

Karachi Tools, Dies and Moulds Centre

Financial Statements
For the year ended June 30, 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Karachi Tools, Dies and Moulds Center

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Karachi Tools, Dies and Moulds Center** (the Company), which comprise the statement of financial position as at June 30, 2018, and the income and expenditure account, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, income and expenditure account, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the surplus, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the matter as disclosed in note 14 to the financial statements, wherein a case has been filed against the Company in relation to regularization of its employees is pending in the High Court of Sindh, the outcome of which could not presently be determined with certainty. Our opinion is not qualified in respect of this matter.

Information other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to

events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the income and expenditure account, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Naresh Kumar.


Chartered Accountants

Date: May 04, 2019
Place: Karachi

KARACHI TOOLS, DIES AND MOULDS CENTRE
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Non - current assets			
Property, plant and equipment	4	274,999,374	252,931,236
Intangibles	5	111,993	223,981
Long term security deposits		1,353,999	1,103,999
Current assets			
Stores, spares and loose tools	6	24,924,482	21,183,900
Stock-in-trade	7	26,379,749	10,855,002
Trade debts	8	59,354,177	27,678,582
Advances		1,553,436	4,774,261
Short term prepayments		485,648	478,670
Interest accrued		470,688	1,019,420
Tax refund due from Government	9	48,059,668	39,073,243
Cash and bank balances	10	102,104,943	129,919,155
		263,332,791	234,982,233
Total assets		539,798,157	489,241,449
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	11	494,250,000	494,250,000
Accumulated profit / (deficit)		16,873,583	(15,864,096)
		511,123,583	478,385,904
Non current liabilities			
Deferred grant	12	6,520,176	-
Current liabilities			
Trade and other payables	13	22,154,398	10,855,545
Total equity and liabilities		539,798,157	489,241,449
CONTINGENCIES AND COMMITMENTS			
	14		

The annexed notes from 1 to 28 form an integral part of these financial statements.

P/A


CHIEF EXECUTIVE OFFICER


DIRECTOR

KARACHI TOOLS, DIES AND MOULDS CENTRE
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
INCOME			
Revenue from:			
Manufacturing	15	155,845,534	125,658,730
Toll Manufacturing	16	2,284,210	1,742,000
Heat treatment	17	4,856,672	3,848,790
Training		10,853,719	7,602,175
Reverse engineering		1,280,456	620,500
		<u>175,120,591</u>	<u>139,472,195</u>
Other income - net	18	5,899,566	6,745,080
		<u>181,020,157</u>	<u>146,217,275</u>
EXPENDITURE			
Direct costs	19	123,937,896	100,949,452
Administrative expenses	20	24,344,582	22,680,861
		<u>148,282,478</u>	<u>123,630,313</u>
Surplus for the year		32,737,679	22,586,962
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>32,737,679</u></u>	<u><u>22,586,962</u></u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

RA


CHIEF EXECUTIVE OFFICER


DIRECTOR

KARACHI TOOLS, DIES AND MOULDS CENTRE
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	21	3,899,276	35,136,103
Long term deposits (paid) / refund		(250,000)	30,446
Tax paid		(8,986,425)	(8,609,003)
Net cash (used in)/ generated from operating activities		(5,337,149)	26,557,546
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(35,123,795)	(2,849,492)
Proceeds from disposal of property, plant and equipment		-	167,103
Profit received on bank deposits and saving accounts		6,126,556	5,904,718
Net cash (used in) / generated from investing activities		(28,997,239)	3,222,329
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Grant received		6,520,176	-
Net cash generated from financing activities		6,520,176	-
Net (decrease) / increase in cash and cash equivalents		(27,814,212)	29,779,875
Cash and cash equivalent at beginning of the year		129,919,155	100,139,280
Cash and cash equivalent at end of the year	10	102,104,943	129,919,155

The annexed notes from 1 to 28 form an integral part of these financial statements.

