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INDEPENDENT AUDITOR'S REPORT

To the members of Pakistan Stone Development Company

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Stone Development Company (the Company), which comprises the statement of financial position as at June 30, 2019 and the statement of profit or loss , the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the loss, other comprehensive loss, the changes in equity 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 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 for matter

We draw attention to note 12 to the financial statements which describes the uncertainty relating to the outcome of pending lawsuit regarding the price escalation of land acquired for Marble City Risalpur.

Our opinion is not modified in respect of above matter.

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

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with the audit of 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 in the work we have performed, we conclude that there is a material misstatement of this 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 statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The financial statement of the company for the year ended June 30, 2018 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion on those financial statements vide their report dated January 10, 2019.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Umar Daraz.

Deloitte Yousuf Adil

Chartered Accountants

Place: Islamabad
Date: 13 DEC 2019

PAKISTAN STONE DEVELOPMENT COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
SHARE CAPITAL AND RESERVES			
Share capital		**1,021,855,000**	1,021,855,000
Advance against issue of shares		**1,172,580,402**	1,172,580,402
Accumulated deficit		**(1,702,061,900)**	(1,628,234,720)
		492,373,502	566,200,682
NON CURRENT LIABILITIES			
Deferred capital grant		**1,102,889**	3,378,344
Provision for compensated leave absences	9	**3,779,308**	3,471,185
		4,882,197	6,849,529
CURRENT LIABILITIES			
Trade and other payables	10	**85,277,423**	76,576,068
Advances from customers	11	**729,309,533**	863,020,733
		814,586,956	939,596,801
		1,311,842,656	1,512,647,012
CONTINGENCIES AND COMMITMENTS	12		

	Note	2019 Rupees	2018 Rupees
NON CURRENT ASSETS			
Property and equipment	13	**225,099,682**	237,853,128
Receivables from projects	14	**183,200,070**	218,089,929
Intangible assets		**4,518**	27,450
		408,304,270	455,970,507
CURRENT ASSETS			
Stores and spare parts	15	**29,056,373**	29,136,373
Stock in trade		**6,061,651**	6,061,651
Development properties	16	**728,822,528**	876,205,646
Trade debts - considered good	17	**36,619,755**	36,885,856
Advances	18	**8,522,655**	6,349,950
Deposits and prepayments	19	**4,175,609**	3,607,559
Other receivables	20	**6,353,445**	5,339,901
Advance income tax		**26,738,770**	26,388,698
Cash and bank balances	21	**57,187,600**	66,700,871
		903,538,386	1,056,676,505
		1,311,842,656	1,512,647,012

The annexed notes form 1 to 32 form integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PAKISTAN STONE DEVELOPMENT COMPANY
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Revenue	22	112,534,988	111,098,900
Cost of sales	23	(82,338,490)	(89,215,352)
		30,196,498	21,883,548
Administrative expenses	24	(81,641,677)	(87,003,163)
Provision for doubtful debts	17 & 20	(21,859,848)	-
Programme expenses	25	(683,682)	(731,772)
Other income	26	15,285,396	21,877,278
Reversal of impairment due to increase in NRV of Marble City Risalpur		10,282,531	-
		(48,420,782)	(43,974,109)
LOSS FOR THE YEAR		(48,420,782)	(43,974,109)

The annexed notes form 1 to 32 form integral part of these financial statements.

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CHIEF EXECUTIVE

DIRECTOR

PAKISTAN STONE DEVELOPMENT COMPANY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
Loss for the year	**(48,420,782)**	(43,974,109)
Other comprehensive income for the year		
Items that will not be subsequently recalssified to profit or loss		
Actuarial gain	**1,175,171**	321,745
Total comprehensive loss for the year	**(47,245,611)**	(43,652,364)

The annexed notes form 1 to 32 form integral part of these financial statements.

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CHIEF EXECUTIVE

DIRECTOR

PAKISTAN STONE DEVELOPMENT COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Note	Share capital	Capital reserve Advance against issue of shares	Revenue reserve Accumulated deficit	Total
		Rupees			
Balance at 01 July 2017		1,014,855,000	1,172,580,402	(1,584,582,356)	602,853,046
Total comprehensive income for the year					
Loss for the year		-	-	(43,974,109)	(43,974,109)
Other comprehensive income for the year		-	-	321,745	321,745
Total comprehensive loss for the year		-	-	(43,652,364)	(43,652,364)
Transactions with owners, recorded directly in equity		-			-
Issuance of shares to PIDC		7,000,000	-	-	7,000,000
Total transactions with owners, recorded directly in equity		7,000,000	-	-	7,000,000
Balance at 30 June 2018		1,021,855,000	1,172,580,402	(1,628,234,720)	566,200,682
Balance as at 01 July 2018		**1,021,855,000**	**1,172,580,402**	**(1,628,234,720)**	**566,200,682**
Adjustment to opening retained earning	11	-	-	(26,581,569)	(26,581,569)
Adjusted Balance as at 01 July 2018		**1,021,855,000**	**1,172,580,402**	**(1,654,816,289)**	**539,619,113**
Total comprehensive income for the year					
Loss for the year			-	(48,420,782)	(48,420,782)
Other comprehensive income		-	-	1,175,171	1,175,171
Total comprehensive loss for the year		-	-	**(47,245,611)**	**(47,245,611)**
Balance as at 30 June 2019		**1,021,855,000**	**1,172,580,402**	**(1,702,061,900)**	**492,373,502**

The annexed notes form 1 to 32 form integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PAKISTAN STONE DEVELOPMENT COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	**(48,420,782)**	(43,974,109)
Adjustments for:		
Depreciation	**46,733,680**	45,907,359
Staff retirement benefits	**4,923,086**	5,231,789
Amortization of intangible	**22,934**	22,936
Provision for doubtful debts	**21,859,848**	-
Income from saving accounts	**(2,807,932)**	(3,357,928)
Amortisation of deferred capital grant	**(2,275,455)**	(2,323,545)
	20,035,379	1,506,502
Changes in:		
Stores and spare parts	**80,000**	1,360,997
Development properties	**120,801,549**	(105,618,747)
Trade debts	**(20,863,289)**	(6,527,145)
Advances	**(2,172,705)**	804,924
Deposit and prepayments	**(568,050)**	(643,792)
Other receivables	**(1,744,002)**	(3,921,381)
Stock in trade	**-**	3,373,905
Trade and other payables	**7,399,122**	(2,305,107)
Advances from customers	**(133,711,200)**	30,165,000
Cash generated/(used in) operating activities	**(10,743,195)**	(81,804,844)
Tax paid	**(350,072)**	(397,087)
Staff retirement benefits paid/contributed	**(2,137,561)**	(4,861,100)
Net Cash generated/(used in) operating activities	**(13,230,828)**	(87,063,031)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	**(73,380)**	(2,189,992)
Increase/(Decrease) in receivables from projects	**983,005**	1,945,881
Proceeds from interest on saving accounts	**2,807,932**	3,357,928
Net cash generated from investing activities	**3,717,557**	3,113,817
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in share Capital	**-**	7,000,000
Net cash used in financing activities	**-**	7,000,000
Net decrease in cash and cash equivalents	**(9,513,271)**	(76,949,214)
Cash and cash equivalents at 1 July 2018	**66,700,871**	143,650,085
Cash and cash equivalents at 30 June 2019	**57,187,600**	66,700,871

