

ZINDAGI TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

A. F. FERGUSON & CO.

*Chartered Accountants
a member firm of the PwC network*





A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

We have audited the accompanying financial statements of **Zindagi Trust**, which comprise the balance sheet as at June 30, 2015 and the income and expenditure account, cash flow statement and statement of movement in surplus and reserves for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Zindagi Trust as at June 30, 2015 and of its surplus and its cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: November 3, 2015

Karachi

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ZINDAGI TRUST
BALANCE SHEET
AS AT JUNE 30, 2015

| | Note | 2015 | 2014 |
|--|------|--------------------|--------------------|
| | | ----- Rupees ----- | |
| FUNDS | | | |
| Accumulated surplus | 3 | 13,715,533 | 16,028,315 |
| Endowment fund | 4 | 98,188,286 | 90,154,675 |
| | | <u>111,903,819</u> | <u>106,182,990</u> |
| REPRESENTED BY: | | | |
| Non-current assets | | | |
| Operating fixed assets | 5 | 996,260 | 973,269 |
| Investment property | 6 | 1,487,051 | 1,671,445 |
| National Savings Certificates | 7 | 91,000,000 | 82,829,951 |
| Current assets | | | |
| Loans, advances, prepayments, deposits and other receivables | 8 | 3,732,907 | 3,341,465 |
| Taxation recoverable | | 1,590,730 | - |
| Term Deposit Receipts | 9 | 7,000,000 | 6,000,000 |
| Cash and bank balances | 10 | 8,480,418 | 12,727,750 |
| | | <u>20,804,055</u> | <u>22,069,215</u> |
| Total assets | | <u>114,287,366</u> | <u>107,543,880</u> |
| Less: current liabilities | | | |
| Accrued expenses and other liabilities | 11 | 2,383,547 | 1,360,890 |
| | | <u>111,903,819</u> | <u>106,182,990</u> |

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

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A. Mustafa

Trustee

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Trustee

**ZINDAGI TRUST
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015**

| | Note | 2015 | 2014 |
|--|------|-------------------------|--------------------------|
| | | ----- Rupees ----- | |
| Income | | | |
| Donations | | 21,002,386 | 23,779,808 |
| Zakat receipts | | 8,923,877 | 10,351,379 |
| Profit on bank deposits | | 510,755 | 801,842 |
| Term Deposit Receipts and National Savings Certificates income | | 9,507,217 | 8,772,863 |
| Rental income | | 1,395,489 | 1,307,214 |
| Others | | 62,431 | 79,204 |
| | | <u>41,402,155</u> | <u>45,092,310</u> |
| Expenses | | | |
| Direct educational expenses | 12 | 26,311,686 | 27,851,528 |
| Head office expenses | 13 | 9,305,040 | 6,942,993 |
| Flood relief expenses | | - | 21,000 |
| | | <u>35,616,726</u> | <u>34,815,521</u> |
| Other income | | | |
| Loss on disposal of fixed assets | | (64,600) | (20,631) |
| | | <u>5,720,829</u> | <u>10,256,158</u> |
| Surplus for the year before taxation | | | |
| | | <u>5,720,829</u> | <u>10,256,158</u> |
| Taxation | 14 | - | - |
| | | <u>5,720,829</u> | <u>10,256,158</u> |
| Surplus for the year after taxation | | | |
| | | <u>5,720,829</u> | <u>10,256,158</u> |
| Other comprehensive income for the year | | - | - |
| | | <u>5,720,829</u> | <u>10,256,158</u> |
| Total comprehensive income for the year | | <u><u>5,720,829</u></u> | <u><u>10,256,158</u></u> |

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

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ZINDAGI TRUST
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

| | Note | 2015 | 2014 |
|--|------|--------------------------|--------------------------|
| | | Rupees | Rupees |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Surplus for the year | | 5,720,829 | 10,256,158 |
| Adjustment for non-cash items: | | | |
| Depreciation and amortisation | | 804,683 | 725,449 |
| Loss on disposal of operating fixed assets | | 64,600 | 20,631 |
| | | <u>6,590,112</u> | <u>11,002,238</u> |
| Changes in working capital | | | |
| Increase in loans, advances, prepayments, deposits and other receivables | | (391,442) | (1,085,576) |
| Increase in taxation recoverable | | (1,590,730) | - |
| Increase / (decrease) in accrued expenses and other liabilities | | 1,022,657 | (59,992) |
| Net cash generated from operating activities | | <u>5,630,597</u> | <u>9,856,670</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of operating fixed assets | | (754,680) | (276,550) |
| Proceeds from disposal of operating fixed assets | | 46,800 | 37,672 |
| Net investments in Term Deposit Receipts | | - | 13,500,000 |
| Net investments in National Savings Certificates | | (8,170,049) | (36,378,104) |
| Net cash used in investing activities | | <u>(8,877,929)</u> | <u>(23,116,982)</u> |
| Net decrease in cash and cash equivalents | | <u>(3,247,332)</u> | <u>(13,260,312)</u> |
| Cash and cash equivalents at the beginning of the year | | 18,727,750 | 31,988,062 |
| Cash and cash equivalents at the end of the year | 15 | <u><u>15,480,418</u></u> | <u><u>18,727,750</u></u> |

