

Quarterly Report
September 30, 2021



DEWAN AUTOMOTIVE ENGINEERING LIMITED

 YD | A YOUSUF DEWAN COMPANY

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Company Information

BOARD OF DIRECTORS

Executive Director

Mr. Waseem-ul-Haque Ansari

Chief Executive Officer

Non-Executive Directors

Mr. Haroon Iqbal

Chairman Board of Directors
(Nominee Director in DMPL)

Mr. Imran Ahmed Javed

Mr. Ishtiaq Ahmed

Mr. Muhammad Irfan Ali

Syed Maqbool Ali

(Nominee Director in DMPL)

Independent Director

Mr. Azizul Haque

CHIEF FINANCIAL OFFICER

Mr. Muhsin Ali

COMPANY SECRETARY

Mr. Muhammad Hanif German

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

Dewan Centre, 3-A Lalazar
Beach Luxury Hotel Road
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, 2021.

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

	September 2021	September 2020
	(Rupees in '000)	
Sales- Net	-	-
Gross (Loss)	(4,247)	(4,505)
Profit/(Loss) after taxation	(7,333)	(7,393)

The production activity of the Company during the period under review remained suspended due to closure of the Company to which sales were being made. The company is operating under tough conditions due to the aforesaid reason and making best endeavors to survive. 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 25, 2021

Condensed Interim Statement of Financial Position
As on 30 September 2021

		(Un-audited) 30 September 2021	(Audited) 30 June 2021
----- (Rupees in '000) -----			
ASSETS	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	6	217,983	222,079
Available for sale investment	7	15,776	15,776
		233,759	237,855
CURRENT ASSETS			
Stock in trade		--	--
Advance income tax - Net		2,594	2,551
Cash and bank balances		526	517
		3,120	3,068
		236,879	240,923
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 21,800,000 (June 2020: 21,800,000)			
Ordinary shares of Rs. 10/- each		218,000	218,000
Issued, subscribed and paid-up share capital		214,000	214,000
<u>Capital reserves</u>			
Merger reserve		82,090	82,090
Settlement claim from Ford Motors		86,194	86,194
Surplus on revaluation of property, Plant & Equipment	8	67,350	68,646
<u>Revenue reserves</u>			
General reserve		9,900	9,900
Accumulated losses		(1,787,673)	(1,781,637)
		(1,328,139)	(1,320,807)
NON-CURRENT LIABILITIES			
Long term loan - Unsecured	9	183,373	183,373
Deferred liability for staff gratuity		1,888	1,888
Deferred taxation		26,039	26,568
		211,300	211,829
CURRENT LIABILITIES			
Trade and other payables		372,001	371,610
Short term finance		154,879	154,879
Accrued mark-up		815,589	812,162
Overdue portion of loan - Secured		11,250	11,250
		1,353,718	1,349,901
CONTINGENCIES AND COMMITMENTS	10	--	--
		236,879	240,923

The annexed notes form an integral part of these condensed interim financial statements.



Waseem-ul-Haq Ansari
Chief Executive



Muhsin Ali
Chief Financial Officer



Haroon Iqbal
Chairman

Condensed Interim Statement of Profit or Loss - (Un-audited)
For the Quarter Ended 30 September 2021

Notes	30 September 2021	30 September 2020
	----- (Rupees in '000) -----	
Sales - Net	--	--
Cost of sales	(4,247)	(4,505)
Gross loss	(4,247)	(4,505)
Operating expenses		
Distribution expenses	(82)	(90)
Administrative expenses	(377)	(261)
	(459)	(351)
Operating loss	(4,706)	(4,856)
Other income	272	154
Finance cost	11 (3,428)	(3,221)
Loss before taxation	(7,862)	(7,923)
Taxation - Net	529	529
Loss for the period	(7,333)	(7,394)
Loss per share - Basic and diluted (Rupees)	0.34	(0.35)

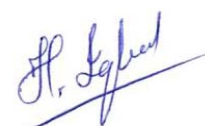
The annexed notes form an integral part of these condensed interim financial statements.