The annexed notes form 1 to 32 form integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

1 THE COMPANY AND NATURE OF OPERATIONS

1.1 Pakistan Stone Development Company (the "Company) is a public company limited by guarantee having share capital, incorporated and licensed under section 42 of the Companies Ordinance, 1984 (now 'Companies Act, 2017'). The Company is a subsidiary of Ministry of Industries and Production, Government of Pakistan (MOIP) (the " Parent Company"). The objective of the Company is to upgrade the supply of marble and granite through improved quarrying practices and support infrastructure. This involves introduction of new technologies and techniques and establishment of model quarries, up gradation of existing quarries, establishment of Industrial Cities and Rock Mining Training Institutes to impart quarrying skills in Pakistan. The registered office of the Company is situated at Islamabad Chamber of Commerce Building, 2nd floor, G-8/1 Mauve Area Islamabad, Pakistan.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017.

- Provisions of and directives issued under the Companies Act, 201 7;

- Accounting Standard for Not for profit Organisations issued by the Institute of Chartered Accountants of Pakistan.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Pakistan Rupees (PKR) which is the Company's functional and presentation currency.

3. USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements is in conformity with approved accounting and reporting standards that require the use of certain critical accounting estimates. They also require 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 historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively

Information about critical judgments in applying policies that have the most significant effect on the amounts recognized in the financial statements is as follows:

a) **Property and equipment**

The Company reviews useful lives and residual value of property and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding effect on the depreciation charge and impairment.

b) **Impairment of assets**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. Any change in estimates in future years might affect the carrying amounts of respective assets with a corresponding effect on depreciation/ amortization charge and impairment.

c) **Stores and spare parts**

The Company reviews the carrying amount of stores and spare parts on a regular basis to assess any diminution in carrying value. Carrying value of stores, spare parts and loose tools is adjusted where the net realisable value is below the cost.

d) **Provision against trade debts, advances and other receivables**

The carrying amounts of trade debts, advances and other receivables are assessed on a regular basis and if there is any doubt about the realisability of their carrying amounts, appropriate amount of provision is made.

e) **Provisions and Contingencies**

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate disclosure or provision is made.

f) **Stock in Trade**

The Company reviews the carrying value of stock in trade to assess any diminution in carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

4. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

4.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019.

	Effective from accounting period beginning on or after
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	January 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2018
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018

	Effective from accounting period beginning on or after
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018

4.1.1 IFRS 9 Financial Instruments:

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39.

IFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities ii) Impairment of financial assets and iii) hedge accounting. Details of these new requirements as well as their impact on the Company's financial statements are described below:

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach for classification and measurement and impairment. This means that the cumulative impact of the adoption has been recognized in unappropriated profit as of July 1, 2018 and that comparatives are not restated.

Classification and measurement of financial assets and financial liabilities

This new standard requires the Company to assess the classification of financial assets in its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial asset.

IFRS 9 no longer has an "Available for Sale" classification for financial assets. IFRS 9 has different requirements for debt and equity financial assets.

Debt instrument should be classified and measured at

- amortised cost, where the effective interest rate method will apply;
- fair value through other comprehensive income, with subsequent recycling to the profit or loss upon disposal of the financial asset; or
- fair value through profit or loss

Investment in equity instruments, other than those to which consolidation or equity accounting applies should be classified and measured at:

- fair value through other comprehensive income, with no subsequent recycling to the profit or loss upon disposal of the financial asset; or
- fair value through profit or loss

Application of IFRS 9 had no impact on financial liabilities of the Company.

Assessment of financial impact of measurement requirements on adoption of IFRS 9 as at July 1, 2018 is as follows:

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original Rs.	New Rs.	Difference Rs.
Current financial assets					
Trade debts	Loans and Receivables	Amortised Cost	36,855,856	36,855,856	-
Advances	Loans and Receivables	Amortised Cost	6,349,950	6,349,950	-
Other receivables	Loans and Receivables	Amortised Cost	5,339,901	5,339,901	-
Cash and bank balances	Loans and Receivables	Amortised Cost	66,700,871	66,700,871	-
Non Current financial assets					
Receivables from projects	Loans and Receivables	Amortised Cost	218,089,929	218,089,929	-
Current financial liabilities					
Trade and other payable	Other financial liabilities	Amortised Cost	76,576,068	76,576,068	-
Non-current financial liabilities					
Provision for compensated l	Other financial liabilities	Amortised Cost	3,471,185	3,471,185	-

Impairment of financial assets

IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaced the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets, since initial recognition, irrespective of whether a loss event has occurred or not. The impairment methodology depends on whether there has been a significant increase in credit risk. For financial assets advances, deposits, other receivables and cash and bank balances the Company measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

4.1.2 IFRS 15 'Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5 - step approach to revenue recognition.

Step 1	Identify the contract with a customer
Step 2	Identify the performance obligations in the contract
Step 3	Determine the transaction price
Step 4	Allocate the transaction price to the performance obligations in the contract
Step 5	Recognise revenue when (or as) the entity satisfies a performance obligation

The Company has assessed the impact of IFRS-15 on its financial statements and identified two separate performance obligations related to the transfer of plots to allottees in marble city Risalpur i.e transfering control of plots and provision of utilities to allottees.the impace of IFRS 15 on the financial statements is disclosed in Note 11.

Other standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

4.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial	January 01, 2019
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

	Effective from accounting period beginning on or after
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments	January 01, 2020
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

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

IFRS 16 'Leases' replaces the previous lease standard: IAS 17 Leases and is effective from annual accounting period beginning on or after January 01, 2019. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.
Management is in the process of assessing the impact of changes laid down by this standard on its financial statements.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standar
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 PROPERTY AND EQUIPMENT

These are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management. These assets are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses, if any.

The cost includes the cost of replacing parts of the plant and equipment when that cost is incurred, if the recognition criteria are met. Depreciation is charged using the straight line method at the rates specified in note 5 when assets are available for use. No depreciation is charged on the assets in the month of sale / disposal, while full depreciation is charged in the month of acquisition. Maintenance and normal repairs are charged to income for the year as and when incurred, while major renewals and improvements are capitalized.

