FINANCIAL STATEMENTS
OF
KARACHI TOOLS, DIES AND MOULDS CENTRE
(A COMPANY SETUP UNDER SECTION 42
OF THE COMPANIES ACT, 2017)
FOR THE YEAR ENDED
JUNE 30, 2022

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KARACHI TOOLS, DIES AND MOULDS CENTRE

### Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of **KARACHI TOOLS, DIES AND MOULDS CENTRE** ("the Company"), which comprise the statement of financial position as at June 30, 2022, and the related the statement of income and expenditure, the statement of comprehensive income, the statement of changes in equity and 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, the statement of income and expenditure, the statement of comprehensive income, 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, 2022 and of the surplus and other comprehensive income, the changes in equity and 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 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 disclosed in note 14.1 (a) to the financial statements, which states that a case has been filed against the Company to regularize its employees which is pending in the High Court of Sindh, the outcome of which could not presently be determined with certainty.

### 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 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 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.

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

**Auditors' 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 auditors' 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 auditors' 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 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, statement of income and expenditure, statement of comprehensive income, 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 Tariq Feroz Khan.

KARACHI

DATED: 0 6 OCT 2022

UDIN: AR202210166loHMR5gtN

BDO Ebrahim & Co

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

**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, 2022**

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 5 | 285,808,037 | 269,810,583 |
| Long term security deposits | | 1,514,721 | 1,379,729 |
| | | 287,322,758 | 271,190,312 |
| **CURRENT ASSETS** | | | |
| Stores, spares and loose tools | 6 | 35,692,638 | 35,039,172 |
| Stock-in-trade | 7 | 92,762,856 | 41,814,160 |
| Trade debts | 8 | 36,824,545 | 58,037,459 |
| Advances | | 4,842,036 | 442,372 |
| Short term prepayments | | 1,226,672 | 878,703 |
| Interest accrued | | 1,232,534 | 931,549 |
| Tax refund due from Government | 9 | 83,145,750 | 72,889,483 |
| Cash and bank balances | 10 | 104,365,190 | 135,717,203 |
| | | 360,092,221 | 345,750,101 |
| **TOTAL ASSETS** | | 647,414,979 | 616,940,413 |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorized share capital<br>50,000,000 (2021: 50,000,000) ordinary shares of Rs. 10/-each | | 500,000,000 | 500,000,000 |
| Issued, subscribed and paid-up share capital | 11 | 494,250,000 | 494,250,000 |
| Accumulated surplus | | 112,609,719 | 82,905,345 |
| | | 606,859,719 | 577,155,345 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred grant | 12 | 15,781,301 | 7,489,566 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 13 | 24,773,959 | 32,295,502 |
| **TOTAL EQUITY AND LIABILITIES** | | 647,414,979 | 616,940,413 |
| **CONTINGENCIES AND COMMITMENTS** | 14 | | |

The annexed notes from 1 to 29 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER** | **DIRECTOR**

**KARACHI TOOLS, DIES AND MOULDS CENTRE**
**(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)**
**STATEMENT OF INCOME AND EXPENDITURE**
**FOR THE YEAR ENDED JUNE 30, 2022**

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from: | | | |
| Manufacturing | 15 | 215,257,310 | 185,385,176 |
| Toll manufacturing | 16 | 311,140 | 920,172 |
| Heat treatment | 17 | 4,341,840 | 3,281,562 |
| Reverse engineering | | 1,670,000 | 759,888 |
| Training | 18 | 24,551,986 | 17,374,132 |
| | | 246,132,276 | 207,720,930 |
| **EXPENDITURE** | | | |
| Direct costs | 20 | (192,505,548) | (164,807,721) |
| Administrative expenses | 21 | (36,083,335) | (31,344,363) |
| | | (228,588,883) | (196,152,084) |
| Surplus before other income | | 17,543,393 | 11,568,846 |
| Other income | 19 | 12,160,981 | 7,550,279 |
| Surplus for the year | | 29,704,374 | 19,119,125 |

The annexed notes from 1 to 29 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER** **DIRECTOR**

**KARACHI TOOLS, DIES AND MOULDS CENTRE**
**(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)**
**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED JUNE 30, 2022**

| | 2022<br>Rupees | 2021<br>Rupees |
|---|---|---|
| Surplus for the year | 29,704,374 | 19,119,125 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | 29,704,374 | 19,119,125 |

The annexed notes from 1 to 29 form an integral part of these financial statements.

