FURNITURE PAKISTAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2017

RIAZ AHMAD, SAQIB, GOHAR & CO.
Chartered Accountants

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Services for Growth

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A member of
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Building No. 35 - D / E, Ali Block,
New Garden Town, Lahore.
Tel: (92-42) 35940246-7
Fax: (92-42) 35940248

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of the Furniture Pakistan ('the Company') as at June 30, 2017 and the related statement of income and expenditure, statement of cash flows and statement of changes in net assets together with the notes forming part thereof (here in after called as the financial statements), 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 auditing standards 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 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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion :

  (i) the statement of financial position and statement of income and expenditure 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 statement of financial position, statement of income and expenditure, statement of cash flows and statement of changes in net assets 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 June 30, 2017 and of the deficit, its cash flows and changes in net assets for the year then ended;

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980; and

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c) Without qualifying opinion, we draw attention to note 1.2 to the financial statements which states that licensed granted under section 42 of the Companies Ordinances, 1984 by Securities and Exchange Commission of Pakistan has been expired on August 03, 2012. It has to be renewed for further period of five years but as on date of approval of financial statements, the license has not been renewed.

The financial statements of the Company for the year ended 30 June 2016 were audited by another auditor whose report dated 15 June 2017 expressed an unqualified opinion.

Lahore : 12 OCT 2017

(Chartered Accountants)
Muhammad Ali Rafique

FURNITURE PAKISTAN

(A Company Incorporated under section 42 of the Companies Ordinance, 1984)

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2017

	Note	2017	(Restated) 2016	(Restated) 2015
		Rupees		
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	5	**386,386,376**	406,565,799	422,149,992
Intangible assets		**-**	-	85,587
Long term security deposits	6	**1,286,500**	1,286,500	1,286,500
		387,672,876	407,852,299	423,522,079
CURRENT ASSETS				
Advances, prepayments and other receivables	7	**8,865,892**	12,288,364	14,306,087
Stock in hand	8	**490,000**	-	-
Tax due from Government		**3,047,676**	3,047,676	3,047,676
Cash and bank balances	9	**8,940,478**	252,172	12,613,203
		21,344,046	15,588,212	29,966,966
TOTAL ASSETS		**409,016,921**	423,440,511	453,489,045
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Trade and other payables	10	**3,614,772**	9,800,876	2,311,056
NET ASSETS				
Unrestricted net assets				
Operating loss		**(374,126,781)**	(325,889,295)	(251,350,941)
Restricted net assets				
Share capital	11	**250,782,980**	250,782,980	250,782,980
Share deposit money	12	**528,745,950**	488,745,950	451,745,950
		779,528,930	739,528,930	702,528,930
		405,402,149	413,639,635	451,177,989
TOTAL LIABILITIES AND NET ASSETS		**409,016,921**	423,440,511	453,489,045
CONTINGENCIES AND COMMITMENTS	13			

The annexed notes from 1 to 21 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

FURNITURE PAKISTAN

(A Company Incorporated under section 42 of the Companies Ordinance, 1984)

STATEMENT OF INCOME AND EXPENDITURE

FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	(Restated) 2016
		----------*Rupees*----------	
INCOME			
Other income	14	**2,201,536**	2,517,744
		2,201,536	2,517,744
EXPENDITURES			
Salaries, wages and other benefits		**16,452,742**	34,104,288
Directors' meeting fees and expenses		**1,352,352**	1,047,371
Security expenses		**1,350,190**	1,345,720
Printing and stationery		**178,058**	519,598
Travel and conveyance		**215,124**	1,138,869
Office rent		**3,000,000**	3,250,000
Vehicle running expenses		**248,455**	1,124,031
Repairs and maintenance		**158,580**	3,996,686
Telephone, fax and internet		**245,744**	295,873
Utilities and fuel expenses		**852,797**	1,955,973
Postage and courier		**76,817**	91,492
Meeting and conference		**46,275**	98,062
Advertisement		**739,399**	1,149,167
Entertainment		**28,046**	153,207
Legal and professional charges		**721,095**	1,292,803
Bank charges		**34,135**	56,592
Auditors' remuneration		**86,000**	75,000
Technical assistance		-	318,850
Material consumed on manufacturing and training		**867,823**	2,057,740
Bad debt write off	7.4.1	**3,441,094**	236,640
Depreciation	5	**20,245,923**	22,025,625
Amortization		-	85,587
Others		**98,372**	636,924
		(50,439,021)	(77,056,098)
Deficit before taxation		**(48,237,486)**	(74,538,354)
Taxation		-	-
Deficit after taxation		**(48,237,486)**	(74,538,354)

The annexed notes from 1 to 21 form an integral part of these financial statements.