RA


CHIEF EXECUTIVE OFFICER

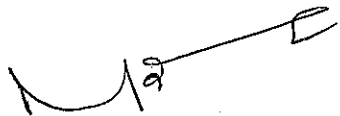

DIRECTOR

KARACHI TOOLS, DIES AND MOULDS CENTRE
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Share capital	Accumulated profit / (deficit)	Total
	<----- Rupees ----->		
Balance at June 30, 2016	494,250,000	(38,451,058)	455,798,942
Surplus for the year	-	22,586,962	22,586,962
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	22,586,962	22,586,962
Balance at June 30, 2017	494,250,000	(15,864,096)	478,385,904
Surplus for the year	-	32,737,679	32,737,679
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	32,737,679	32,737,679
Balance at June 30, 2018	494,250,000	16,873,583	511,123,583

The annexed notes from 1 to 28 form an integral part of these financial statements.

R/A



CHIEF EXECUTIVE OFFICER



DIRECTOR

KARACHI TOOLS, DIES AND MOULDS CENTRE
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF OPERATIONS

Karachi Tools, Dies and Moulds Centre (the Company) was incorporated in 2006 as a company limited by guarantee having share capital under section 42 of the Companies Ordinance, 1984 repealed by the Companies Act, 2017 under the license issued by the Securities and Exchange Commission of Pakistan. The registered office of the Company is situated at Sector Number 38, Deh Dih, NC Number 24, Korangi Creek Industrial Park, Karachi, Pakistan. The primary objective of the Company is to establish and run an Information Technology (IT) based common facility centre, primarily for improving the skills of engineers and designers, enhancing the quality of designing, engineering and manufacturing of local tools, dies and moulds.

The Company is a wholly owned subsidiary of Pakistan Industrial Development Corporation (Private) Limited (PIDC) – the holding company.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) 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 IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Accounting Convention and Functional and Presentation Currency

These financial statements have been prepared under the historical cost convention.

These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if revision affects the period of revision only and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgements were exercised in application of approved accounting standards as applicable in Pakistan are as follows:

PJA

- Residual values and useful lives of property, plant and equipment (Note 3.1)
- Useful life of intangible assets (Note 3.2)
- Impairment of assets (Note 3.3)
- Provision against slow moving stores, spares and loose tools (Note 3.4)
- Provision against slow moving stock (Note 3.5)
- Provision against doubtful debts (Note 3.6)
- Contingencies and commitments (Note 3.7)

2.4 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments / Interpretation	Effective from accounting period beginning on or after:
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017

2.4.1 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018

**Effective from accounting period
beginning on or after:**

IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018 Earlier application is permitted.
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018 Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

2.5 New disclosures requirement due to the adoption of the Companies Act, 2017

Due to adoption of the Companies Act, 2017 certain new and enhanced disclosures have become applicable, which are in addition to those required by the International Financial Reporting Standards as applicable in Pakistan. The relevant notes have been updated accordingly.

2.6 Summary of significant events and transactions

During the year Company received grant from GIZ as explained in note 12.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All accounting policies have been consistently applied which are given below:

3.1 Property, plant and equipment

Property, plant and equipment except for capital work in progress are stated at cost less accumulated depreciation and impairment loss, if any.

Assets' residual values and their useful lives are reviewed and adjusted at each reporting date, if significant.

BA

Depreciation on property, plant and equipment is charged to the income and expenditure account applying the reducing balance method except for furniture and fittings, and computer and data processing equipment on which depreciation is charged applying straight line method. Full month's depreciation is charged in the month of addition while no depreciation is charged in the month of disposal.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income and expenditure account during the financial year in which they are incurred.

Assets are derecognised when disposed or when no future economic benefits are expected from its use or disposal. Gains or losses on disposal of assets, if any, are recognised in income and expenditure account, as and when incurred.

3.1.1 Capital work-in-progress

Capital work-in-progress are stated at cost less any identified impairment loss and consists of all expenditure incurred and advances made in the course of construction and installation. These are transferred to specific assets as and when these assets are available for use.

3.2 Intangibles

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the Company and the cost of such asset can be measured reliably and it does not result from expenditure incurred internally on an intangible item.

These are stated at cost less accumulated amortization and impairment loss, if any.

Amortization is charged on intangibles using straight line method reflecting the pattern in which economic benefits are consumed by the Company. Full month's amortization is charged in the month of addition while no amortization is charged in the month of disposal.

The asset's residual values, useful lives and amortization methods are reviewed and adjusted, if appropriate, at each financial year end, if impact on amortization is significant.

