



Pakistan Afghanistan Joint Chamber of Commerce & Industry (PAJCCI)

Financial Statements
For the Year ended
June 30, 2018

PAKISTAN CHAPTER

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF PAKISTAN AFGHANISTAN JOINT CHAMBER
OF COMMERCE AND INDUSTRY
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Opinion

We have audited the annexed financial statements of **Pakistan Afghanistan Joint Chamber of Commerce and Industry** which comprise the statement of financial position as at June 30, 2018, and the statement of Income and expenditure and other comprehensive income, statement of changes in net assets (general fund), the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of Income and expenditure and other comprehensive income, the statement of changes in net assets (general fund) and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the deficit and other comprehensive loss, the changes in net assets (general fund) and its cash flows for the year then ended.

Basis for Opinion

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

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.

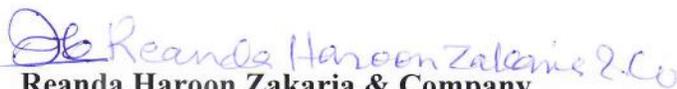
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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, income and expenditure account and other comprehensive income, the statement of changes in net assets (general fund) and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Mohammad Iqbal**.


Reanda Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Dated: **27 SEP 2018**

PAKISTAN AFGHANISTAN JOINT CHAMBER OF COMMERCE AND INDUSTRY
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	<i>Note</i>	<i>2018 Rupees</i>	<i>2017 Rupees</i>
<u>ASSETS</u>			
Non-Current Assets			
Property and equipment	4	6,822,189	7,581,219
Intangible assets	5	20,215	36,384
		6,842,404	7,617,603
Current Assets			
Subscription receivable from First Directors		275,000	275,000
Advances	6	2,250,000	-
Cash and bank balances	7	7,813,178	1,672,278
		10,338,178	1,947,278
Total Assets		17,180,582	9,564,881
<u>FUND AND LIABILITIES</u>			
General fund	8	5,412,952	8,654,826
Non Current Liabilities			
Deferred income	9	10,724,255	-
Current Liabilities			
Advance subscription	10	984,375	856,267
Other payables	11	59,000	53,788
		1,043,375	910,055
Total Fund and Liabilities		17,180,582	9,564,881

The annexed notes from 1 to 17 form an integral part of these financial statements.



President



Director

PAKISTAN AFGHANISTAN JOINT CHAMBER OF COMMERCE AND INDUSTRY
STATEMENT OF INCOME AND EXPENDITURE AND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	<i>Note</i>	<i>2018</i> <i>Rupees</i>	<i>2017</i> <i>Rupees</i>
<u>INCOME</u>			
Grant from TAF		-	5,644,137
Grant from Saferworld	9	2,251,302	-
Membership income	10	993,717	678,233
Issuance of visa recommendation letter		40,000	120,000
Gain on disposal of fixed assets		6,000	5,000
Other service income	12	649,082	1,725,682
		3,940,101	8,173,052
<u>EXPENDITURE</u>			
Salaries and other benefits		1,304,688	1,480,950
Depreciation	4	915,030	901,101
Amortization	5	16,169	12,127
Utilities		83,924	196,435
Communication and postage		201,083	77,816
Board meeting expenses		-	20,165
Advertisement and promotions		-	50,334
Printing and stationery		54,598	40,655
Fee and subscription		2,080,970	2,109,594
Auditors' remuneration	13	100,580	87,800
Annual trade conference - TAF		-	2,711,670
Repair and maintenance		154,021	-
Promotional Networking Events	9.2	2,251,302	-
Travel and entertainment		6,510	398,815
Bank charges		9,280	16,462
Website maintenance charges - TAF		-	514,467
Miscellaneous expense		3,820	19,010
		(7,181,975)	(8,637,401)
Deficit for the year		(3,241,874)	(464,349)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(3,241,874)	(464,349)

The annexed notes from 1 to 17 form an integral part of these financial statements.