CHIEF EXECUTIVE   DIRECTOR

FURNITURE PAKISTAN

(A Company Incorporated under section 42 of the Companies Ordinance, 1984)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		----------Rupees----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit before taxation		**(48,237,486)**	(74,538,354)
Adjustment for non cash charges and other items:			
Depreciation	5	**20,245,923**	22,025,625
Amortization		**-**	85,587
Interest income		**(396,463)**	455,345
Financial charges		**34,135**	56,592
		19,883,595	22,623,149
Operating cash flows before working capital changes		**(28,353,890)**	(51,915,205)
Working capital changes:			
(Increase)/decrease in current assets:			
Advances, prepayments and other receivables		**3,422,472**	2,146,649
Stock in hand		**(490,000)**	-
(Decrease)/increase in current liabilities:			
Creditors, accrued and other liabilities		**(6,186,104)**	7,489,820
Cash used in operations		**(31,607,523)**	(42,278,736)
Financial charges paid		**(34,135)**	(56,592)
Interest income received		**396,463**	(455,345)
Income tax paid		**-**	(128,926)
Net cash used in operating activities		**(31,245,194)**	(42,919,599)
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition in operating fixed assets		**(66,500)**	(6,441,432)
Net cash used in investing activities		**(66,500)**	(6,441,432)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share deposit money received		**40,000,000**	37,000,000
Net cash generated from financing activities		**40,000,000**	37,000,000
Net increase/(decrease) in cash and cash equivalents		**8,688,306**	(12,361,031)
Cash and cash equivalents at the beginning of the year		**252,172**	12,613,203
Cash and cash equivalents at the end of the year	9	**8,940,478**	252,172

The annexed notes from 1 to 21 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

FURNITURE PAKISTAN

(A Company Incorporated under section 42 of the Companies Ordinance, 1984)

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Restricted		
	Operating loss	Share capital	Share deposit money	Total
	----------Rupees----------			
Balance as at June 30, 2015-previously reported	**(245,583,691)**	**250,782,980**	**451,745,950**	**456,945,239**
Effect of correction of prior period error (Note 19)	(5,767,250)	-	-	(5,767,250)
Balance as at June 30, 2015-restated	**(251,350,941)**	**250,782,980**	**451,745,950**	**451,177,989**
Deficit for the year-restated	(74,538,354)	-	-	(74,538,354)
Deposit received during the year	-	-	37,000,000	37,000,000
Balance as at June 30, 2016-restated	**(325,889,295)**	**250,782,980**	**488,745,950**	**413,639,635**
Deficit for the year	(48,237,486)	-	-	**(48,237,486)**
Deposit received during the year	-	-	40,000,000	**40,000,000**
Balance as at June 30, 2017	**(374,126,781)**	**250,782,980**	**528,745,950**	**405,402,149**

The annexed notes from 1 to 21 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

FURNITURE PAKISTAN

(A Company Incorporated under section 42 of the Companies Ordinance, 1984)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

1. The company and its operations

1.1 The Furniture Pakistan ("the Company") is limited by guarantee having share capital was incorporated on August 06, 2007 under section 42 of the Companies Ordinance, 1984. The Company is a wholly owned subsidiary of Pakistan Industrial Development Corporation (Pvt.) Limited (PIDC), sponsored by Ministry of Industries & Production, Government of Pakistan. The registered office of the company is situated at 4-A, Lawrence Road, Lahore. The main objectives of the Company is to promote, develop and upgrade furniture sector of Pakistan and to strengthen and support the technical capabilities thereof so as to enhance competitiveness of the sector as whole, on non-profit basis..

1.2 Securities and Exchange Commission of Pakistan had granted license under section 42 of the Companies Ordinance, 1984 upto August 03, 2012. It has to be renewed for further period of five years but as on date of approval of financial statements, the license has not been renewed.

