

Contents

Company Information	03
Directors' Report (English)	04
Directors' Report (Urdu)	05
Condensed Interim Balance Sheet	06
Condensed Interim Statement of Profit and Loss	07
Condensed Interim Statement of Comprehensive Income	08
Condensed Interim Statement of Cash Flows	09
Condensed Interim Statement of Changes in Equity	10
Notes to the Condensed Interim Financial Information	11

DEWAN AUTOMOTIVE ENGINEERING LIMITED

Company Information

BOARD OF DIRECTORS

Executive Director

Mr. Haroon Iqbal
Chairman Board of Directors
Mr. Waseem-ul-Haque Ansari
Chief Executive Officer

Non-Executive Directors

Mr. Muhammad Naeemuddin Malik
Syed Maqbool Ali
Mr. Muhammad Irfan Ali
Mr. Ishtiaq Ahmed

Independent Director

Mr. Azizul Haque

CHIEF FINANCIAL OFFICER

Mr. Muhammad Naeemuddin Malik

COMPANY SECRETARY

Mr. Muhammad Naeemuddin Malik

AUDIT COMMITTEE

Mr. Azizul Haque	Chairman
Mr. Ishtiaq Ahmed	Member
Syed Maqbool Ali	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Azizul Haque	Chairman
Mr. Haroon Iqbal	Member
Syed Maqbool Ali	Member

AUDITORS

Faruq Ali & Company
Chartered Accountants
C-88, Ground Floor, KDA Scheme No. 1
Main Karsaz road,
Opposite maritime museum Karachi.

LEGAL ADVISORS

A. K Brohi

SHARE REGISTRAR / TRANSFER AGENT

BMF Consultants Pakistan (Pvt) Ltd.
Anum Estate Building, Room No. 310 & 311,
3rd Floor, 49, Darul Aman Society,
Main Shahrah-e-Faisal,
Adjacent to Baloch Colony Bridge,
Karachi, Pakistan

BANKERS

Bank Islami Pakistan Ltd.

REGISTERED OFFICE

Finance & Trade Centre
Block-A, 7th Floor,
Shahrah-e-Faisal, Karachi

FACTORY

Dewan City Sajawal District Thatta, Sindh.

WEBSITE

www.yousufdewan.com

Directors' Report

IF YE GIVE THANKS, I WILL GIVE YOU MORE (HOLY QURAN)

The Board of Directors of your Company takes pleasure in presenting the un-audited condensed interim financial statements for the quarter ended September 30, 2018.

During the period under review the financial performance is as follows.

	September 2018	September 2017
	(Rupees in '000)	
Sales- Net	6,251	-
Gross Loss	1,024	6,800
Loss after taxation	10,551	9,691

The automobile industry has always been the backbone of any economy. The automobile industry is unique as it encompasses practically all available engineering technologies. An automobile is an integrated product created through the hard work of a multitude of auto part manufacturers, who apply multiple technologies to create a synergistic whole. Pakistan is a rising market for automobile and allied industries and we can take benefits of the situation, though the company has started the limited operation based on the group company requirements but due to non-availability of working capital the company could not tap the market. Once working capital is available then the company can exploit its full potential.

Conclusion:

In conclusion, we bow, beg and pray to Almighty Allah, Rehman-o-Rahim, in the name of his beloved Prophet, Muhammad, peace be upon him, for continued showering of His blessing, guidance, strength, health and prosperity to us, our Company, country and nation and also pray to Almighty Allah to bestow peace, harmony, brotherhood and unity in true Islamic spirit to whole of Muslim Ummah, Ameen, Summa Ameen.

LO-MY LORD IS INDEED HEARER OF PRAYER (HOLY QURAN)



Haroon Iqbal
Chairman Board of Directors

Karachi: October 24, 2018

ڈائریکٹرز رپورٹ:

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز مورخہ 30 ستمبر 2018ء کو ختم ہونے والی پہلی سہ ماہی کے غیر آڈٹ شدہ حسابات بمعہ مالی گوشوارے آپ کے سامنے پیش کرتے ہوئے مسرت کا اظہار کرتے ہیں۔

زیر نظر سہ ماہی کی کارکردگی کچھ اس طرح رہی:

30 ستمبر 2017ء روپے ہزاروں میں	30 ستمبر 2018ء روپے ہزاروں میں	
-	6,251	مجموع فروخت
6,800	1,024	کل خسارہ
9,691	10,551	خسارہ بعد از ٹیکس