**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, 2022**

| | Issued, subscribed and paid-up share capital | Accumulated surplus | Total |
|---|---|---|---|
| | | Rupees | |
| Balance at July 01, 2020 | 494,250,000 | 63,786,220 | 558,036,220 |
| Surplus for the year | - | 19,119,125 | 19,119,125 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the year | - | 19,119,125 | 19,119,125 |
| Balance at June 30, 2021 | 494,250,000 | 82,905,345 | 577,155,345 |
| | | | |
| Surplus for the year | - | 29,704,374 | 29,704,374 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the year | - | 29,704,374 | 29,704,374 |
| Balance at June 30, 2022 | 494,250,000 | 112,609,719 | 606,859,719 |

The annexed notes from 1 to 29 form an integral part of these financial statements.

**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, 2022**

| | Note | 2022<br>Rupees | 2021<br>Rupees |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash (used in) / generated from operations | 22 | (25,022,709) | 5,272,485 |
| Withholding tax deducted | | (10,256,267) | (3,581,259) |
| Net cash (used in) / generated from operating activities | | (35,278,976) | 1,691,226 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to property, plant and equipment | | (29,719,011) | (9,124,970) |
| Long term deposits paid | | (134,992) | - |
| Profit received on bank deposits and saving accounts | | 8,520,316 | 7,227,158 |
| Net cash used in investing activities | | (21,333,687) | (1,897,812) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Grant received | 12 | 25,260,650 | 16,347,226 |
| Net cash generated from financing activities | | 25,260,650 | 16,347,226 |
| Net (decrease)/increase in cash and cash equivalents | | (31,352,013) | 16,140,640 |
| Cash and cash equivalent at beginning of the year | | 135,717,203 | 119,576,563 |
| Cash and cash equivalent at end of the year | 10 | 104,365,190 | 135,717,203 |

The annexed notes from 1 to 29 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER** **DIRECTOR**

## 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 repealed Companies Ordinance, 1984 (now Companies Act, 2017) under the license issued by the Securities and Exchange Commission of 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.

## 1.1 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at Sector Number 38, Deh Dih, NC Number 24, Korangi Creek Industrial Park, Karachi, Pakistan.

## 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;
- Accounting Standard for Not for Profit Organization (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan 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 or the Accounting Standard for NPOs, the provisions of and directives issued under Companies Act, 2017 have been followed.

### 2.2 Basis of measurement

These financial statements have been prepared under the historical basis unless stated otherwise in specific accounting policy.

## 2.3 Functional and presentation currency

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

## 2.4 Critical accounting estimates and judgments

The preparation of financial statements is 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 recognised 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.

**Useful lives and depreciation rates of property, plant and equipment and intangibles**

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

a) Residual values and useful lives of property, plant and equipment (note 4.1)
b) Impairment of assets (note 4.4)
c) Allowance for expected credit loss (note 4.8)
d) Contingencies

Other areas, if any, where estimates and judgments involved are disclosed in respective notes to the financial statements.

# 3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

## 3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2022

The following standards, amendments and interpretations are effective for the year ended June 30, 2022. These standards, amendments and interpretations are either not relevant to the Company's operations or did have significant impact on the financial statements other than certain additional disclosures.

| | Effective date (annual periods beginning on or after) |
|---|---|
| Interest Rate Benchmarch Reform - Phase 2 | January 01, 2021 |
| Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent consessions | April 01, 2021 |

### 3.2 New accounting standards, amendments and 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, amendments and interpretations 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 to IFRS 3 'Business Combinations' - Reference to the conceptual framework | January 01, 2022 |
| Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current | January 01, 2024 |
| Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies | January 01, 2023 |
| Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates | January 01, 2023 |
| Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction | January 01, 2023 |
| Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use | January 01, 2022 |
| Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract | January 01, 2022 |

Certain annual improvements have also been made to a number of IFRSs.

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First-time Adoption of International Financial Reporting Standards
IFRS 17 Insurance Contracts

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 4.1 Property, plant and equipment

#### 4.1.1 Operating fixed assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises acquisition and other directly attributable costs.

Depreciation on property, plant and equipment is charged to the income and expenditure statement 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.

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

Maintenance and normal repairs are charged to income and expenditure as and when incurred, while major renewals and improvements are capitalized. Gain or loss on disposal of property, plant and equipment is included in the statement of income and expenditure currently.