2. Basis of preparation

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting standard as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB), accounting standard for Not for Profit Organization (NPOs) issued by ICAP and provision of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail. When the concepts contained in approved accounting standard for Not for Profit Organization (NPOs) conflict with IFRSs, the requirements of the IFRS shall prevail.

During the year, the Companies Act, 2017 was enacted on May 30, 2017 and came into force at once subsequently, Securities and Exchange Commission of Pakistan has notified through Circular No.17 of July 20, 2017 that companies whose financial year closes on or before June 30, 2017 shall prepare their financials statements in accordance with the provision of the repealed Companies Ordinance, 1984.Therefore, these financial statements have been prepared under the companies Ordinance, 1984.

Institute of Chartered Accountant of Pakistan has issued "Accounting Standard for Not for Profit Organization" (NPOs), as the result the Company has changed its accounting frame work from International Accounting Standards for Medium Size Entities (IFRS for SMEs) issued by IASB to International Financial Reporting Standard (IFRS) issued by IASB and Accounting Standard for Not for Profit Organization (NPOs) issued by ICAP.

The change in accounting framework has not resulted in any significant changes to the amount recognized in the financial statements or comparative information except note # 16 and 18.

2.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupee which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee.

2.3 New and amended standards and interpretations

Standards, interpretations and amendments to accounting standards that are effective and relevant Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on January 1, 2016 and are considered to be relevant to the Company's operations:

a) **IAS 1,** 'Presentation of financial statements' aims to improve presentation and disclosure in financial reports by emphasising the importance of understandability, comparability and clarity in presentation.

The amendments provide clarification on number of issues, including:
Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
Notes – confirmation that the notes do not need to be presented in a particular order.
Other Comprehensive Income (OCI) - arising from investments accounted for under the equity method – the share of the OCI arising from equity - accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

b) **IAS 16,** 'Property, Plant and Equipment' - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16.

c) **IAS 38,** 'Intangible Assets' - Amendments regarding the clarification of acceptable methods of depreciation and amortisation.

Standards, interpretations and amendments to accounting standards that are effective but not relevant

There are certain other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2016 which are considered not to be relevant or to have any significant effect on the Company's financial reporting and operation and hence have not been detailed here.

Standards, interpretations and amendments to accounting standards that are not yet effective and have not been early adopted by the Company

The following are the new standards and amendments to approved accounting standards which are not effective for the financial year beginning on or after July 1, 2016 and have not been early adopted by the Company:

a. **IFRS 9, 'Financial Instruments' is applicable on accounting periods beginning on or after January 1, 2018.** IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. This IFRS is under consideration of SECP and the relevant committee of the Institute. The Company has yet to assess the impact of these changes on its financial statements.

b. **IFRS 15, 'Revenue from Contracts with Customers' is applicable on accounting periods beginning on or after January 1, 2018.** The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of goods or services transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Company has yet to assess the impact of this standard on its financial statements.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not yet relevant to the Company and, therefore, have not been presented here.

3 Basis of measurement

These financial statements have been prepared in accordance with the historical cost convention without any adjustment for the effects of inflation or the prevailing values. The Company significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgment or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. 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 involving high degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

3.1 Accounting estimates

The preparation of financial statements in conformity with approved accounting standards requires 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 assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4 Significant accounting policies

The significant accounting policies adopted in the preparation 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 and equipment

Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and impairment, if any, except for leasehold and freehold land which are stated at cost. Depreciation is charged on reducing balance method at the rates specified in Note 5 to write off the cost of an asset over its estimated useful life. Depreciation is charged from the month of acquisition of the assets while no depreciation is charges in the month in which asset are disposed off. No amortization is provided on leasehold land as cost of renewing lease is nominal and realizable value is higher than cost.

Normal repairs and maintenance are charged to current year's income as and when incurred, while major renewals and improvements are capitalized if it is probable that the respective future economic benefits will flow to the Company and the cost of the item can be measured reliably, and asset so replaced, if any, are retired.

Gains and losses on disposal of property and equipment are included in income currently.

