

**Bahria
Classification
Society**

Financial Statements
For the period from March 21, 2019 to
June 30, 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Bahria Classification Society

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Bahria Classification Society (the Company), which comprise of the statement of financial position as at June 30, 2020, the statement of income and expenditure and comprehensive income, the statement of changes in funds and reserves, the statement of cash flows for the period 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, statement of income and expenditure and comprehensive income, the statement of changes in funds and reserves and the statement of cash flows and 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, 2020 and of the income and expenditure and comprehensive income, the changes in funds and reserve and its cash flows for the period then ended.

Basis for Opinion

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

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

Management is responsible for the other information. The other information comprises the information included in the annual report, which have not been provided to the date. Other information 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 or 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.

We have not been provided with any such information.

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 Change as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of income and expenditure, the statement of comprehensive income, statement of changes in funds and reserves 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 Mr. Nadeem Yousuf Adil.

Deloitte Yousuf Adil
Chartered Accountants

Place: Karachi

Dated: 20 OCT 2020

**BAHRIA CLASSIFICATION SOCIETY
(UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020**

	Note	2020 (Rupees)
ASSETS		
Non-current assets		
Property and equipment	4	2,187,002
Capital work in progress	5	649,210
		<u>2,836,212</u>
Current assets		
Bank balance	6	1,508,659
Sales tax refundable		41,711
Accrued profit from bank		740
Advance tax		130
		<u>4,387,452</u>
TOTAL ASSETS		
FUND AND LIABILITIES		
Accumulated deficit		(16,032,015)
LIABILITIES		
Current liability		
Accrued and other liabilities	7	583,851
Loan from related party	8	19,835,616
		<u>4,387,452</u>
Total fund and liabilities		<u>4,387,452</u>
Contingencies and commitments	9	

The annexed notes 1 to 19 form an integral part of these financial statements.

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Chief Executive Officer

Director

BAHRIA CLASSIFICATION SOCIETY
(UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD FROM MARCH 21, 2019 TO JUNE 30, 2020

	Note	March 21, 2019 to June 30, 2020 (Rupees)
INCOME		
Service income	10	1,465,200
Other income		<u>31,340</u>
		1,496,540
EXPENDITURE		
Operating expenses	11	<u>14,152,461</u>
Administrative expenses	12	<u>3,376,094</u>
		17,528,555
Taxation	13	-
Excess of expenditure over income for the period		<u>(16,032,015)</u>
Other comprehensive income		-
Total comprehensive income for the period		<u><u>(16,032,015)</u></u>

The annexed notes 1 to 19 form an integral part of these financial statements.

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Chief Executive Officer

Director

**BAHRIA CLASSIFICATION SOCIETY
(UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM MARCH 21, 2019 TO JUNE 30, 2020**

March 21,
2019 to June
30, 2020
(Rupees)

CASH FLOWS FROM OPERATING ACTIVITIES

Excess of expenditure over income (16,032,015)

Adjustment for non-cash charges and other items:

Depreciation 77,449

Changes in working capital

Accrued profit from bank (740)

Advance tax (130)

Sales tax refundable (41,711)

Accrued and other liabilities 583,851

Net cash used in operating activities (15,413,296)

CASH FLOW FROM INVESTING ACTIVITIES

Addition to property and equipment (2,264,451)

Addition to capital work in progress (649,210)

Net cash used in investing activities (2,913,661)

CASH FLOW FROM FINANCING ACTIVITIES

Loan from related party 19,835,616

Net cash generated from financing activities 19,835,616

Net increase in cash and cash equivalents 1,508,659

Cash and cash equivalents at beginning of the year -

Cash and cash equivalents at end of the year 1,508,659

The annexed notes 1 to 19 form an integral part of these financial statements.

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Chief Executive Officer

Director

**BAHRIA CLASSIFICATION SOCIETY
(UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE PERIOD FROM MARCH 21, 2019 TO JUNE 30, 2020**

**March 21, 2019
to June 30,
2020
(Rupees)**

Total comprehensive income for the period	
Excess of expenditure over income for the period	(16,032,015)
Other comprehensive income	-
Balance as at June 30, 2020	<u>(16,032,015)</u>

The annexed notes 1 to 19 form an integral part of these financial statements.

By

Chief Executive Officer

Director

BAHRIA CLASSIFICATION SOCIETY
(UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM MARCH 21, 2019 TO JUNE 30, 2020

1. LEGAL STATUS AND OPERATIONS

Bahria Classification Society (the Company) is a company limited by guarantee, not having share capital, setup under Section 42 of the Companies Act, 2017. The Company was incorporated on March 21, 2019 and has been licensed as a non profit organization by the Securities and Exchange Commission of Pakistan. The objective of the Company is to establish, manage, provide classification training, services and assistance to the maritime industry and regulatory bodies regarding maritime safety and pollution prevention based on the accumulation of maritime rules / regulations and technology. The patronage of the Company will remain with Bahria Foundation in perpetuity. The registered office of the company is situated at second floor, Bahria Complex II, M.T Khan Road, Karachi.