The carrying amounts of the Company's assets are reviewed at each date of the statement of financial position to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are charged to income for the year. An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in profit and loss in the year the asset is derecognized. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

5.2 INTANGIBLE ASSETS

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and that the cost of such asset can also be measured reliably. Intangible assets having definite useful life are stated at cost less accumulated amortization and are amortized based on the pattern in which the assets' economic benefits are consumed. Intangible assets which have indefinite useful life are not amortized and tested for impairment annually, if any.

5.3 STORES AND SPARE PARTS

Store and spare parts are valued at the lower of weighted average cost and net realizable value. Cost is based on weighted average cost principles and comprise of costs of purchase and other costs incurred in bringing the assets to their present location and condition. Items considered obsolete based on physical form of related items are fully provided for.

5.4 DEVELOPMENT PROPERTIES

Development properties include land acquired for development of industrial plots to organize dimensional stone industry activities, such as processing, training, establishment of marble storage and display centers, within one vicinity. These are carried in the balance sheet at lower of cost and net realizable value. Cost includes purchase costs, related Government taxes, construction cost, borrowing cost and other overheads necessary to bring the properties in saleable condition. Net realizable value represents the selling price in the ordinary course of business less cost of completion and estimated cost necessary to be incurred for sale.

5.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises of cash balances and bank deposits. Cash equivalents are 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.

5.6 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are initially recognized at fair value which is the invoice value. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment (if any). Any change in their value is recognized in profit and loss. Trade and other receivables are assessed on regular basis for impairment.

5.7 RESTRICTED GRANT

Grants received for specific purposes and interest thereon are classified as restricted grants. Such grants are transferred to income as grants to the extent of actual expenditure incurred there against. Expenditure incurred against grant committed but not received is accrued and recognised in income and is reflected as receivable from donors. Unspent portion of such grants are reflected as restricted grants in the balance sheet.

5.8 DEFERED CAPITAL GRANT

Monetary grant received for capital expenditure is accounted for as deferred capital grant. Amount equal to the annual charge for depreciation on asset so acquired is recognised as income in the income and expenditure account.

5.9 STAFF RETIREMENT BRENIFITS

The Company has defined benefit funded gratuity plan for all of its eligible employees. The fund is administered by trustees. Annual contribution to the gratuity is based on actuarial valuation using Projected Unit Credit Method, related details are given in note 10.1 to the financial statements.

Charge for the year is recognized in profit and loss account. Actuarial gains or losses arising on actuarial valuation are recorded directly in the other comprehensive income.

Calculation of gratuity requires assumptions to be made of future outcomes which mainly include increase in remuneration, expected long term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in underlying assumptions.

The Company accounts for all compensated absences when employees render services that increase their entitlement to future compensated absences. Cash compansation for the balance of earned leaves upto maximum of 48 days at the time of retirement, resignation, death or termination of service. It shall be paid at the rate of latest gross salary to the regular and contract employee of the company.

5.10 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into PKR at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to income and expenditure account for the year.

5.11 STOCK IN TRADE

Stock in trade is valued at lower of cost or net realizable value whichever is lower. Cost of stock is based on the weighted average principle. Cost of stock comprises of direct labour and appropriate overheads. Net realizable value signifies estimated selling price less costs necessary to be incurred to effect such sale.

5.12 PROVISIONS

Provisions are recognized when the Company has a present 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 can be made of the amount of obligation. Provisions are reviewed at each Statement of financial position date and adjusted to reflect the current best estimate.

5.13 TRADE AND OTHER PAYABLES

Liabilities for trade and other amounts payables are carried at cost which is the fair value considered to be paid in the future for goods and services received, whether or not billed to the Company. Subsequent to initial recognition trade and other payables are measured at amortized cost using the effective interest

5.14 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

5.14.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets:

(i) Debt instruments designated at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

(ii) Debt instrument designated at other comprehensive income

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

• the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

Amortised cost and effective interest rate method:

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

• Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

• Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

Impairment of financial assets:

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables, contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

(i) Definition of default:

The Company considers the following as constituting an event of default for internal credit risk management purposesas historical experience indicates that financial assets that meet either of the following criteria are generally notrecoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(ii) Credit-impaired financial assets:

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties

(iii) Write-off policy:

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iv) Measurement and recognition of expected credit losses:

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets:

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

5.14.2 Financial Liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

(i) *Financial liabilities at FVTPL*

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in the consolidated statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in the consolidated statement profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch statement of in profit or loss. The remaining amount of change in the fair value of liability is recognised in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in statement of other comprehensive income are not subsequently reclassified to statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognised in profit or loss.

(ii) Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities:

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5.15 OFF-SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities and taxation assets and taxation liabilities are offset and the net amount reported in the statement of financial position, if the Company has a legally enforceable right to set-off the transaction and also intends to either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.16 BORRWONG COST

Markup, interest and other charges on borrowings are capitalized up to the date when the qualifying assets are substantially ready for their intended use. Borrowing cost is included in the related qualifying assets acquired / constructed out of the proceeds of such borrowings. All other markup, interest and related charges are charged to the income and expenditure account in the period in which they are incurred.

5.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when recovery of the consideration is probable, the associated costs can be estimated reliably, the amount of revenue can be measured reliably and when specific criteria have been met for each of the Company's activities as described below;

Income from machinery rental:

Income from rented equipment is recognized based on utilization by the customer. The rental income is billed in units of completed hours. Receipt of advance rental is recorded as unearned revenue.

Income sale of stone blocks:

Income from sale of stone blocks is recognised when the risk and rewards are transferred to the customers.

Income on investments and bank deposits:

Return on bank deposits and investments is recognized using the effective interest method.

5.18 . Taxation

The Company is registered as not for profit organization under section 2(36) the Income Tax Ordinance, 2001. The Company is eligible for tax credit under Section IOOC of the Income Tax Ordinance 2001 from grants, voluntary contributions, profits on short term deposit receipts, profits on saving bank accounts, investments in the securities of the Federal Government and so much of the income chargeable under the head "income from business" as is expended in Pakistan for the purposes of carrying out welfare activities. Accordingly, provision for taxation has not been made in these financial statements.

6 SHARE CAPITAL

Authorized share capital

2019	2018		2019	2018
(Number of shares)			Rupees	Rupees
110,000,000	110,000,000	Ordinary shares of Rs 10 each fully paid in cash	**1,100,000,000**	1,100,000,000

Issued, subscribed and paid-up share capital

2019	2018			
(Number of shares)				
102,185,500	102,185,500	Ordinary shares of Rs 10 each fully paid in cash	**1,021,855,000**	1,021,855,000

Ministry of Industries and Production (MoIP), Government of Pakistan is the Parent Company controlling 80,327,400 i.e. 78.61% (2018: 80,327,400 i.e. 78.61%) ordinary shares of Rs. 10 each of the Company and 21,858,100 i.e. 21.39% (2018: 21,858,100 i.e. 21.39%) ordinary shares of Rs. 10 each are held by Pakistan Industrial Development Corporation (PIDC), an associated company.