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

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Trustee

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Trustee

ZINDAGI TRUST
STATEMENT OF MOVEMENT IN SURPLUS AND RESERVES
FOR THE YEAR ENDED JUNE 30, 2015

| | Accumulated surplus | Endowment fund Rupees | Total |
|--|------------------------|-----------------------------|-------------|
| Balance as at July 1, 2013 | 24,144,680 | 71,782,152 | 95,926,832 |
| Transfer from Income and Expenditure Account | 10,256,158 | - | 10,256,158 |
| Transfer to endowment fund | (18,372,523) | 18,372,523 | - |
| Balance as at June 30, 2014 | 16,028,315 | 90,154,675 | 106,182,990 |
| Transfer from Income and Expenditure Account | 5,720,829 | - | 5,720,829 |
| Transfer to endowment fund | (8,033,611) | 8,033,611 | - |
| Balance as at June 30, 2015 | 13,715,533 | 98,188,286 | 111,903,819 |

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

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J. Mustafa

Trustee

Abdul Kader

Trustee

ZINDAGI TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

1 LEGAL STATUS AND ACTIVITIES

Zindagi Trust is a charitable trust formed under a Trust Deed dated April 12, 2002 with an objective to provide educational, medical and other social assistance to all persons, in general, and to children in particular, regardless of religion, race, color, caste, or sect, on humanitarian grounds with the aim to help and assist persons who have no source of income to avail medical and other social assistance, and to acquire, establish, maintain, and manage medical dispensaries, clinics, hospitals and health care centers, nurseries, rehabilitation centers, training centers, playgrounds, schools and institutions.

The status of the Trust as a non-profit organisation has been approved by the Commissioner of Income Tax, vide letter No. CIT/COS.V/2007/499 dated July 17, 2006. This approval is valid for future years unless withdrawn. The registered office of the Trust is situated at 94 C, Haji Abdul Razak Janoo Street, Faran Housing Society, Karachi.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below:

2.1 BASIS OF PREPARATION

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board as are notified by the Securities and Exchange Commission of Pakistan.

2.1.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for certain investments which have been carried at amortised cost in accordance with the requirements of International Accounting Standard 39 (IAS 39) "Financial Instruments: Recognition and Measurement".

2.1.3 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards and interpretations that are mandatory for the accounting periods beginning on or after July, 1 2014 but are considered not to be relevant or do not have any significant effect on the Trust's operations and are, therefore, not detailed in these financial statements.

2.1.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2015 but are considered not to be relevant or will not have any significant effect on the Trust's operations and are, therefore, not detailed in these financial statements.

2.1.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Trust's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Trust's financial statements or where judgment was exercised in application of accounting policies are as follows:

- a) Determination of useful lives and depreciation / amortisation of operating fixed assets (notes 2.3 and 5)
- b) Classification and valuation of investments (notes 2.4, 7 and 9)
- c) Provision against doubtful receivables (notes 2.4 and 8)

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2.2 Investment property

Investment property is held for earning rentals and capital appreciation. Investment property is accounted for under the cost model in accordance with International Accounting Standard (IAS) 40, "Investment property" and S.R.O 938 issued by the Securities and Exchange Commission of Pakistan.

Depreciation policy, subsequent capital expenditures and gains or losses on disposal are accounted for in the same manner as tangible fixed assets.

2.3 Operating fixed assets

Tangible

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Trust and the cost of the item can be measured reliably. All other maintenance expenses are charged to the income and expenditure account as and when incurred.

Depreciation on all operating fixed assets is charged to the income and expenditure account using the straight line method in accordance with the rates specified in note 5.1 to these financial statements after taking into account residual value, if significant. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation on additions is charged when the assets are available for use and is charged up to the date of disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income and expenditure account in the period in which they arise.

Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the asset will flow to the Trust and the cost of the item can be measured reliably. Amortisation on intangible assets is charged using the straight line method in accordance with the rates specified in note 5.1 to these financial statements. The useful lives and amortisation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Intangible assets having an indefinite useful life are stated at cost, less impairment losses, if any. These assets are not amortised as they are expected to have an indefinite useful life and are marketable.

2.4 Financial assets

The management of the Trust classifies its financial assets in the following categories: (a) held to maturity and (b) loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial asset at the time of initial recognition and re-evaluates this classification on a regular basis.

2.4.1 Classification

a) Held to maturity

These are financial assets with fixed or determinable payments and fixed maturities that the Trust's management has the positive intent and ability to hold to maturity.

(b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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2.4.2 Initial recognition and measurement

a) Held to maturity

These are initially recognised at fair value plus attributable transaction costs that are directly attributable to the acquisition of such assets.

(b) Loans and receivables

These are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of such assets.

2.4.3 Subsequent measurement

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

a) Held to maturity

Subsequent to initial recognition financial assets classified as held to maturity are carried at amortised cost using the effective interest method.

(b) Loans and receivables

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest method.

2.4.4 Impairment of financial assets

The carrying value of the Trust's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income and expenditure account.

2.4.5 Derecognition

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

2.5 Financial liabilities

All financial liabilities are recognised at the time when the Trust becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

2.6 Impairment

The carrying amount of assets is reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the income and expenditure account.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, deposit with banks, bank overdraft and other short term highly liquid investments with original maturities of three months or less.

2.8 Taxation

The Trust is eligible for hundred percent (100%) tax credit on taxes payable by the Trust under clause (a) of sub-section 2 of Section 100C of the Income Tax Ordinance, 2001, introduced under the Finance Act, 2014. Previously, the income of the Trust was exempt under clauses (59) and (60) of Part I of Second Schedule to the Income Tax Ordinance, 2001 (which has now been omitted by the Finance Act 2014).

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2.9 Compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which the absences occur.

2.10 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of past events, 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 can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.11 Revenue recognition

Income from fund raising activities and interest income are recognised on accrual basis. Donations and Zakat contributions are recognised on receipt basis.

2.12 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Trust operates. The financial statements are presented in Pakistani Rupees, which is the Trust's functional and presentation currency.

2.13 Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing on the balance sheet date. Exchange differences are taken to the income and expenditure account.

| | Note | 2015 | 2014 |
|--|------|--------------------|-------------------|
| | | ----- Rupees ----- | |
| 3 ACCUMULATED SURPLUS | | | |
| Balance brought forward | | 16,028,315 | 24,144,680 |
| Surplus for the year transferred from income and expenditure account | | 5,720,829 | 10,256,158 |
| Transferred to endowment fund | 4.1 | (8,033,611) | (18,372,523) |
| | | <u>13,715,533</u> | <u>16,028,315</u> |
| 4 ENDOWMENT FUND | | | |
| Balance brought forward | | 90,154,675 | 71,782,152 |
| Transferred from accumulated surplus | 4.1 | 8,033,611 | 18,372,523 |
| | | <u>98,188,286</u> | <u>90,154,675</u> |

- 4.1 The Trust allocates a certain amount to the endowment fund every year. Allocation to this fund is based on pre-determined percentages, as approved by the Trustees, applied to different sources of income derived by the Trust.

| | Note | 2015 | 2014 |
|---------------------------------|------|--------------------|----------------|
| | | ----- Rupees ----- | |
| 5 OPERATING FIXED ASSETS | | | |
| Tangible | 5.1 | 996,260 | 968,431 |
| Intangible | 5.1 | - | 4,838 |
| | | <u>996,260</u> | <u>973,269</u> |

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5.1 The following is a statement of operating fixed assets and intangibles:

| Year ended June 30, 2015 | | | | | | |
|---|--|--------------------|----------|-------------------|-----------------------------|-------------|
| Owned assets | | | | | Total tangible fixed assets | Intangibles |
| Buildings | Furniture, office equipment and other assets | Medical equipments | Vehicles | Computer software | | |
| Rupees | | | | | | |
| At July 1, 2014 | | | | | | |
| Cost | 350,000 | 6,142,085 | 38,908 | 1,187,200 | 7,718,193 | 80,000 |
| Accumulated depreciation / amortisation | 141,476 | 5,385,523 | 35,563 | 1,187,200 | 6,749,762 | 75,162 |
| Net book value | 208,524 | 756,562 | 3,345 | - | 968,431 | 4,838 |
| Year ended June 30, 2015 | | | | | | |
| Opening net book value | 208,524 | 756,562 | 3,345 | - | 968,431 | 4,838 |
| Additions (at cost) | - | 754,680 | - | - | 754,680 | - |
| Disposals / Write off | | | | | | |
| Cost | - | 363,555 | - | - | 363,555 | - |
| Depreciation | - | 252,155 | - | - | 252,155 | - |
| | - | 111,400 | - | - | 111,400 | - |
| Depreciation / amortisation charge for the year | 17,500 | 594,606 | 3,345 | - | 615,451 | 4,838 |
| Closing net book value | 191,024 | 805,236 | - | - | 996,260 | - |
| At June 30, 2015 | | | | | | |
| Cost | 350,000 | 6,533,210 | 38,908 | 1,187,200 | 8,109,318 | 80,000 |
| Accumulated depreciation / amortisation | 158,976 | 5,727,974 | 38,908 | 1,187,200 | 7,113,058 | 80,000 |
| Net book value | 191,024 | 805,236 | - | - | 996,260 | - |
| Depreciation rate % per annum | 5 | 20 | 20 | 20 | | 33.3 |

| Year ended June 30, 2014 | | | | | | |
|---|--|--------------------|----------|-------------------|-----------------------------|-------------|
| Owned assets | | | | | Total tangible fixed assets | Intangibles |
| Buildings | Furniture, office equipment and other assets | Medical equipments | Vehicles | Computer software | | |
| Rupees | | | | | | |
| At July 1, 2013 | | | | | | |
| Cost | 350,000 | 6,051,604 | 38,908 | 1,187,200 | 7,627,712 | 80,000 |
| Accumulated depreciation / amortisation | 123,976 | 4,998,734 | 33,163 | 1,187,200 | 6,343,073 | 68,562 |
| Net book value | 226,024 | 1,052,870 | 5,745 | - | 1,284,639 | 11,438 |
| Year ended June 30, 2014 | | | | | | |
| Opening net book value | 226,024 | 1,052,870 | 5,745 | - | 1,284,639 | 11,438 |
| Additions (at cost) | - | 276,550 | - | - | 276,550 | - |
| Disposals / Write off | | | | | | |
| Cost | - | 186,069 | - | - | 186,069 | - |
| Depreciation | - | 127,766 | - | - | 127,766 | - |
| | - | 58,303 | - | - | 58,303 | - |
| Depreciation / amortisation charge for the year | 17,500 | 514,555 | 2,400 | - | 534,455 | 6,600 |
| Closing net book value | 208,524 | 756,562 | 3,345 | - | 968,431 | 4,838 |
| At June 30, 2014 | | | | | | |
| Cost | 350,000 | 6,142,085 | 38,908 | 1,187,200 | 7,718,193 | 80,000 |
| Accumulated depreciation / amortisation | 141,476 | 5,385,523 | 35,563 | 1,187,200 | 6,749,762 | 75,162 |
| Net book value | 208,524 | 756,562 | 3,345 | - | 968,431 | 4,838 |
| Depreciation rate % per annum | 5 | 20 | 20 | 20 | | 33.3 |

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6 INVESTMENT PROPERTY

| 2015 | | | | | | | | |
|----------------------|-------------------------------------|---------------------|--------------------------|------------------|---------------------|-------------------------|------------------|----------|
| Cost | | | Accumulated Depreciation | | | WDV as at June 30, 2015 | Useful life | |
| As at July 1, 2014 | Additions / (disposals)/ (transfer) | As at June 30, 2015 | As at July 1, 2014 | For the year | As at June 30, 2015 | | | |
| ----- (Rupees) ----- | | | | | | | | |
| Building | <u>3,687,875</u> | <u>-</u> | <u>3,687,875</u> | <u>2,016,430</u> | <u>184,394</u> | <u>2,200,824</u> | <u>1,487,051</u> | 20 years |

| 2014 | | | | | | | | |
|----------------------|-------------------------------------|---------------------|--------------------------|------------------|---------------------|-------------------------|------------------|----------|
| Cost | | | Accumulated Depreciation | | | WDV as at June 30, 2014 | Useful life | |
| As at July 1, 2013 | Additions / (disposals)/ (transfer) | As at June 30, 2014 | As at July 1, 2013 | For the year | As at June 30, 2014 | | | |
| ----- (Rupees) ----- | | | | | | | | |
| Building | <u>3,687,875</u> | <u>-</u> | <u>3,687,875</u> | <u>1,832,036</u> | <u>184,394</u> | <u>2,016,430</u> | <u>1,671,445</u> | 20 years |