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 Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standards for Not for Profit Organizations (Accounting Standards 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 directive issued under Companies Act, 2017 differ from the IFRS for SMEs, the provisions and directives issued under Companies Act, 2017 have been followed.

2.2 Presentation and functional currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2.3 Basis of measurement

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

2.4 Critical judgments and estimates in applying the accounting policies

The preparation of financial statements in conformity with accounting and reporting standards require 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 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 estimate is revised and in any future periods affected. Critical estimates are:

- residual values and depreciation rates of property and equipment (Note 4)

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are applied for the period presented in these financial statements.

3.1 Property and equipment

Initial recognition

All items of property and equipment are initially recorded at cost.

Subsequent measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment loss (if any).

Depreciation is charged to statement of income and expenditure by applying the straight line method whereby depreciation is charged on an asset over its estimated useful life. Depreciation is charged from the month the assets are available for use upto the month preceding the month of disposal or fully depreciated. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Maintenance and normal repairs are charged to statement of income and expenditure as and when incurred.

Gain or loss on disposal or retirement of an asset represented by difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

3.2 Capital work in progress

Capital work in progress is stated at cost less impairment loss. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

3.3 Financial instruments

Financial assets and financial liabilities are recognized 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 recognized immediately in income and expenditure.

3.3.1 Financial assets

3.3.1.1 Classification

The management determines the appropriate classification of the Company's financial assets in accordance with the requirements of IFRS for SMEs at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Company are categorised as follows:

3.3.1.2 Financial asset at amortized cost

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity and are not quoted in an active market.

3.3.1.3 Available-for-sale financial asset

Available-for-sale investments are non-derivatives that are not classified as financial assets at fair value through profit or loss. These are included in non-current assets unless management has the express intention of holding the investment for less than twelve months from the separate statement of financial position date.

3.3.1.4 Initial recognition and measurement

Financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instruments. Assets at amortize cost are initially recognised at fair value plus transaction costs and available-for-sale investments are initially recorded at cost

3.3.1.5 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

Financial assets at amortised cost

These are carried at amortised cost using the effective interest method.

Available-for-sale financial asset

These are subsequently re-measured at their fair values.

3.3.2 Impairment

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. When there is an objective evidence that an impairment loss has been incurred, the amount of loss is measured as follows:

Assets carried at amortized cost

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of loss is recognised in the income and expenditure account.

Derecognition of financial assets

Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. Any gain or loss on derecognition of financial assets at amortized cost and available-for-sale assets are taken to the income and expenditure account.

3.3.3 Derecognition of financial liabilities

These comprise trade and other payables. All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Trade and other payables are stated initially at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company and are subsequently measured at amortized cost using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the income and expenditure statement

3.3.4 Offsetting of financial assets and financial liabilities

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

3.4 Provisions

Provisions are recognized when the Company has legal or constructive obligation as a result of a past events, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

3.5 Accrued liabilities

Short-term liabilities for trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

3.6 Taxation

The Company has yet to be granted approval as a non-profit organization under section 2(36) of the Income Tax Ordinance, 2001 (the Ordinance) by the Commissioner of Income Tax. The management of the Company has applied for tax credit under sec 100C of Income Tax Ordinance, 2001 (the Ordinance), based on the advice of its tax consultant, the management is confident that the tax credit will be granted. Hence, no provision for taxation has been made in these financial statements.

3.7 Income recognition

Revenue is recognised to the extent the Company has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

Income on bank deposits is recognized at applicable markup rates on time proportion basis.

3.8 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flows, cash and cash equivalents include cash in hand, deposits held with banks, other short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

4. PROPERTY AND EQUIPMENT

	<u>Computer equipment</u>	<u>Furniture and fixtures</u>	<u>Total</u>
	(Rupees)	(Rupees)	(Rupees)
Additions (at cost)	382,245	1,882,206	2,264,451
Less: Depreciation for the period	(45,311)	(32,138)	(77,449)
Closing net book value	<u>336,934</u>	<u>1,850,068</u>	<u>2,187,002</u>
As at June 30, 2020			
Cost	382,245	1,882,206	2,264,451
Less: Accumulated depreciation	<u>(45,311)</u>	<u>(32,138)</u>	<u>(77,449)</u>
Net book value	<u>336,934</u>	<u>1,850,068</u>	<u>2,187,002</u>
Depreciation rate % per annum	25%	10%	