7 ADVANCE AGAINST ISSUE OF SHARES	Note	2019 Rupees	2018 Rupees
	7.1	**1,172,580,402**	1,172,580,402

7.1 Detail of advance against issue of shares as at 30 June is as follows:

	Note	2019 Rupees	2018 Rupees
Funds received from MoIP		**1,026,733,866**	1,026,733,866
Interest paid on long term loan by MoIP		**145,846,536**	145,846,536
	7.2	**1,172,580,402**	1,172,580,402

7.2 Shares against this advance have not been issued as currently the authorised share capital of the Company is not adequate. Currently the management of the Company is considering options to enhance the authorised share capital of the Company to enable the issue of equity shares at par against this amount.

8 DEFERRED CAPITAL GRANT	Note	2019 Rupees	2018 Rupees
Balance at 01 July		**3,378,344**	5,701,889
Amortization		**(2,275,455)**	(2,323,545)
Balance at 30 June	8.1	**1,102,889**	3,378,344

8.1 This represents un-amortized portion of contribution made by donors towards purchase of property and equipment. Detail of closing balance is as follows:

	Note	2019 Rupees	2018 Rupees
Trade Development Authority of Pakistan		397,944	1,989,717
GIZ		704,945	1,388,627
		1,102,889	3,378,344

9 PROVISION FOR COMPENSATED LEAVE ABSENCES

	Note	2019 Rupees	2018 Rupees
Provision for leave encashment	9.1	3,779,308	3,471,185

9.1 Provision for leave encashment

		2019 Rupees	2018 Rupees
Balance at 01 July		3,471,185	3,658,478
Booked during the year		445,684	172,229
Paid during the year		(137,561)	(359,522)
Balance at 30 June		3,779,308	3,471,185

10 TRADE AND OTHER PAYABLES

	Note	2019 Rupees	2018 Rupees
Trade creditors		7,024,331	9,024,331
Retention money payable		13,652,054	14,003,473
Accrued liabilities		12,869,125	11,077,145
Payable to Gratuity Fund	10.1	24,444,214	23,141,983
Sales tax payable		1,142	6,930
Income tax payable (withheld from parties)		222,587	8,827
Security deposits against rental income	10.2	25,134,419	17,946,490
Advance from customers against rental income		1,851,988	1,289,326
Other payables		77,563	77,563
		85,277,423	76,576,068

10.1 Payable to Gratuity Fund

		2019 Rupees	2018 Rupees
Present value of defined benefit obligation		30,370,681	27,853,973
Fair value of plan assets		(5,926,467)	(4,711,990)
Net obligation		24,444,214	23,141,983

Amount to be recognised in income and expenditure account

		2019 Rupees	2018 Rupees
Current service cost		2,805,245	3,407,164
Interest cost		2,205,655	1,652,396
Interest income on plan assets		(533,498)	(281,562)
		4,477,402	4,777,998

PAKISTAN STONE DEVELOPMENT COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2019

	2019	2018
Amount to be recognised in other comprehensive income	**Rupees**	Rupees
Actuarial gain on obligation	**(1,713,354)**	(609,724)
Actuarial loss on plan assets	**538,183**	287,979
	(1,175,171)	(321,745)
Expected contribution to be paid for the next year	**5,922,712**	**4,558,332**
Movement in present value of defined benefit obligation		
Present value of defined benefit obligation - at 01 July	**27,853,973**	25,226,381
Current service cost	**2,805,245**	3,407,164
Interest cost	**2,205,655**	1,933,958
Benefits paid	**(780,838)**	(2,103,806)
Remeasurement (gain) / loss on defined benefit obligation	**(1,713,354)**	(609,724)
Present value of defined benefit obligation - at 30 June	**30,370,681**	27,853,973
Movement in fair value of plan assets		
Fair value of plan assets - at 01 July	**4,711,990**	2,320,635
Expected return on plan assets	**533,498**	281,562
Contribution for the year	**2,000,000**	4,200,000
Benefits paid on behalf of fund	**-**	301,578
Benefits paid	**(780,838)**	(2,103,806)
Remeasurement loss on plan assets	**(538,183)**	(287,979)
Fair value of plan assets - at 30 June	**5,926,467**	4,711,990
Movement in obligation in balance sheet		
Balance at 01 July	**23,141,983**	22,905,746
Charge for the year	**4,477,402**	5,059,560
Actuarial loss / (gain) on gratuity valuation	**(1,175,171)**	(321,745)
Contribution during the year	**(2,000,000)**	(4,200,000)
Amount adjusted for benefits payment	**-**	(301,578)
Balance at 30 June	**24,444,214**	23,141,983
Actuarial assumptions	%	%
Valuation discount rate	14.50%	10%
Salary increase rate	14.50%	10%

Maturity Profile *Particulars*	**2019** **Rupees**	2018 Rupees
Year 1	**1,218,204**	981,017
Year 2	**1,314,825**	646,020
Year 3	**1,429,237**	618,537
Year 4	**1,598,625**	709,952
Year 5	**2,613,566**	1,071,730
Year 6 to Year 10	**33,508,692**	12,067,632
Year 11 and above	**620,301,908**	85,460,038

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumption set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in the respective assumptions by one percent.

	Defined Benefit Obligation	
	1 percent increase	**1 percent decrease**
	Effect in Rupees	
Discount rate	**(23,075,847)**	**(28,594,738)**
Salary increase rate	**28,609,081**	**23,017,879**

The above sensitivities are based on average duration of the benefit obligation determined at the date of the last actuarial valuation at 30 June 2018 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

10.2 These security deposits are not kept in a separate bank account as per the requirements of section 217 of the Companies Act, 2017.

11 **ADVANCES FROM CUSTOMERS**	*Note*	**2019** **Rupees**	2018 Rupees
Advance from allottees against development properties	*11.1*	**729,309,533**	863,020,733

11.1 This represents amount received against allocation of industrial plots in Marble City Risalpur. The Company has established marble city Risalpur-an industrial city developed to organize dimensional stone industry activities. The Company has issued provisional allotment letters to allottees and possession letters were awarded to 33 allottees up to June 30, 2019 (2018:33 allottees). During the prior periods, management linked the recording of adjustments pertaining to sale of plots of marble city Risalpur with the awaited final decision of the board regarding the lease term of the project and accordingly no accounting treatment had recorded in prior years against sale/lease of plots. In current year management has assessed the accounting treatment of the plots based on new requirement of IFRS 15 and that determination of lease term is not relevant for the accounting treatment as management is confident that lease term will be renewed in either case against minor renewal charges and therefore assessed the accounting treatment as per the requirement of IFRS 15. Management has assessed that there are two separate performance obligations i.e. handing over of plots and provision of Utilities. Management concluded that performance obligation related to the plots whose possession certificates had already been issued, had already been satisfied in prior years. Management has applied modified retrospective approach of IFRS 15 for recognition of the revenue against the plots based on the possession certificate issued and adjusted the cumulative effect in opening balance of retained earnings. The impact of IFRS 15 on the financial statements of the company as at July 01, 2018 is as follows:

