

**PAKISTAN GEMS AND JEWELLERY DEVELOPMENT
COMPANY**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PAKISTAN GEMS AND JEWELLERY DEVELOPMENT COMPANY**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the annexed financial statements of **PAKISTAN GEMS AND JEWELLERY DEVELOPMENT COMPANY** (the Company), which comprise the statement of financial position as at **June 30, 2022**, and the income and expenditure account, 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, except for the effects of the matters described in paragraphs (a) to (c) below, the statement of financial position, the income and expenditure account, 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 including Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under 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, 2022 and of the surplus, the changes in equity, and its cash flows for the year then ended.

Basis for Qualified Opinion

- a) As fully explained in note No. 3.7 to the financial statements, the Company operates an unfunded gratuity scheme. Accordingly, the Company has accounted for deferred liability under gratuity scheme based on 'completed period of service' using 'current salary level' which works out to Rs. 12,164,292 (2021: Rs. 15,146,240) as disclosed in note No. 13 to the financial statements. The aforesaid policy as stated in note No. 3.7 is not in accordance with the requirements of International Financial Reporting Standards (IFRSs) which require that amounts of gratuity should be recorded on 'projected unit credit method' to determine the present value of its staff gratuity obligations and the related current service cost and where applicable, past service cost. Had the obligation been accounted for on the 'projected unit credit method' as required by the IAS-19, various elements in the accompanying financial statements would have been materially affected. As the management has not carried out actuarial valuation for determination to its staff gratuity obligation, financial affects thereof on various elements of these financial statements cannot be determined with reasonable accuracy. Accordingly, we are unable to obtain reasonable assurance as to whether any adjustment should be made in the amount of deferred liability under gratuity scheme.
- b) As fully stated in note No. 1.5 to the financial statements, in the year 2015, the Company has deposited an amount of Rs. 37,522,675 into the Government Treasury, representing revenue generated by the Company from operation of its projects since inception till June 30, 2014, in compliance of the condition given in the PC-1 document. The management was of the view that projects of the Company were developed and operated by the funding of Government of Pakistan (GOP) through PSDP and not by the Company, therefore, the revenue generated

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from operations of the projects was deposited in GOP account as per condition of Umbrella PC-1 approved by the highest forum of Executive Committee of the National Economic Council (ECNEC). Further, the management has routed the abovementioned payment through 'Statement of Changes in Equity' which was not in accordance with the requirements of Approved Accounting Standard.

In our opinion, this ultra vires the provisions of the Company's Memorandum and Articles of Association and Section 42 of the Companies Act, 2017 (previously repealed Ordinance, 1984) which inter alia restricts the application of Company's income in promoting its objects and prohibits the payment of any dividend to its members. Had the Company not paid this amount to the Government Treasury in year 2015, cash and bank balances would have increased and accumulated deficit would have decreased by an equal amount of Rs.37,522,675 (2021: Rs.37,522,675); and

- c) As fully explained in note No. 4.2 to the financial statements, the Company carried out an external assignment of fixed assets verification during the year 2019. As per the report, there were certain observations which included shortage of items of property, plant and equipment. The aggregate written down value of those fixed assets is Rs.786,364 (2021: Rs. 925,642).

The report also included an observation that certain items of property, plant and equipment were obsolete and damaged. The aggregate amount of those fixed assets is Rs.724,574 (2021: Rs. 852,977).

Based on these observations and as per the requirements of IAS 36, the company has to carry out impairment testing as indicator exist on each balance sheet dated 2018, 2019, 2020, 2021 whereas the management of company did not carry out impairment testing resulting in departure of requirement of IAS-36.

Hence, we are unable to quantify its impact on the income and expenditure account for the year ended June, 2021 and ascertain the actual written down value of fixed assets to be reflected in the financial statements as at June 30, 2022.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty relating to Going Concern

We draw attention towards Note 1.3 to the accompanying financial statements which states that the Company has incurred a surplus of Rs. 53,479,280/- (2021: Rs 18,354,164/-) deficit which has resulted in an accumulated deficit of Rs. 1,648,160,025/- (2021: Rs 1,701,639,304/-). This indicate that

material uncertainty exists that may cast significant doubt on the company's ability to continue as going concern. Our opinion is not modified in respect of this matter.

Information Other than financial statements and Auditors' Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the director's report,, but does not include the financial statements of the company and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed on other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan including Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the of Companies Act, 2017 (XIX of 2017) 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.