پاکستان آٹوموبائل اور اس سے وابستہ صنعتوں کیلئے بڑھتی ہوئی مارکیٹ ہے اور ہم ان حالات سے فائدہ اٹھا سکتے ہیں۔ یہ صنعتیں ملکی اقتصادی ترقی کو بڑھانے میں بڑے پیمانے پر اہم کردار ادا کرتی ہیں۔ آٹوموبیل پرزہ جات کی صنعت نے بہت ترقی کی ہے اور مختلف اقسام کے پرزہ جات مقامی طور پر تیار کئے جا رہے ہیں۔ آٹوموبائل کی ترقی سے فاضل پرزہ جات کی مارکیٹ میں بھی اضافہ ہوا ہے۔

اگرچہ کمپنی محدود پیمانے پر پیداواری سرگرمیاں کر رہی ہے لیکن سرمائے کی قلت کی وجہ سے مارکیٹ کی ضروریات پوری کرنا کمپنی کیلئے مشکل ہے۔ کام چلانے کیلئے سرمائے کی دستیابی کی صورت میں کمپنی اپنی مکمل صلاحیت کا استعمال کر سکتی ہے۔

آخر میں ہم اللہ سبحانہ و تعالیٰ سے دعا گو ہیں کہ وہ نبی آخر الزماں حضرت محمد ﷺ پر کروڑ ہا رحمتیں اور برکتیں نازل فرمائے اور حضرت محمد ﷺ کے صدقہ طفیل میں ہمیں درست رہنمائی کے ساتھ طاقت اور صحت عطا فرمائے۔ ہماری کمپنی کو ملک و قوم کی خوشحالی کا باعث بنائے۔ ہمیں امن و سکون، اخوت و بھائی چارے کے ساتھ سچی ملت اسلامیہ بنائے۔ آمین یا رب العالمین۔

بے شک میرا رب دعا سننے والا ہے (القرآن)



بارون اقبال

چیئر مین بورڈ آف ڈائریکٹرز

کراچی مورخہ 24 اکتوبر 2018ء


Condensed Interim Statement Of Financial Position As At 30 September 2018

	Note	September 30, 2018 (Un-audited)	June 30, 2018 (Audited)
(Rs. in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	260,661	265,695
Available for sale investment	6	2,320	2,320
Long term deposits		3,020	3,020
CURRENT ASSETS			
Stock in trade	7	5,103	3,111
Advances, prepayments & other receivables		26,412	26,281
Advance income tax		3,540	3,430
Cash and bank balances		302	3,132
		<u>35,357</u>	<u>35,954</u>
		<u>301,358</u>	<u>306,989</u>
EQUITY AND LIABILITIES			
AUTHORIZED SHARE CAPITAL			
21,800,000 (June 2017: 21,800,000)			
Ordinary shares of Rs.10/- each		218,000	218,000
Issued, subscribed and paid-up share capital		214,000	214,000
Capital reserves			
Merger reserves		82,090	82,090
Settlement claim from Ford Motors		86,194	86,194
Surplus on revaluation of property, plant & equipments		69,890	71,168
Revenue reserves			
General reserves		9,900	9,900
Accumulated losses		(1,635,744)	(1,626,470)
		<u>(1,173,670)</u>	<u>(1,163,118)</u>
NON-CURRENT LIABILITIES			
Long term loans - Unsecured	8	135,389	129,875
Deferred liability for staff gratuity		16,922	16,922
Deferred taxation		29,436	29,987
CURRENT LIABILITIES			
Trade and other payables		361,802	365,481
Accrued Mark-up		765,350	761,713
Short term finance	9	154,879	154,879
Overdue portion of loan - Secured		11,250	11,250
		<u>1,293,281</u>	<u>1,293,323</u>
CONTINGENCIES			
	10	--	--
		<u>301,358</u>	<u>306,989</u>

The annexed notes form an integral part of the interim condensed financial information.


