

ZINDAGI TRUST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

A. F. FERGUSON & CO.
Chartered Accountants
a member firm of the PwC network





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, 2014 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, 2014 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: October 30, 2014

Karachi

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ZINDAGI TRUST
BALANCE SHEET
AS AT JUNE 30, 2014

	Note	2014	2013
		----- Rupees -----	
FUNDS			
Accumulated surplus	3	16,028,315	24,144,680
Endowment fund	4	90,154,675	71,782,152
		<u>106,182,990</u>	<u>95,926,832</u>
REPRESENTED BY:			
Non-current assets			
Operating fixed assets	5	973,269	1,296,077
Investment property	6	1,671,445	1,855,839
Term Deposit Receipts and National Savings Certificates	7	88,829,951	59,951,847
Current assets			
Loans, advances, prepayments, deposits and other receivables	8	3,341,465	2,255,889
Cash and bank balances	9	12,727,750	31,988,062
		16,069,215	34,243,951
Total assets		<u>107,543,880</u>	<u>97,347,714</u>
Less: current liabilities			
Accrued expenses and other liabilities	10	1,360,890	1,420,882
		<u>106,182,990</u>	<u>95,926,832</u>

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

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**ZINDAGI TRUST
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014**

	Note	2014	2013
		----- Rupees -----	
Income			
Donations		23,779,808	56,133,124
Zakat receipts		10,351,379	6,765,040
Profit on bank deposits		801,842	1,054,822
Term Deposit Receipts and National Savings Certificates income		8,772,863	5,877,734
Flood relief income		-	33,280
Rental income		1,307,214	1,207,176
Others		79,204	318,729
		<u>45,092,310</u>	<u>71,389,905</u>
Expenses			
Direct educational expenses	11	27,851,528	28,792,771
Direct health services expenses	12	-	6,038
Head office expenses	13	6,942,993	6,090,880
Flood relief expenses		21,000	-
		<u>34,815,521</u>	<u>34,889,689</u>
Other income			
(Loss) / gain on disposal of fixed assets		(20,631)	356,792
Exchange gain on foreign currency bank account		-	88,736
		<u>(20,631)</u>	<u>445,528</u>
Surplus for the year before taxation		<u>10,256,158</u>	<u>36,945,744</u>
Taxation	2.8	-	-
Surplus for the year after taxation		<u>10,256,158</u>	<u>36,945,744</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>10,256,158</u></u>	<u><u>36,945,744</u></u>

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

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ZINDAGI TRUST
 CASH FLOW STATEMENT
 FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	----- Rupees -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year	10,256,158	36,945,744
Adjustment for non-cash charges and other items:		
Depreciation and amortisation	725,449	860,845
Donation-in-kind received	-	(95,593)
Loss / (gain) on disposal of operating fixed assets	20,631	(356,792)
	<u>11,002,238</u>	<u>37,354,204</u>
Changes in working capital		
Increase in loans, advances, prepayments, deposits and other receivables	(1,085,576)	(239,262)
(Decrease) / increase in accrued expenses and other liabilities	(59,992)	14,457
Net cash flow from operating activities	<u>9,856,670</u>	<u>37,129,399</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of operating fixed assets	(276,550)	(267,081)
Proceeds from disposal of operating fixed assets	37,672	356,792
Net investments in Term Deposit Receipts	7,500,000	(4,000,000)
Net investments in National Savings Certificates	(36,378,104)	(15,185,106)
Net cash used in investing activities	<u>(29,116,982)</u>	<u>(19,095,395)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(19,260,312)</u>	<u>18,034,004</u>
Cash and cash equivalents at the beginning of the year	31,988,062	13,954,058
Cash and cash equivalents at the end of the year	<u><u>12,727,750</u></u>	<u><u>31,988,062</u></u>

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

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ZINDAGI TRUST
 STATEMENT OF MOVEMENT IN SURPLUS AND RESERVES
 FOR THE YEAR ENDED JUNE 30, 2014

	Accumulated surplus	Endowment fund Rupees	Total
Balance as at July 1, 2012	18,309,237	40,671,851	58,981,088
Transfer from Income and Expenditure Account	36,945,744	-	36,945,744
Transfer to endowment fund	(31,110,301)	31,110,301	-
Balance as at June 30, 2013	<u>24,144,680</u>	<u>71,782,152</u>	<u>95,926,832</u>
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	<u><u>16,028,315</u></u>	<u><u>90,154,675</u></u>	<u><u>106,182,990</u></u>

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

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ZINDAGI TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 2013 but are considered not to be relevant or to 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, 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.