Auditors' 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 scepticism 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 unconsolidated 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

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) except for the matters disclosed in the Basis for Qualified Opinion, the statement of financial position, the income and expenditure account, 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), Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017 and are in agreement with the books of account and returns;

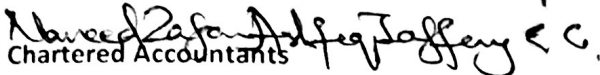
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- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

Other Matter

The financial statements of PAKISTAN GEMS AND JEWELLERY DEVELOPMENT COMPANY for the year ended 30 June, 2021 was audited by another firm of Chartered Accountants who had expressed an qualified opinion thereon vide their reports dated 03 November 2021.

The engagement partner on the audit resulting in this independent auditor's report is **Mr. Azeem H. Siddiqui – FCA.**


Chartered Accountants

Karachi:

Date : July 30, 2024

UDIN : AR202210232czQR7s9YA

PAKISTAN GEMS AND JEWELLERY DEVELOPMENT COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

ASSETS

Non - Current Assets

Property, plant and equipment

Intangible assets

Long term security deposits

Current Assets

Advances

Prepayments

Other receivables

Income tax refundable

Advance income tax

Cash and bank balances

TOTAL ASSETS

EQUITY AND LIABILITIES

SHARE CAPITAL AND RESERVES

Authorized Share Capital

155,000,000 Ordinary shares of Rs. 10/- each

Issued, Subscribed and Paid-up Share Capital

147,992,070 (2021: 147,992,070) Ordinary shares of Rs. 10 each

Accumulated deficit

Advance against future issue of shares

LIABILITIES

Non - Current Liability

Deferred liability

Current Liabilities

Payable to PIDC

Accrued and other liabilities

Contingencies and commitments

TOTAL EQUITY AND LIABILITIES

Note	2022 Rupees	2021 Rupees
4	90,939,865	102,999,803
5	408,105	583,007
6	4,898,120	4,898,120
	96,246,090	108,480,930
7	1,391,036	1,406,036
8	158,182	617,379
	712,785	3,636,084
9	7,231,600	7,231,600
	9,910,833	9,879,049
10	1,403,213	1,557,411
	20,807,648	24,327,559
	117,053,738	132,808,489
11	1,550,000,000	1,550,000,000
11	1,479,920,700 (1,648,160,025) (168,239,325)	1,479,920,700 (1,701,639,305) (221,718,605)
12	213,514,776	213,514,776
13	12,164,292	15,146,240
14	-	78,317,000
15	59,613,995 59,613,995	47,549,078 125,866,078
16	-	-
	117,053,738	132,808,489

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

Chief Executive Officer

Director

PAKISTAN GEMS AND JEWELLERY DEVELOPMENT COMPANY
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
INCOME			
Profit on saving accounts		48,545	59,849
Grant related to income		29,669,000	29,350,000
Other income	17	78,317,000	113,917
		108,034,545	29,523,766
EXPENDITURE			
Direct costs	18	(27,836,509)	(26,677,271)
Administrative expenses	19	(26,717,629)	(21,199,373)
Bank charges		(1,128)	(1,287)
		(54,555,265)	(47,877,931)
Excess of income over expenditure		<u>53,479,280</u>	<u>(18,354,164)</u>

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

Chief Executive Officer

Director

PAKISTAN GEMS AND JEWELLERY DEVELOPMENT COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2022

	Issued, subscribed and paid-up share capital	Accumulated deficit	Total
	Rupees		
Balance as at July 01, 2020	1,479,920,700	(1,683,285,140)	(203,364,440)
Deficit for the year	-	(18,354,165)	(18,354,164)
Balance as at June 30, 2021	1,479,920,700	(1,701,639,305)	(221,718,604)
Surplus for the year	-	53,479,280	53,479,280
Balance as at June 30, 2022	1,479,920,700	(1,648,160,025)	(168,239,325)