#### 4.1.2 Capital work-in-progress

Capital work-in-progress are stated at cost less any identified impairment loss and consist 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.

### 4.2 Financial instruments

#### 4.2.1 Financial assets

#### i. Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets of the Company classified as measured at amortised cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

| | |
|---|---|
| **Financial assets at amortised cost** | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses . Interest income, foreign exchange gains and losses and impairment are recognised in income and expenditure statement. |

### 4.2.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

## 4.3 Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

## 4.4 Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indications exist, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss, if any.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group. Impairment losses are recognized as expense in statement of income and expenditure. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Impaired assets are reviewed for possible reversal of the impairment at each reporting date. Reversal of the impairment losses are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment losses had been recognized. A reversal of impairment loss is recognized in the statement of income and expenditure.

### 4.5 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

### 4.6 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.

### 4.7 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 labour 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.

### 4.8 Trade debts and other receivable

Trade debts and other receivable are recognized and carried at original invoiced amount which is the fair value of the consideration to be received in future for goods sold less allowance for expected credit loss. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

### 4.9 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 statement of reporting date and adjusted to reflect current best estimate.

## 4.10 Cash and cash equivalents

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.

## 4.11 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at cost using the effective interest rate method.

## 4.12 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 these financial statements.

## 4.13 Revenue recognition

### Sale of goods

Sale of goods is recognized when the Company has transferred control of the products to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

### Service income

Revenue from heat treatment and reverse engineering is recognized when the Company has transferred control of the products to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products..

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.

## 4.14 Deferred grant

Grants are recognised in income and expenditure statement 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.

## 5 Property, plant and equipment

| | Note | Rupees 2022 | Rupees 2021 |
|---|---|---|---|
| Operating fixed assets | 5.1 | 284,860,682 | 269,121,983 |
| Capital work in progress | 5.3 | 947,355 | 688,600 |
| | | 285,808,037 | 269,810,583 |

### 5.1 Operating fixed assets

| | Buildings* | Plant and machinery | Furniture and fittings | Vehicles | Office equipment | Computer and data processing equipment | Electronic and electrical equipment | Total |
|---|---|---|---|---|---|---|---|---|
| | Rupees | | | | | | | |
| **Year ended June 30, 2022** | | | | | | | | |
| Opening net book value | 84,625,500 | 167,365,842 | 1,455,162 | 4,958,271 | 1,432,203 | 841,272 | 8,443,733 | 269,121,983 |
| Additions | - | 24,966,799 | 234,760 | 2,900,000 | 86,500 | 440,297 | 831,900 | 29,460,256 |
| Depreciation charge | (1,692,480) | (9,002,289) | (439,739) | (1,149,669) | (146,837) | (398,281) | (892,262) | (13,721,557) |
| Closing net book value | 82,933,020 | 183,330,352 | 1,250,183 | 6,708,602 | 1,371,866 | 883,288 | 8,383,371 | 284,860,682 |
| **At June 30, 2022** | | | | | | | | |
| Cost | 108,961,882 | 307,535,518 | 9,715,208 | 16,574,977 | 2,491,574 | 7,519,508 | 17,516,506 | 470,315,173 |
| Accumulated depreciation | (26,028,862) | (124,205,166) | (8,465,025) | (9,866,375) | (1,119,708) | (6,636,220) | (9,133,135) | (185,454,491) |
| Net book value | 82,933,020 | 183,330,352 | 1,250,183 | 6,708,602 | 1,371,866 | 883,288 | 8,383,371 | 284,860,682 |
| **Year ended June 30, 2021** | | | | | | | | |
| Opening net book value | 86,352,521 | 171,860,255 | 1,552,021 | 5,007,164 | 1,559,287 | 158,689 | 6,675,060 | 273,164,997 |
| Additions | - | 4,175,050 | 341,750 | 1,148,000 | 31,500 | 889,998 | 2,538,672 | 9,124,970 |
| Depreciation charge | (1,727,021) | (8,669,463) | (438,609) | (1,196,893) | (158,584) | (207,415) | (769,999) | (13,167,984) |
| Closing net book value | 84,625,500 | 167,365,842 | 1,455,162 | 4,958,271 | 1,432,203 | 841,272 | 8,443,733 | 269,121,983 |
| **At June 30, 2021** | | | | | | | | |
| Cost | 108,961,882 | 282,568,719 | 9,480,448 | 13,674,977 | 2,405,074 | 7,079,211 | 16,684,606 | 440,854,917 |
| Accumulated depreciation | (24,336,382) | (115,202,877) | (8,025,286) | (8,716,706) | (972,871) | (6,237,939) | (8,240,873) | (171,732,934) |
| Net book value | 84,625,500 | 167,365,842 | 1,455,162 | 4,958,271 | 1,432,203 | 841,272 | 8,443,733 | 269,121,983 |
| 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.