Capital work-in-progress

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

4.2 Impairment of Assets

The carrying amounts of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss

4.3 Advances and other receivable

Advances and other receivable are carried at original amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.4 Stock in hand

Stock-in-hand is valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw materials in transit.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses.

4.5 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the statement of financial position. For the purpose of statement of cash flows, cash and cash equivalents comprise of cash in hand and bank balances.

4.6 Trade and other payable

Trade and other payable are recognized at cost which as the fair value of the consideration to be paid in future for goods and services. The recoverable amount is equal to fair value.

4.7 Related party transactions

The Company enters into transactions with related parties on an arm's length basis except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

4.8 Unrestricted net assets

Net assets that are not subject to Parent-imposed stipulations, but may be designated for specific purposes by action of the Board of Directors

4.9 Restricted net assets

Net assets subject to externally imposed stipulations that specify the purpose for which the asset is to be retained

4.10 Revenue recognition

Income on bank deposits is recognized on accrual basis.

Income from centers is recognized on receipt basis.

4.11 Taxation

Previously, the Company had exemption certificate under section 2 (36) of Income Tax Ordinance, 2001 ("the Ordinance") and tax payable was subject to 100% tax credit under section 100C of the Ordinance. However, this certificate was expired during the year vide SRO 754(I)/2006 dated August 15, 2016 and as at balance sheet date, the certificate was not yet renewed. The Company is in the process of renewal of certificate, therefore, no provision has been provided in the accounts.

4.12 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

4.13 Financial instruments

Financial instruments carried on the statement of financial position include long term deposits, advances and other receivables, cash and bank balances and trade and other payables etc.
Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instruments at fair value through profit or loss" which are initially measured at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

4.14 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets or settle the liabilities simultaneously.

5 Property, plant and equipment

	Note	2017	2016
		------Rupees------	
Operating fixed assets	5.1	**317,077,334**	337,256,757
Capital work in progress	5.2	**69,309,042**	69,309,042
		386,386,376	406,565,799

5.1 Operating fixed assets

Particulars	Cost: As at July 01, 2016	Cost: Additions	Cost: As at June 30, 2017	Rate %	Accumulated depreciation: As at July 01, 2016	Accumulated depreciation: Charge for the year	Accumulated depreciation: As at June 30, 2017	Written down value as at June 30, 2017
Owned	------Rupees------				------Rupees------			---Rupees---
Lease hold improvements	5,051,453	-	**5,051,453**	33%	4,344,507	233,292	4,577,799	**473,654**
Furniture and fixtures	3,028,448	66,500	**3,094,948**	10%	1,313,928	178,102	1,492,030	**1,602,918**
Plant and machinery	206,260,510	-	**206,260,510**	5%	12,211,061	9,702,472	21,913,533	**184,346,977**
Office equipment	3,234,230	-	**3,234,230**	20%	1,786,045	289,637	2,075,682	**1,158,548**
Library books	21,355	-	**21,355**	20%	12,663	1,738	14,401	**6,954**
Computers and accessories	1,866,381	-	**1,866,381**	30%	1,092,174	232,262	1,324,436	**541,945**
Vehicles	7,930,300	-	**7,930,300**	20%	5,948,010	396,458	6,344,468	**1,585,832**
CFTMC Chiniot								
Land free hold	28,358,640	-	**28,358,640**		-	-	-	**28,358,640**
Building on free hold land	30,282,725	-	**30,282,725**	10%	8,253,436	2,202,929	10,456,365	**19,826,360**
Office equipment	73,750	-	**73,750**	20%	15,733	11,603	27,336	**46,414**
CEFWA Sargodha								
Buildings (Note 5.1.1)	47,381,706	-	**47,381,706**	10%	12,091,409	3,529,030	15,620,439	**31,761,267**
Furniture and fixtures	267,500	-	**267,500**	10%	74,117	19,338	93,455	**174,045**
Office equipment	544,452	-	**544,452**	20%	163,667	76,157	239,824	**304,628**
CFTMC Peshawar								
Building on free hold land	17,273,757	-	**17,273,757**	10%	3,951,999	1,332,176	5,284,175	**11,989,582**
Solar Kiln Project								
Solar Kilns (Note 5.1.2)	9,132,680	-	**9,132,680**	10%	4,234,876	489,780	4,724,656	**4,408,024**
	360,707,887	**66,500**	**360,774,387**		**55,493,625**	**18,694,976**	**74,188,601**	**286,585,786**
Leased (Note 5.1.3)								
Lease hold land	16,533,020	-	**16,533,020**		-	-	-	**16,533,020**
Building on lease hold land	18,000,000	-	**18,000,000**	10%	5,862,150	1,213,785	7,075,935	**10,924,065**
Electric installation on lease hold land	5,000,000	-	**5,000,000**	10%	1,628,375	337,163	1,965,538	**3,034,463**
	400,240,907	**66,500**	**400,307,407**		**62,984,150**	**20,245,923**	**83,230,073**	**317,077,334**