Effect on Statement of Financial Position	2019 Rupees
(Decrease) in Advances from customers	**(135,417,200)**
(Decrease) in Development Properties	**(161,998,769)**
Increase in Accumulated Losses	**26,581,569**

Movement of advances from customers are as follows:

	2019	2018
Opening balance	**863,020,733**	832,855,733
Advance received from customers during the year	**1,706,000**	35,205,000
Advance adjusted/returned during the year	**(135,417,200)**	(5,040,000)
Closing balance	**729,309,533**	863,020,733

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

The Company acquired 185 acres of land from KPEZD & MC [formally known as Sarhad Development Authority ("SDA")] for the development of Marble City Risaplur. SDA purchased the land from ex-owners for the Company. Subsequent to this purchase ex-owners of the land filed case against SDA on 10 December 2007 in district court Nowshera, for upward revision of sale prices of land, followed by appeal in Peshawar High Court in 2009. The honourable Peshawar High Court in its decision dated 06 November 2017, has allowed market price of Rs. 23,684 per marla. Currently the case is pleaded before Supreme court of Pakistan which decision is yet awaited. As per the sale deed of 85 acres of land dated 15 August 2008 signed between the Company and SDA, the Company is liable to pay any subsequent increase in the cost of land allowed by the Court. The Company considers in the event that it is required to pay the increased market price, the Company is entitled to recover any increase in the cost of land/development cost of plot due to decision of worthy court from allotees under the terms and conditions of allotment. Accordingly, no provision has been recognised in these financial statements.

12.2 Commitments		2019 Rupees	2018 Rupees
Commitments	12.2.1	**114,152,406**	118,485,526

12.2.1 This includes commitments related to development of infrastructure in marble city risalpur with different contractors.

PAKISTAN STONE DEVELOPMENT COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2019

13. PROPERTY AND EQUIPMENT

	Freehold Land	Lease hold improvements	Machinery	Furniture and fittings	Vehicles	Office equipments	Computer and accessories	Pre-fabricated containers	Training tools	Capital work in progress	Total
						Rupees					
Cost											
Balance at 01 July 2017	12,000,000	5,313,759	950,152,670	3,657,776	27,805,224	5,849,250	7,240,958	5,208,743	2,081,129	40,736,700	1,060,046,209
Additions	-	-	-	-	2,152,204	37,788	-	-	-	-	2,189,992
Disposal of Vehicle	-	-	-	-	(7,999,119)	-	-	-	-	-	(7,999,119)
Balance at 30 June 2018	12,000,000	5,313,759	950,152,670	3,657,776	21,958,309	5,887,038	7,240,958	5,208,743	2,081,129	40,736,700	1,054,237,082
Balance at 01 July 2018	12,000,000	5,313,759	950,152,670	3,657,776	21,958,309	5,887,038	7,240,958	5,208,743	2,081,129	40,736,700	1,054,237,082
Additions	-	-	-	60,840	-	12,540	-	-	-	-	73,380
Transfer of assets from projects			31,899,068	-	2,007,786						33,906,854
Disposal of Assets	-	-	-	-	-		-	-	-	-	-
Balance at 30 June 2019	12,000,000	5,313,759	982,051,738	3,718,616	23,966,095	5,899,578	7,240,958	5,208,743	2,081,129	40,736,700	1,088,217,316
Accumulated depreciation											
Balance at 01 July 2017	-	3,835,936	726,646,222	2,845,341	27,742,009	4,533,401	7,105,778	4,486,681	1,280,346	-	778,475,714
Charge for the year		333,269	43,865,746	231,026	314,304	456,629	96,981	348,104	261,300	-	45,907,359
Acc.Dep of Disposed Vehicle	-	-	-	-	(7,999,119)	-	-	-	-	-	(7,999,119)
Balance at 30 June 2018	-	4,169,205	770,511,968	3,076,367	20,057,194	4,990,030	7,202,759	4,834,785	1,541,646	-	816,383,954
Balance at 01 July 2018	-	4,169,205	770,511,968	3,076,367	20,057,194	4,990,030	7,202,759	4,834,785	1,541,646	-	816,383,954
Charge for the year	-	333,269	44,324,784	207,650	831,998	427,472	35,875	311,333	261,299		46,733,680
Balance at 30 June 2019	-	4,502,474	814,836,752	3,284,017	20,889,192	5,417,502	7,238,634	5,146,118	1,802,945	-	863,117,634
Carrying amounts										-	
30 June 2019	12,000,000	811,285	167,214,986	434,599	3,076,903	482,076	2,324	62,625	278,184	40,736,700	225,099,682
30 June 2018	12,000,000	1,144,554	179,640,702	581,409	1,901,115	897,008	38,199	373,958	539,483	40,736,700	237,853,128
Rates of depreciation	-	20%	5%-10%	15%	20%	20%	33%	15%	20%	-	-

13.1 Machinery Includes cost of assets amounting to Rs. 54,396,678 (2018: Rs. 54,396,678) having book value of Rs.1,102,889 (2018: Rs 3,378,344) purchased from deferred capital grant received from Trade development Authority of Pakistan (TDAP) and GIZ.

13.2 Depreciation charge for the period has been allocated as follows

	2019 Rupees	2018 Rupees
Cost of machinery pool	**44,324,784**	43,865,746
Administrative expenses	**1,725,214**	1,309,841
Programme expenses - GIZ	**683,682**	731,772
	46,733,680	45,907,359

13.3 The breakup of capital work in progress is as follows:

	2019	2018
Civil Works	**26,759,239**	26,759,239
Plant and Machinery	**13,977,461**	13,977,461
	40,736,700	40,736,700

This represents costs incurred for procurement and installation of plant and machinery at Marble City Risalpur. This will be transferred out upon commisiioning of assets.

14. RECEIVABLES FROM PROJECTS

	Note	2019 Rupees	2018 Rupees
Opening balance		**218,089,929**	220,035,810
Add: Additions during the year		**-**	820,980
Less: Recovery during the year		**(983,005)**	(2,766,861)
Less: assets transferred to owned assets during the year	14.1	**(33,906,854)**	-
Balance at 30 June	14.2	**183,200,070**	218,089,929

14.1 During the year the company has transferred certain assets from projects to owned assets which were previously recorded under receivables from projects. The value of the assets transferred has been dertermined based on report of M/s Baker Tilly Chartered Accountants, engaged for impairment testing of these recievables.