### 5.2 Depreciation for the year has been allocated as under: -

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Manufacturing cost | 20.2 | 6,428,028 | 6,211,562 |
| Toll manufacturing cost | 20.3 | 634 | 83,238 |
| Heat treatment cost | 20.4 | 1,272,782 | 1,234,134 |
| Reverse engineering cost | 20.5 | 425,430 | 406,859 |
| Training cost | 20.6 | 1,396,260 | 916,985 |
| Other overhead | 20.7 | 2,425,817 | 2,509,354 |
| Administrative expenses | 21 | 1,772,606 | 1,805,852 |
| | | 13,721,557 | 13,167,984 |

### 5.3 Capital work in progress

| | 2022 | 2021 |
|---|---|---|
| Opening | 688,600 | 688,600 |
| Additions | 258,755 | - |
| Closing | 947,355 | 688,600 |

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|

## 6. STORES, SPARES AND LOOSE TOOLS

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Stores | | 7,010,422 | 6,712,508 |
| Loose tools | | 28,682,216 | 28,326,663 |
| | | 35,692,638 | 35,039,172 |

## 7. STOCK-IN-TRADE

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Raw material | | 46,108,581 | 7,388,020 |
| Work in process | | 46,654,275 | 34,426,140 |
| | | 92,762,856 | 41,814,160 |

## 8. TRADE DEBTS

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Considered doubtful | | | |
| Account receivable | | 39,028,261 | 60,068,795 |
| Fee receivable | | 3,212,533 | 3,114,493 |
| | | 42,240,794 | 63,183,288 |
| Allowance for expected credit loss | 8.1 | (5,416,249) | (5,145,829) |
| | | 36,824,545 | 58,037,459 |

### 8.1 Allowance for expected credit loss

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Balance at 01 July | | 5,145,829 | 4,199,711 |
| Add : provision during the year | | 270,420 | 946,118 |
| Balance at 30 June | | 5,416,249 | 5,145,829 |

### 8.2 Aging of trade debts

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Not past due | | 35,839,141 | 55,641,863 |
| Past due 31 -90 days | | 159,547 | 11,683 |
| Past due 91 -180 days | | 709,162 | 1,368,820 |
| Past due 181 -360 days | | 51,001 | 2,118,544 |
| More than one year | | 5,481,943 | 4,042,378 |
| | | 42,240,794 | 63,183,288 |

## 9. TAX REFUND DUE FROM GOVERNMENT

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Income tax refundable | | 81,538,560 | 72,889,483 |
| Sales tax receivable | | 1,607,190 | - |
| | | 83,145,750 | 72,889,483 |

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| **10. CASH AND BANK BALANCES** | | | |
| Cash at bank: | | | |
| Term deposit receipts | 10.1 | 84,400,000 | 84,400,000 |
| PLS saving accounts | 10.2 | 17,859,280 | 51,166,203 |
| Current account | 10.3 | 1,955,910 | 1,000 |
| | | 104,215,190 | 135,567,203 |
| Cash in hand | | 150,000 | 150,000 |
| | | 104,365,190 | 135,717,203 |

10.1 These carry profit at rates ranging from 6.8% to 15% (2021: 6.5% to 8.25%) per annum having maturity of not more than three months.

10.2 These carry profit at rates ranging from 2.12% to 12.25% (2021: 2.75% to 5.64%) per annum.

10.3 It includes bank account jointly held with NAVTCC which represents an amount of Rs. 1.954 million.

## 11. ISSUED SUBSCRIBED AND PAID UP SHARE CAPITAL

| 2022 No. of ordinary shares | 2021 No. of ordinary shares | | 2022 Rupees | 2021 Rupees |
|---|---|---|---|---|
| 49,425,000 | 49,425,000 | Fully paid in cash | 494,250,000 | 494,250,000 |

11.1 The Holding Company held 49,424,998 (2021: 49,424,998) ordinary shares of Rs. 10 each at period end and remaining 2 shares were held by the nominee directors.