Waseem-ul-Haque Ansari
Chief Executive



Muhsin Ali
Chief Financial Officer



Haroon Iqbal
Chairman

Condensed Interim Statement of Comprehensive Income - (Un-audited)
For The Quarter Ended 30 September 2021

	30 September 2021	30 September 2020
	----- (Rupees in '000) -----	
Loss for the period	(7,333)	(7,394)
<i>Other comprehensive income for the period:</i>		
Total comprehensive loss for the period	<u><u>(7,333)</u></u>	<u><u>(7,394)</u></u>

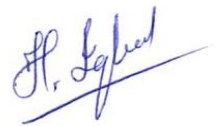
The annexed notes form an integral part of these condensed interim financial statements.



Waseem-ul-Haque Ansari
Chief Executive



Muhsin Ali
Chief Financial Officer



haroon Iqbal
Chairman

Condensed Interim Statement of Cash Flows - (Un-audited) For The Quarter Ended 30 September 2021

	30 September 2021	30 September 2020
----- (Rupees in '000) -----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(7,861)	(7,924)
<i>Adjustment for non cash charges and other items</i>		
Depreciation	4,095	4,443
Finance cost	3,428	3,221
Cash inflows before working capital changes	<u>(338)</u>	<u>(260)</u>
<i>Working capital changes</i>		
<i>(increase)/decrease in current assets</i>		
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	<u>390</u>	<u>(706)</u>
Net cash generated from operations	<u>52</u>	<u>(966)</u>
<i>Payments for:</i>		
Income tax - Net	<u>(43)</u>	<u>1,008</u>
Net cash inflows from operating activities	<u>9</u>	<u>42</u>
CASH FLOWS FROM INVESTING ACTIVITIES	--	--
CASH FLOWS FROM FINANCING ACTIVITIES		
Net movement in short term finance	<u>--</u>	<u>(102)</u>
Net cash (outflows) / inflows from financing activities	<u>--</u>	<u>--</u>
Net increase / (decrease) in cash and cash equivalents	<u>9</u>	<u>(60)</u>
Cash and cash equivalents at the beginning of the year	<u>517</u>	<u>412</u>
Cash and cash equivalents at the end of the year	<u>526</u>	<u>352</u>

The annexed notes form an integral part of these condensed interim financial statements.



Waseem-ul-Haque Ansari
Chief Executive



Muhsin Ali
Chief Financial Officer



Haroon Iqbal
Chairman

Condensed Interim Statement Of Changes In Equity - (Un-audited)
For The Quarter Ended 30 September 2021

	Capital reserves				Revenue reserves			Total	
	Issued, subscribed and paid-up share capital	Merger reserve	Settlement claim from Ford Motors	Surplus on revaluation of property, plant and equipment	Total capital reserves	General reserve	Accumulated losses		Total revenue reserves
----- (Rupees in '000) -----									
Balance as on 1 July 2020	214,000	82,090	86,194	73,830	242,114	9,900	(1,742,313)	(1,732,413)	(1,276,299)
Loss for the period	--	--	--	--	--	--	(7,394)	--	(7,394)
Other comprehensive income	--	--	--	--	--	--	--	--	--
Total comprehensive loss for the period	--	--	--	--	--	--	(7,394)	--	(7,394)
Incremental depreciation transfer from surplus on revaluation of property, plant and equipment - Net of ta:	--	--	--	(1,296)	(1,296)	--	1,296	1,296	--
Balance as at 30 September 2020	214,000	82,090	86,194	72,534	240,818	9,900	(1,748,411)	(1,738,511)	(1,283,693)
Balance as on 1 July 2021	214,000	82,090	86,194	68,646	236,930	9,900	(1,781,637)	(1,771,737)	(1,320,807)
Loss for the period	--	--	--	--	--	--	(7,333)	(7,333)	(7,333)
Other comprehensive income	--	--	--	--	--	--	--	--	--
Total comprehensive loss for the period	--	--	--	--	--	--	(7,333)	(7,333)	(7,333)
Incremental depreciation transfer from surplus on revaluation of property, plant and equipment - Net of ta:	--	--	--	(1,296)	(1,296)	--	1,296	1,296	--
Balance as at 30 September 2021	214,000	82,090	86,194	67,350	235,634	9,900	(1,787,674)	(1,777,774)	(1,328,140)

The annexed notes form an integral part of these condensed interim financial statements.