6.1 The market value of the investment property is Rs. 11.156 million as at June 30, 2015 (2014: Rs. 11.641 million).

6.2 The depreciation / amortisation expense for the year has been allocated as follows:

| | Note | 2015 | 2014 |
|-----------------------------|------|---------|---------|
| | | Rupees | |
| Direct educational expenses | 12 | 555,575 | 490,953 |
| Head Office expenses | 13 | 249,108 | 234,496 |
| | | 804,683 | 725,449 |

7 NATIONAL SAVINGS CERTIFICATES

National Savings Certificates carry rates of return ranging from 7.6% to 13.4% (2014: 8.8% to 12.2%) per annum with maturity ranging between August 31, 2015 to October 31, 2017 (2014: May 11, 2015 to January 20, 2017).

| | Note | 2015 | 2014 |
|---|------|-----------|-----------|
| | | Rupees | |
| Loans to employees | 8.1 | 272,372 | 102,044 |
| Prepaid expenses | | 83,818 | 59,370 |
| Security deposit | | 518,900 | 518,900 |
| Accrued Income on National Savings Certificates | | 2,518,722 | 1,998,606 |
| Accrued Income on Term Deposit Receipts | | 47,945 | 140,795 |
| Others | 8.2 | 291,150 | 521,750 |
| | | 3,732,907 | 3,341,465 |

8.1 Reconciliation of carrying amount of loans and advances to executives and other employees is as follows:

| | | 2015 | | 2014 | |
|------------------------------|--|------------|-----------------|------------|-----------------|
| | | Executives | Other Employees | Executives | Other Employees |
| Rupees | | | | | |
| Opening balance | | - | 102,044 | - | 39,547 |
| Disbursement during the year | | 133,426 | 437,800 | 121,000 | 502,084 |
| Receipt during the year | | (133,426) | (267,472) | (121,000) | (439,587) |
| Closing balance | | - | 272,372 | - | 102,044 |

8.2 This includes amount of Rs. 227,786 (2014: Rs. 227,786) receivable from Zindagi Trust USA (related party).

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9 TERM DEPOSIT RECEIPTS

Term Deposit Receipt carries return at a rate of 6.25% (2014: 7.9% to 13.50%) per annum and are due to mature on August 21, 2015 (2014: September 24, 2014).

| | Note | 2015 | 2014 |
|----------------------------------|------|--------------------|-------------------|
| 10 CASH AND BANK BALANCES | | ----- Rupees ----- | |
| Cash in hand | | 23,350 | 12,231 |
| Cash at banks | | | |
| - Current accounts | | | |
| In local currency | | 95,596 | 466,384 |
| - Deposit accounts | | | |
| In local currency | 10.1 | 8,361,472 | 12,249,135 |
| | | <u>8,480,418</u> | <u>12,727,750</u> |

10.1 Deposit accounts carry a rate of return ranging from 4.5% to 7% (2014: 5.0% to 6.25%) per annum.

| | Note | 2015 | 2014 |
|--|------|--------------------|------------------|
| 11 ACCRUED EXPENSES AND OTHER LIABILITIES | | ----- Rupees ----- | |
| Accrued expenses | | 1,437,843 | 568,592 |
| Security deposit | | 945,704 | 792,298 |
| | | <u>2,383,547</u> | <u>1,360,890</u> |

12 DIRECT EDUCATIONAL EXPENSES

| | | | |
|--------------------------------------|------|-------------------|-------------------|
| Salaries and wages | 12.2 | 13,636,124 | 14,840,656 |
| Stipend to students | | 343,495 | 838,720 |
| Rent | | 1,610,570 | 1,935,803 |
| Depreciation and amortisation | 6.2 | 555,575 | 490,953 |
| Travelling and conveyance | | 100,385 | 53,670 |
| Printing and stationery | | 1,352,374 | 1,838,384 |
| Communication | | 168,954 | 189,349 |
| Repairs and maintenance | | 2,190,562 | 2,538,088 |
| Utilities | | 94,306 | 158,425 |
| Security charges | 12.3 | 937,484 | 868,585 |
| Festivals and other related expenses | | 94,492 | 344,966 |
| Sports related expenses | 12.4 | 2,744,900 | 1,798,793 |
| Student fees expenses | | 981,200 | 704,100 |
| Janitorial expenses | | 87,035 | 45,850 |
| Breakfast expenses | | 400,089 | 229,499 |
| Incentives to staff | | 360,500 | 360,000 |
| Art activities expenses | | 120,918 | 134,224 |
| Fumigation expenses | | 175,000 | 7,000 |
| Plantation expenses | | 45,700 | 42,360 |
| Others | | 312,023 | 432,103 |
| | | <u>26,311,686</u> | <u>27,851,528</u> |