## 12. DEFERRED GRANT

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Opening balance | | 7,489,566 | 67,963 |
| Receipts during the year | | 25,736,360 | 16,627,713 |
| Charged to income and expenditure | | (17,444,625) | (9,206,110) |
| Closing balance | 12.1 & 12.2 | 15,781,301 | 7,489,566 |

12.1 The amount represents the balance of income based grant received from GIZ against project agreement (Contract No. 81264599) entered between the Company and GIZ, a German based development aid organization for promoting workplace - based training in Sindh which is in line with the National Vocational Qualification Framework. Work on the project is completed at November 30, 2021.

12.2 The amount represents the balance of income based grant received from NAVTTC for "Rendering services for skills training to promote Technical & Vocational Education & Training (TVET) and Youth Empowerment through Employment & Self Employment".

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| **13. TRADE AND OTHER PAYABLES** | | | |
| Creditors | | 8,909,621 | 10,974,467 |
| Accrued liabilities | | 10,163,208 | 6,489,434 |
| Advances from customers | | 4,972,064 | 10,063,132 |
| Sales tax | | 70,042 | 4,358,347 |
| Withholding tax | | 659,024 | 410,122 |
| | | 24,773,959 | 32,295,502 |

13.1 Advances received from customer are recognised as revenue when the performance obligation in accordance with the policy as described in note 4.13 to these financial statements is satisfied. Revenue for an amount of Rs. 5.179 million (2021: 5.725 million) has been recognised in current year in respect of advances from customers at the beginning of year.

## 14. CONTINGENCIES AND COMMITMENTS

### 14.1 Contingencies

(a) In prior years, certain employees of the Company filed the Constitutional Petitions in the Honorable High Court of Sindh, vide C.P. No. D-8209 of 2018, C.P. No. D-9012 of 2018 ,C.P. No. D-3553 of 2019 and C.P. No. D-5649 of 2020 dated November 03, 2018, January 09, 2019, May 31, 2019 and November 24, 2020 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. 50.787 million as at June 30, 2022.

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. Accordingly, the matter is pending before the Honorable High Court of Sindh Karachi. Hence, no provision in this respect has been made in these financial statements.

(b) In prior year, the Company filed a Constitutional Petition in the Honorable High Court of Sindh Karachi vide C. P. No. D-4074 of 2019 against the demand created by the Cantonment Board Korangi Creek in respect of property house tax, conservancy tax and 5% surcharge, amounting Rs. 7.829 million. During the year, the Company has paid Rs. 3.914 million as first installment of the outstanding amount.

However, after seeking legal advice, management believes that after 18th Amendment, the Federal Government or the Cantonment Board has no authority to collect such taxes in respect of properties. Accordingly, the matter is pending before the Honorable High Court of Sindh Karachi. 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 the reporting date.

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| **15. REVENUE FROM MANUFACTURING** | | | |
| Sales | | 251,851,053 | 216,900,656 |
| Less : sales tax | | (36,593,743) | (31,515,480) |
| | | 215,257,310 | 185,385,176 |
| **16. REVENUE FROM TOLL MANUFACTURING** | | | |
| Sales | | 364,034 | 1,076,601 |
| Less : sales tax | | (52,894) | (156,429) |
| | | 311,140 | 920,172 |
| **17. REVENUE FROM HEAT TREATMENT** | | | |
| Sales | | 5,079,953 | 3,839,428 |
| Less : sales tax | | (738,113) | (557,866) |
| | | 4,341,840 | 3,281,562 |
| **18. REVENUE FROM TRAINING** | | | |
| Local source | | 7,179,504 | 8,168,022 |
| Less : sales tax | | (72,143) | - |
| | | 7,107,361 | 8,168,022 |
| Grant income | | 17,444,625 | 9,206,110 |
| | | 24,551,986 | 17,374,132 |
| **19. OTHER INCOME** | | | |
| Profit on bank deposits | | 8,821,301 | 7,483,671 |
| Others | 19.1 | 3,339,680 | 66,608 |
| | | 12,160,981 | 7,550,279 |

19.1 Others include welding services, transportation, scrap sale and penalties from students.

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|

## 20. DIRECT COSTS

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Manufacturing cost | 20.2 | 107,435,539 | 86,861,888 |
| Toll manufacturing cost | 20.3 | 31,122 | 583,360 |
| Heat treatment cost | 20.4 | 6,123,584 | 7,351,243 |
| Reverse engineering cost | 20.5 | 4,537,216 | 5,275,433 |
| Training cost | 20.6 | 25,545,139 | 19,317,898 |
| Other overheads | 20.7 | 48,832,948 | 45,417,899 |
| | | 192,505,548 | 164,807,721 |