 President



 Director

PAKISTAN AFGHANISTAN JOINT CHAMBER OF COMMERCE AND INDUSTRY
STATEMENT OF CHANGES IN NET ASSETS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<i>Restricted Net Assets</i>	<i>Unrestricted Net Assets</i>	<i>Total Net Assets</i>
Balance as at June 30, 2016	7,524,090	1,595,085	9,119,175
Total comprehensive loss for the year	-	(464,349)	(464,349)
Net increase in restricted net assets during the year	93,513	(93,513)	-
Balance as at June 30, 2017	7,617,603	1,037,223	8,654,826
Total comprehensive loss for the year	-	(3,241,874)	(3,241,874)
Net decrease in restricted net assets during the year	(775,199)	775,199	-
Balance as at June 30, 2018	6,842,404	(1,429,452)	5,412,952

The annexed notes from 1 to 17 form an integral part of these financial statements.



President



Director

PAKISTAN AFGHANISTAN JOINT CHAMBER OF COMMERCE AND INDUSTRY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Deficit for the year	(3,241,874)	(464,349)
Adjustment for:		
Depreciation	915,030	901,101
Gain on disposal of fixed assets	(6,000)	(5,000)
Amortization	16,169	12,127
	925,199	908,228
Operating cash (outflows) / inflows before working capital changes	(2,316,675)	443,879
Working capital changes		
(Increase) / decrease in current assets		
Advances	(2,250,000)	4,000
Increase / (decrease) in current liabilities		
Advance subscription	128,108	463,457
Other payables	5,212	(11,212)
	(2,116,680)	456,245
Net cash (used in) / generated from operating activities	(4,433,355)	900,124
B. CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(156,000)	(1,006,741)
Sale proceed from disposal of fixed assets	6,000	5,000
Net cash used in investing activities	(150,000)	(1,001,741)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Donation received in advance	10,724,255	-
Net cash generated from financing activities	10,724,255	-
Net increase / (decrease) in cash and cash equivalents (A+B+C)	6,140,900	(101,617)
Cash and cash equivalents at the beginning of the year	1,672,278	1,773,895
Cash and cash equivalents at the end of the year	7,813,178	1,672,278

The annexed notes from 1 to 17 form an integral part of these financial statements.



President



Director

PAKISTAN AFGHANISTAN JOINT CHAMBER OF COMMERCE AND INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1 COMPANY AND GENERAL INFORMATION

1.1 Legal status and operations

Pakistan Afghanistan Joint Chamber of Commerce and Industry (the Company) was incorporated in Pakistan on November 18, 2011 as a Company limited by guarantee under Section 42 of the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The principal object of the Company is to establish Joint Chamber and to promote commerce and business relations between Pakistan and Afghanistan. The registered office of the Company is situated at Room no. 802, 8th floor, International trade center adjacent to Karachi Chamber of Commerce Hasrat Mohani Road, Karachi

In the event of the Company being wound up, every member of the Company undertakes to contribute to the assets of the Company while he is a member or within one year afterwards, for the payment of the liabilities of the Company and costs, changes and expenses of winding up and for adjustment of the rights of the contributories among themselves such amount as may be required but not exceeding rupees ten thousand.

1.2 Summary of significant events and transactions in the current reporting period

- i.* Due to the applicability of Companies Act, 2017 certain disclosures of the financial have been presented in accordance with the fifth schedule notified by the Securities and Exchange Commission of Pakistan vide S.R.O. 1169 dated November 7, 2017.
- ii.* During the current year, Company has received the donation from Saferworld amounting to Rs. 12,975,557 as fully explained in note 9.1.
- iii.* During the year, income of the Company has decreased by 48% from 8.173 million in the corresponding period to Rs. 3.940 in the current period simultaneously resulting in the deficit for the year amounting to Rs. 3.241 (2017: deficit of Rs. 0.464) million.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs) issued by International Accounting Standards Board (IASB) and Accounting Standards for Not For Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the Companies Act, 2017, and provisions of and directives issued under the Companies Act, 2017. In case the requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

2.2 Basis of Measurement

These financial statement have been prepared under the historical cost convention. Further, accrual basis of accounting is followed except for cash flow information.