5.1.1 These buildings are constructed on the land provided for the project by Pakistan Industrial Development Corporation (PIDC)-a parent company.

5.1.2 This represent nine (09) Solar Kilns out of ten (10) in the custody and under usage of third parties.

5.1.3 This represent land on lease taken including building and electric installation having lease term 76 years with effect from 09 October, 2012.

5.1.4 Reconciliation of the carrying amounts at the beginning and end of the year is as follows:

Particulars	Cost			Rate	Accumulated depreciation			Written down value as at
	As at July 01, 2015	Additions	As at June 30, 2016	%	As at July 01, 2015	Charge for the year	As at June 30, 2016	June 30, 2016
	------------Rupees------------				------------Rupees------------			---Rupees---
Owned								
Lease hold improvements	5,051,453	-	5,051,453	*33%*	3,996,309	348,198	4,344,507	706,946
Furniture and fixtures	2,820,248	208,200	3,028,448	*10%*	1,128,190	185,738	1,313,928	1,714,520
Plant and machinery	206,260,510	-	206,260,510	*5%*	1,997,932	10,213,129	12,211,061	194,049,449
Office equipment	1,720,080	1,514,150	3,234,230	*20%*	1,114,672	671,373	1,786,045	1,448,185
Library books	16,856	4,499	21,355	*20%*	11,302	1,361	12,663	8,692
Computers and accessories	1,202,781	663,600	1,866,381	*30%*	914,224	177,950	1,092,174	774,207
Vehicles	7,790,120	140,180	7,930,300	*20%*	5,469,266	478,744	5,948,010	1,982,290
CFTMC Chiniot								
Land free hold	28,358,640	-	28,358,640		-	-	-	28,358,640
Building on free hold land	30,282,725	-	30,282,725	*10%*	5,805,737	2,447,699	8,253,436	22,029,289
Office equipment	73,750	-	73,750	*20%*	1,229	14,504	15,733	58,017
CEFWA Sargodha								
Land free hold	-	-	-		-	-	-	-
Buildings	47,381,706	-	47,381,706	*10%*	8,170,265	3,921,144	12,091,409	35,290,297
Furniture and fixtures	267,500	-	267,500	*10%*	52,630	21,487	74,117	193,383
Office equipment	247,552	296,900	544,452	*20%*	80,842	82,825	163,667	380,785
CFTMC Peshawar			-				-	-
Building on free hold land	13,659,854	3,613,903	17,273,757	*10%*	2,758,001	1,193,998	3,951,999	13,321,758
Solar Kiln Project			-				-	-
Solar Kilns	9,132,680	-	9,132,680	*10%*	3,690,676	544,200	4,234,876	4,897,804
	354,266,455	6,441,432	360,707,887		35,191,275	20,302,350	55,493,625	305,214,262
Leased								
Lease hold land	16,533,020	-	16,533,020		-	-	-	16,533,020
Building on lease hold land	18,000,000	-	18,000,000	*10%*	4,513,500	1,348,650	5,862,150	12,137,850
Electric installation on lease hold land	5,000,000	-	5,000,000	*10%*	1,253,750	374,625	1,628,375	3,371,625
2016-restated	393,799,475	6,441,432	400,240,907		40,958,525	22,025,625	62,984,150	337,256,757
2015-restated	190,866,665	202,932,810	393,799,475		26,671,876	14,286,649	40,958,525	352,840,950