20.1 The Company has allocated costs based on actual cost incurred by each department.

### 20.2 Manufacturing cost

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Salaries and allowances | | 25,682,368 | 20,190,098 |
| Raw material consumed | 20.2.1 | 61,359,737 | 50,771,103 |
| Depreciation | 5.2 | 6,428,028 | 6,211,562 |
| Utilities | | 5,579,622 | 4,162,497 |
| Outsourced manufacturing | | 3,204,800 | 2,361,967 |
| Tooling | | 6,676,962 | 5,642,003 |
| Repair and maintenance | | 5,195,907 | 4,578,001 |
| Insurance | | 151,971 | 139,172 |
| Heat treatment | | 5,384,279 | 3,794,708 |
| Total manufacturing cost | | 119,663,674 | 97,851,111 |
| Add : opening stock - work-in-process | | 34,426,140 | 23,436,917 |
| Less: closing stock - work-in-process | 7 | (46,654,275) | (34,426,140) |
| Cost of goods manufactured | | 107,435,539 | 86,861,888 |

### 20.2.1 Raw material consumed

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Opening stock | | 7,388,020 | 9,480,547 |
| Purchases during the year | | 100,080,298 | 48,678,576 |
| | | 107,468,318 | 58,159,123 |
| Less: closing stock | 7 | (46,108,581) | (7,388,020) |
| Raw materials consumed during the year | | 61,359,737 | 50,771,103 |

### 20.3 Toll manufacturing cost

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Salaries and allowances | | 6,936 | 310,886 |
| Raw material | | - | 5,606 |
| Depreciation | 5.2 | 634 | 83,238 |
| Utilities | | 237 | 44,929 |

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Repair and maintenance | | 297 | 71,700 |
| Outsourced manufacturing | | 23,018 | 10,800 |
| Insurance | | - | 2,148 |
| Tooling | | - | 54,053 |
| | | 31,122 | 583,360 |

**20.4 Heat treatment cost**

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Salaries and allowances | | 2,144,206 | 2,289,326 |
| Depreciation | 5.2 | 1,272,782 | 1,234,134 |
| Stores and spares consumable | | 593,886 | 558,782 |
| Repair and maintenance | | 458,264 | 1,912,682 |
| Utilities | | 957,929 | 875,848 |
| Travelling and conveyance | | 133,638 | 1,780 |
| Rental charges | | 110,408 | 119,694 |
| Insurance | | 169,852 | 182,951 |
| Vehicle running | | 44,723 | 27,035 |
| Office expenses | | 201,141 | 118,937 |
| Water tanker | | 27,201 | 23,392 |
| Printing and stationery | | 3,691 | 1,641 |
| Postage and courier | | 5,863 | 5,041 |
| | | 6,123,584 | 7,351,243 |

**20.5 Reverse engineering cost**

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Salaries and allowances | | 2,839,394 | 2,780,965 |
| Consumables | | 43,801 | 18,299 |
| Depreciation | 5.2 | 425,430 | 406,859 |
| Insurance | | 111,879 | 95,013 |
| Office expense | | 140,477 | 132,590 |
| Postage and courier | | 5,513 | 5,042 |
| Printing and stationery | | 6,003 | 4,647 |
| Repair and maintenance | | 87,237 | 1,031,570 |
| Travelling | | 131,638 | 218,472 |
| Utilities | | 570,541 | 447,646 |
| Vehicle running | | 148,102 | 110,937 |
| Water tanker | | 27,201 | 23,393 |
| | | 4,537,216 | 5,275,433 |

**20.6 Training cost**

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Salaries and allowances | | 9,354,052 | 8,851,986 |
| Depreciation | 5.2 | 1,396,260 | 916,985 |
| Material and tooling | | 1,196,074 | 1,062,704 |
| Utilities | | 1,141,082 | 895,291 |