14.2 Breakup of receivables from projects is as follow:

	2019 Rupees	2018 Rupees
Model Quarry Chitral	**5,823,469**	32,140,424
Model Quarry Khuzdar	**95,205,704**	98,127,990
Quarry Up-gradation Mastang 1 - Saleheen	**22,027,752**	22,048,752
Quarry Up-gradation Mastang 2 - Aziz	**6,358,106**	6,358,106
Quarry Up-gradation FATA 4	**14,824,996**	14,856,501
Quarry Up-gradation Javed Khan - Buner	**15,343,548**	15,343,548
Quarry Up-gradation Salarzai - Buner	**3,579,617**	3,579,617
Quarry Up-gradation Loralai - II	**11,183,341**	16,781,454
Quarry Up-gradation Nawagai FATA 2	**5,696,985**	5,696,985
Quarry Up-gradation Khanakai FATA 3	**2,535,263**	2,535,263
Quarry Up-gradation Musakhel Mianwali	**621,289**	621,289
	183,200,070	218,089,929

14.3 The company, with the objective to upgrade the supply of marble and granite through improved quarrying practices, has invested in above mentioned quarries. This involves introduction of new technologies and techniques through establishment of model quarries and up gradation of existing quarries. This investment is interest free and the Company will recover the investment by receiving certain amount per ton from sale of marble / granite.

14.4 During the year 2016 an impairment of Rs. 405 million was recognized against these receivables. While approving the financial statements in annual general meeting for 2016, it was resolved to thoroughly evaluate the reasons for impairment in these projects along with the recommendation and recommend remedial actions. Subsequently a committee was formed for evaluation of impairment loss which has submitted its report to the board during May 2019. The board on the recommendation of the committee has accorded its approval to writeoff amounting to Rupees 21.27 million.

15	STORES AND SPARES		2019 Rupees	2018 Rupees
	Diamond wire		**6,339,350**	6,339,350
	Others	15.1	**22,717,023**	22,797,023
			29,056,373	29,136,373

15.1

This includes plug & feather, hydro pushing bags,ISD Rods, Electric Cables etc to be used as part of machinery.

16	DEVELOPMENT PROPERTIES	*Note*	2019 Rupees	2018 Rupees
	Land	*16.1*	**88,390,000**	88,390,000
	Capitalised borrowing cost - net		**135,599,975**	135,599,975
	Construction, related costs and directly attributa	*16.2*	**524,218,057**	681,883,706
	Write down of marble city Risalpur to NRV		**(19,385,504)**	(29,668,035)
			728,822,528	876,205,646

16.1 This include land having value of Rs. 44.72 million (2016: 44.72 million) the title of which is not yet transferred in the name of the Company. However, the Company has entered into lease agreement with KPEZD & MC [formally known as Sarhad Development Authority ("SDA")].

16.2 This represents the expenditure incurred for the development of Marble City in Risalpur. This marble city is part of the overall project to develop four marble cities in Pakistan i.e Industrial estates in Risalpur, Chitral, Loralai and Islamabad. The purpose of these marble cities will be to serve as an investment and growth opportunity for entrepreneur based on high end stone technology industrial estates, custom facilities and state of the art services.

16.3 During the year the Company has recongized revenue against the plots whose possession certificate has been issued to allottees in prior years and related cost of the properties has been charged to opening equity.The details of the transaction is disclosed in Note 11.

			2019 Rupees	2018 Rupees
17.	**TRADE DEBTS - considered good**			
	Trade debts - considered good		36,619,755	36,885,856
	Trade debts - considered doubtful		54,605,052	33,475,662
		17.1	91,224,807	70,361,518
	Provision for doubtful debts	17.2	(54,605,052)	(33,475,662)
			36,619,755	36,885,856
17.1	**Agying analysis of trade debts is as follows:**			
	Not yet due		7,501,570	6,915,235
	Past due			
	31 to 90 days		11,961,126	10,589,310
	91 to 180 days		11346807	3,113,795
	181 to 365		5,392,226	1,691,568
	More than 365 days		55,023,078	48,051,610
			91,224,807	70,361,518
17.2	**Movement of provision for doubtful debts during the year**			
	Opening balance		(33,475,662)	(33,613,982)
	Charge for the year		(21,190,890)	-
	Reversal during the year		61,500	138,320
	Closing balance		(54,605,052)	(33,475,662)
18.	**ADVANCES**			
	Advances to employees - considered good		7,317,243	5,144,538
	Advances to suppliers - considered good		1,205,412	1,205,412
			8,522,655	6,349,950
19.	**DEPOSITS AND PREPAYMENTS**			
	Security deposits		1,648,362	1,148,362
	Prepayments		2,527,247	2,459,197
			4,175,609	3,607,559
20.	**OTHER RECEIVABLES**			
	Due from related parties - unsecured			
	Pakistan Industrial Development Corporation - considered doubtful		19,050	19,050
	FATA - Secretariat - considered doubtful		1,920,579	1,920,579
			1,939,629	1,939,629
	Provision for doubtful receivables from related parties		(1,939,629)	(1,939,629)
			-	-
	Others			
	- considered good		5,659,826	4,170,393
	- considered doubtful		4,023,108	3,354,150
			9,682,934	7,524,543
	Provision for doubtful other receivables		(4,023,108)	(3,354,150)
			5,659,826	4,170,393
	Receivable from Competitive Industries Project Khyber Pakhtunkhwa		693,619	1,169,508
			6,353,445	5,339,901

		2019 Rupees	2018 Rupees
21.	**CASH AND BANK BALANCES**		
	Cash in hand	**275,000**	285,061
	Bank balances:		
	Current accounts	**56,450**	48,592
	Deposit accounts	**56,856,150**	66,367,218
		56,912,600	66,415,810
		57,187,600	66,700,871

21.1 These carry interest rate ranging from 4% to 6% per anum (2018: 3% to 4%).

		Note		
22.	**REVENUE**			
	Sale of blocks		-	3,359,335
	Income from machinery rentals	22.1	**107,371,777**	101,647,563
	Service charges on rental of CIPK machinery		**5,163,211**	6,092,002
			112,534,988	111,098,900
22.1	**Income from machinery Rentals**			
	Income from PASDEC Machinery Pool		**96,651,877**	94,682,483
	Income from machinery FATA Pool	22.1.1	**10,719,900**	6,965,080
			107,371,777	101,647,563

22.1.1 This represents rentals against the Machinery Pool of FATA development Authority under an agreement dated 24 March 2010.

