180)
Weighted average number of ordinary shares issued during the year	136,546	136,546	136,546	136,546
Profit/(Loss) Per Share - Basic/Diluted (Rupee)	(0.11)	(0.64)	0.11	(0.19)

**13 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, 2017 Unaudited	Year Ended June 30, 2016 Audited
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(Rs. in '000)

Sales	<b>96,556</b>	42
Markup charged for the period on short term loans to associated undertakings	<b>8,277</b>	25,813
Amount received against markup on short term loans to associated undertakings	-	5,000
Loan received / transferred to Advance Against Share Capital from Director	<b>86,315</b>	(36,198)
Loan recovered / settled from associated undertaking	-	584,105
Advance Against Share Capital	-	263,802
Share Against Loan Settlement	-	524,446
Provident Fund	<b>809</b>	1,497

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

#### 14 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been authorized for issue on April 27, 2017 by the Board of Directors of the Company.

#### 15 GENERAL

Figures have been rounded off to the nearest thousand rupees.



**Dewan Muhammad Yousuf Farooqui**  
Chief Executive



**Haroon Iqbal**  
Director

