

Quarterly Report March 31, 2018



DEWAN FAROOQUE MOTORS LIMITED



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Company Information

Executive Directors

Dewan Muhammad Yousuf Farooqui Chairman Board of Directors
 Mr. Waseem-ul- Haque Ansari
 Mr. Muhammad Naeem Uddin 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 Muhammad 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
 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, 2018.

During the period under review the gross sales was Rs.0.971 million, gross loss is Rs.112.195 million and the after-tax loss is Rs.10.544 million.

The sale of local Car/LCV sector for the nine months' period ended March 31, 2018 has shown a growth of 16% as compared to the corresponding period of last year. Rising income levels, easy availability of bank finance at attractive rates and demand for vehicles by customers engaged in ride hailing services are the main reasons for the growth. With the positive GDP growth and enhanced economic activity coupled with new players coming in the market, the future outlook of automobile industry looks positive. 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. We are pleased to inform that production activity under contract with Daehan-Dewan Motor Company (Pvt.) Ltd has commenced and we hope that the operations 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 MUHAMMAD YOUSUF FAROOQUI
Chief Executive



HAROON IQBAL
Director

Karachi: April 25, 2018

DEWAN FAROQUE MOTORS LIMITED

**Condensed Interim Statement of Financial Position
As at March 31, 2018**

	Note	March 31, 2018 Unaudited	June 30, 2017 Audited
(Rs. in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	6	1,019,635	1,075,925
Investment	7	1,320,248	1,188,527
CURRENT ASSETS			
Stores and spares		63,050	62,798
Stock-in-trade		62,976	63,574
Trade debts - considered good		41,720	46,840
Short term loan to associated undertaking - considered good		154,879	154,879
Advances, deposits, prepayments and other receivables - Considered good		789,027	783,790
Taxation - net		25,120	24,702
Cash and bank balances		125,390	123,680
		1,262,162	1,260,263
TOTAL ASSETS		3,602,045	3,524,715
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorized			
150,000,000 (June 30, 2017: 150,000,000)			
Ordinary shares of Rs.10 each		1,500,000	1,500,000
Issued, subscribed and paid-up			
Issued, subscribed and paid-up		1,387,353	1,387,353
Reserves			
		(3,436,792)	(3,426,248)
		(2,049,439)	(2,038,895)
NON-CURRENT LIABILITIES			
Long term security deposits		16,700	16,700
Deferred Liabilities		4,514	4,514
CURRENT LIABILITIES			
Loan from Director	8	206,848	116,067
Trade and other payables		2,337,138	2,306,052
Short term finances-secured	9	1,978,024	1,978,024
Current maturity of long term loans		1,108,260	1,142,253
		5,630,270	5,542,396
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES		3,602,045	3,524,715

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



Muhammad Naeem Uddin Malik
Chief Financial Officer

Condensed Interim Statement of Profit or Loss

For the nine months and quarter ended March 31, 2018

Note	Nine Months Ended		Quarter Ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
	-----Unaudited----- (Rs. in '000)			
GROSS SALES	971	97,515	228	32,658
Sales tax	156	13,193	37	5,214
Commission	-	20	-	-
	156	13,213	37	5,214
NET SALES	815	84,302	191	27,444
Cost of sales	113,010	195,469	44,119	66,995
GROSS LOSS	(112,195)	(111,167)	(43,928)	(39,551)
Distribution expenses	14,526	14,733	3,678	3,870
Administration and general expenses	25,035	26,314	8,944	9,205
	39,561	41,047	12,622	13,075
OPERATING LOSS	(151,756)	(152,214)	(56,550)	(52,626)
OTHER INCOME	141,327	138,845	60,742	68,242
Finance cost	(10,429)	(13,369)	4,192	15,616
	105	142	92	67
PROFIT / (LOSS) BEFORE TAXATION	(10,534)	(13,511)	4,100	15,549
TAXATION	10	843	2	274
NET PROFIT / (LOSS) FOR THE PERIOD	(10,544)	(14,354)	4,098	15,275
Basic / diluted Profit / (Loss) per share (Rupee)	12 (0.08)	(0.11)	0.03	0.11

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



Muhammad Naeem Uddin Malik
Chief Financial Officer

DEWAN FAROOQUE MOTORS LIMITED

Condensed Interim Statement of Comprehensive Income
For the nine months and quarter ended March 31, 2018

	Nine Months Ended		Quarter Ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
	-----Unaudited----- (Rs. in '000)			
Profit / (Loss) for the period	(10,544)	(14,354)	4,098	15,275
Other comprehensive income/(Loss) for the period:	-	-	-	-
Total comprehensive income/(Loss) for the period	(10,544)	(14,354)	4,098	15,275