Waseem-ul-Haque Ansari
Chief Executive Officer


Syed Maqbool Ali
Director


Muhammad Naeem Uddin Malik
Chief Financial Officer

DEWAN AUTOMOTIVE ENGINEERING LIMITED

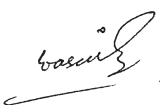
Condensed Interim Profit And Loss Account - (Un-audited)
For The Quarter Ended 30 September 2018

Note	Quarter Ended	
	September 30, 2018	September 30, 2017

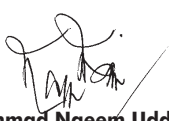
------(Rupees in '000)-----

Sales - Net	6,251	--
Cost of sales	(7,274)	(6,800)
Gross loss	(1,023)	(6,800)
Operating expenses		
Distribution expenses	(102)	(112)
Administrative expenses	(2,478)	(549)
Other expenses	--	--
	(2,580)	(661)
Operating loss	(3,603)	(7,461)
Other income	22	1
Finance cost	11 (7,439)	(2,792)
Loss before taxation	(11,020)	(10,252)
Taxation - Net	469	561
Loss after taxation	(10,551)	(9,691)
Loss per share - Basic and diluted	(0.49)	(0.45)

The annexed notes form an integral part of the interim condensed financial information.


Waseem-ul-Haque Ansari
Chief Executive Officer


Syed Maqbool Ali
Director


Muhammad Naeem Uddin Malik
Chief Financial Officer

**Condensed Interim Statement Of Comprehensive Income -
 (Un-audited)
 For The Quarter Ended 30 September 2018**

Quarter Ended	
September 30, 2018	September 30, 2017


----- (Rupees in '000) -----

Loss for the period	(10,551)	(9,691)
Total comprehensive loss for the period	<u>(10,551)</u>	<u>(9,691)</u>

The annexed notes form an integral part of the interim condensed financial information.


Waseem-ul-Haque Ansari
 Chief Executive Officer


Syed Maqbool Ali
 Director


Muhammad Naeem Uddin Malik
 Chief Financial Officer

DEWAN AUTOMOTIVE ENGINEERING LIMITED


Condensed Interim Statement Of Cash Flows - (Un-audited)
For The Quarter Ended 30 September 2018

	September 30, 2018	September 30, 2017
	(Rs. in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(11,020)	(10,252)
Adjustment for non-cash and other items		
Depreciation	5,121	5,708
Other Income	(22)	--
Unwinding of discount / present value adjustment - Net	3,789	--
Finance cost	3,649	2,792
	<u>12,537</u>	<u>8,500</u>
	1,517	(1,752)
Changes in operating assets and liabilities		
(Increase) / decrease in current assets		
Stock in trade	(1,992)	--
Advances	(129)	(375)
Increase / (decrease) in current liabilities		
Trade and other payables	(3,682)	2,444
	<u>(5,803)</u>	<u>2,069</u>
Payments for:		
Income tax - Net	(187)	(151)
Finance cost	--	(1)
	<u>(187)</u>	<u>(152)</u>
Net cash outflows from operating activities	<u>(4,473)</u>	<u>165</u>
CASH FLOWS FROM INVESTING ACTIVITIES	(82)	--
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loan from director	1,725	556
Net cash inflow from financing activities	<u>1,725</u>	<u>556</u>
Net increase in cash and cash equivalents	(2,830)	721
Cash and cash equivalents at beginning of the period	3,132	132
Cash and cash equivalents at end of the period	<u>302</u>	<u>853</u>

The annexed notes form an integral part of the interim condensed financial information.


Waseem-ul-Haque Ansari
 Chief Executive Officer


Syed Maqbool Ali
 Director


Muhammad Naeem Uddin Malik
 Chief Financial Officer

Condensed Interim Statement Of Changes In Equity - (Un-audited) For The Quarter Ended September 30, 2018

Issued, subscribed and paid-up share capital	Capital reserves				Revenue reserves			Total
	Merger reserve	Revaluation surplus on property, plant & equipments	Settlement claim from Ford	Capital reserves	General reserve	Accumulated losses	Revenue reserves	

----- (Rupees in '000) -----

Balance as at 1 July 2017- as stated	214,000	82,090	-	86,194	168,284	9,900	(1,574,729)	(1,564,829)	(1,182,545)
Effect of change in accounting policy			68,876		68,876		(1,315)	(1,315)	67,561

Balance as at 1 July 2017- as restated	214,000	82,090	68,876	86,194	237,160	9,900	(1,576,044)	(1,566,144)	(1,114,984)
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Total comprehensive loss for the year

Loss for the period	-	-						(9,691)	(9,691)
Incremental depreciation transfer from surplus on revaluation of property, plant and equipment - Net of tax	-	-	(1,322)		(1,322)		1,322	1,322	-
	-	-	(1,322)	-	(1,322)	-	1,322	(8,369)	(9,691)