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

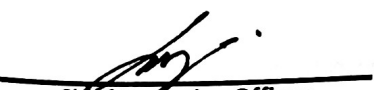
Chief Executive Officer

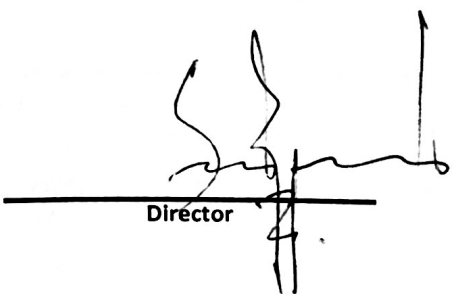
Director

PAKISTAN GEMS AND JEWELLERY DEVELOPMENT COMPANY
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus / (Deficit) for the year			
Adjustment for:		53,479,280	(18,354,165)
Depreciation			
Amortization		12,059,938	13,812,776
Profit on saving accounts		174,902	250,128
Other income		(48,545)	(59,849)
Grant related to income		(78,317,000)	-
Provision for gratuity		(29,669,000)	(29,350,000)
Cash used in operating activities before working capital changes		<u>1,397,384</u>	<u>1,079,445</u>
		(40,923,041)	(32,621,665)
Decrease / (increase) in current assets			
Advances, prepayments and other receivables		3,397,497	181,008
Income tax refundable		(31,783)	334,390
Increase in current liabilities			
Accrued and other liabilities		12,064,917	5,695,931
Gratuity Paid		(4,379,332)	(3,341,148)
Net cash (used in) operating activities		<u>(29,871,743)</u>	<u>(29,751,483)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Additions in Property, plant and equipment		-	(7,500)
Profit received on saving accounts		48,545	59,849
Net cash generated from investing activities		<u>48,545</u>	<u>52,349</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Grant received		29,669,000	29,350,000
Net cash generated from financing activities		<u>29,669,000</u>	<u>29,350,000</u>
Net decrease in cash and cash equivalents		<u>(154,198)</u>	<u>(349,134)</u>
Cash and cash equivalents at the beginning of the year		1,557,411	1,906,545
Cash and cash equivalents at the end of the year	10	<u><u>1,403,213</u></u>	<u><u>1,557,411</u></u>

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


Chief Executive Officer


Director

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Pakistan Gems and Jewellery Development Company ('the Company') was incorporated in 2006 as a Company limited by guarantee having share Capital under section 42 of the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The registered office of the Company is situated at Suite No. 115-118, 1st Floor, Progressive Plaza, Beaumont Road, Karachi, Pakistan. The primary objective of the Company is to develop the gems and jewellery industry and to enhance its competitiveness internationally by facilitation, technology upgradation, skill development, marketing and branding.
- 1.2 As of the date of statement of financial position, Pakistan Industrial Development Corporation (PIDC) and Ministry of Industries and Production, Government of Pakistan held 16.11% and 83.89% shares of the Company respectively.
- 1.3 During the year, the Company has made a surplus of Rs. 53,479,280 due to write-back of PIDC loan amounting to Rs.78,317,000 (2021: deficit of Rs. 18,354,164) which resulted in an accumulated deficit of Rs. 1,648,160,025 (2021: Rs. 1,701,639,305) as of the date of financial position. However, as the Company is formed as a non-profit organization, the management believes that the adverse financial position will not affect the primary objectives of the Company as the Company expects continued financial support from the Government of Pakistan. Accordingly, the Company will continue its operations in foreseeable future.
- 1.4 In year 2018, Ministry of Industries and Production, Government of Pakistan (MOIP) through letter no. 2(47)/2017-ME-II Dated December 21, 2017 directed the Company to hold a meeting with concerned secretaries of Provincial Government to discuss the possibility of transferring training centers of the company to respective provincial governments. In pursuance of this decision, No Objection Certificate (NOC) received from Pakistan Industrial and Development Corporation (PIDC) dated: September 30, 2019 and from MOIP dated October 24, 2019. In this regard, a meeting of the Board of Directors of the Company was held on October 25, 2019 in which the Board resolved that the provincial training centers will be transferred to respective Provincial Governments subject to fulfillment of all legal and regulatory requirements. However, the Board did not extend the employment contracts of projects employees beyond 30th June 2019.
- Consequently, the GJTMC Peshawar has been transferred / handed over to Technical Education and Vocational Training Authority Khyber Pakhtunkhwa (KP TEVTA) while the transfer of the rest of regional centers are under process.
- 1.5 In the year 2015, the Company has deposited an amount of Rs. 37,522,675 in the Government Treasury in respect of the revenue generated by the Company from Operation of its projects since its inception upto 30 June 2014. This was decided in the meeting with Ministry of Industries and production that, as mentioned in umbrella PC-I, the revenue generated by the Company will be deposited in Government Account.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

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

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

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- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017: and
- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 New and amended standards and interpretations

Standards, amendments to approved accounting standards effective in current year

There are certain new standards and interpretations of and amendments to existing accounting and reporting standards that have become applicable to the Company for accounting periods beginning on or after July 01, 2021. These are considered either to not be relevant or not to have any significant impact on the Company's financial statements.