12.1 Region-wise break-up of direct educational expenses is as follows:

| | | |
|-----------------------|-------------------|-------------------|
| Karachi region | 17,416,279 | 18,487,323 |
| Lahore region | 5,254,887 | 5,214,166 |
| Rawalpindi region | 3,640,520 | 4,132,539 |
| Interior Sindh region | - | 17,500 |
| | <u>26,311,686</u> | <u>27,851,528</u> |

12.2 This includes Rs. 8,138,457 (2014: Rs. 8,167,488) in respect of salaries and wages paid to teachers and other administrative staff of SMB Fatima Jinnah School. In accordance with the terms of arrangement (as more fully explained in note 17 to these financial statements) the teachers and other administrative staff were appointed by the Trust.

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- 12.3 This represents amount paid to Zia ul Islam Security Services in respect of services of armed security guards provided to SMB Fatima Jinnah School (as more fully explained in note 17).
- 12.4 This includes sport activities conducted under Dosti Programme funded by British Council.

| 13 | HEAD OFFICE EXPENSES | Note | 2015 | 2014 |
|----|-------------------------------|------|--------------------|------------------|
| | | | ----- Rupees ----- | |
| | Salaries and wages | | 6,767,152 | 4,983,318 |
| | Travelling and conveyance | | 30,688 | 9,007 |
| | Rent and taxes | | 1,358,176 | 1,039,831 |
| | Auditors' remuneration | | 50,004 | 49,472 |
| | Printing and stationery | | 74,746 | 103,195 |
| | Depreciation and amortisation | 6.2 | 249,108 | 234,496 |
| | Communication | | 183,711 | 147,559 |
| | Repairs and maintenance | | 57,270 | 63,782 |
| | Bank charges | | 6,874 | 7,165 |
| | Entertainment expenses | | 14,295 | 10,280 |
| | Advertisement expenses | | 1,500 | - |
| | Legal expenses | | 5,055 | - |
| | Utilities | | 173,055 | 140,510 |
| | Security charges | | 3,000 | - |
| | Others | | 330,406 | 154,378 |
| | | | <u>9,305,040</u> | <u>6,942,993</u> |

14 TAXATION

The income of the Trust was exempt from tax for the tax year 2014 under clauses (59) and (60) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. During the current year, the Finance Act 2014 (applicable for tax year 2015) has deleted clauses (59) and (60) as mentioned above and has introduced a new section 100C in the Income Tax Ordinance, 2001. As per Section 100C, non profit organisations, trusts or welfare organisations as mentioned in sub section 2 of section 100C shall be allowed a tax credit equal to the one hundred percent of the tax payable, including minimum and final tax payable under any of the provisions of the Income Tax Ordinance, 2001, subject to the following conditions, namely:

- (a) return has been filed;
- (b) tax required to be deducted or collected has been deducted or collected and paid; and
- (c) withholding tax statements for the immediately preceding tax year have been filed.

The operations of the Trust fall within the purview of clause (a) of sub-section 2 of Section 100C of the Income Tax Ordinance, 2001 and the Trust intends to comply with the above-mentioned requirements, hence the Trust will be eligible to claim tax credit equal to 100 percent of the tax payable by the Trust. The Trust has recorded a net surplus amounting to Rs 5.721 million during the year ended June 30, 2015. Tax credit of hundred percent is allowed under section 100C of the Income Tax Ordinance, 2001 in respect of tax payable including final taxes payable and consequently no charge has been recognised in these financial statements for the year ended June 30, 2015.

| 15 | CASH AND CASH EQUIVALENTS | Note | 2015 | 2014 |
|----|---|------|--------------------|-------------------|
| | | | ----- Rupees ----- | |
| | Cash and bank balances | | 8,480,418 | 12,727,750 |
| | Term Deposit Receipts | | 7,000,000 | 6,000,000 |
| | | | <u>15,480,418</u> | <u>18,727,750</u> |
| 16 | TRANSACTIONS WITH RELATED PARTIES | | | |
| | Donations by Zindagi Trust USA | | 12,579,484 | 20,084,457 |
| | Donation / Zakat received from trustees | | 3,340,200 | 2,771,500 |
| | Key management personnel compensation | | | |
| | - Salaries and benefits | | 3,535,077 | 3,414,414 |
| | - Travelling Expenses | | 15,344 | - |

- 16.1 Balance outstanding with related parties have been disclosed in the relevant balance sheet notes.