Balance as at 30 September 2017- as restated	214,000	82,090	67,554	86,194	235,838	9,900	(1,574,722)	(1,574,513)	(1,124,675)
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Balance as at 1 July 2018	214,000	82,090	71,168	86,194	239,452	9,900	(1,626,470)	(1,616,570)	(1,163,118)
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Total comprehensive loss for the year


Loss for the period	-	-					(10,551)	(10,551)	(10,551)
Other comprehensive income surplus on revaluation of property, plant and equipment - Net of tax	-	-	(1,278)		(1,278)		1,278	1,278	-
	-	-	(1,278)	-	(1,278)	-	(9,273)	(9,273)	(10,551)

Balance as at 30 September 2018	214,000	82,090	69,890	86,194	238,174	9,900	(1,635,743)	(1,625,843)	(1,173,669)
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The annexed notes form an integral part of the interim condensed financial information.


Waseem-ul-Haque Ansari
Chief Executive Officer


Syed Maqbool Ali
Director


Muhammad Naeem Uddin Malik
Chief Financial Officer

**Notes To The Condensed Interim Financial Informations -
(Un-audited)
For The Quarter Ended 30 September 2018**

1 THE COMPANY AND ITS OPERATIONS

Dewan Automotive Engineering Limited is a public Limited Company quoted on Pakistan Stock Exchange Limited (trading in defaulter counter). The Company's business is the assembly-cum progressive manufacture and sale of tractors, light commercial vehicles and motorcycles and trading / manufacturing of parts and implements related thereto. The Company was incorporated on May 6, 1982 and commenced commercial operations in August, 1983. The Company was taken over by Yousuf Dewan Companies in April 2004. The Company's registered office is located at 7th Floor, Block-A, Finance & Trade Centre, Shahrah-e-Faisal, Karachi.

During the year 2017, the Company received notices from Pakistan Stock Exchange Limited (PSX) in respect of non-compliance of clause 5.11.1.(c) and 5.11.1.(e) of the PSX Regulations therefore it was placed on defaulters' counter of PSX and trading of its shares was suspended. The proposed delisting is under consideration of the management. The Company has rectified the default and requested for withdrawal of directions. Hence no action by the exchange under clause 5.11.1.(f) & 5.11.1.(g) is warranted under the said circumstance.

The geographical location and address of Company's business units including plantis as under.

- Company's registered office is located at 7th floor, Block-A, Finance & Trade Centre, Shahrah-e-Faisal, Karachi.
- Company's production plant is situated at Sajawal and Shershah Karachi, Sindh, Pakistan.

2 GOING CONCERN ASSUMPTION

The condensed interim financial information for the quarter ended September 30, 2018 reflect that the Company has sustained a net loss after taxation of Rs. 10.551 million (June 2018: Rs.47.985 million) and, as of that date it has accumulated losses of Rs.1,635.744 million (June 2018: Rs.1,626.470 million) which have resulted in net capital deficiency of Rs.1,173.669 million (June 2018: Rs.1,163.118 million) and its current liabilities exceeded its current assets by Rs.1,257.921 million (June 2018: Rs.1,257.369 million) and total assets by Rs. 991.920 million (June 2018: Rs. 986.334 million). The Company has been unable to ensure scheduled repayments of borrowings and to the creditors due to the liquidity problems. Following course, certain lenders has gone into litigation for repayment of liabilities through attachment and sale of the Company's hypothecated / mortgaged properties. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. therefore the Company may not be able to realize its assets and discharge its liabilities in normal course of business.

The Company has restructured its entire debts except one and also been paid as per term of restructuring agreements. The management is also confident that the outcome of the pending litigation will be positive as the Company is negotiating re-profiling of the debt with the lender. Therefore, the management is confident that the proposal will be accepted by the lender and pending litigations will be withdrawn. Accordingly, these condensed interim financial information have been prepared on a going concern basis.

3 STATEMENT OF COMPLIANCE

- 3.1 During the preceding financial year, the Companies Act 2017 (the Act) was promulgated, however, as per Securities and Exchange Commission of Pakistan's (SECP) circular 23 of 2017 dated October 04, 2017 as clarified by Institute of Chartered Accountants of Pakistan vide its circular no 17/2017 dated October 06, 2017, the companies shall prepare their annual and interim condensed interim financial information for the periods ending on or before December 31, 2017 in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, this condensed interim financial information of the Company for the first quarter ended September 30, 2018 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed.
- 3.2 This condensed interim financial information do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended 30 June 2018.
- 3.3 The figures included in the condensed interim profit and loss account for the quarter ended 30 September 2018 and 2017 and in the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the accumulated figures for the years ended 30 June 2018 and 2017.