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

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and have not been early adopted by the Company and therefore, have not been presented here.

2.3 Basis of preparation

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

2.4 Method of preparation of cash flow statement

The cash flow statement is prepared using indirect method.

2.5 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (Rs. / Rupees) which is the Company's functional currency. Amounts presented in the financial statements have been rounded off to the nearest of Rs. / Rupees, unless otherwise stated.

2.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually valuated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant assumptions or judgments used in the preparation of these financial statements are in respect of areas / policies disclosed in note 3 below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 **Property, plant and equipment**

These are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to income applying the straight line method whereby the cost of an asset is written-off over its estimated useful life. Depreciation on additions and deletions is charged in proportion to the period, rounded to the number of months of use during the year. Depreciation methods, useful lives and residual values of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each financial year end.

Maintenance and normal repairs are charged to income and expenditure account as and when incurred. Major renewals and improvements which increases the assets' remaining useful economic life or the performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the income and expenditure account when incurred.

3.2 **Intangible assets**

These are stated at cost less accumulated amortization and impairment loss, if any.

Amortization is charged to income and expenditure account using straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an item is acquired or capitalized while no amortization is charged for the month in which the item is disposed off.

3.3 **Impairment of non-financial assets**

The carrying value of an assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

3.4 **Financial assets**

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instruments.

Initial measurement

The company classifies its financial assets in to following three categories:

- measured at amortized cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

A financial asset is initially measured at fair value plus, except for FVTPL which is measured at fair value, transaction costs that are directly attributable to its acquisition.

Subsequent measurement

i. Equity instruments as FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.

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ii. Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in profit or loss.

iii. Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

De-recognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies the simplified approach to recognise lifetime expected credit losses for trade and other receivables.

Off-setting of financial assets and financial liabilities

A financial asset and financial liability is off-set and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the transaction and also there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.5 Financial liabilities

Financial liabilities are classified as measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

3.6 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprises of cash in hand, bank balances and short-term highly liquid investments, stated at cost, with original maturities of three months or less.

3.7 Gratuity scheme

The Company operates an un-funded gratuity scheme covering all of its employees of head office who have completed their qualifying period of service. Liability is recorded based on the completed period of services using current salary levels. Provision is made annually, to cover obligations under the scheme, by way of a charge to the income and expenditure account. However, the company has not carried out Actuarial Valuation from Actuarial expert.

3.8 Taxation

In accordance with letter No. CIR/Legal/R.T.O./KYC/2009-10/1110 dated October 19, 2010 of the Commissioner Inland Revenue, the Company is sector development Company and not a trading or manufacturing business entity. The funds issued from the Government are utilized for establishment of development projects and marketing and branding of the country trade of Gems & Jewellery. Accordingly, no provision is required for current or deferred tax in these financial statements.

3.9 Provision

Provisions are recognized in the balance sheet where the Company has a present legal or constructive obligation as result of past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.10 Related parties transactions

All transactions involving related parties arising in the normal course of business and are conducted on an arm's length basis. Prices for these transactions are determined on the basis of admissible valuation method.

3.11 Receivables

Receivables are recognized at fair value of consideration receivable. The Company applies the simplified approach to recognise lifetime expected credit losses for receivables.

3.12 Payables

Payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

3.13 Revenue recognition

Return on Investments and bank deposits are recognized on accrual basis.

Training fee, income from exhibitions and other income are recognized as and when performance obligations are satisfied by transferring promised services.

3.14 Government grant

Government grant is recognized in income and expenditure account on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

3.15 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.16 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pakistani Rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in the foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income and expenditure account.

3.17 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the statement of assets and liabilities if the company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the company or the counter parties.