	2017	2016
	-------Rupees-------	
5.2 Capital work in progress		
Plant and machinery	**66,911,764**	66,911,764
Advances to contractors	**2,397,278**	2,397,278
	69,309,042	69,309,042

	Note	2017	2016
		----------Rupees----------	
6. Long term security deposits			
-against building used on rent		1,200,000	1,200,000
-others		86,500	86,500
		1,286,500	1,286,500

	Note	2017	2016
7. Advances, prepayments and other receivables			
Unsecured advances -considered good	7.1	1,283,182	1,514,001
Unsecured advances -considered doubtful	7.2	4,678,232	4,443,889
Other receivables	7.3	3,197,532	3,197,532
Tax deducted at source		3,374,680	3,332,842
Prepayments		-	36,740
		12,533,626	12,525,004
Less: Provision for doubtful debts	7.4	(3,667,734)	(236,640)
		8,865,892	12,288,364

7.1 This represent amount receivable from the executives of the Company against advances given for operational activities.

	Note	2017	2016
7.2 Unsecured advances -considered doubtful			
-to suppliers		3,822,094	3,832,094
-to Ex-Chief Executive Officer	7.2.1	1,545	1,545
-against expenses		445,593	
-against salaries		409,000	610,250
		4,678,232	4,443,889

7.2.1 This represent amount due from/to Ex-CEO (Mr.Faisal Shamim) of the Company , removed to his office with effect from 25 November, 2016.

	Note	2017	2016
7.3 Other receivables			
Due from the Parent Company	7.3.1	2,960,892	2,960,892
Considered doubtful		236,640	236,640
		3,197,532	3,197,532

7.3.1 This represent amount paid as the land registration fee, owned by the Parent Company in Sargodha, which was given to the company for its projects (Note 5.1.1). The settlement of this amount shall be finalized in due course of time.

	Note	2017	2016
7.4 Movement in provision for doubtful advances			
As at 01 July		236,640	236,640
Add: provision for the year	7.4.1	3,431,094	-
As at 30 June		3,667,734	236,640

	Note	2017	2016
7.4.1 Provision for the year	7.4.2		
Advances to staff against salaries:	7.4.1.1	409,000	
Advance to suppliers	7.4.1.2	3,022,094	
		3,431,094	-

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	Note	2017	2016
		----------Rupees----------	
7.4.1.1 Advances to staff against salaries:			
Mr. Shahzad Ansari		350,000	-
Mr. Ahmed Awan		40,000	-
Mr.Faisal Akbar		19,000	-
		409,000	-
7.4.1.2 Advance to suppliers			
Messrs Al noor traders		2,822,094	
Messrs Anjum Adil Associates		100,000	
Messrs Sheikh Liaqat Ali		100,000	-
		3,022,094	-
		3,431,094	-

7.4.2 The provision for doubt full debt is made in line with recommendations of audit committee which are ratified by the board of directors in his meeting dated 15 June, 2017.

8. This represent raw material (Rose Wood) purchased at CEFWA Sargodha for production purpose.

	Note	2017	2016
9. Cash and bank balances			
In hand		72,502	13,784
At banks:			
-saving accounts-local currency	9.1	8,816,372	112,330
-current accounts-local currency		51,604	126,058
		8,940,478	252,172

9.1 The balances in saving accounts bear mark-up at rate of 3.25 % to 3.75 % (2016: 3.75 % to 4.00 %) monthly.

	Note	2017	2016
10. Trade and other payables			
Creditors-unsecured-considered good		1,862,918	3,982,203
Retention money	10.1	1,065,717	1,065,717
Accrued expenses		411,217	2,358,018
Income tax payable		149,062	1,868,741
Audit fee payable		86,000	420,000
Due to Ex-Chief Executive Officer	7.2.1	1,623	-
Others		38,235	106,197
		3,614,772	9,800,876
10.1 Retention money			
M/S Arshad Mehmood		171,750	171,750
Mr. Firetech Enterprises		893,967	893,967
		1,065,717	1,065,717

11. Share capital

2017	2016		2017	2016
------Number of shares--------				
		Authorised		
60,000,000	60,000,000	Ordinary shares of Rs. 10/- each	600,000,000	600,000,000
		Issued, subscribed and paid up ordinary shares of Rs. 10 each fully paid in cash		
25,078,298	25,078,298		250,782,980	250,782,980