3.3 Impairment of assets

Non financial assets

The Company assesses at each reporting date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognized in income and expenditure account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial original cost of the asset net of 'would-be' depreciation and amortisation. Reversal of impairment loss is recognized in income and expenditure account.

Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Ph

3.4 Stores , spares and loose tools

These are valued at weighted average cost, except for items in transit, which are stated at Invoice plus other charges incurred thereon upto the reporting date. Provision is made for slow moving items and obsolete items where considered necessary.

3.5 Stock in trade

These are valued at the lower of cost or net realizable value except for items in transit which are valued at invoice price and related expenses incurred upto the reporting date. Cost of inventory is determined as follows:

Raw material is valued at weighted average cost basis.

Finished goods and work-in-process consist of cost of direct materials and labor and a proportion of manufacturing overheads based on normal capacity.

Net realizable value (NRV) signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

3.6 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at cost less estimate made for doubtful receivables based on review of outstanding amounts at year end according to the original terms of receivable . Where the payment of a debt becomes doubtful a provision is made and charged to the income and expenditure account. Debt considered bad and irrecoverable are written off to income and expenditure account.

3.7 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.8 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, cash with banks on current, saving and deposit accounts, and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

3.9 Trade and other payables

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received until the year end, whether or not billed to the Company.

3.10 Taxation

The Company has been approved as a non-profit organization under section 2(36)(c) of the Income Tax Ordinance, 2001. The Company is allowed tax credit equal to 100% of the tax payable including minimum tax and final taxes, under section 100C of the Income Tax Ordinance, 2001. The management intends to avail a tax credit equal to 100% of the tax payable. Accordingly, no tax charge has been recorded in the financial statements.

74A

3.11 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of the financial assets and financial liabilities are taken to income and expenditure account currently.

3.12 Off-setting of financial assets and financial liabilities

A financial asset and financial liability are offset and the net amount is reported in the Statement of Financial Position if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.13 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the associated cost incurred or to be incurred can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Revenue from sale of goods, toll manufacturing, heat treatment and reverse engineering are recognized when the title is passed to the customer which usually coincides with physical delivery.

Revenue from training services is recognized on monthly accrual basis.

Other income including profit on bank accounts and on term deposit receipts is recognized on accrual basis.

3.14 DEFERRED GRANT

Grants are recognised in income and expenditure account on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grants are intended to compensate.

3.15 Foreign currency transactions and translations

Transactions in foreign currencies are translated in Pak Rupee (functional currency) at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated in Pak Rupees (reporting currency) at the rates of exchange ruling at the reporting date.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2018 Rupees	2017 Rupees
Operating fixed assets	4.1	274,945,374	252,866,186
Capital work in progress		54,000	65,050
		<u>274,999,374</u>	<u>252,931,236</u>