PROPERTY, PLANT AND EQUIPMENT

At June 30, 2020

Cost
Accumulated depreciation
Net book value

Year ended June 30, 2021

Opening net book value
Additions
Disposals
Cost
Accumulated depreciation

Depreciation charge

Closing net book value

At June 30, 2021

Cost
Accumulated depreciation
Net book value

Year ended June 30, 2022

Opening net book value
Additions
Disposals
Cost
Accumulated depreciation

Depreciation charge

Closing net book value

At June 30, 2022

Cost
Accumulated depreciation
Net book value

Rate of depreciation (%)

4.1 The depreciation charge for the year has been allocated as follows:

Direct cost

Administrative expenses

Note

2022
Rupees

2021
Rupees

12,059,938

13,812,776

4.2 During the year 2019, the company carried out an external assignment of fixed assets verification. The report of such assignment contains observations on shortage of items of property, plant and equipment as well as presence of obsolete / damaged assets. The aggregate Written Down Value and class of those items of property, plant and equipment are as follows:

2022

Shortage of assets

Obsolete / damaged assets

Total written down value

2021

Shortage of assets

Obsolete / damaged assets

Total written down value

Furniture and fixtures	Office equipment	Vehicles	Computers	Machinery	Total
Rupees					
481,284	119,209	46,815	29,884	106,172	783,364
194,058	453,340	-	17,585	59,590	724,573
675,342	572,549	46,815	47,469	165,762	1,507,937
566,216	140,246	58,519	42,692	117,969	925,642
228,304	533,341	-	25,121	66,211	852,977
794,520	673,587	58,519	67,813	184,180	1,778,619

Machinery	Lease hold improvement	Vehicle	Furniture and fixtures	Office equipment	Computers	Books	Total
Rupees							

272,235,798	43,501,675	10,756,788	14,149,279	22,842,613	10,960,665	1,998,043	376,444,861
(186,521,737)	(26,535,244)	(9,698,938)	(8,941,592)	(16,315,195)	(9,881,653)	(1,745,423)	(259,639,782)
85,714,061	16,966,431	1,057,850	5,207,687	6,527,418	1,079,012	252,620	116,805,079

85,714,061	16,966,431	1,057,850	5,207,687	6,527,418	1,079,012	252,620	116,805,079
-	-	-	-	-	7,500	-	7,500

-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

(10,030,015)	(1,696,669)	(211,560)	(520,632)	(979,344)	(324,032)	(50,524)	(13,812,776)
--------------	-------------	-----------	-----------	-----------	-----------	----------	--------------

75,684,046	15,269,762	846,290	4,687,055	5,548,074	762,480	202,096	102,999,803
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272,235,798	43,501,675	10,756,788	14,149,279	22,842,613	10,968,165	1,998,043	376,452,361
(196,551,752)	(28,231,913)	(9,910,498)	(9,462,224)	(17,294,539)	(10,205,685)	(1,795,947)	(273,452,558)
75,684,046	15,269,762	846,290	4,687,055	5,548,074	762,480	202,096	102,999,803

75,684,046	15,269,762	846,290	4,687,055	5,548,074	762,480	202,096	102,999,803
-	-	-	-	-	-	-	-

-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

(8,793,624)	(1,526,976)	(169,258)	(468,706)	(832,211)	(228,744)	(40,419)	(12,059,938)
-------------	-------------	-----------	-----------	-----------	-----------	----------	--------------

66,890,422	13,742,786	677,032	4,218,350	4,715,863	533,736	161,677	90,939,865
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272,235,798	43,501,675	10,756,788	14,149,279	22,842,613	10,968,165	1,998,043	376,452,361
(205,345,376)	(29,758,889)	(10,079,756)	(9,930,929)	(18,126,750)	(10,434,429)	(1,836,366)	(285,512,496)
66,890,422	13,742,786	677,032	4,218,350	4,715,863	533,736	161,677	90,939,865

5. INTANGIBLE ASSETS

At June 30, 2020

Cost
Accumulated amortization
Net book value

Year ended June 30, 2021

Opening net book value
Additions
Disposal
Cost
Accumulated amortization

Amortization charge

Closing net book value

At June 30, 2021

Cost
Accumulated amortization
Net book value

Year ended June 30, 2022

Opening net book value
Additions
Disposal
Cost
Accumulated amortization

Amortization charge

Closing net book value

At June 30, 2022

Cost
Accumulated amortization
Net book value

Rate of amortization (%)