	2017	2016
	------*Number of shares*--------	

11.1 Ordinary shares of the Company held by related parties are as follows:

Pakistan Industrial Development Corporation (Pvt) Limited	**25,078,295**	25,078,295
CEO of the Parent Company	**1**	1
Secretary of Ministry of Industries & Production	**1**	1
CEO of the Company	**1**	1
	25,078,298	**25,078,298**

12. This represents amount received from the Parent Company - Pakistan Industrial Development Corporation (Pvt) Limited (PIDC) for further issue of share capital, as and when required by PIDC, after complying with the necessary requirements.

13. Contingencies and commitments

13.1 Contingencies:

The Company is exposed to uncertainty related to the outcome of the lawsuit filed against the company by various parties as on 30 June, 2017 as follow:

i. The company is contingently liable to amounts totalling to Rs. 19,594,336/-, which have not been recognized in these financial statements on the grounds that it was not probable that outflow of resources will be required to settle the obligation because, matters are under litigation, pending adjudication at the terminal date, as well as for want of due approvals and verifications of the work done by the contractors, detailed as under:

	2017	2016
	----------*Rupees*----------	
Messrs Sultan Engineering	**4,551,033**	4,551,033
M. Afzal	**12,455,067**	11,587,846
Messrs M. Naseem & Co.	**2,588,236**	2,588,236
	19,594,336	18,727,115

ii Further, inquiry against Mr.Faisal Shamim, Ex-CEO initiated by the Ministry of Industries and Production, and referred the case to National Accountability Bureau for investigation and appropriate legal action.

iii The Case was filed by the Mohsin Ghazanfar (Ex-employee of the Company), in National Industrial Relations Commission Islamabad, Lahore Bench, for his termination from his service and claimed the all back benefits suffered by him from this action. The said case is still pending since 31 March, 2016.

13.2 Commitments:

Commitments in respect of capital expenditure contracted for lease of land but not incurred as at June 30, 2017 amounts to Rs. 10 million.

	2017	2016
	----------*Rupees*----------	
14. Other income		
Income from financial assets		
Profit on deposit with banks	**396,463**	455,345
Income from non-financial assets		
Income from projects	**1,503,633**	2,062,399
Unclaimed balances written back	**301,440**	-
	2,201,536	2,517,744

15. Remuneration of Chief Executive Officer and Directors

15.1 Remuneration of the Chief Executive and Directors

The aggregate amounts charged in these financial statements for the year in respect of benefits to the Chief Executive of the Company are as follows:

	2017	2016
	----------Rupees----------	
Managerial remuneration		4,239,388
Perquisites and allowance	**110,400**	-
	110,400	4,239,388
Number of persons	**1**	1

15.1 With effect from 24 August, 2016, new Chief Executive Officer nominated by Ministry of Industries & Production, in replacement of curient CEO, vide Office Order No. 2(25)/2014-A-IV/ME-I, whose managerial remuneration born by Pakistan Engineering Company Limited.

15.2 With effect from 07 June, 2017, new Chief Executive Officer nominated by Ministry of Industries & Production vide Office Order No. 07(2)/2013-ES/ME-I, whose managerial remuneration born by Technology Upgrdation and Skill Development Company.

15.3 In addition to above, Chief Executive Officer has been used the Company's maintained car.

15.4 No remuneration has been paid during the year to the Directors. (2016: Nil) However, the aggregate amount charged in the financial statements for the year as fees to Directors is Rs. 750,000/- (2016: Rs. 540,000/-) for attending Board of Directors meetings.

16. Transactions with related parties

The Company is wholly owned subsidiary of Pakistan Industrial development Corporation (Pvt.) Limited sponsored by Ministry of Industries and production, Government of Pakistan. Its related parties comprise of Chief Executive Officer, member of Board of Directors (BoD) of the Company, management and those companies which are owned and operated by Ministry of Industries and production, Government of Pakistan and have a relationship with the company by virtue of common directorship. Transactions and balances with those and others related parties are given in respective notes to these financial statements. Other significant transactions with related parties are as follows:

Nature of relationship	Nature of transactions	2017	2016
		----------Rupees----------	
I. Parent	Share deposit money received	**40,000,000**	37,000,000
II. Management	Salaries and other benefits	**4,516,596**	9,452,147

17. Financial instrument and financial risk management

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board has overall responsibility for establishment and oversight of the Company risk management. The Company has exposure to credit risk, liquidity and market risk from its use of financial instruments.

a) Credit risk

Credit risk is the risk that one party to a financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempt to mange credit risk by keeping track of expenditure in respect of projects and operating activities and obtaing deposit against issue of share for it from the Parent Company.