T/A

4.1 Operating fixed assets

At July 01, 2016

	Buildings*	Plant and machinery	Furniture and fittings	Vehicles	Office equipment	Computer and data processing equipment	Electronic and electrical equipment	Total
Cost	105,264,569	233,834,784	7,662,248	7,932,888	1,326,303	9,002,663	11,528,812	376,552,267
Accumulated depreciation	(15,429,711)	(72,809,891)	(6,622,804)	(5,004,511)	(547,453)	(8,297,943)	(5,339,769)	(114,052,082)
Net book amount	89,834,858	161,024,893	1,039,444	2,928,377	778,850	704,720	6,189,043	262,500,185
Year ended June 2017								
Opening net book amount	89,834,858	161,024,893	1,039,444	2,928,377	778,850	704,720	6,189,043	262,500,185
Additions	-	157,500	312,197	1,105,730	15,500	790,605	449,336	2,830,868
Disposals	-	-	-	-	-	-	-	-
Cost	-	-	169,145	120,000	36,421	2,796,238	321,790	3,443,594
Accumulated Depreciation	-	-	(169,145)	(50,570)	(23,549)	(2,796,238)	(169,105)	(3,208,607)
Depreciation charge	1,796,669	8,056,557	357,071	662,855	78,177	645,307	152,685	234,987
Closing net book amount	88,038,189	153,125,836	994,570	3,301,822	703,301	850,018	633,244	12,229,880
At July 01, 2017								
Cost	105,264,569	233,992,284	7,805,300	8,918,618	1,305,382	6,997,030	11,656,358	375,939,541
Accumulated depreciation	(17,226,380)	(80,866,448)	(6,810,730)	(5,616,796)	(602,081)	(6,147,012)	(5,803,908)	(123,073,355)
Net book amount	88,038,189	153,125,836	994,570	3,301,822	703,301	850,018	5,852,450	252,866,186
Year ended June 2018								
Opening net book amount	88,038,189	153,125,836	994,570	3,301,822	703,301	850,018	5,852,450	252,866,186
Additions	3,697,313	26,356,266	1,081,723	1,996,700	620,425	593,300	789,118	35,134,845
Disposals	-	-	-	-	-	-	-	-
Cost	-	108,880	166,636	-	34,421	1,534,451	211,630	2,056,018
Accumulated Depreciation	-	(43,326)	(166,636)	-	(20,027)	(1,534,451)	(94,810)	(1,859,250)
Depreciation charge	1,822,480	8,524,601	432,913	768,757	121,242	567,295	116,820	196,768
Closing net book amount	89,913,022	170,891,947	1,643,380	4,529,765	1,188,090	876,023	6,903,147	274,945,374
At June 30, 2018								
Cost	108,961,882	260,239,670	8,720,387	10,915,318	1,891,386	6,055,879	12,233,846	409,018,368
Accumulated depreciation	(19,048,860)	(89,347,723)	(7,077,007)	(6,385,553)	(703,296)	(5,179,856)	(6,330,699)	(134,072,994)
Net book amount	89,913,022	170,891,947	1,643,380	4,529,765	1,188,090	876,023	6,903,147	274,945,374
Rate of depreciation (%)	2	5	15	20	10	33	10	

* Building is constructed on land owned by the Pakistan Industrial Development Corporation (Private) Limited (PIDC) – the holding company.

4.1.1 Depreciation for the year has been allocated as under

	Note	2018 Rupees	2017 Rupees
Manufacturing cost	19.1	6,719,135	5,965,498
Toll manufacturing cost	19.2	57,906	85,769
Heat treatment cost	19.3	1,156,311	1,661,423
Reverse engineering cost	19.4	456,813	514,631
Training cost	19.5	654,485	636,920
Other overheads	19.6	2,143,733	1,803,216
Administrative expenses	20	1,670,506	1,562,423
		12,858,889	12,229,880

PA

74A

5.1 Amortization for the year has been allocated as under: -

Reverse engineering cost
Training cost
Other overheads
Administrative expenses

	Note	2018 Rupees	2017 Rupees
6. STORES, SPARES AND LOOSE TOOLS			
Stores		6,066,677	4,791,782
Loose tools		<u>18,857,805</u>	<u>16,392,118</u>
		<u>24,924,482</u>	<u>21,183,900</u>
7. STOCK-IN-TRADE			
Raw material		12,981,821	4,520,993
Work in process		<u>13,397,928</u>	<u>6,334,009</u>
		<u>26,379,749</u>	<u>10,855,002</u>
8. TRADE DEBTS			
Unsecured - considered good		58,188,405	25,908,162
- considered doubtful		1,139,640	658,343
Fee receivable - Considered good		1,165,772	1,770,420
- considered doubtful		<u>721,481</u>	<u>258,178</u>
		61,215,298	28,595,103
Provision for doubtful debts	8.1	<u>(1,861,121)</u>	<u>(916,521)</u>
		<u>59,354,177</u>	<u>27,678,582</u>
8.1 Provision for doubtful debts			
Balance at July 1		916,521	507,806
Add: charge for the year	20	<u>944,600</u>	<u>408,715</u>
Balance at June 30		<u>1,861,121</u>	<u>916,521</u>
8.2 Aging of trade debts			
Not past due		944,900	17,591,379
Past due 1 - 60 days		56,727,727	2,891,720
Past due 61 days - 1 year		998,424	4,289,073
More than one year		<u>2,544,247</u>	<u>3,822,931</u>
		<u>61,215,298</u>	<u>28,595,103</u>
9. TAX REFUND DUE FROM GOVERNMENT			

These balances are based on returns of income filed with tax authorities except for tax year 2018 for which return of income will be filed on or before December 31, 2018. The Company has applied for the tax refunds in respect of years (2007 to 2017) prior to 2018.