4 SIGNIFICANT ACCOUNTING POLICIES

- 4.1 The accounting policies adopted in the preparation of this condensed interim financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2018.
- 4.2 The preparation of condensed interim financial information in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and judgment applied by the management in preparation of this condensed interim financial information is same as those applied in preparation of annual financial statements of the company for the year ended 30 June 2018.

DEWAN AUTOMOTIVE ENGINEERING LIMITED

	September 30, 2018 (Un-audited)	June 30, 2018 (Audited)
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(Rs. in '000)

5 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - At cost less accumulated depreciation	260,661	265,695
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6 AVAILABLE FOR SALE INVESTMENT

Investment in associated company Dewan Mushtaq Trade Limited (Public, unquoted company) 4,000,000 (June 2018: 4,000,000) Ordinary shares of Rs.10/- each	40,000	40,000
Accumulated impairment loss on investment	(37,680)	(37,680)
	2,320	2,320

6.1 Since these investment is in unquoted company therefore this is measured at cost less accumulated impairment because the fair value can not be measured reliably.

	September 30, 2018 (Un-audited)	June 30, 2018 (Audited)
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(Rs. in '000)

7 STOCK IN TRADE

Raw materials and components	132,964	130,972
Work in process	2,701	2,701
Finished goods - manufacturing stock	3,567	3,567
Trading stock	30,263	30,263
	169,495	167,503
Provision for slow moving and obsolescence stocks	(164,392)	(164,392)
	5,103	3,111

8 LONG TERM LOAN - Unsecured

From director - At amortized cost		
Loan received - Opening	8.1	314,064
Received during the period / year		6,959
Present value adjustment		(253,449)
Interest charged to profit and loss account		69,260
		135,389
		129,875

8.1 The above loan is interest free and unsecured. This loan shall be treated as subordinated to the principal amounts of the long term debt owing to the creditors of the Company from time to time and to all debts of the Company from time to time owing to the banks and financial institutions and accordingly may only be repaid by the Company in whole or in part provided that upon such repayment, the Company shall comply with the debt to equity ratio requirements of the Prudential Regulations of State Bank of Pakistan as applicable to the Company for the time being.

Since the loan is interest free and repayable in lump sum on 30 June 2026, as per the requirements of International Financial Reporting Standards (IFRSs) it has been discounted to its fair value, being the present value of the expected future cash flows at 11.67% per annum.

	Note	September 30, 2018 (Un-audited)	June 30, 2018 (Audited)
(Rs. in '000)			
9 SHORT TERM FINANCE			
From related party (associated company) - Unsecured Interest bearing	9.1	154,879	154,879

9.1 This is an unsecured finance from associated company, which carries mark-up @ 9.32% per annum (June 2018: @ 7.45% per annum).

10 CONTINGENCIES AND COMMITMENTS

There has been no significant change in the status of contingencies and commitments as reported in the annual financial statements for the year ended 30 June 2018.

11 FINANCE COST AND MARK-UP ACCRUED

Company has not made the provision of mark-up for the period amounting to Rs.0.343 million (Up to 30 June 2018 : Rs.14.337 million) keeping in view of the financial restructuring proposed to the lender. Management is hopeful that the restructuring proposal will be accepted by the lender. Had the provision been made the loss for the period would have been higher by Rs.0.343 millions and accrued mark-up would have been higher and shareholders' equity would have been lower by Rs.14.680 million. The said non provisioning is departure from the requirements of IAS-23 'Borrowing Costs'.

DEWAN AUTOMOTIVE ENGINEERING LIMITED

Note	September 30, 2018 (Un-audited)	September 30, 2017 (Audited)
	(Rs. in '000)	

12 TRANSACTIONS WITH RELATED PARTIES

Associated company:

Mark-up expense	<u>3,637</u>	<u>2,791</u>
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The transaction with associated companies are in the normal course of business and have been entered on an arm's length basis.

13 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 "Interim Financial Reporting", balance sheet has been compared with the balances of annual financial statements, whereas profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity have been compared with the balances of comparable period of immediately preceding financial year.

14 DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue on October 24, 2018 by the Board of Directors of the Company.

15 GENERAL

These financial statements are presented in Rupees and figures have been rounded off to the nearest thousand rupees.



Waseem-ul-Haque Ansari
Chief Executive Officer



Syed Maqbool Ali
Director



Muhammad Naeem Uddin Malik
Chief Financial Officer