2.3 Functional and presentation currency

The financial statements are presented in Pakistan Rupees, which is also the Company's functional currency.

2.4 Use of Estimates and Judgment

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates, if any, are recognized prospectively commencing from the period of revision.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent year are as follows:

Property and equipment

The Company's management determines the estimated useful lives and related depreciation charge for its property and equipment. This also includes estimating the residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipments with a corresponding affect on the depreciation charge and impairment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

These are initially measured at cost. Subsequent to initial recognition these are measured at cost less accumulated depreciation and impairment loss if any.

Depreciation is charged to income and expenditure account applying straight line method at the rates given in the relevant note. Depreciation is charged on additions from the month when the asset is available for use while no depreciation is charged from the month of disposal.

Maintenance and normal repairs are charged to income and expenditure account as and when incurred while major improvements, if any, are capitalized. Gains and losses on disposal of assets are included in the income and expenditure account.

The carrying values of tangible fixed assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts.

3.2 Intangible assets.

Intangible assets are stated at cost less accumulated amortization and any identified impairment loss. Amortization is charged to income applying the straight line method at the rate given in the relevant note. Full year's amortization is charged on additions from the month of acquisition, while no amortization is charged in the month of disposal.

3.3 Cash and cash equivalents

These include cash in hand and bank balances and are carried at cost.

3.4 Other payables

Other payables are carried at cost which is the fair value of the consideration to be paid in the future for services received, whether or not billed to the Company.

3.5 Taxation

The Company is granted tax credit equal to 100% of the tax payable as per section 100C of the Income Tax Ordinance, 2001.

3.6 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation, as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.7 Revenue Recognition

- Membership subscription and other income are recognized on occurrence of transactions.
- Service income is recognized at the time when the services are rendered to the clients.
- The Company follows deferral method of accounting for the recognition of contributions / grants / donations. Recognition of restricted contribution/grant/donation is deferred till the date when the conditions associated with the contribution/grant/donation have been fulfilled by the Company.

Accordingly grants/donations/contributions are recognized where there is reasonable assurance that these will be received and all attached conditions will be complied with. If the grant / contribution / donation relates to the expenses, then, it is initially recognized as liability (deferred income) and transferred gradually to income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

4 PROPERTY AND EQUIPMENT

Description	COST		DEPRECIATION				Written down Value on June 30, 2018	Rate %
	As at July 01, 2017	Additions / Disposals During the Year	As at June 30, 2018	As at July 01, 2017	Depreciation for the year / (On disposals)	As at June 30, 2018		
Furniture and fixture	437,876	-	437,876	303,829	65,681	369,510	68,366	15
Office premises	8,284,230	-	8,284,230	874,340	828,423	1,702,763	6,581,467	10
Electrical equipments	1,795,196	156,000 (172,850)	1,778,346	1,757,914	20,925 (172,850)	1,605,989	172,357	33.33
Rupees - 2018	10,517,302	156,000 (172,850)	10,500,452	2,936,083	915,030 (172,850)	3,678,263	6,822,189	
Rupees - 2017	9,631,922	885,380	10,517,302	2,107,832	828,251	2,936,083	7,581,219	

-----Rupees-----

<i>Note</i>	<i>2018</i> <i>Rupees</i>	<i>2017</i> <i>Rupees</i>
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5 INTANGIBLE ASSETS

Domain registration	9,000	9,000
Website development	203,511	203,511
Hosting charges	90,000	90,000
	<u>302,511</u>	<u>302,511</u>
Amortization	5.1 (282,296)	(266,127)
	<u>20,215</u>	<u>36,384</u>
<i>Rate %</i>	<u>33%</u>	<u>33%</u>

5.1 Amortization

Opening	266,127	254,000
Charge for the year	16,169	12,127
	<u>282,296</u>	<u>266,127</u>

6 ADVANCES

against software purchase	6.1 <u>2,250,000</u>	<u>-</u>
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6.1 This represents advance paid to a software house "The Catalyst" for purchase of software.