The maximum exposure to credit risk at the reporting date was as follows:

	2017	2016
	----------*Rupees*---------	
Advances, prepayments and other receivables	**8,865,892**	12,288,364
Cash and bank balances (AAA rating)	**8,940,478**	252,172
	17,806,370	12,540,536
The aging of receivables at the reporting date is:		
Not past due	**212,000**	-
Past due 1 - 3 Months	**61,476**	201,250
Past due 1 - 6 Months	**398,782**	264,994
Past due more than 12 Months	**4,818,954**	8,489,278
	5,491,212	8,955,522

c) **Liquidity risk**

Liquidity risk reflects the entity's inability in raising funds to meet commitments, The Company manages liquidity risk by maintaining sufficient cash and balances with banks. As at June 30, 2017 there is no maturity mismatch between financial assets and liabilities that exposes the Company to liquidity risk.

d) **Market risk**

(i) **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to currency risk as all the transactions of the Company are denominated in Pak Rupees.

(ii) **Interest rate risk**

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 income is dependent on changes in market interest rates to the extent of Company's investment in interest-bearing assets. Such interest-bearing assets comprise of Company's investments in deposits with banks. These instruments carries fixed interest rates and are subject to fair value interest rate risk. The Company is not exposed to interest rate risk because it does not have any interest bearing assets and liabilities except for interest on bank balance in saving account.

(iii) **Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at 30 June, 2017, the Company is not exposed to price risk.

e) **Fair value of financial assets and liabilities**

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. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms. The fair values of the financial instruments have been analysed in various fair value levels as follows:

Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) [Level 2].

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

The carrying values of financial assets and financial liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

f) Capital management

The Board of Directors monitors the Company performance required for the sustainable operation of the Company. There were no changes made in the objectives, policies or processes from the previous year.

18. Number of employees

As at June 30, 2017 the Company has 26 employees (2016: 33) and average number of employees during the year were 28. (2016: 35)

19. Correction of prior period error

Lease hold land not recognized in accordance with Para-15-A of International Accounting Standard-17 'Lease' with effect from financial year 2012 to 2016. Further, the Company has recognized the bank balances of relevant centres in its books of accounts with effect from financial year 2016. The financial statements of 2017 have been restated to correct this error. The effects of change has been accounted for retrospectively in accordance with IAS 08 'Accounting Policies, Changes in Accounting Estimates and Errors', resulting in restatement of financial statements of prior periods. Resultantly, the cumulative effect of adjustments that arose as at 30 June, 2012 has been presented and disclosed as part of the statement of changes in net assets, while the corresponding period adjustment disclosed as part of statement of financial position and statement of income and expenditure. The effect of the restatement on those financial statements is summarized below:

	Effect on 2016	Up to June 2015
	----------*Rupees*----------	
Impact on statement of financial position		
Decrease in property, plant and equipment	**1,723,275**	5,767,250
Increase in bank balance	**125,384**	-
Increase/decrease in unrestricted net assets	**1,597,891**	5,767,250
Impact on statement of income and expenditure		
Increase in depreciation	**1,723,275**	5,767,250
Increase/decrease in deficit	**1,597,891**	5,767,250

20. Date of authorization

These financial statements have been authorized for issue by the Board of Directors of the Company on 12-Oct-2017.

21. General

21.1 Figures in the financial statements have been rounded off to the nearest rupee.

21.2 Corresponding Figures

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison.

Reclassification from component	**Reclassification to component**	**Rupees**
Advances, prepayments and other receivables		
	Long term security deposits	1,286,500
	Capital Work in Progress	2,397,278
Tax due from Government	Advances,prepayments and other receivable	3,332,842

CHIEF EXECUTIVE **DIRECTOR**