Computer Software	Training of master trainers	Total
Rupees		
14,805,555	-	14,805,555
(13,972,420)	-	(13,972,420)
833,135	-	833,135
833,135	-	833,135
-	-	-
-	-	-
(250,128)	-	(250,128)
583,007	-	583,007
14,805,555	-	14,805,555
(14,222,548)	-	(14,222,548)
583,007	-	583,007
583,007	-	583,007
-	-	-
-	-	-
(174,902)	-	(174,902)
408,105	-	408,105
14,805,555	-	14,805,555
(14,397,450)	-	(14,397,450)
408,105	-	408,105
30%	20%	

5.1 The Amortization charge for the year has been allocated as follows:

	Note	2022 Rupees	2021 Rupees
Direct costs	18	160,709	229,830
Administrative expenses	19	14,193	20,298
		174,902	250,128

6. LONG TERM SECURITY DEPOSITS

Security deposit against rent	4,599,120	4,599,120
Deposit against bank guarantee	278,000	278,000
Others	21,000	21,000
	4,898,120	4,898,120

ADVANCES

Considered good:

- Advance for expenses

2022
Rupees2021
Rupees

1,391,036

1,406,036

1,391,0361,406,036**PREPAYMENTS**

Insurance

158,182

617,379

158,182617,379**INCOME TAX REFUNDABLE**

During the year 2017, the Assistant Commissioner of Inland Revenue (ACIR) has passed an order u/s 122 of the Income Tax Ordinance, 2001, creating tax demand of Rs. 36,357,688/- and has recovered an amount of Rs. 18,572,062 from company's bank accounts. The Company has filed an appeal before the Commissioner Inland Revenue (CIR) who vacated the aforesaid order of ACIR. The Company has filed application for allowing appeal effect which was duly granted by creating income tax refund to the extent of income tax demand recovered through attachment of the Company's bank accounts. The Company e-filed refund application dated: 24-04-2018 for refund under section 170(1) of the Income Tax Ordinance, 2001 amounting to Rs. 18,572,062. After examination and perusal of record, the tax department has issued partial refund of Rs. 11,340,461 during the year 2020 in three installments whereas the balance amount of Rs. 7,231,600 is under consideration.

CASH AND BANK BALANCES

Note

2022
Rupees2021
Rupees

Cash in hand

51,820

610,820

Cash at banks:

- Current accounts

36,929

62,110

- Saving accounts

1,314,463

884,481

10.1

1,403,2131,557,411

10.1 These carry profit ranging from 4.5% to 7% (2021: 4.5% to 7%) per annum.

SHARE CAPITAL AND RESERVES

Authorized share capital

Number of shares

2022

2021

155,000,000155,000,000

Ordinary share of Rs. 10/- each

1,550,000,0001,550,000,000

Issued, subscribed and paid-up share capital

Number of shares

2022

2021

147,992,070147,992,070

11.1

1,479,920,7001,466,690,700

11.1 Ordinary share of Rs. 10/- each fully paid in cash.

	Note	2022 Rupees	2021 Rupees
12. ADVANCE AGAINST FUTURE ISSUE OF SHARES			
12.1	12.1	<u>213,514,776</u>	<u>213,514,776</u>
12.1 Represents amount received from Government of Pakistan for future issue of shares.			
Movement during the year is as under:			
Balance at the beginning of the year			
Amount received		213,514,776	213,514,776
Issue of share capital		-	-
		<u>213,514,776</u>	<u>213,514,776</u>

13. DEFERRED LIABILITY			
Staff retirement benefits-gratuity			
	13.1	12,164,292	15,146,240
13.1 Movement during the year is as under:		<u>12,164,292</u>	<u>15,146,240</u>
Balance at the beginning of the year			
Charge for the year		15,146,240	17,407,943
		1,397,384	1,079,445
		16,543,624	18,487,388
Benefits paid during the year		(4,379,332)	(3,341,148)
Balance at the year end		<u>12,164,292</u>	<u>15,146,240</u>

	Note	2022 Rupees	2021 Rupees
14. PAYABLE TO PIDC			
	14.1	<u>78,317,000</u>	

14.1 This represents amount of Rs.78.317 millions received from Pakistan Industrial Development Corporation (PIDC), a major shareholder, to meet working capital requirements. The said loan was interest free and payable in the normal course of business. The loan was made to the Company on the condition that the Company would not declare or pay any cash dividends or authorize or make any other distribution on any class of equity securities of the Company. However, in light of difficult monetary and economical circumstances of the company, the Board of PIDC in its 144th meeting held on June 15, 2022 unanimously approved to write-off the loan given to Pakistan Gems & Jewelry Development Company. Accordingly both PIDC and company has written off the above Loan from their respective books of accounts.