D/A

	Note	2018 Rupees	2017 Rupees
10. CASH AND BANK BALANCES			
Cash and cash equivalent			
- Term deposit receipts	10.1	84,400,000	99,400,000
- PLS savings accounts	10.2	17,553,943	30,368,155
- Current account		1,000	1,000
		<u>101,954,943</u>	<u>129,769,155</u>
Cash in hand		150,000	150,000
		<u>102,104,943</u>	<u>129,919,155</u>

10.1 These carry profit at rate ranging from 4.24% to 6% (2017: 4.14% to 6.3%) per annum and have maturity of not more than three months.

10.2 These carry profit at rate ranging from 2.85% to 6.5% (2017: 3.21% to 4.77%) per annum.

11. SHARE CAPITAL

11.1 Authorized

2018 Number of shares	2017 Number of shares		2018 Rupees	2017 Rupees
<u>50,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs. 10 each.	<u>500,000,000</u>	<u>500,000,000</u>

11.2 Issued, subscribed and paid-up

This comprises of fully paid-up ordinary shares of Rs. 10 each as follows:

2018 Number of shares	2017 Number of shares		2018 Rupees	2017 Rupees
<u>49,425,000</u>	<u>49,425,000</u>	Fully paid in cash	<u>494,250,000</u>	<u>494,250,000</u>

11.3 There were no movements in shares outstanding during the reporting period.

11.4 All shares of the Company are owned by Pakistan Industrial Development Corporation (Private) Limited (PIDC) – the holding company.

12. DEFERRED GRANT

The amount represents 50% of income based grant received on June 28, 2018 against project agreement entered between the Company and GIZ, a Germany based development aid organization for promoting workplace-based training in Sindh which is inline with the National Vocational Qualification Framework. Work on the project will commence subsequent to the reporting date.

	2018 Rupees	2017 Rupees
13. TRADE AND OTHER PAYABLES		
Creditors	11,805,534	4,768,565
Accrued liabilities	3,090,992	2,159,825
Advances from customers	4,350,808	2,661,169
Sales tax	2,561,840	1,141,484
Withholding tax	345,224	124,502
	<u>22,154,398</u>	<u>10,855,545</u>

DYA

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

Subsequent to the year end, certain employees of the Company filed the Constitutional Petitions in the Honorable High Court of Sindh, vide C.P. No. D-8209 of 2018 and C.P. No. D-9012 of 2018 dated November 03, 2018 and January 09, 2019 respectively, against the Federation of Pakistan, Pakistan Industrial Development Corporation (PIDC) and the Company. Those employees have claimed that, considering their length of services, they should be regularized as currently they are on a contract basis. They have further stated that without regularization of their service they would be deprived of their legitimate rights of benefits of retirement such as gratuity or provident fund. Based on the actuarial valuation after taking impact of increment in salaries subsequent to the year end, the estimated exposure involved to the Company would be Rs.24.29 million as at June 30, 2018.

However after seeking opinion of the legal advisor, management is of the view that the said employees are not entitled for regularization and are only entitled for the benefits which have specifically been agreed upon through service agreements or appointment letter and not otherwise. Hence, no provision in this respect has been made in these financial statements.

14.2 Commitments

The Company does not have any commitment as at June 30, 2018 and June 30, 2017.

	2018 Rupees	2017 Rupees
15. REVENUE FROM MANUFACTURING		
Sales	182,339,275	147,020,714
Less : Sales tax	(26,493,741)	(21,361,984)
	<u>155,845,534</u>	<u>125,658,730</u>
16. REVENUE FROM TOLL MANUFACTURING		
Sales	2,672,526	2,038,140
Less : Sales tax	(388,316)	(296,140)
	<u>2,284,210</u>	<u>1,742,000</u>
17. REVNENUE FROM HEAT TREATMENT		
Sales	5,682,306	4,503,084
Less : Sales tax	(825,634)	(654,294)
	<u>4,856,672</u>	<u>3,848,790</u>
18. OTHER INCOME - NET		
Income from financial assets		
Profit on bank deposits and saving accounts	5,577,824	6,254,234
Income from non-financial assets		
Loss on sale of property, plant and equipment	(196,768)	(67,884)
Others	518,510	558,730
	<u>5,899,566</u>	<u>6,745,080</u>