<i>2018</i> <i>Rupees</i>	<i>2017</i> <i>Rupees</i>
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7 CASH AND BANK BALANCES

Cash in hand	19,841	74,692
Cash at banks - current accounts	7,793,337	1,597,586
	<u>7,813,178</u>	<u>1,672,278</u>

8 GENERAL FUND

	<u>5,412,952</u>	<u>8,654,826</u>
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8.1 General fund represents the total net assets of the Company. Out of total net assets, assets subject to internal restrictions amounting to Rs. 6.842 (2017: Rs. 7.618) million representing the total fixed assets as on the balance sheet date. There are no external restrictions over the remaining net assets.

	<i>Note</i>	2018 <i>Rupees</i>	2017 <i>Rupees</i>
9 DEFERRED INCOME			
Grant from Saferworld	9.2	<u>10,724,255</u>	<u>-</u>
9.1 Grant received		12,975,557	-
Expenses incurred to date		<u>(2,251,302)</u>	<u>-</u>
		<u>10,724,255</u>	<u>-</u>

The Company has entered into an agreement with SAFERWORLD, aimed at creating a more enabling environment for the development, delivery and expansion of regional economic and connectivity initiatives between Pakistan and its neighboring countries (with particular attention to Afghanistan). The grant is for specific time period from October 4, 2017 to September 30, 2020. The Company is entitled to donation amounting to £187,580 out of which £85,220 (Rs. 12,975,557) have been received by the Company till the balance sheet date.

9.2 Following expenses in relation to the activities covered under the Grant have been incurred to date:

<i>Description</i>	2018 <i>Rupees</i>	2017 <i>Rupees</i>
Side meetings	1,228,691	-
Advocacy meetings	1,022,611	-
	<u>2,251,302</u>	<u>-</u>

Accordingly, the above amount has been transferred to statement of income and expenditure in accordance with the policy of the company.

	2018 <i>Rupees</i>	2017 <i>Rupees</i>
10 ADVANCE SUBSCRIPTION		
Opening balance	856,267	392,810
Membership received during the year	1,121,825	1,141,690
Membership income transferred to income and expenditure account	<u>(993,717)</u>	<u>(678,233)</u>
	<u>984,375</u>	<u>856,267</u>

11 OTHER PAYABLES

Auditor's remuneration payable	59,000	50,000
Other payables	-	3,788
	<u>59,000</u>	<u>53,788</u>

12 OTHER SERVICE INCOME

	<u>689,082</u>	<u>1,725,682</u>
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12.1 This represents services rendered to various clients / members on account of facilitating them to participate in various trade events and providing them with travel and accommodation facilities.

<i>Note</i>	<i>2018 Rupees</i>	<i>2017 Rupees</i>
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13 AUDITORS' REMUNERATION

- Statutory audit	54,000	45,000
- Out of pocket	5,000	5,000
- Other services	41,580	37,800
	<u>100,580</u>	<u>87,800</u>

14 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

14.1 Financial Instruments by Category

Financial Assets at amortized cost

-loans and advances

Subscription receivable from First Directors	275,000	275,000
Cash and bank balances	7,813,178	1,672,278
	<u>8,088,178</u>	<u>1,947,278</u>

Financial Liabilities at amortized cost

Other payables	59,000	53,788
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15 TRANSACTIONS WITH RELATED PARTIES

No transactions with related parties occurred during the year.

16 GENERAL

- Number of employees as at June 30, 2018 and average number of employees during the year were 4 (2017: 4) and 4 (2017: 4) respectively.
- Figures have been rounded off to the nearest Rupees.

17 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company on 27 SEP 2018.



President



Director