15. ACCRUED AND OTHER LIABILITIES	Note		
Salaries payable		7,544,720	7,544,719
Accrued expenses	15.1	50,031,121	38,009,351
Retention, earnest money and security deposit		982,277	982,277
Payable against participants fee		435,000	435,000
Auditors' remuneration		150,000	175,000
Others		470,877	402,731
		<u>59,613,995</u>	<u>47,549,078</u>

15.1 This includes an amount of Rs. 46,995,232 (2021: Rs. 35,613,916) on account of rent payable of head office and various project locations in different cities of the country.

15.2 Rent payable includes an amount of Rs 6,956,445 against which the landlord filed a suit against the company in December 2020, which the company failed to pay and is at default of 20 months (01 March 2019 to 31 December 2020) and the future monthly rent of the subject property till final disposal of the subject rent case. The subject property is located in saddar. The matter is currently fixed for hearing and shall be eventually decided by the court.

W/1

16. CONTINGENCIES AND COMMITMENTS

Letter of guarantee issued by bank on behalf of the Company

	2022 Rupees	2021 Rupees
	<u>278,000</u>	<u>278,000</u>

Contingencies

16.1 An ex-employee Syed Muhammad Zafar-ul-Imam has filed a Constitutional Petition against the Company in the High Court of Sindh for claim of salary and medical expenses. The matter is currently fixed for hearing and shall be eventually decided by the court.

16.2 The petition of Mr. Khurram Riaz filed before the Islamabad High Court on non-disbursement of salaries for the period from May 2019 to December 2019 is decided. The court after hearing came to the conclusion that the claim of the petitioners for payment of salaries till december is misconceived. It is admitted that two months' salary of the petitioners is outstanding, therefore, in the interest of justice, the respondents has been instructed to release the necessary fund. However, such amount is still outstanding as of the reporting date.

17. OTHER INCOME - NET

Note

Income from tender documents
Written-off of PIDC loan

2022
Rupees

2021
Rupees

	-	8,000
	78,317,000	105,917
	<u>78,317,000</u>	<u>113,917</u>

17.1 On account of current financial condition, the board of PIDC unanimously approved to write-off the loan given to Pakistan Gems & Jewelry Development Company.

18. DIRECT COSTS

Salaries and benefits

Rent

Depreciation

Amortization

Security charges

Legal and professional charges

4.1

5.1

993,168

11,779,953

11,796,260

160,709

2,746,419

360,000

10,342,327

13,510,774

229,830

2,594,340

-

27,836,509

26,677,271

19. ADMINISTRATIVE EXPENSES

	Note	2022 Rupees	2021 Rupees
Salaries and benefits			
Director's Remuneration	19.1	10,591,305	7,980,934
Rent	19.2	315,000	
Depreciation		8,675,550	7,616,786
Amortization	4.1	263,678	302,002
Repair and maintenance	5.1	14,193	20,298
Travelling and conveyance		1,056,825	775,840
Utilities		1,184,159	410,961
Communication charges		477,176	278,630
Insurance expense		293,717	282,052
Security charges		986,109	893,422
Legal and professional charges		602,873	558,886
Auditors' remuneration		949,994	595,203
Advertisement	19.3	150,000	175,000
Generator fuel		127,195	527,313
Vehicle running expenses		7,585	7,000
Entertainment		699,894	414,701
Printing and stationary		125,267	150,777
Janitorial		143,969	187,185
Others		18,109	22,383
		35,030	-
		26,717,629	21,199,373

19.1 This includes expense recognized in respect of defined benefit plan of Rs. 1,397,384 (2021: Rs. 979,445).

19.2 This amount represent payment of meeting fee to board of directors for attending board of directors meetings held during the period.

19.3 Auditors' remuneration

Audit services

Annual audit fee	138,890	150,000
Out of pocket expenses	-	12,035
Sindh sales tax	11,110	12,965
	150,000	175,000

20. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Executives	
	2022	2021	2022	2021
Managerial remuneration	-	30,194	-	-
Medical expenses	-	-	-	-
Vehicle running expenses	59,100	192,983	-	-
Others	331,288	-	-	-
	390,388	223,177	-	-
Number of persons	1	1	-	-

20.1 During the year, additional charge allowance of Rs. 120,000/- has been paid to Chief executive. Moreover, the Company maintained car has been provided to him.