18.1 Others include insurance claim received, welding services, transportation and penalties from students.

P/A

	Note	2018 Rupees	2017 Rupees
19. DIRECT COSTS			
Manufacturing	19.1	69,915,465	56,372,517
Toll manufacturing	19.2	376,106	315,560
Heat treatment	19.3	3,731,568	3,926,300
Reverse engineering	19.4	3,943,607	3,082,857
Training	19.5	12,282,292	11,095,625
Other overheads	19.6	33,688,858	26,156,593
		<u>123,937,896</u>	<u>100,949,452</u>

The Company has allocated direct costs based on actual cost incurred by each department. Unallocated costs are charged to other overheads.

	Note	2018 Rupees	2017 Rupees
19.1 Manufacturing cost			
Raw material consumed	19.1.1	41,153,562	27,201,278
Salaries and allowances		12,907,646	9,657,871
Depreciation	4.1	6,719,135	5,965,498
Utilities		3,577,788	3,213,593
Heat treatment		4,608,464	3,306,124
Repairs and maintenance		3,350,491	2,808,594
Tooling		3,711,041	3,557,574
Outsourced manufacturing		786,442	1,051,830
Insurance		164,815	125,323
Total manufacturing cost		<u>76,979,384</u>	<u>56,887,685</u>
Add : Opening stock - work-in-process		6,334,009	5,818,841
Less: Closing stock - work-in-process	7	<u>(13,397,928)</u>	<u>(6,334,009)</u>
Cost of goods manufactured		<u>69,915,465</u>	<u>56,372,517</u>

19.1.1 Raw material consumed

Opening stock		4,520,993	4,317,066
Purchases during the year		49,614,390	27,405,205
		<u>54,135,383</u>	<u>31,722,271</u>
Less: closing stock	7	<u>(12,981,821)</u>	<u>(4,520,993)</u>
Raw materials consumed during the year		<u>41,153,562</u>	<u>27,201,278</u>

19.2 Toll manufacturing cost

Raw material		56,437	-
Salaries and allowances		150,583	90,347
Depreciation	4.1	57,906	85,769
Utilities		34,129	40,863
Repairs and maintenance		45,220	51,831
Tooling		29,805	45,281
Insurance		2,026	1,469
		<u>376,106</u>	<u>315,560</u>

7/1A

	Note	2018 Rupees	2017 Rupees
19.3 Heat treatment cost			
Salaries and allowances		1,187,799	1,018,532
Depreciation	4.1	1,156,311	1,661,423
Stores and spares consumables		358,323	578,034
Utilities		47,128	138,480
Repairs and maintenance		721,977	259,572
Insurance		53,872	76,049
Rental charges		81,247	105,551
Office expenses		87,565	75,343
Vehicles running		16,868	12,139
Others		20,478	1,177
		<u>3,731,568</u>	<u>3,926,300</u>
19.4 Reverse engineering cost			
Salaries and allowances		2,366,776	1,821,007
Depreciation	4.1	456,813	514,631
Utilities		372,621	356,882
Repairs and maintenance		447,644	104,715
Vehicles running		69,944	71,952
Tooling		11,095	46,175
Insurance		47,753	50,185
Office expenses		84,940	85,114
Printing and stationery		3,618	20,042
Amortization	5.1	11,199	11,199
Others		71,204	955
		<u>3,943,607</u>	<u>3,082,857</u>
19.5 Training cost			
Salaries and allowances		6,351,337	6,530,884
Utilities		745,235	713,137
Depreciation	4.1	654,485	636,920
Office expenses		212,291	204,769
Repairs and maintenance		1,203,893	727,954
Visiting faculty charges		677,525	491,500
Vehicles running		234,328	221,862
Fees and subscription		434,460	352,425
Transport facility for students		428,180	270,250
Advertisement		191,594	189,580
Traveling and conveyance		90,703	73,500
Material and tooling		202,275	73,537
Insurance		146,500	139,971
Research and Development		564,115	292,794
Amortization	5.1	55,994	55,994
Entertainment		33,680	19,635
Printing and stationery		37,092	72,646
Others		18,605	28,267
		<u>12,282,292</u>	<u>11,095,625</u>