2.1.5 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 and 7)
- 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 Standards (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. All other maintenance charges are charged to the income and expenditure account as and when incurred. 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 after taking into account residual value, if any. The residual values, 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

Income derived by the Trust from donations, voluntary contributions, subscriptions, house property, investment in securities of the Federal Government are currently exempt from income tax.

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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	2014	2013
		----- Rupees -----	
3 ACCUMULATED SURPLUS			
Balance brought forward		24,144,680	18,309,237
Surplus for the year transferred from income and expenditure account		10,256,158	36,945,744
Transferred to endowment fund	4.1	(18,372,523)	(31,110,301)
		<u>16,028,315</u>	<u>24,144,680</u>
4 ENDOWMENT FUND			
Balance brought forward		71,782,152	40,671,851
Transferred from accumulated surplus	4.1	18,372,523	31,110,301
		<u>90,154,675</u>	<u>71,782,152</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	2014	2013
		----- Rupees -----	
5 OPERATING FIXED ASSETS			
Tangible	5.1	968,431	1,284,639
Intangible	5.1	4,838	11,438
		<u>973,269</u>	<u>1,296,077</u>

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

	Year ended June 30, 2014				Total tangible fixed assets	Intangible Computer software
	Owned assets					
	Buildings	Furniture, office equipment and other assets	Medical equipment	Vehicles		
----- 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	<u>226,024</u>	<u>1,052,870</u>	<u>5,745</u>	<u>-</u>	<u>1,284,639</u>	<u>11,438</u>
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	<u>208,524</u>	<u>756,562</u>	<u>3,345</u>	<u>-</u>	<u>968,431</u>	<u>4,838</u>
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	<u>208,524</u>	<u>756,562</u>	<u>3,345</u>	<u>-</u>	<u>968,431</u>	<u>4,838</u>
Depreciation rate % per annum	5	20	20	20		33.3
----- Rupees -----						
Year ended June 30, 2013						
	Owned assets				Total tangible fixed assets	Intangible Computer software
	Buildings	Furniture, office equipment and other assets	Medical equipment	Vehicles		
----- Rupees -----						
At July 1, 2012						
Cost	350,000	5,695,930	38,908	1,648,200	7,733,038	80,000
Accumulated depreciation / amortisation	106,476	4,355,849	30,763	1,648,200	6,141,288	61,896
Net book value	<u>243,524</u>	<u>1,340,081</u>	<u>8,145</u>	<u>-</u>	<u>1,591,750</u>	<u>18,104</u>
Year ended June 30, 2013						
Opening net book value	243,524	1,340,081	8,145	-	1,591,750	18,104
Additions (at cost)	-	362,674	-	-	362,674	-
Disposals / Write off						
Cost	-	7,000	-	461,000	468,000	-
Depreciation	-	7,000	-	461,000	468,000	-
	-	-	-	-	-	-
Depreciation / amortisation charge for the year	17,500	649,885	2,400	-	669,785	6,666
Closing net book value	<u>226,024</u>	<u>1,052,870</u>	<u>5,745</u>	<u>-</u>	<u>1,284,639</u>	<u>11,438</u>
At June 30, 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	<u>226,024</u>	<u>1,052,870</u>	<u>5,745</u>	<u>-</u>	<u>1,284,639</u>	<u>11,438</u>
Depreciation rate % per annum	5	20	20	20		33.3

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6 INVESTMENT PROPERTY

		2014						
		Cost		Accumulated Depreciation				
	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	WDV as at June 30, 2014	Useful life
----- (Rupees in '000) -----								
Building	3,687,875	-	3,687,875	1,832,036	184,394	2,016,430	1,671,445	20 years

		2013						
		Cost		Accumulated Depreciation				
	As at July 1, 2012	Additions / (disposals) / (transfer)	As at June 30, 2013	As at July 1, 2012	For the year	As at June 30, 2013	WDV as at June 30, 2013	Useful life
----- (Rupees in '000) -----								
Building	3,687,875	-	3,687,875	1,647,642	184,394	1,832,036	1,855,839	20 years

6.1 The market value of the investment property is Rs. 11.641 million as at June 30, 2014 as per the valuation carried out by an independent valuer.