			2019 Rupees	2018 Rupees
23.	**COST OF SALES**			
	Cost of blocks		-	3,373,905
	Cost of machinery pool	23.1	**82,338,490**	85,841,447
			82,338,490	89,215,352

		2019 Rupees	2018 Rupees
23.1	**COST OF MACHINERY POOL**		
	Salaries, wages and other benefits	**21,980,297**	24,698,005
	Consultancy charges	**6,000**	-
	Depreciation	**44,324,784**	43,865,746
	Travelling, lodging and conveyance	**353,506**	451,682
	Amortization of Intengible fixed assets	**22,934**	22,936
	Advertisement	**372,537**	308,355
	Freight charges	**118,926**	381,500
	Rent	**1,283,856**	1,084,093
	Communication	**180,248**	219,551
	Vehicles' running and maintenance	**596,093**	836,526
	Entertainment	**136,587**	155,863
	Legal and professional charges	**401,294**	123,889
	Utilities	**523,682**	567,486
	Printing and stationery	**11,935**	36,321
	Stores and spares parts consumed	**80,000**	763,010
	Insurance	**3,665,993**	2,992,933
	Office utilities	**37,539**	56,768
	Security services	**258,580**	-
	Repairs and maintenance	**7,963,472**	8,673,680
	Bank charges and commission	**20,227**	5,115
	Marketing expenses	-	-
	Stores and spares written off	-	597,988
		82,338,490	85,841,447

			2019 Rupees	2018 Rupees
24.	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other benefits		**57,720,167**	62,578,041
	Consultancy charges		**227,112**	367,513
	Depreciation		**1,725,214**	1,309,841
	Travelling, lodging and conveyance		**1,667,082**	2,011,753
	Advertisement		**362,686**	242,632
	Freight charges		**3,220**	33,940
	Rent		**6,198,820**	6,199,766
	Communication		**992,014**	984,872
	Vehicles' running and maintenance		**1,399,865**	1,311,532
	Entertainment		**482,395**	323,066
	Legal and professional charges		**3,389,361**	4,058,291
	Utilities		**1,015,220**	898,297
	Printing and stationery		**436,549**	551,412
	Insurance		**440,327**	595,543
	Trainings		**41,500**	28,100
	Office utilities		**203,521**	459,802
	Auditors' remuneration	24.1	**615,000**	565,000
	Security services		**2,936,238**	2,896,835
	Repairs and maintenance		**1,099,554**	718,534
	Newspapers, books and periodicals		**26,383**	12,020
	Bank charges and commission		**3,373**	107,231
	Marketing expenses		**211,899**	57,992
	Others		**15,450**	189,752
	Site Upgradation		**428,727**	501,398
			81,641,677	87,003,163
24.1	**Breakup of auditor's remuneration is as follows:**			
	Audit fee		**450,000**	450,000
	Code of corporate governance review fee		**115,000**	115,000
	Our of pocket expenses		**50,000**	-
	Total		**615,000**	565,000
25.	**PROGRAMME EXPENSES**			
	Depreciation	25.1	**683,682**	731,772
			683,682	731,772

25.1 Programme expenses represents cost incurred for training of women, supporting by GIZ , under grant agreement (Nov 2013 - Sep 2015). The project was completed in Sep 2015 and assets of the project were handed over to PASDEC. Therefore depriciation of the same is only recorded during the period.

PAKISTAN STONE DEVELOPMENT COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

26. OTHER INCOME	2019 Rupees	2018 Rupees
Income from saving accounts	**2,807,932**	3,357,928
	2,807,932	3,357,928
Trade debts provided for recovered	**61,500**	138,320
Amortisation of deferred capital grant	**2,275,455**	2,323,545
Forfeited deposits	**10,000**	504,000
Restoration, transfer fee and others from plots	**5,244,219**	3,607,875
Surcharge on late payments against the plots allotment	**1,001,850**	1,416,942
Plot enlistment fee	-	55,000
Penalty recovered from Contractor	**79,422**	905,854
Insurance recovery	**83,668**	4,901,320
Others	**2,706,290**	968,231
Gain on sale of property and equipment	-	1,742,000
Amount charged against Subleting Dir Granite	**1,015,060**	1,956,263
	12,477,464	18,519,350
	15,285,396	21,877,278

27 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

The aggregate amounts charged in the financial statements for the year with respect to remuneration, including benefits and perquisites, were as follows:

	Chief Executive		Directors		Executives	
	2019 Rupees	2018 Rupees	2019 Rupees	2018 Rupees	2019 Rupees	2018 Rupees
Managerial remuneration	**7,544,952**	7,051,356	-	-	**11,494,474**	10,631,775
Allowances and meeting fee	-	-	**1,580,000**	1,300,000	-	-
Travelling and other expenses	**170,349**	765,473	**1,098,573**	777,703	**94,280**	94,460
Gratuity expense	**470,091**	463,064	-	-	**821,687**	925,297
	8,185,392	8,279,893	**2,678,573**	2,077,703	**12,410,441**	11,651,532
Number of persons	**1**	1	**8**	8	**5**	5

27.1 The Chief Executive is provided with medical expense facility and Company maintained car as per his entitled medical limit. Gratuity is payable to the Chief Executive and Executives in accordance with the terms of employment while contributions in respect of gratuity are based on actuarial valuations.

PAKISTAN STONE DEVELOPMENT COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

28 TRANSACTIONS WITH RELATED PARTIES

The Company is subsidiary of Ministry of Industries and Production, Government of Pakistan (the "Parent Company"). Therefore all the department and agencies controlled by the parent company are related parties of the Company. Other related parties comprise of associated companies, directors and close family members, companies with common directorship, executives, key management personnel and major shareholders of the Company. Balances with related parties are shown elsewhere in the notes to the financial statements. Remuneration of chief executive, directors and executives is disclosed in note 25 to the financial statements. Because of the ownership of the Company by the Government of Pakistan, the Company also enters into transaction with few other State Controlled Entities. These transactions are not considered material, therefore not disclosed in the financial statements. Transactions with related parties disclosed elsewhere in these financial statements are as follows:

Name of related party	Basis of relationship	Percentage of shareholding	
Abdul Jabbar Shaheen, AS, MOIP	Director	0%	
Khadim Hussain	Director	0%	
Muhammad Iqbal Tabish CEO, PIDC	Director	0%	(1 Share)
Naimatullah Khan	Director	0%	
Sardar Ejaz Ahmed Khan Jaffer (MOIP)	Director	0%	
Sardar Rizwan Kehar	Director	0%	
Shamama Tul Amber Arbab	Chairperson & Director	0%	
Sher Ayoub, CEO SMEDA	Director	0%	
Muhammad Saleh Ahmed Farooqi Sect. TDAP	Director	0%	
Zahid Maqsood Sheikh	Chief Executive	0%	
Shahzad Basharat	Key Management Personnel	0%	
Moin Qadir Janjua	Key Management Personnel	0%	
Farooq Azam	Key Management Personnel	0%	

	Note	2019 Rupees	2018 Rupees
Transactions with associated company			
Shares issued to PIDC		-	7,000,000
Remuneration of key management personnel			
Remuneration, allowances and benefits	28.1	19,304,055	18,543,064

28.1 Remuneration of key management personnel

	2019	2018
Managerial remuneration	19,039,426	17,683,131
Travelling expenses	264,629	859,933
	19,304,055	18,543,064

29. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks associated with its financial instruments:

Credit risk
Liquidity risk
Market risk

The senior management of the Company manages its capital to ensure that it will be able to continue as going concerns while maximizing the return to stakeholders. Further, senior management under the guidance of Board of Directors (the Board) ensures that the Company's financial risk-taking activities are governed through resolution passed by the Board and that financial risks are identified, measured and managed in accordance with the Company's policies and risk appetite.