B/A

	Note	2018 Rupees	2017 Rupees
19.6 Other overheads			
Salaries and allowances		20,589,504	16,974,099
Depreciation	4.1	2,143,733	1,803,216
Stores and spares consumables		1,193,667	274,530
Repairs and maintenance		3,621,784	2,617,868
Consultancy charges		60,000	658,110
Vehicles running		651,860	619,698
Office expenses		1,044,083	911,091
Insurance		1,099,974	963,739
Utilities		670,590	733,194
Other overheads		26,810	9,900
Traveling and conveyance		2,043,251	255,162
Advertisement		194,156	57,291
Amortization	5.1	33,596	33,596
Printing and stationery		89,502	93,282
Entertainment		141,030	112,608
Postage and courier		85,318	39,209
		<u>33,688,858</u>	<u>26,156,593</u>

20. ADMINISTRATIVE EXPENSES

Salaries and allowances		11,875,511	12,996,653
Directors fee		585,000	435,000
Depreciation	4.1	1,670,506	1,562,423
Utilities		1,174,970	1,223,402
Repairs and maintenance		1,401,136	550,672
Janitorial services		1,436,555	1,230,298
Security		994,500	992,800
Vehicles running		448,755	350,662
Office expense		1,061,373	693,469
Provision for doubtful debts	8.1	944,600	408,715
Insurance		403,263	378,240
Traveling and conveyance		845,373	389,124
Postage and courier		218,249	252,167
Fees and subscription		39,938	72,533
Legal and professional		479,525	308,400
Printing and stationery		144,563	142,573
Auditors' remuneration	20.1	264,040	264,040
Entertainment		88,768	122,436
Advertisement		146,822	272,595
Amortization	5.1	11,199	11,199
Others		109,936	23,460
		<u>24,344,582</u>	<u>22,680,861</u>

20.1 Auditors' remuneration

Annual audit fee	210,040	210,040
Code of Corporate Governance certification	54,000	54,000
	<u>264,040</u>	<u>264,040</u>

PA

	Note	2018 Rupees	2017 Rupees
21. CASH USED IN OPERATIONS			
Surplus for the year		32,737,679	22,586,962
Adjustments for:			
Depreciation on property, plant and equipment	4	12,858,889	12,229,880
Provision for doubtful debts	8.1	944,600	408,715
Amortization	5	111,988	111,988
Loss on sale of property, plant and equipment		196,768	67,884
Profit on bank deposits and saving accounts		(5,577,824)	(6,254,234)
		8,534,421	6,564,233
		41,272,100	29,151,195
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(3,740,582)	87,215
Stock in trade		(15,524,747)	(719,095)
Trade debts		(32,620,195)	17,512,101
Advances		3,220,825	(4,385,846)
Short term prepayments		(6,978)	(49,694)
		(48,671,677)	12,444,681
Increase / (decrease) in current liabilities			
Trade and other payables		11,298,853	(6,459,773)
Cash generated from operations		3,899,276	35,136,103

22. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive June 30, 2018 Rupees	Key Executives June 30, 2018 Rupees	Chief Executive June 30, 2017 Rupees	Key Executives June 30, 2017 Rupees
Remuneration	1,906,667	1,702,264	798,863	1,606,952
House rent allowance	667,333	595,792	279,602	562,433
Utilities	286,000	255,340	119,829	241,043
	2,860,000	2,553,396	1,198,294	2,410,428
No. of person (s)	1	1	1	1

22.1 Chief Executive is provided with free use of the Company's maintained car.

23. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

Loans and receivable		
Security deposits	1,353,999	1,103,999
Trade debts	59,354,177	27,678,582
Interest accrued	470,688	1,019,420
Cash and bank balances	102,104,943	129,919,155
	163,283,807	159,721,156

Financial liabilities

At amortized cost		
Creditors	11,805,534	4,768,565
Accrued liabilities	3,090,992	2,159,825
	14,896,526	6,928,390

D/A

24. FINANCIAL RISK MANAGEMENT

The Company's financial assets comprises of cash and bank balances, short term investments, trade debts security deposit and interest accrued. The Company's financial liabilities are creditors and accrued liabilities.

The Board through its Finance Committee oversees risk management function of the Company. The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and price risk).

24.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur financial loss. Total financial assets of Rs. 163,133,807 (2017: Rs. 159,571,156) are subject to credit risk. The Company is exposed to credit risk mainly on short term investments, trade debts and bank balances.