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17 SMB FATIMA JINNAH SCHOOL PROJECT

In the year 2008, the Trust entered into an arrangement with the Government of Sindh in order to reform the entire school system of SMB Fatima Jinnah School by providing quality education to the students of the school. The expenses incurred by the Trust in this connection are as follows:

| Particulars | Note | 2015 | 2014 |
|-------------------------|------|--------------------|-------------------|
| | | ----- Rupees ----- | |
| Salaries | | 8,138,457 | 8,167,488 |
| Repairs and maintenance | | 2,171,602 | 2,478,834 |
| Security charges | | 937,484 | 868,585 |
| Sports related expenses | 12.4 | 2,744,900 | 1,798,793 |
| Janitorial expenses | | 87,035 | 45,850 |
| Breakfast expenses | | 400,089 | 229,499 |
| Incentives to staff | | 360,500 | 360,000 |
| Art activities expenses | | 120,918 | 134,224 |
| Fumigation expenses | | 175,000 | 7,000 |
| Plantation expenses | | 45,700 | 42,360 |
| Others | 17.1 | 1,787,589 | 2,123,398 |
| | | <u>16,969,274</u> | <u>16,256,031</u> |

17.1 These include expenses pertaining to depreciation, printing and stationery expenses.

18 FINANCIAL RISK MANAGEMENT

The Trust's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Trust's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Trust's financial performance.

18.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market variables such as interest rates, currency rates and equity prices.

18.1.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. Yield / interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date.

| | | 2015 | | | | | | |
|---|--------------|-------------------------|-------------------------|--------------------|-------------------------|-------------------------|------------------|--------------------|
| Yield / Interest Rate | | Interest bearing | | | Non-interest bearing | | | Total |
| | | Maturity up to one year | Maturity after one year | Sub-total | Maturity up to one year | Maturity after one year | Sub-total | |
| <hr style="border-top: 1px dashed black;"/> | | | | | | | | |
| (Rupees) | | | | | | | | |
| Financial Assets | | | | | | | | |
| Term Deposit Receipts and National Savings Certificates | 6.25%-13.4% | 28,000,000 | 70,000,000 | 98,000,000 | - | - | - | 98,000,000 |
| Loans, advances, deposits and other receivables | - | - | - | - | 3,130,189 | 518,900 | 3,649,089 | 3,649,089 |
| Cash and bank balances | 4.5%-7% | 8,361,472 | - | 8,361,472 | 118,946 | - | 118,946 | 8,480,418 |
| Sub-total | | <u>36,361,472</u> | <u>70,000,000</u> | <u>106,361,472</u> | <u>3,249,135</u> | <u>518,900</u> | <u>3,768,035</u> | <u>110,129,507</u> |
| Financial Liabilities | | | | | | | | |
| Accrued expenses and other liabilities | - | - | - | - | 1,437,843 | 945,704 | 2,383,547 | 2,383,547 |
| Sub-total | | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,437,843</u> | <u>945,704</u> | <u>2,383,547</u> | <u>2,383,547</u> |
| On-balance sheet gap | | <u>36,361,472</u> | <u>70,000,000</u> | <u>106,361,472</u> | <u>1,811,292</u> | <u>(426,804)</u> | <u>1,384,488</u> | <u>107,745,960</u> |
| | | 2014 | | | | | | |
| Yield / Interest Rate | | Interest bearing | | | Non-interest bearing | | | Total |
| | | Maturity up to one year | Maturity after one year | Sub-total | Maturity up to one year | Maturity after one year | Sub-total | |
| <hr style="border-top: 1px dashed black;"/> | | | | | | | | |
| (Rupees) | | | | | | | | |
| Financial Assets | | | | | | | | |
| Term Deposit Receipts and National Savings Certificates | 7.9% - 13.5% | 5,015,438 | 83,814,513 | 88,829,951 | - | - | - | 88,829,951 |
| Loans, advances, deposits and other receivables | - | - | - | - | 2,763,195 | 518,900 | 3,282,095 | 3,282,095 |
| Cash and bank balances | 5.0% -6.25% | 12,249,135 | - | 12,249,135 | 478,615 | - | 478,615 | 12,727,750 |
| Sub-total | | <u>17,264,573</u> | <u>83,814,513</u> | <u>101,079,086</u> | <u>3,241,810</u> | <u>518,900</u> | <u>3,760,710</u> | <u>104,839,796</u> |
| Financial Liabilities | | | | | | | | |
| Accrued expenses and other liabilities | - | - | - | - | 568,592 | 792,298 | 1,360,890 | 1,360,890 |
| Sub-total | | <u>-</u> | <u>-</u> | <u>-</u> | <u>568,592</u> | <u>792,298</u> | <u>1,360,890</u> | <u>1,360,890</u> |
| On-balance sheet gap | | <u>17,264,573</u> | <u>83,814,513</u> | <u>101,079,086</u> | <u>2,673,218</u> | <u>(273,398)</u> | <u>2,399,820</u> | <u>103,478,906</u> |

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18.1.2 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trust at present is not exposed to currency risk.