20.2 This represent payment made to chief executive against reimbursement of air tickets and various travelling expenses.

TRANSACTION WITH RELATED PARTIES

The Company's related parties comprises of individual shareholder, Companies and key management personnel. Advance received against future issue of shares, Payable to PIDC and remuneration of key management personnel have been disclosed in Note 12, 14 and 20 respectively to these financial statements.

FINANCIAL RISK FACTORS AND RISK MANAGEMENT

22.1 Financial Risk Factors

The Company has exposed to the following risks from its use of financial Instruments:

Credit risk;
Liquidity risk; and
Market risk (including currency risk, interest rate risk and other price risk).

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board. The Company's finance department evaluates financial risks based on principles for overall risk management, as well as policies covering specific areas, such as investment of excess liquidity, credit risk, interest rate risk and foreign exchange risk.

Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted. Credit risk mainly arises from income tax refundable, advances, deposits, other receivables and bank balances. Excess funds of the Company are held with banks having highest capacity for timely repayment (i.e. having credit rating of at least 'A+'). Accordingly, management does not expect any counter party to fail in meeting their obligations.

Concentration of credit risk exists when changes in economic and industry factors similarly affect the group of counter parties whose aggregated credit exposure is significant in relation to the Company's total credit exposure. The financial assets of the Company are broadly diversified and transactions are entered into with diverse credit worthy parties thereby mitigating any significant concentration risk. The Company believes that it is not exposed to major concentration of credit risk.

Liquidity risk

Liquidity risk reflects the entity's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient cash and balances with banks. The Company believes that it has maintained sufficient liquid position that would result in no maturity mismatch between its financial assets and liabilities to exposes the Company to liquidity risk.

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

Currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to foreign exchange risk because none of the Company's monetary assets and liabilities are denominated in foreign currency.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value or future cash flow of financial instruments.

At the reporting date, the interest rate profile of the Company's significant financial assets is as follows:

Balances maintained with banks

2022
Rupees

2021
Rupees

1,314,463

884,481

As at June 30, 2022, if the interest rate on the Company's deposit had been higher / lower by 100 basis point with all other variables held constant, finance income for the year would have been higher / lower by Rs. 13,143 (2021: Rs. 8,845) mainly as a result of higher / (lower) interest income.

22.2 Financial Instrument by Category

Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total
Rupees			

Financial assets as per Statement of financial position

As at June 30, 2022

Long term deposits

Other receivables

Income tax refundable

Cash and bank balances

-	-	4,898,120	4,898,120
-	-	712,785	712,785
-	-	7,231,600	7,231,600
-	-	1,403,213	1,403,213
-	-	14,245,717	14,245,717

Financial assets as per Statement of financial position

As at June 30, 2021

Long term security deposits

Other receivables

Income tax refundable

Cash and bank balances

-	-	4,898,120	4,898,120
-	-	3,636,084	3,636,084
-	-	7,231,600	7,231,600
-	-	1,557,411	1,557,411
-	-	17,323,215	17,323,215

Financial liabilities carried at amortized cost

Deferred liability

Payable to PIDC

Accrued and other liabilities

2022
Rupees

2021
Rupees

12,164,292

15,146,240

-

78,317,000

59,613,995

47,549,078

71,778,287

141,012,318

22.3 Fair Value Estimation

All financial Instruments carried at fair value are categorized in three categories defined as follows:

Level 1: Quoted prices in active markets for identical assets.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Company did not hold any investment as at year end.

23. NUMBER OF EMPLOYEES

2022

2021

Number of employees as at year end

12

12

Average number of employees during the year

12

16

24. **DATE OF AUTHORIZATION**

These financial statements were authorized for issue on June 05, 2023 by the Board of Directors of the Company.

25. **CORRESPONDING FIGURES**

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

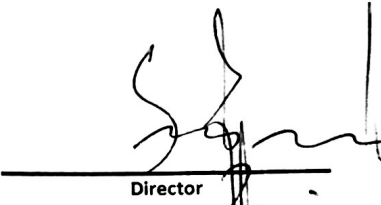
26. **GENERAL**

Figures have been rounded-off to the nearest rupee.

0.5



Chief Executive Officer



Director