The aging of trade debts at the reporting date was as follows:

	2018		2017	
	Gross	Impairment	Gross	Impairment
	-----Rupees-----			
Not past due	944,900	-	17,591,379	-
Past due 1 - 60 days	56,727,727	-	2,891,720	-
Past due 61 days - 1 year	998,424	-	4,289,073	-
More than one year	2,544,247	1,861,121	3,822,931	916,521
	61,215,298	1,861,121	28,595,103	916,521

The Company limits its exposure to credit risk by deposits with banks and financial institutions having minimum 'A' rating. The credit quality of Company's bank balances and investments can be assessed with reference to external credit rating as follows:

Name of bank	Rating agency	Short-term rating	Long-term rating
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Bank Alfalah Limited	JCR-VIS	A-1+	AA+
Meezan Bank Limited (Active)	JCR-VIS	A-1+	AA+
Summit Bank Limited	JCR-VIS	A-1	A-
Sindh Bank Limited	JCR-VIS	A-1+	AA
MCB Islamic Bank Limited	PACRA	A-1	A
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+

24.2 Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash. The Company aims at maintaining flexibility in funding by keeping appropriate liquidity position available. The Company has adequate liquid reserves at present and as such there are no long term obligations.

7/11

		2018				
	Carrying values	Contractual cash flows	Less than 3 months	3 months - 1 year	1 - 5 years	More than 5 years
Financial Liabilities						
Statement of financial position						
Trade and other payables- non interest bearing	14,896,526	14,896,526	14,896,526	-	-	-
	14,896,526	14,896,526	14,896,526	-	-	-

		2017				
	Carrying values	Contractual cash flows	Less than 3 months	3 months - 1 year	1 - 5 years	More than 5 years
Financial Liabilities						
Statement of financial position						
Trade and other payables- non interest bearing	6,928,390	6,928,390	6,928,390	-	-	-
	6,928,390	6,928,390	6,928,390	-	-	-

24.3 Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk.

24.3.1 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's term deposit receipts and PLS saving accounts Rs.101,953,943 (2017: Rs.129,768,155).

If interest rates would have been higher / lower by 50 basis points and all other variables remain constant, the Company's surplus for the year ended June 30, 2018 would increase / decrease by Rs. 1,158,610 (2017: Rs. 1,148,782).

24.3.2 Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has no foreign currency financial instruments therefore is not exposed to the risk of changes in foreign exchange rates.

24.3.3 Equity price risk management

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. The Company is not exposed to equity price risks arising from equity investments, as the Company does not hold any equity security as at reporting date.

21/A

24.4 Determination of fair values

Fair value of financial instruments

Fair value is the price 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 Company classifies financial instruments measured at fair value using fair value hierarchy that reflects significance of the inputs used in measuring of the fair value of financial instruments. The three different levels have been defined as follows:

Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities

Level 2 : inputs other than quoted price included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3 : input for the asset or liability that are not based on observable market data (unobservable inputs)

The carrying amounts of all financial assets and financial liabilities approximate their fair values.

25. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the holding company, associated undertakings, directors of the Company and key management personnel. The Company carries out transactions with various related parties as per agreed terms. Remuneration of key management personnel is disclosed in note 22 to the financial statements. Other significant transactions with related parties are as follows: -

Name of related party and relationship with the Company	Nature of transaction	2018 Rupees	2017 Rupees
Directors	Fee paid for attending meetings of the Company	585,000	435,000

26. NUMBER OF EMPLOYEES

Number of employees	-----2018-----		-----2017-----	
	At June 30	Average during the year	At June 30	Average during the year
Head Office	22	21	20	20
Training	10	9	9	10
Factory	69	64	60	56
Total	101	94	89	86

THA

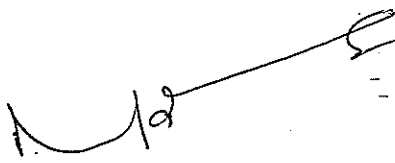
27. **DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 20 APR 2019 by the Board of Directors of the Company.

28. **GENERAL**

Figures in these financial statements have been rounded off to the nearest Rupee.

B/A


CHIEF EXECUTIVE OFFICER


DIRECTOR