



Grant Thornton

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Kaarvan Crafts Foundation (the Company)** as at **December 31, 2015** and the related income and expenditure account, cash flow statement and statement of changes in fund balances together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - (i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, income and expenditure account, cash flow statement and statement of changes in fund balances together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2015 and of the surplus, its cash flows and changes in fund balances for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention towards note 1.2 to the financial statements which states that currently, the Company is in process of renewing its license under Section 42 of the Companies Ordinance, 1984 from the Securities Exchange Commission of Pakistan as required by circular No. 02/2015 dated January 01, 2015. Our opinion is not qualified in respect of this matter.

Grant Thornton Anjum Rahman
CHARTERED ACCOUNTANTS

Engagement Partner: Imran Afzal

Lahore

Date: *April 8, 2016*

Chartered Accountants

Member of Grant Thornton International Ltd

Offices in Karachi & Islamabad

KAARVAN CRAFTS FOUNDATION*(GUARANTEE LIMITED UNDER SECTION 42)***Balance sheet****As at December 31, 2015**

	Note	2015 (Rupees)	2014 (Rupees)
Assets			
Non-current			
Property and equipment	4	9,332,617	8,860,629
Intangible assets	5	-	-
Long term security deposits		490,750	165,449
Non-current assets		9,823,367	9,026,078
Current			
Stock in trade	6	-	209,921
Trade debts	7	-	163,723
Grant receivable	8	2,534,176	22,074,360
Advances, prepayments and other receivables	9	856,137	599,976
Advance income tax		6,047,715	3,794,000
Short term investments	10	41,000,000	8,000,000
Cash and bank balances	11	11,502,833	9,873,914
Current assets		61,940,861	44,715,894
Total assets		71,764,228	53,741,972
Equity and liabilities			
Equity			
Accumulated surplus	12	64,733,286	43,399,861
Total equity		64,733,286	43,399,861
Liabilities			
Non-current			
Deferred liabilities	13	459,596	-
Non-current liabilities		459,596	-
Current			
Trade and other payables	14	6,571,346	10,342,111
Current liabilities		6,571,346	10,342,111
Total liabilities		7,030,942	10,342,111
Total equity and liabilities		71,764,228	53,741,972

Contingencies and commitments**15***The annexed notes 1 to 29 form an integral part of these financial statements.**4/11/15*


CHIEF EXECUTIVE OFFICER


DIRECTOR

KAARVAN CRAFTS FOUNDATION*(GUARANTEE LIMITED UNDER SECTION 42)***Income and expenditure account****For the year ended December 31, 2015**

	Note	2015 (Rupees)	2014 (Rupees)
Continuing Operations			
Grants	16	73,907,715	60,443,761
Other income	17	1,444,184	1,295,966
Total income		75,351,899	61,739,727
Project Expenditure:			
Punjab Skills Development Fund (PSDF)	18	37,317,088	28,734,027
Other projects expenses	19	10,958,114	1,744,642
Total project expenditures		48,275,202	30,478,669
Administrative expenses	20	5,692,405	1,778,716
Other expenses	21	-	92,981
Surplus for the year from continuing operations		21,384,292	29,389,361
Discontinued Operation			
Profit / (Loss) from discontinued operation	22	(50,867)	201,245
Surplus for the year		21,333,425	29,590,606

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


CHIEF EXECUTIVE OFFICER
DIRECTOR

KAARVAN CRAFTS FOUNDATION

(GUARANTEE LIMITED UNDER SECTION 42)

Cash flow statement**For the year ended December 31, 2015**

	Note	2015 (Rupees)	2014 (Rupees)
Cash flows from operating activities			
Surplus for the year		21,333,425	29,590,606
Adjustments for non cash items:			
Depreciation	4	1,391,847	883,430
Loss/(gain) on disposal of property and equipment		(315,257)	92,981
Grant amortization		(1,415,404)	-
Bad debts written off		8,774	-
Operating surplus before working capital changes		21,003,385	30,567,017
Working capital changes:			
Change in stock in trade		209,921	69,823
Change in trade debts		154,950	59,571
Change in advances, prepayments, other receivables and grant receivable		17,030,308	(22,284,866)
Change in trade and other payables		(3,770,765)	8,625,166
		13,624,414	(13,530,306)
Cash generated from operations		34,627,799	17,036,711
Deferred grant received		1,875,000	-
Net cash from operating activities		36,502,799	17,036,711
Cash flows from investing activities			
Proceeds from disposal of property and equipment		556,950	23,205
Purchase of property and equipment		(2,105,529)	(5,589,987)
(Increase)/decrease in long term security deposits		(325,301)	27,589
Investment made in term deposit certificates		(33,000,000)	(3,000,000)
Net cash used in investing activities		(34,873,880)	(8,539,193)
Increase in cash and cash equivalents		1,628,919	8,497,518
Cash and cash equivalents at the beginning of year		9,873,914	1,376,396
Cash and cash equivalents at the end of year		11,502,833	9,873,914