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



Muhammad Naeem Uddin Malik
Chief Financial Officer

Condensed Interim Statement of Cash Flows

For the nine months ended March 31, 2018

	March 31, 2018	March 31, 2017
-----Unaudited----- (Rs. in '000)		
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) before taxation	(10,534)	(13,511)
Add / (Less) : Depreciation	56,290	62,007
Gain due to Change in valuation of investment in associates	(131,721)	(130,087)
Financial charges	105	142
	(75,326)	(67,938)
	(85,860)	(81,449)
(Increase) / Decrease in stores & spares	(252)	1,899
Decrease in stock in trade	598	31,791
(Increase) / Decrease in trade debts	5,120	(38,265)
Increase in advances, deposits, pre-payments & other receivables	(5,237)	(1,061)
Increase in trade, other payables and borrowings	31,086	32,687
Tax (paid)	(428)	(3,345)
Financial charges (paid)	(105)	(142)
	30,782	23,564
Net cash flow from operating activities	(55,078)	(57,885)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans (repaid)	(33,993)	(25,845)
Loan from Director	90,781	86,315
Finance Lease repayments	-	(2,573)
Net cash flow from financing activities	56,788	57,897
NET INCREASE IN CASH & CASH EQUIVALENTS	1,710	12
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(1,854,344)	(1,847,562)
CASH & CASH EQUIVALENTS AT END OF THE PERIOD	(1,852,634)	(1,847,550)

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



Muhammad Naeem Uddin Malik
Chief Financial Officer

DEWAN FAROOQUE MOTORS LIMITED

Condensed Interim Statement of Changes in Equity
For the nine months ended March 31, 2018

	Share Capital	Advance against issue of share	Unappropriated Profit / (Loss)	Total
----- Unaudited ----- (Rs. in '000)				
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)
Balance as on March 31, 2017	<u>1,387,353</u>	<u>--</u>	<u>(3,427,390)</u>	<u>(2,040,037)</u>
Balance as on July 01, 2017	1,387,353	--	(3,426,248)	(2,038,895)
Total comprehensive (loss) for the period	-		(10,544)	(10,544)
Balance as on March 31, 2018	<u>1,387,353</u>	<u>-</u>	<u>(3,436,792)</u>	<u>(2,049,439)</u>

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



Muhammad Naeem Uddin Malik
Chief Financial Officer

Notes to the Condensed Interim Financial Statements For the nine months ended March 31, 2018 (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 exchanges. 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, 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.

On August 01, 2016 the company had entered in a contract with Dehan-Dewan Motor Company (Pvt.) Ltd (a Related Party) for assembly of vehicles.

2 GOING CONCERN ASSUMPTION

The company incurred Loss after taxation of Rs.10.544 million during the period ended March 31, 2018. As of that date it has accumulated losses of Rs. 3.437 billion and its current liabilities exceeded its current asset by Rs. 4.368 billion. Furthermore, cumulatively the company has not provided markup on its borrowings from banks and financial institutions amounting to Rs.4.970 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.

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 has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 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 2017.

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 2017, 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, 2018.

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 2017.

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 2017.

Note	Nine months Ended March 31, 2018 Unaudited	Year Ended June 30, 2017 Audited
(Rs. in '000)		
6 PROPERTY PLANT AND EQUIPMENTS		
Operating Property Plant and Equipments 6.1	1,019,635	1,075,925
	1,019,635	1,075,925
6.1 WDV of Operating Fixed Assets		
Opening Balance	3,378,036	3,378,035
Add: Addition during the period	-	-
	3,378,036	3,378,035
Less: Deletion during the period	-	-
	3,378,036	3,378,036
Less : Accumulated Depreciation as on March 31, 2018 (June 30, 2017)	(2,358,401)	(2,302,112)
	1,019,635	1,075,924
7 INVESTMENT		
Investment in Ordinary shares of Dewan Cement Limited (DCL) - An associated company on equity method		
65,375,455 ordinary shares of Rs. 10 each	804,131	804,131
Share of Profit	516,117	384,396
	1,320,248	1,188,527
Fair value as per Market price Qouted in Pakistan Stock Exchange	1,764,484	1,319,276
Market value (Rupees per share)	26.99	20.18
Percentage of equity held	13.50%	13.50%
8 LOAN FROM DIRECTOR		
The loan obtained from director is interest free and payable on demand.		
9 SHORT TERM BORROWING		
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, 2017 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, 2018 the Company has not provided the markup on Long term and short term borrowing from banks and financial institutions to the extent of Rs. 245.221 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. 245.221 million and consequently the Share holders equity would have been lower and accrued markup would have been higher by Rs.4.970 billion. The said non provisioning is the contravention with the requirements of IAS 23 "Borrowing Costs".

