



# Grant Thornton

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## INDEPENDENT AUDITOR'S REPORT

**To the members of Kaarvan Crafts Foundation**

**Report on the Audit of the Financial Statements**

### Opinion

We have audited the annexed financial statements of Kaarvan Crafts Foundation (the Company), which comprise the statement of financial position as at December 31, 2018, and the income and expenditure statement, the statement of changes in fund, 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 statement, the statement of changes in fund 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 December 31, 2018 and of the surplus, the changes in fund 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

As explained in note 1.2 of the financial statements, the Company is in process of renewal of its license granted u/s 42 of the repealed Companies Ordinance, 1984 so as to comply with circular No. 02/2015 dated January 01, 2015. NOC from Ministry of Interior has been received during the year which is valid from January 1, 2014 to December 31, 2017. The Company has also filed application for renewal of license for three year with Commission under S.R.O 733 (1)/2018 dated June 7, 2018 on November 27, 2018 which is in process. In accordance with such regulations, existing license shall be deemed valid up-till renewal of such license. Accordingly, the company had not discontinued its activities and these financial statements have been prepared on going concern basis.

Our opinion is not modified in respect of the above matter.

**Chartered Accountants**

Member of Grant Thornton International Ltd  
Offices in Karachi & Islamabad



### **Information Other than the Financial Statements and Auditor's Report Thereon**

The Board of Directors are responsible for the other information. Other information comprises directors' 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.

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.

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- 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 & expenditure statement, the statement of changes in funds 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 Imran Afzal.

  
CHARTERED ACCOUNTANTS

Lahore.

Dated: April 30, 2019



**KAARVAN CRAFTS FOUNDATION**

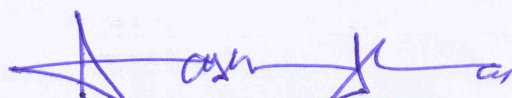
(A Company set up under section 42 of the repealed Companies Ordinance, 1984 - Now Companies Act, 2017)

**Statement of Financial Position****As at December 31, 2018**

|   | Note | 2018<br>( Rupees ) | 2017<br>( Rupees ) |
|---|------|--------------------|--------------------|
| <b>Assets</b>                               |      |                    |                    |
| <b>Non-current</b>                          |      |                    |                    |
| Property and equipment                      | 4    | 6,240,857          | 6,768,813          |
| Intangible assets                           | 5    | 222,703            | 378,087            |
| Long term security deposits                 |      | 589,027            | 587,527            |
| Non-current assets                          |      | 7,052,587          | 7,734,427          |
| <b>Current</b>                              |      |                    |                    |
| Grants receivable                           | 6    | 46,470,287         | 30,847,364         |
| Advances, prepayments and other receivables | 7    | 871,241            | 1,165,725          |
| Stock in trade                              |      | 62,832             | -                  |
| Income tax refundable - net                 |      | 17,585,538         | 11,685,521         |
| Short term investments                      | 8    | 38,000,000         | 29,000,000         |
| Cash and bank balances                      | 9    | 3,741,932          | 17,716,999         |
| Current assets                              |      | 106,731,830        | 90,415,609         |
| <b>Total assets</b>                         |      | <b>113,784,417</b> | <b>98,150,036</b>  |
| <b>Equity and liabilities</b>               |      |                    |                    |
| <b>Equity</b>                               |      |                    |                    |
| General fund                                | 10   | 93,541,686         | 80,067,815         |
| Total equity                                |      | 93,541,686         | 80,067,815         |
| <b>Liabilities</b>                          |      |                    |                    |
| <b>Non-current</b>                          |      |                    |                    |
| Deferred liabilities                        | 11   | 9,541              | 11,533,815         |
| Non-current liabilities                     |      | 9,541              | 11,533,815         |
| <b>Current</b>                              |      |                    |                    |
| Trade and other payables                    | 12   | 20,233,190         | 6,548,406          |
| Current liabilities                         |      | 20,233,190         | 6,548,406          |
| Total liabilities                           |      | 20,242,731         | 18,082,221         |
| <b>Total equity and liabilities</b>         |      | <b>113,784,417</b> | <b>98,150,036</b>  |
| <b>Contingencies and commitments</b>        | 13   |                    |                    |

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

GMR


  
CHIEF EXECUTIVE OFFICER


  
DIRECTOR

# KAARVAN CRAFTS FOUNDATION

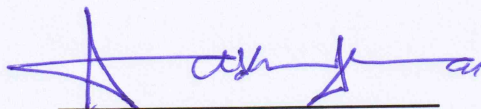
(A Company set up under section 42 of the repealed Companies Ordinance, 1984 - Now Companies Act, 2017)