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

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CHIEF EXECUTIVE OFFICER



DIRECTOR

KAARVAN CRAFTS FOUNDATION*(GUARANTEE LIMITED UNDER SECTION 42)*

Statement of changes in fund balances

For the year ended December 31, 2015

	General fund (Rupees)
Balance as at December 31, 2013	13,809,255
Surplus for the year ended December 31, 2014	29,590,606
Balance as at December 31, 2014	43,399,861
Surplus for the year ended December 31, 2015	21,333,425
Balance as at December 31, 2015	64,733,286

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

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CHIEF EXECUTIVE OFFICER



DIRECTOR

Notes to the financial statements

For the year ended December 31, 2015

1 Status and nature of the business

- 1.1** Kaarvan Crafts Foundation ("The Company") was incorporated as not for profit guarantee limited company on November 10, 2004 under Section 42 of the Companies Ordinance, 1984. The registered office of the Company is at 137-1, C Block Model Town, Lahore. The principal activities of the Company are to provide employment to poor women at fair wages, to trained women in vocational skills like crafting (e.g. Adda work, domestic tailoring, and embroidery etc.), to educate them with capacity building skills (e.g. Literacy and numeracy training, product production, pricing, planning and leadership skills) and to enable them to become micro entrepreneur by building bridges between women and market so that they can sell in high end market.
- 1.2** The Company is required to renew its license granted u/s 42 of the Companies Ordinance, 1984 so as to comply with circular No. 02/2015 dated January 01, 2015. The Company has filed relevant application with Commission. The Commission has acknowledged receipt of the required documents and has also approached the Ministry of Interior to proceed with NOC/clearance requirements. However, renewed license has not been issued to date. Management of the Company believes that previous license remains intact till process of renewal of license is completed. Management of the Company is also confident that license will be renewed shortly.

2 Basis of preparation**2.1 Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 New and amended standards and interpretations

The Company has adopted following accounting standards and amendments and interpretations of IFRSs which became effective during the current year:

IAS 19	Employee Benefits – (Amendments) - Defined Benefit Plans: Employee Contributions
IAS 32	Financial Instruments: Presentation – (Amendments) - Offsetting Financial Assets and Financial Liabilities
IAS 36	Impairment of Assets - (Amendment) - Recoverable Amount Disclosures for Non-Financial Assets
ISA 39	Financial Instruments: Recognition and Measurement - (Amendment) - Novation of Derivatives and Continuation of Hedge Accounting
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRIC 21	Levies

Improvements to Accounting Standards Issued by the IASB

IFRS 2	Share Based Payment - Definitions of vesting conditions
IFRS 3	Business Combinations - Accounting for contingent consideration in a business combination.
IFRS 3	Business Combinations - Scope exceptions for joint ventures
IFRS 8	Operating Segments - Aggregation of operating segments

400

Notes to the financial statements

For the year ended December 31, 2015

IFRS 8	Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13	Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
IAS 16	Property, Plant and Equipment - Revaluation method - proportionate restatement of accumulated amortization
IAS 24	Related Party Disclosures - Key management personnel
IAS 40	Intangible Assets - Revaluation method - proportionate restatement of accumulated amortization
IAS 40	Investment Property - Inter relationship between IFRS 3 and IAS 40 (ancillary services)

The adaptation of the above mentioned amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

2.3 Standards and interpretation issued but not yet effective for the current financial year

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation		Effective Date (Annual periods beginning on or after)
IFRS 1	Presentation of Financial Statements - Disclosure initiative (Amendment)	01 January 2016
IAS 16	Property, Plant and Equipment - Clarification of Acceptable Method of Depreciation (Amendment)	01 January 2016
IAS 38	Intangible Assets - Clarification of Acceptable Method of Amortization (Amendment)	01 January 2016
IAS 41	Agriculture - Bearer Plants (Amendment)	01 January 2016
IAS 27	Separate Financial Statements- Equity Methods in Separate Financial Statements (Amendments)	01 January 2016

Currently, the company is evaluating impacts of these standards on its financial statements.