Waseem-ul-Haque Ansari
Chief Executive



Muhsin Ali
Chief Financial Officer



Haroon Iqbal
Chairman

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2021 - (Un-audited)****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 Dewan Mushtaq Group in April 2004. The Company's registered office is located at Dewan Centre, 3-A Lalazar, Beach Hotel Road, 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 defaulter's counter of PSX and trading of its shares was suspended. The Company has rectified the default and has requested for removal of Company from defaulter's counter. Hence no action by the Exchange under clause 5.11.1. (c) and 5.11.1.(e) is warranted under the said circumstances.

2 GOING CONCERN ASSUMPTION

The condensed interim financial statements for the quarter ended 30 September 2021 reflect that the Company has sustained a net loss after taxation of Rs. 7.333 million (June 2021: Rs.44.508 million) and, as of that date it has accumulated losses of Rs.1,787.673 million (June 2021: Rs.1,781.637 million) which have resulted in net capital deficiency of Rs.1,328.139 million (June 2021: Rs.1,320.807 million) and its current liabilities exceeded its current assets by Rs.1350.596 million (June 2021: Rs.1,346.833 million) and total assets by Rs.1,116.838 million (June 2021: Rs.1,108.978 million) and operations of the Company are closed. 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 financial statements have been prepared on a going concern basis.

3 BASIS OF PREPARATION

- 3.1** These condensed interim financial statements of the Company for the nine months ended 31 March 2021 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards 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 provisions of and directives issued under the Companies Act, 2017 differ from the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.
- 3.2** These condensed interim financial statements 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 2021.
- 3.3** The figures included in the condensed interim statement of profit or loss and other comprehensive income for the quarters ended 30 September 2021 and 2020 and the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the accumulated figures for the half years ended 30 June 2021 and 2020.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial information are consistent with those applied in the preparation of annual audited financial statements of the Company for the year ended 30 June 2021.

5 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial statements requires management to make certain judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended 30 June 2021.

		(Un-audited) 30 September 2021	(Audited) 30 June 2021
		----- (Rupees in '000) -----	
6	PROPERTY, PLANT AND EQUIPMENT		
	Operating fixed assets - At cost less accumulated depreciatic	217,983	222,079
	6.1		
	6.1 Operating fixed assets - At cost / revaluation less accumulated depreciation		
	Opening carrying value	222,079	240,058
	Depreciation charged during the period / year	(4,096)	(17,979)
	Closing carrying value	217,983	222,079
7	AVAILABLE FOR SALE INVESTMENT		
	<i>Investment in associated company</i>		
	Dewan Mushtaq Trade Limited (Public, unquoted company)		
	4,000,000 (June 2021: 4,000,000) Ordinary shares of Rs.10/- each	40,000	40,000
	Provision for impairment loss	(24,224)	(24,224)
		15,776	15,776
	7.1		
	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.		
	7.2		
	Investments in associated company or undertakings have been made in accordance with the requirements under the Act.		
8	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
	Balance as at 1 July	68,646	73,830
	Incremental depreciation charged on related assets - Net of tax	(1,296)	(5,184)
		67,350	68,646
	8.1		
	This represents surplus on revaluation of freehold land, factory building and plant and machinery. The revaluation are carried on the basis of market value or depreciated replacement values as applicable. The latest revaluation was carried out at June 2018 by an independent valuer M/s. Anderson Consulting (Private) Limited which resulted in surplus amounting to Rs.18.009 million.		
	8.2		
	The revaluation surplus on property, plant and equipment is a capital reserve, and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.		

9 LONG TERM LOAN - Unsecured

		(Un-audited) 30 September 2021	(Audited) 30 June 2021
----- (Rupees in '000) -----			
<i>From director - At amortized cost</i>			
Loan received - Opening	9.1	318,434	318,434
Received during the year		--	--
		318,434	318,434
Accumulated present value adjustment		(255,801)	(255,801)
Accumulated interest charged to profit and loss account		120,740	120,740
		183,373	183,373

9.1 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.