18.1.3 Equity price risk

Price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. At present the Trust is not exposed to price risk as there are no investments in marketable securities.

18.2 Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Trust believes that it is not exposed to any significant level of liquidity risk.

18.3 Credit risk

18.3.1 Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. The management of the Trust has adopted appropriate policies to minimize its exposure to this risk.

18.3.2 The maximum exposure to credit risk, by class of financial instruments at the end of the reporting period without taking into account any collateral held or other credit enhancement is given in note 18.4 to these financial statements.

18.3.3 The analysis below summarizes the credit quality of the Trust's financial assets:

| | 2015 | 2014 |
|----------------------|--------------------|-------------------|
| | ----- Rupees ----- | |
| Bank Balances | | |
| AA+ | <u>8,457,068</u> | <u>12,715,519</u> |

18.3.4 An analysis of the financial assets that are individually impaired are as follows:

| | 2015 | | 2014 | |
|-----------------------|------------------|-----------------|------------------|-----------------|
| | Payment over due | Amount | Payment over due | Amount |
| | (in days) | -----Rupees---- | (in days) | -----Rupees---- |
| Loans and receivables | Over 365 days | - | Over 365 days | - |
| Held to maturity | Over 365 days | - | Over 365 days | - |

18.4 Financial instruments by category

| | 2015 | | |
|---|-----------------------|------------------|--------------------|
| | Loans and receivables | Held to maturity | Total |
| | ----- Rupees ----- | | |
| Financial Assets | | | |
| Term Deposit Receipts and National Savings Certificates | 98,000,000 | - | 98,000,000 |
| Loans, advances, deposits and other receivables | 3,649,089 | - | 3,649,089 |
| Cash and bank balances | 8,480,418 | - | 8,480,418 |
| | <u>110,129,507</u> | <u>-</u> | <u>110,129,507</u> |

| | 2015 | |
|--|--------------------|------------------|
| | Amortised cost | Total |
| | ----- Rupees ----- | |
| Financial Liabilities | | |
| Accrued expenses and other liabilities | <u>2,383,547</u> | <u>2,383,547</u> |

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Financial Assets

Term Deposit Receipts and National Savings Certificates
 Loans, advances, deposits and other receivables
 Cash and bank balances

| | 2014 | |
|--|-----------------------|--------------------|
| | Loans and receivables | Held to maturity |
| | Rupees | |
| | 88,829,951 | - |
| | 3,282,095 | - |
| | 12,727,750 | - |
| | <u>104,839,796</u> | <u>-</u> |
| | | <u>104,839,796</u> |

Financial Liabilities

Accrued expenses and other liabilities

| 2014 | |
|----------------|-----------|
| Amortised cost | Total |
| Rupees | |
| 1,360,890 | 1,360,890 |

18.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

According to Amendments to International Financial Reporting Standard 7, Financial Instruments : Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Trust has no investments in securities carried at fair value as at June 30, 2015.

19 CORRESPONDING FIGURES

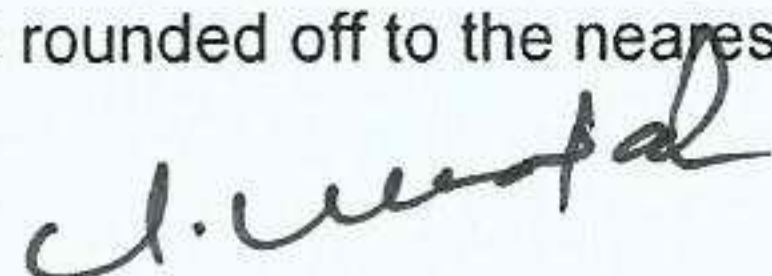
Corresponding figures have been re-arranged and re-classified wherever necessary for the purpose of comparison and better presentation.

20 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 29 Oct, 2015 by the Trustees.

21 GENERAL

Figures have been rounded off to the nearest Rupee.

Trustee



Trustee