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Repair and maintenance | | 2,239,351 | 728,188 |
| Vehicle running | | 417,485 | 298,314 |
| Advertisement | | 701,763 | 277,934 |
| Printing and stationery | | 603,762 | 282,220 |
| Entertainment | | 750,803 | 399,635 |
| Transport facility for students | | 1,617,616 | 1,507,804 |
| Visiting faculty charges | | 3,249,405 | 2,080,755 |
| Fees and subscription | | 1,133,527 | 1,119,660 |
| Travelling | | 1,100 | 40,331 |
| Insurance | | 393,060 | 327,464 |
| Postage and courier | | 22,846 | 20,352 |
| Water tanker | | 54,404 | 46,787 |
| Books and periodicals | | 173,952 | - |
| Office expense | | 1,098,597 | 461,488 |
| | 20.6.1 | 25,545,139 | 19,317,898 |

20.6.1 It includes an amount of Rs. 13.820 million and Rs. 3.624 million cost allocated to GIZ and NAVTCC respectively.

## 20.7 Other overheads

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Salaries and allowances | | 31,244,993 | 28,030,614 |
| Repair and maintenance | | 2,584,587 | 2,933,968 |
| Depreciation | 5.2 | 2,425,817 | 2,509,354 |
| Consumables | | 1,655,803 | 1,772,765 |
| Utilities | | 1,380,913 | 2,209,053 |
| Traveling | | 1,755,108 | 1,354,946 |
| Security | | 653,454 | 667,159 |
| Vehicle running | | 1,204,438 | 868,556 |
| Office expenses | | 1,677,388 | 1,299,583 |
| Insurance | | 2,396,271 | 1,984,733 |
| Janitorial services | | 1,100,439 | 1,097,060 |
| Water tanker | | 217,607 | 187,146 |
| Printing and stationery | | 101,775 | 99,525 |
| Advertisement | | 160,058 | 189,056 |
| Postage and courier | | 44,204 | 51,856 |
| Entertainment | | 201,023 | 139,755 |
| Other overheads | | 29,070 | 22,770 |
| | | 48,832,948 | 45,417,899 |

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|

## 21. ADMINISTRATIVE EXPENSES

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Salaries and allowances | | 21,983,928 | 16,991,365 |
| Depreciation | 5.2 | 1,772,606 | 1,805,852 |
| Repair and maintenance | | 1,804,224 | 1,707,831 |
| Vehicle running expense | | 1,097,580 | 761,707 |
| Utilities | | 1,929,228 | 1,530,083 |
| Janitorial services | | 1,138,780 | 1,097,059 |
| Security | | 653,454 | 667,159 |
| Office expense | | 1,155,630 | 1,259,744 |
| Fees and subscription | | 281,535 | 802,271 |
| Legal and professional | | 958,120 | 728,720 |
| Traveling and conveyance | | 936,890 | 854,265 |
| Postage and courier | | 255,204 | 241,938 |
| Printing and stationery | | 177,849 | 147,147 |
| Insurance | | 973,185 | 811,994 |
| Auditors' remuneration | 21.1 | 390,300 | 435,457 |
| Entertainment | | 127,359 | 113,472 |
| Advertisement | | 148,609 | 424,527 |
| Books and periodicals | | 10,273 | 14,490 |
| Allowance for expected credi | 8.1 | 270,420 | 946,118 |
| Others | | 18,161 | 3,164 |
| | | 36,083,335 | 31,344,363 |

### 21.1 Auditors' remuneration

| | | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Audit fee | | 276,045 | 262,900 |
| Fee for review of compliance with the requirements of the Code of Corporate Governance | | 52,500 | 50,000 |
| Out-of-pocket expenses | | 61,755 | 122,557 |
| | | 390,300 | 435,457 |

## 22. CASH GENERATED FROM OPERATIONS

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Surplus for the year | | 29,704,374 | 19,119,125 |
| Adjustments for: | | | |
| Depreciation on property, plant and equipm | 5.1 | 13,721,557 | 13,167,984 |
| Allowance for expected credit loss | 8.1 | 270,420 | 946,118 |
| Grant income charged to income and | | (16,968,915) | (8,925,623) |
| Profit on bank balances | | (8,821,301) | (7,483,671) |
| | | (11,798,239) | (2,295,192) |

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Changes in working capital | | | |
| Increase in current assets | | | |
| Stores, spares and loose tools | | (653,466) | (7,445,747) |
| Stock in trade | | (50,948,696) | (8,896,696) |
| Trade debts | | 20,942,494 | (2,940,250) |
| Advances | | (4,399,664) | 1,630,054 |
| Short term prepayments | | (347,969) | (112,601) |
| | | (35,407,301) | (17,765,240) |
| (Decrease)/increase in current liabilities | | | |
| Trade and other payables | | (7,521,543) | 6,213,792 |
| Net cash from operations | | (25,022,709) | 5,272,485 |