2.4 Standards that are not yet adopted by SECP

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan

Standard or Interpretation		Effective Date
IFRS 9	Financial Instruments Classification and Measurement	01 January 2018
IFRS 14	Regulatory Deferral accounts	01 January 2016
IFRS 15	Revenue from Contracts and Customers	01 January 2018

2.5 Basis of measurement

These financial statements, except for cash flow information, have been prepared under the historical cost convention.

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Notes to the financial statements

For the year ended December 31, 2015

2.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are discussed below:

- assumptions and estimates used in determining the recoverable amount, residual values and useful lives of property and equipment;
- assumptions and estimates used in disclosure and assessment of provision for contingencies.

3 Significant accounting policies

3.1 Property and equipment

Operating assets - Owned

Property and equipment are stated at cost less accumulated depreciation and impairment in value, if any. Cost of property and equipment consists of historical cost and directly attributable costs of bringing assets to their present location and condition. Depreciation is charged to income and expenditure account by applying written down value method at the prescribed rates, which are considered appropriate to write-off asset over its estimated remaining useful economic life.

Depreciation

Depreciation on additions is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off.

De-recognition

Assets retired from active use and held for disposal are shown at lower of its written down value and net realizable value. No depreciation is charged on these assets.

Normal repairs and maintenance are taken to income and expenditure account, as and when incurred. Major renewals and replacements are capitalized when assets replaced, if any, are retired. Gain and loss on disposal of assets is taken to the income and expenditure account.

Impairment

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Operating assets - Donated

Property and equipment, not returnable to the donors, are stated at assessed values less accumulated depreciation on the basis of contractual arrangements with the relevant donors. Depreciation is charged over their expected useful lives at the rates mentioned in Note 4 to the financial statements.

3.2 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are recognized when it is probable that the expected future economic benefits will flow to the entity and the cost of the assets can be measured reliably. Cost of the intangible asset includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

9/12

Notes to the financial statements

For the year ended December 31, 2015

Costs associated with maintaining computer software are recognized as an expense as and when incurred. Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged over the estimated useful life of the asset on a systematic basis applying the straight line method.

Useful lives of intangible operating assets are reviewed, at each balance sheet date and adjusted if the impact of amortization is significant.

3.3 Stock in trade

These are valued at lower of cost and net realizable value applying the following basis:

Raw materials	- At average cost
Work in process	- Average manufacturing cost
Finished goods	- Average manufacturing cost
Wastes	- At net realizable value

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

3.4 Financial instruments**3.4.1 Financial assets**

Financial assets are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs. A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial assets of the Company are classified as follows:

3.4.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. These are included in current assets, except for maturities for greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables with less than twelve months maturities are classified as current assets. The Company's cash and cash equivalents, trade debts and deposits fall into this category of financial assets. Loans and receivables are subject to review for impairment at each reporting date to identify whether there is objective evidence that the financial asset is impaired.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

3.4.3 Financial liabilities

The Company's financial liabilities include trade and other payables.

Financial liabilities are measured initially at fair value, less attributable transaction costs. Financial liabilities are measured subsequently at amortized cost using the effective interest method.

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Notes to the financial statements

For the year ended December 31, 2015

3.4.4 Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

3.4.5 Offsetting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.5 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and bank balances and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.6 Revenue recognition

-Local sales are recorded on dispatch of goods to customers.

-Profit on bank deposits is recognized on a time proportion basis taking into account the effective yield on deposits.

-Grants related to income are accounted for in accordance with the requirement of IAS-20 "Accounting for Government Grants and Disclosure of Government Assistance" i.e. Grants are recognized as income over the periods necessary to match them with the related cost which they are intended to compensate, on a systematic basis.

3.7 Taxation

Tax charge for current taxation is based on taxable income at the current rates of taxation after taking into account the applicable tax credits and tax rebates realized, if any.

3.8 Provisions

A provision is recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.9 Project costs

These are stated at cost as and when actual expenses are incurred on project, including staff training and other project related expenses.

3.10 Foreign currency translation

Assets and liabilities in foreign currency are stated in Pak Rupees at the rates of exchange ruling on the balance sheet date or rate of exchange fixed under contractual agreements. Transactions in foreign currency are translated at the exchange rate prevailing at the date of transaction. All exchange differences are included in the income and expenditure account.

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