## Income and Expenditure Statement For the year ended December 31, 2018

|                                       | Note       | 2018<br>( Rupees ) | 2017<br>( Rupees ) |
|---------------------------------------|------------|--------------------|--------------------|
| Grants                                | 14         | 118,245,083        | 102,422,301        |
| Other income                          | 15         | 2,042,678          | 1,552,492          |
| <b>Total income</b>                   |            | <b>120,287,761</b> | <b>103,974,793</b> |
| Project Expenditure:                  |            |                    |                    |
| Punjab Skills Development Fund (PSDF) | 16,17 & 18 | 65,861,139         | 50,955,989         |
| Other projects expenses               | 19         | 36,072,506         | 11,491,301         |
|                                       |            | <b>101,933,645</b> | <b>62,447,290</b>  |
| Administrative expenses               | 20         | 4,871,309          | 7,765,163          |
| Other expenses                        | 21         | 8,936              | 1,211,050          |
| <b>Surplus before taxation</b>        |            | <b>13,473,871</b>  | <b>32,551,290</b>  |
| Provision for taxation                | 22         | -                  | 800,156            |
| <b>Surplus for the year</b>           |            | <b>13,473,871</b>  | <b>31,751,134</b>  |

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CHIEF EXECUTIVE OFFICER

  
DIRECTOR



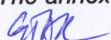
## KAARVAN CRAFTS FOUNDATION

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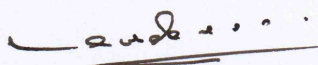
### Statement of Changes in Fund Balances For the year ended December 31, 2018

|  | General fund<br>( Rupees ) |
|--|----------------------------|
| Balance as at January 01, 2017               | 48,316,681                 |
| Surplus for the year ended December 31, 2017 | 31,751,134                 |
| Balance as at January 1, 2018                | 80,067,815                 |
| Surplus for the year ended December 31, 2018 | 13,473,871                 |
| Balance as at December 31, 2018              | 93,541,686                 |

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DIRECTOR

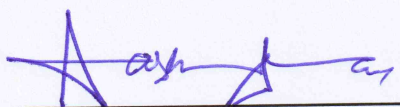
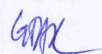
**KAARVAN CRAFTS FOUNDATION**

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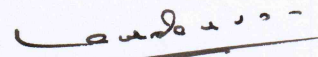
**Statement of Cash Flows****For the year ended December 31, 2018**

|   | Note | 2018<br>( Rupees ) | 2017<br>( Rupees ) |
|---|------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                               |      |                    |                    |
| Surplus for the year  |      | 13,473,871         | 31,751,134         |
| <b>Adjustments for non cash items:</b>                                    |      |                    |                    |
| Depreciation  | 4    | 1,658,318          | 1,360,472          |
| Provision for gratuity  |      | 1,080,651          | 833,679            |
| Loss on disposal of property and equipment                                |      | 8,936              | 1,211,050          |
| Grants amortization   |      | (36,359,186)       | (11,715,003)       |
| Amortisation of intangible assets   |      | 155,384            | 140,812            |
| Operating (deficit) / surplus before working capital changes              |      | (19,982,026)       | 23,582,144         |
| <b>Working capital changes:</b>   |      |                    |                    |
| Increase in advances, prepayments, other receivables and grant receivable |      | (17,891,117)       | (31,994,555)       |
| Increase in trade and other payables                                      |      | 13,347,264         | 3,816,599          |
| <b>Total Changes</b>  |      | (4,543,853)        | (28,177,956)       |
| <b>Cash used in operations</b>  |      | (24,525,879)       | (4,595,812)        |
| Gratuity paid during the year   |      | (743,130)          | (899,711)          |
| Deferred grant received   |      | 21,434,741         | 22,258,468         |
| <b>Net cash (used in) / from operating activities</b>                     |      | (3,834,268)        | 16,762,945         |
| <b>Cash flows from investing activities</b>                               |      |                    |                    |
| Proceeds from disposal of property and equipment                          |      | 25,820             | 1,035,291          |
| Purchase of property and equipment  |      | (1,165,119)        | (2,560,836)        |
| Purchase of intangible assets   |      | -                  | (58,288)           |
| (Increase) in long term security deposits                                 |      | (1,500)            | (198,000)          |
| (Increase) / decrease in term deposit certificates - net                  |      | (9,000,000)        | 2,000,000          |
| <b>Net cash (used in) / generated from operating activities</b>           |      | (10,140,799)       | 218,167            |
| <b>(Decrease) / Increase in cash and cash equivalents</b>                 |      | (13,975,067)       | 16,981,112         |
| Cash and cash equivalents at the beginning of year                        |      | 17,716,999         | 735,887            |
| <b>Cash and cash equivalents at the end of year</b>                       | 9    | 3,741,932          | 17,716,999         |

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



CHIEF EXECUTIVE OFFICER



DIRECTOR