		2020 (Rupees)
5. CAPITAL WORK IN PROGRESS		
Additions		649,210
Transfers		-
As at June 30,		<u>649,210</u>
5.1	Capital work in progress comprises of fixtures being installed in office premises by Bahria Foundation (associated undertaking). The transaction is carried at arms length basis.	
	Note	2020 (Rupees)
6. BANK BALANCE		
Saving account	6.1	<u>1,509,529</u>
6.1	This represents deposit account that carries profit at 2.27% - 3.00% per annum.	
7. ACCRUED AND OTHER LIABILITIES		
Accrued liabilities	7.1	377,985
Withholding tax payable		112,366
Auditor's remuneration		<u>93,500</u>
		<u>583,851</u>
7.1	It represents payable to the Bahria Foundation (a related party) on account of rent of office premises. The transaction is carried at arms length basis.	
		2020 (Rupees)
8. LOAN FROM RELATED PARTY		
Paid on behalf of the compnay		19,835,616
Repaid during the period		-
Closing		<u>19,835,616</u>
	It represents Loan from Bahria Foundation (associated undertaking) for operational and capital expenditure of the Company. The loan is repayable on demand.	
9. CONTINGENCIES AND COMMITMENTS		
	There were no contingencies and commitments as at 30 June 2020.	
		For the period From March 21, 2019 to June 30, 2020 (Rupees)
10. SERVICE INCOME - NET		
Gross service income		1,655,676
Sales tax		<u>(190,476)</u>
Net service income	10.1	<u>1,465,200</u>
10.1	Theses services are rendered to Pakistan Naval Services (a related party) on arms length basis.	

	Note	For the period From March 21, 2019 to June 30, 2020 (Rupees)
11. OPERATING EXPENSES		
Salary, allowances and other benefits		13,249,939
Traveling		721,145
Communication		79,500
Advertisement and sales promotion		56,500
Material used		45,377
		<u>14,152,461</u>

12. ADMINSTRATIVE EXPENSES

Salary, allowances and other benefits		1,195,189
Rent, rates and taxes	12.1	371,745
Scholarship		229,100
Printing and stationary		122,892
Miscellaneous		111,588
Repair and maintenance		982,149
Auditor's remuneration	12.2	93,500
Depreciation	4	77,449
Medical		65,063
Entertainment		46,576
Communication		27,910
Uniform		21,600
Utility		16,772
Legal, professional and registration fee		14,560
		<u>3,376,094</u>

12.1 It represents payable to the Bahria Foundation (a related party) on account of rent of office premises.

12.2 Auditor's remuneration

	For the period From March (Rupees)
Annual audit fee	85,000
Out of pocket	8,500
	<u>93,500</u>

13. TAXATION

The Company has yet to be granted approval as a non-profit organization under section 2(36) of the Income Tax Ordinance, 2001 (the Ordinance) by the Commissioner of Income Tax. The management of the Company has applied for tax credit under sec 100C of Income Tax Ordinance, 2001 (the Ordinance), based on the advice of its tax consultant, the management is confident that the tax credit will be granted. Hence, no provision for taxation has been made in these financial statements.

14. TRANSACTION WITH RELATED PARTIES

Related parties include associated undertakings having common directors and key management personnel. Transactions with related parties are disclosed in note 7.1, 8, 10.1 and 12.1 of these financial statements.

15. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2020		
	Chief Executive	Director	Executives
	----- Rupees -----		
Managerial remuneration	3,884,060	-	6,249,956
Allowance in lieu of salary	1,290,940	-	1,718,377
Total	<u>5,175,000</u>	<u>-</u>	<u>7,968,333</u>
No of person(s)	<u>1</u>	<u>1</u>	<u>1</u>

15.1 No remuneration is paid to the Director of the Company.

For the period
From March
21, 2019 to
June 30, 2020
(Rupees)

16. FINANCIAL INSTRUMENTS BY CATEGORY

16.1 Financial assets as per statement of financial position

At amortized cost

Bank balance	1,508,659
Accrued profit from bank	740
	<u>1,509,399</u>

16.2 Financial liabilities as per statement of financial position

Financial liabilities measured at amortised cost

Loan from related party	19,835,616
Accrued and other liabilities	583,851
	<u>20,419,467</u>

17. NUMBER OF EMPLOYEES

	Number of employees
Total employees of the Company at the period end	<u>10</u>
Average employees of the Company during the period	<u>5</u>

18. GENERAL


18.1 Figures have been rounded-off to the nearest rupee except stated otherwise.

18.2 The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 21, 2020, the Government of Sindh (GoS) announced a temporary lock down as a measure to reduce the spread of the COVID-19. Due to this, management has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

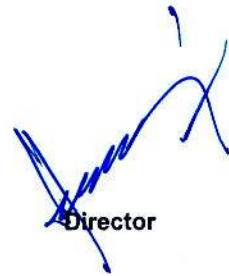
19. DATE OF AUTHORISATION

These financial statements were approved and authorized for issue in the Directors meeting on 17 SEP 2020 .

By



Chief Executive Officer



Director