Grant Thornton Anjum Rahman
135-Ferozepur Road,
Lahore 54600,
Pakistan.

T +92 42 37423621-23
F +92 42 37421241

INDEPENDENT AUDITOR'S REPORT

To the members of Kaarvan Crafts Foundation [A Company setup under section 42 of the repealed Companies Ordinance, 1984 – Now Companies Act, 2017]

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Kaarvan Crafts Foundation** – A Company setup under section 42 of the repealed Companies, Ordinance, 1984 – Now Companies Act, 2017 (the Company), which comprise the statement of financial position as at June 30, 2025, and the income and expenditure statement, the statement of changes in fund balances, 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 balances 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, 2025 and of the surplus, the changes in fund balances 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.

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

The management is responsible for the other information. Other information comprises Directors' Report but does not include the financial statements and our auditor's report thereon.

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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.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based

on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the income and expenditure statement, the statement of changes in fund balances 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.

Grant Thornton Anjum Rahman

Chartered Accountants
Lahore.
Dated; November 11, 2025
UDIN: AR202510212fjFzREDgr

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 June 30, 2025

	Note	2025 (Rupees)	2024 (Rupees)
Assets			
Non-current			
Property and equipment	5	**1,756,427**	1,549,074
Long term security deposits		**190,000**	467,526
		1,946,427	2,016,600
Current			
Grants receivable	7	**18,993,083**	5,445,961
Advances, prepayments and other receivables	8	**1,677,085**	7,106,471
Income tax refundable - net		**20,475,745**	22,094,047
Short term investments	9	**83,750,480**	71,000,000
Cash and bank balances	10	**8,612,893**	23,979,477
		133,509,286	129,625,956
Total assets		**135,455,713**	131,642,556
Funds and liabilities			
Fund			
General fund	11	**125,935,571**	112,827,200
		125,935,571	112,827,200
Liabilities			
Non-current			
Deferred grants	12	**2,756,812**	10,565,083
		2,756,812	10,565,083
Current			
Trade and other payables	13	**6,763,330**	8,250,273
		6,763,330	8,250,273
Total equity and liabilities		**135,455,713**	131,642,556
Contingencies and commitments	14		

The annexed notes 1 to 25 form an integral part of these financial statements.

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 June 30, 2025

	Note	2025 (Rupees)	2024 (Rupees)
Income			
Revenue	*15*	**105,698,523**	112,223,897
Other income	*16*	**13,848,856**	12,827,366
		119,547,379	125,051,263
Project Expenditure	*17*	**95,417,830**	101,497,561
Administrative expenses	*18*	**11,021,178**	5,127,403
Surplus before taxation		**13,108,371**	18,426,299
Provision for taxation	*19*	**-**	-
Surplus for the year		**13,108,371**	18,426,299

The annexed notes 1 to 25 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

KAARVAN CRAFTS FOUNDATION

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

Statement of Changes in Fund Balances

For the year ended June 30, 2025

	General fund (Rupees)
Balance as at June 30, 2023	94,400,901
Surplus for the year ended June 30, 2024	18,426,299
Balance as at June 30, 2024	**112,827,200**
Surplus for the year ended June 30, 2025	13,108,371
Balance as at June 30, 2025	**125,935,571**

The annexed notes 1 to 25 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

KAARVAN CRAFTS FOUNDATION

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

Statement of Cash Flows

For the year ended June 30, 2025

	Note	2025 (Rupees)	2024 (Rupees)
Cash flows from operating activities			
Surplus for the year		**13,108,371**	18,426,299
Adjustments for non cash items:			
Depreciation	**5**	**358,252**	452,790
Provision for gratuity	**18.1**	**1,766,390**	1,790,276
Income tax refundable written off		**1,623,124**	
(Gain) on disposal of property and equipment		**(212,922)**	-
Grants amortisation		**(99,718,578)**	(103,959,067)
		(96,183,734)	(101,716,001)
Operating deficit before working capital changes		**(83,075,363)**	(83,289,702)
Working capital changes:			
(Increase)/ Decrease in advances, prepayments & other receivables		**5,429,385**	(2,849,772)
Increase/(Decrease) in trade and other payables		**(1,587,281)**	1,825,333
		3,842,104	(1,024,439)
Cash used in operations		**(79,233,259)**	(84,314,141)
Gratuity paid during the year	**13.1**	**(1,666,052)**	(1,084,213)
Grants received during the year		**78,363,185**	101,262,659
Tax paid		**(4,822)**	-
		76,692,311	100,178,446
Net cash (used in)/ from operating activities		**(2,540,948)**	15,864,305
Cash flows from investing activities			
Proceeds from disposal of assets during the year		**605,177**	-
Purchase of assets during the year		**(957,859)**	(232,000)
Decrease in long term security deposits		**277,526**	-
Investment made during the year		**(12,750,480)**	(16,000,000)
Net cash (used in) investing activities		**(12,825,636)**	(16,232,000)
Cash flows from financing activities		**-**	-
(Decrease) in cash and cash equivalents		**(15,366,584)**	(367,695)
Cash and cash equivalents at the beginning of year		**23,979,477**	24,347,172
Cash and cash equivalents at the end of year	**10**	**8,612,893**	23,979,477

The annexed notes 1 to 25 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER | **DIRECTOR**