## 23. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

| | Chief Executives | Executives | Chief Executives | Executives |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| Remuneration | 4,020,429 | 6,775,511 | 3,182,785 | 3,469,656 |
| House rent allowance | 1,608,172 | 2,710,205 | 1,273,114 | 1,387,862 |
| Utilities | 402,043 | 677,551 | 318,278 | 346,966 |
| | 6,030,644 | 10,163,267 | 4,774,177 | 5,204,484 |
| Number of persons | 1 | 4 | 1 | 2 |

23.1 Chief Executive is provided with free use of the company's maintained car.

## 24. FINANCIAL INSTRUMENTS BY CATEGORY

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| **Financial assets** | | | |
| At amortised cost | | | |
| Security deposits | | 1,514,721 | 1,379,729 |
| Trade debts | | 36,824,545 | 58,037,459 |
| Interest accrued | | 1,232,534 | 931,549 |
| Cash and bank balances | | 104,365,190 | 135,717,203 |
| | | 143,936,990 | 196,065,940 |
| **Financial liabilities** | | | |
| At amortised cost | | | |
| Trade and other payable | | 24,044,893 | 27,527,033 |
| | | 24,044,893 | 27,527,033 |

## 25. 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 trade and other payables.

The Board through its Audit 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).

### 25.1 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. 141.812 million (2021: Rs. 196.066 million) 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:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Gross | Impairment | Gross | Impairment |
| | Rupees | | | |
| Not past due | 35,839,141 | 301,232 | 55,641,863 | 5,656 |
| Past due 30-90 days | 159,547 | 14,125 | 11,683 | 541 |
| Past due 91-180 days | 709,162 | 191,493 | 1,368,820 | 206,415 |
| Past due 181-360 days | 51,001 | 36,177 | 2,118,544 | 1,300,813 |
| More than one year | 5,481,943 | 4,873,222 | 4,042,378 | 3,632,403 |
| | 42,240,794 | 5,416,249 | 63,183,288 | 5,145,829 |

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 | Short term | Long-term |
|---|---|---|---|
| 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+ | AAA |
| Summit Bank Limited | JCR-VIS | A-1 | A- |
| Sindh Bank Limited | JCR-VIS | A-1 | A+ |
| JS Bank Limited | PACRA | A-1+ | AA- |
| Habib Metropolitan Bank Limited | PACRA | A-1+ | AA+ |

## 25.2 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.

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **Carrying amount** | **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 | 19,072,829 | 19,072,829 | 19,072,829 | - | - | - |
| | 19,072,829 | 19,072,829 | 19,072,829 | - | - | - |

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | **Carrying amount** | **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 | 17,463,901 | 17,463,901 | 17,463,901 | - | - | - |
| | 17,463,901 | 17,463,901 | 17,463,901 | - | - | - |

25.3 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. The Company is not exposed to currency risk and other price risk.

### 25.3.1 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.101.790 million (2021: Rs.135.566 million).

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, 2022 would increase / decrease by Rs. 1.187 million (2021: Rs. 1.275 million ).

## 25.4 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.

### 25.5 Capital risk management

The management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The management closely monitors the return on capital along with the level of distributions to ordinary share holders.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company is not required to maintain any regulatory capital.

## 26. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of key management personnel and Holding Company. Amounts due from and to other related parties, directors and key management personnel are shown under respective notes of receivable. The Company carries out transactions with various related parties in the normal course of business. Remuneration of key management personnel is disclosed in note 21 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 | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| Key management personnel | Fee paid for attending meetings of the Company | 1,390,000 | 420,000 |
| | Salaries and allowances | 6,030,644 | 4,774,177 |

## 27. NUMBER OF EMPLOYEES

Total number of employees as at June 30, 2022 were 109 (2021: 115).

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | At June 30 | Average during the year | At June 30 | Average during the year |
| Head Office | 22 | 24 | 23 | 23 |
| Training | 9 | 9 | 11 | 10 |
| Factory | 78 | 79 | 81 | 80 |
| Total | 109 | 112 | 115 | 113 |

## 28 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 06 OCT 2022 by the Board of Directors of the Company.

## 29 GENERAL

Figures in these financial statements have been rounded off to the nearest Rupee, unless otherwise stated.

**CHIEF EXECUTIVE OFFICER** **DIRECTOR**