Nine months Ended		Quarter Ended	
March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
-----Unaudited-----			
(Rs. in '000)			

12 PROFIT/(LOSS) PER SHARE - Basic/Diluted

Net Profit/(Loss) for the period	<u>(10,544)</u>	<u>(14,354)</u>	<u>4,098</u>	<u>15,275</u>
Weighted average number of ordinary shares issued during the year	<u>138,735</u>	<u>136,546</u>	<u>138,735</u>	<u>136,546</u>
Profit/(Loss) Per Share - Basic/Diluted (Rupee)	<u>(0.08)</u>	<u>(0.11)</u>	<u>0.03</u>	<u>0.11</u>

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, 2018 Unaudited	Year Ended June 30, 2017 Audited
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(Rs. in '000)

Sales	800	96,768
Markup charged for the period on short term loan to associated undertaking	8,482	11,034
Amount received against markup on short term loans to associated undertakings	-	11,837
Loan from Director	90,781	116,067
Provident Fund	977	1,154

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 25, 2018 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



Muhammad Naeem Uddin Malik
Chief Financial Officer

ڈائریکٹر رپورٹ

دیوان فاروق موٹرز لمیٹڈ کا بورڈ آف ڈائریکٹر مورخہ 31 مارچ 2018ء کو ختم ہونے والی نو ماہی کے غیر آڈٹ شدہ رپورٹ معامی گوشوارے آپ کے سامنے پیش کرتے ہوئے مسرت کے ساتھ خیر مقدم کرتا ہے۔ زیر نظر نو ماہی رپورٹ میں کمپنی کی کارکردگی کچھ اس طرح رہی مجموعی فروخت 0.971 ملین روپے، مجموعی خسارہ 112.195 ملین روپے اور انکم ٹیکس کے بعد ہونے والا خسارہ 10.544 ملین روپے ہے۔

مورخہ 31 مارچ 2018ء کو ختم ہونے والی ششماہی کے حسابات میں مقامی طور پر کار/LCV کی تیاری میں گزشتہ سال کے مقابلے میں 16% کا اضافہ نظر آ رہا ہے۔ شرح پیداوار میں اضافہ کی بنیادی وجہ اقتصادی صورتحال میں بہتری، بیٹکوں کا کم شرح سود پر کار فنانسنگ اور مسافروں کی نقل و حمل میں کاروں کا استعمال ہے۔

جی ڈی پی اور معاشی سرگرمیوں میں اضافہ نیز نئے صنعت کاروں کے آنے کے باعث گاڑیوں کی صنعت مستقبل میں بہتر ہوتی نظر آ رہی ہے۔ نامساعد حالات کے باوجود آپ کی کمپنی اپنی کاروباری سرگرمیوں کو جاری رکھنے کی بھرپور کوشش کر رہی ہے۔ بیٹکوں اور معاشی اداروں کی جانب سے ہم سے وصولیاتی کے مقدمات کا ہمارے وکیل نے کامیابی کے ساتھ دفاع کیا۔ امید ہے جلد ہی کمپنی کے ذمہ واجب الادا قرضہ از سر نو ترتیب دے دیا جائے گا۔ واجب الادا قرضہ کی واپسی کے جدول میں تبدیلی کے بعد کمپنی کا پیداواری نظام معمول پر آجائے گا۔

ہم انتہائی مسرت کے ساتھ آپ کو یہ اطلاع دے رہے ہیں کہ دیہان دیوان موٹرز کمپنی پرائیویٹ لمیٹڈ کے ساتھ گاڑیوں کی پیداوار شروع ہو چکی ہے اور ہم پر امید ہیں کہ کمپنی کی پیداواری صلاحیت انشاء اللہ معمول پر آجائے گی۔

آخر میں ہم اللہ سبحان و تعالیٰ سے دعا گو ہیں کہ وہ پیغمبر آخر زماں حضرت محمد ﷺ پر کروڑوں رحمتیں اور برکتوں کا نزول فرمائے اور حضرت محمد ﷺ کے صدقہ طفیل میں ہمیں درست رہنمائی کے ساتھ طاقت و صحت عطا فرمائے۔ ہماری کمپنی کو ملک و قوم کی خوشحالی کا باعث بنائے۔ ہمیں امن و سکون، اخوت و بھائی چارگی کے ساتھ سچی ملت اسلامیہ بننے کی روح پروان چڑھائے۔

(آمین یا رب العالمین)



بارون اقبال
ڈائریکٹر



دیوان محمد یوسف فاروقی
چیف ایگزیکٹو

کراچی، مورخہ 25 اپریل 2018ء

DEWAN FAROOQUE MOTORS LIMITED

WWW.YOUSUFDEWAN.COM

CORPORATE