The capital structure of the Company consists of equity (comprising issued capital and accumulated loss as detailed in notes 6). The Company is not subject to any externally imposed capital requirements.

The Board reviews and agrees the policies for measuring each of their risks which are summarized below:

FINANCIAL INSTRUMENTS BY CATEGORIES

The Company's activities are exposed to a variety of financial risks namely credit risk, interest rate risk, foreign exchange risk and liquidity risk. Overall, risks arising from the Company's financial instruments are limited. The Company manages its exposure to financial risk in the following manner:

June 30, 2019

Description	INTEREST / MARK UP BEARING			NON INTEREST / MARK-UP BEARING			
	Maturity up to one year	Maturity after one year	Sub Total	Maturity up to one year	Maturity after one year	Sub Total	Total
	Rupees						
FINANCIAL ASSETS							
Amortised cost							
Trade debts	-	-	-	36,619,755	-	36,619,755	36,619,755
Advances	-	-		8,522,655		8,522,655	8,522,655
Security deposits	-	-		1,648,362		1,648,362	1,648,362
Other receivables	-	-	-	6,353,445	-	6,353,445	6,353,445
Cash and bank balances	56,856,150	-	56,856,150	331,450	-	331,450	57,187,600
	56,856,150	-	56,856,150	53,475,667	-	53,475,667	110,331,817
FINANCIAL LIABILITIES							
Financial liabilities measured at amortized cost							
Trade and other payables	-	-	-	85,277,423	-	85,277,423	85,277,423
	-	-	-	85,277,423	-	85,277,423	85,277,423

June 30, 2018

Description	INTEREST / MARK UP BEARING			NON INTEREST / MARKUP BEARING			
	Maturity up to one year	Maturity after one year	Sub Total	Maturity up to one year	Maturity after one year	Sub Total	Total
	Rupees						
FINANCIAL ASSETS							
Amortised cost							
Trade debts	-	-	-	36,885,856	-	36,885,856	36,885,856
Advances	-	-	-	6,349,950	-	6,349,950	6,349,950
Security deposits	-	-	-	1,148,362	-	1,148,362	1,148,362
Other receivables	-	-	-	5,339,901	-	5,339,901	5,339,901
Cash and bank balances	66,367,218	-	66,367,218	333,653	-	333,653	66,700,871
	66,367,218	-	66,367,218	50,057,722	-	50,057,722	116,424,940
FINANCIAL LIABILITIES							
Financial Liabilities Measured at Amortized Cost							
Trade and other payables	-	-	-	76,576,068	-	76,576,068	76,576,068
	-	-	-	76,576,068	-	76,576,068	76,576,068

29.1 Credit risk

Credit risk represents that risk that one party to a financial instruments will cause a financial loss for the another party by failing to discharge an obligation. The carrying amount of financial assets represent the maximum credit exposure.

29.1.1 Counter parties

The Company conducts transactions with the following major types of counterparties:

Banks
The Company limits its exposure to credit risk by maintaining bank accounts only with Banks having credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet obligations.

29.1.2 Exposure to credit risk

the carrying amount of financial assets reperesents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follow:

	2019	2018
	------------Rupees----------	
Trade debts	**36,619,755**	36,885,856
Advances	**8,522,655**	6,349,950
Security deposits	**1,648,362**	1,148,362
Other receivables	**6,353,445**	5,339,901
Cash and bank balances	**57,187,600**	66,700,871
	110,331,817	116,424,940

The Company's credit risk is primarily attributes to its short term investments and balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The name and credit ratings of major banks where the Company maintains its bank balances are as follows:

Name of Bank	Rating Agency	Credit Rating	
		Short Term	Long Term
United Bank Limited	VIS	A-1+	AAA
Allied Bank limited	PACRA	A-1+	AAA
Bank Alfalah Limited	PACRA	A-1+	AA+
MCB Bank Limited	PACRA	A-1+	AAA

29.2 Market risk

29.2.1 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 the changes in market interest rates. As the company has fixed interest bearing assets, the Company's income and operating cash flows are substantially independent of market interest rates.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	2019	2018
	-----------Rupees-----------	
Financial assets		
Bank balances	**56,856,150**	66,367,218

The effective interest rates for the financial assets are mentioned in respective notes to the financial statements.

Interest rate sensitivity analysis

At June 30, 2019 if interest rates had been 50 basis points higher/ lower and all other variables were held constant, the Company's profit before tax for the year ended June 30, 2019 would increase/ decrease by Rs. 284,281 (2018: increase/ decrease by Rs 331,836).

29.2.2 Foreign currency risk

Foreign currency risk is the risk that changes in foreign exchange rates will affect the Company's income of the value of its holding of financial instruments. The objective of foreign currency risk exposures within acceptable parameters, while optimizing the return on financial instruments.

The Company does not have any financial instruments involving any foreign currency risk.

29.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and bank balances and availability of funding through an adequate amount of committed credit facilities.

Financial liabilities in accordance with their contractual maturities are presented below:

June 30, 2019		**Rupees**	
	Carrying amount	**Contractual cash flows**	**Less than 1 Year**
Trade and other payables	**85,277,423**	**85,277,423**	**85,277,423**
	85,277,423	**85,277,423**	**85,277,423**

June 30, 2018		Rupees	
	Carrying amount	Contractual cash flows	Less than 1 Year
Trade and other payables	76,576,068	76,576,068	76,576,068
	76,576,068	76,576,068	76,576,068

29.4 Fair value of financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The Company has no financial instruments under the fair value hierarchy. As at statement of financial position date, the carrying values of the financial assets and financial liabilities approximate their fair values.

29.4.1 Fair value hierarchy

The carrying values of the financial assets and financial liabilities approximate their fair values. 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.

Fair value hierarchy:

• **Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities

• **Level 2** 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 3** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The Company does not have any financial instruments which are required to be classified under aforesaid fair value hierarchies.

29.5 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide return for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of it businesses.

The Company manages its capital to ensure that it will be able to continue as a going concern. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

30. NUMBER OF EMPLOYEES

	2019	2018
Total contractual number of employees at end of the year	**52**	58
Average number of employees during the year	**55**	65

31. DATE OF AUTHORISATION OF ISSUE

These financial statements were authorized for issue by the Board of Directors on of the Company in its meeting held on 26 NOV 2019

32. GENERAL

Figures have been rounded off to the nearest rupee unless otherwise stated.

CHIEF EXECUTIVE

DIRECTOR