10 CONTINGENCIES

There has been no significant change in the status of contingencies as reported in the annual financial statements for the year ended 30 June 2021.

30 September 2021	30 September 2020
----- (Rupees in '000) -----	

11 FINANCE COST

Mark-up on borrowings		
from related parties	3,428	3,221
Unwinding of discount /		
present value adjustment - Net	--	--
Bank charges	--	--
	3,428	3,221

11.1 Company has not made the provision of mark-up for the period amounting to Rs.0.338 million (Up to 30 June 2021: Rs.18.974 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 year would have been higher by Rs.0.338 millions and accrued mark-up would have been higher and shareholders' equity would have been lower by Rs.19.312 million. The said non provisioning is departure from the requirements of IAS-23 'Borrowing Costs'.

12 TRANSACTIONS WITH RELATED PARTIES

Related parties include associated group companies, directors, executives, key management personnel and staff retirement funds. The transaction with associated companies are in the normal course of business and have been entered on an arm's length basis. The remuneration paid to chief executive, directors, executive and key management personnel in terms of their employment. Material transactions with related parties are given below:

Name of the related party	Basis of relationship	Percentage of shareholding	Nature of transactions	(Un-audit)	(Un-audit)
				30 September 2021	30 September 2020
				----- (Rupees '000) -----	
Dewan Farooq Motors Limited	Group Company	0.12%	Mark up expense	3,428	3,221

13 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**13.1 Financial risk factors**

The Company is exposed to the credit risks, liquidity risks and market risks (including currency rate risk and other price risk) from its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies.

The Company's objective in managing risk is the creation and protection of shareholders value. The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

There have been no changes in the risk management policies during the period, consequently these condensed interim financial statements do not include all the financial risk management information and disclosures required in the annual financial statements.

13.2 Fair value hierarchy

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

14 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.

15 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 25, 2021 in accordance with the resolution of the Board of Directors of the Company.

16 GENERAL

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



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

ڈائریکٹرز رپورٹ

دیوان آٹوموٹو انجینئرنگ لمیٹڈ کا بورڈ آف ڈائریکٹرز مورخہ 30 ستمبر 2021ء کو ختم ہونے والی سہ ماہی کے غیر آڈٹ شدہ مالی حسابات کی رپورٹ بمعہ گوشوارے آپ کے سامنے پیش کرتے ہوئے مسرت کے ساتھ خیر مقدم کرتا ہے۔

زیر نظر سہ ماہی میں کمپنی کا کل خسارہ 4.247 ملین روپے اور بعد از ٹیکس خالص خسارہ 7.332 ملین روپے رہا۔

زیر نظر سہ ماہی کے دوران کمپنی کی مصنوعات کی خرید کنندہ کمپنی کے کاروباری عمل معطل رہنے کی وجہ سے پیداواری سرگرمیاں معطل رہیں۔ سرمائے کی قلت کی وجہ سے کمپنی مارکیٹ ضروریات کے مطابق اپنی پوری صلاحیت کو استعمال نہیں کر سکتی۔

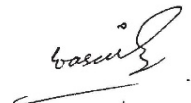
آخر میں ہم اللہ تبارک و تعالیٰ کے حضور سجدہ ریز ہو کر دعا کرتے ہیں کہ وہ نبی کریمؐ کے وسیلے سے ہماری مدد اور رہنمائی کرتا رہے اور کمپنی، قوم اور وطن عزیز کو اپنی حفظ و امان میں رکھے اور بھرپور ترقی کرنے کی توفیق عطا کرے۔ ساتھ ہی اللہ تعالیٰ سے دعا مانتے ہیں کہ امت مسلمہ میں امن، چین اور بھائی چارہ پیدا کرے۔ (آمین)۔

بورڈ کے ڈائریکٹران کی جانب سے



بارون اقبال

چیئر مین بورڈ آف ڈائریکٹرز



وسیم الحق انصاری

چیف ایگزیکٹو

کراچی۔ مورخہ 25 اکتوبر 2021ء