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

	Note	2014	2013
----- Rupees -----			
Direct educational expenses	11	490,953	638,363
Direct health services expenses	12	-	6,038
Head Office expenses	13	234,496	216,444
		<u>725,449</u>	<u>860,845</u>

7 TERM DEPOSIT RECEIPTS AND NATIONAL SAVINGS CERTIFICATES

	Note	2014	2013
----- Rupees -----			
National Savings Certificates	7.1	82,829,951	46,451,847
Term Deposit Receipts	7.2	6,000,000	13,500,000
		<u>88,829,951</u>	<u>59,951,847</u>

7.1 National Savings Certificates were issued for a period of 3 years and carry rates of return ranging from 8.8% to 12.2% (2013: 9.7% to 14%) per annum.

7.2 Term Deposit Receipts have maturity periods of 3 months to 3 years and carry return at rates ranging from 7.9% to 13.50% (2013: 7.5% to 13.50%) per annum.

	Note	2014	2013
----- Rupees -----			
8 LOANS, ADVANCES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES			
Loans to employees	8.1	102,044	39,547
Prepaid expenses		59,370	51,943
Security deposit		518,900	604,750
Accrued Income on National Savings Certificates		1,998,606	826,526
Accrued Income on Term Deposit Receipts		140,795	173,287
Others	8.2	521,750	559,836
		<u>3,341,465</u>	<u>2,255,889</u>

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

	2014		2013	
	Executives	Other Employees	Executives	Other Employees
Opening balance	-	39,547	64,165	129,531
Disbursement during the year	121,000	502,084	157,443	202,126
Receipt during the year	(121,000)	(439,587)	(221,608)	(292,110)
Closing balance	-	102,044	-	39,547

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

9 CASH AND BANK BALANCES	Note	2014	2013
		Rupees	
Cash in hand		12,231	22,142
Cash at banks			
- Current accounts			
In local currency		466,384	1,890
- Deposit accounts			
In local currency	9.1	12,249,135	31,964,030
		<u>12,727,750</u>	<u>31,988,062</u>

9.1 Deposit accounts carry a rate of return ranging from 5.0% to 6.25% (2013: 5.5% to 9%) per annum.

10 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2014	2013
		Rupees	
Accrued expenses		568,592	896,026
Security Deposit		792,298	524,856
		<u>1,360,890</u>	<u>1,420,882</u>
11 DIRECT EDUCATIONAL EXPENSES			
Salaries and wages	11.2	14,840,656	15,005,664
Stipend to students		838,720	1,074,576
Rent		1,935,803	1,902,978
Depreciation and amortisation	6.2	490,953	638,363
Travelling and conveyance		53,670	174,385
Printing and stationery		1,838,384	2,733,771
Legal expenses		-	80
Communication		189,349	244,011
Repairs and maintenance		2,538,088	3,827,910
Utilities		158,425	120,207
Security charges	11.3	868,585	773,459
Festivals and other related expenses		2,143,759	1,687,560
Others		1,955,136	609,807
		<u>27,851,528</u>	<u>28,792,771</u>

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

Karachi region	18,487,323	19,605,965
Lahore region	5,214,166	5,215,013
Rawalpindi region	4,132,539	3,954,293
Interior Sindh region	17,500	17,500
	<u>27,851,528</u>	<u>28,792,771</u>

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- 11.2 This includes Rs. 8,167,488 (2013: Rs. 8,203,305) 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 15 to these financial statements) the teachers and other administrative staff were appointed by the Trust.
- 11.3 This represents amount paid to Zia ul Islam Security Services in respect of services of Armed Security Guards provided to SMB Fatima Jinnah School.
- 11.4 During the year four schools operating in Karachi region were closed by the Trust in accordance with the approval of the Trustees. Direct educational expense pertaining to these schools amounted to Rs. 2,231,292.

	Note	2014	2013
		----- Rupees -----	
12 DIRECT HEALTH SERVICES EXPENSES			
Depreciation and amortisation	6.2	-	6,038
		<u>-</u>	<u>6,038</u>
13 HEAD OFFICE EXPENSES			
Salaries and wages		4,983,318	3,962,337
Travelling and conveyance		9,007	32,864
Rent		1,007,038	919,190
Auditor's remuneration		49,472	25,000
Printing and stationery		103,195	49,309
Depreciation and amortisation	6.2	234,496	216,444
Communication		147,559	247,073
Repairs and maintenance		63,782	70,450
Bank charges		7,165	6,913
Bad debts written off		-	4,381
Entertainment expenses		10,280	2,380
Others		327,681	160,256
		<u>6,942,993</u>	<u>5,696,597</u>
14 TRANSACTIONS WITH RELATED PARTIES			
Donations by Zindagi Trust USA		20,084,457	37,205,222
Key management personnel compensation			
- Salaries and benefits		3,414,414	2,902,144
- Donation / Zakat received		2,771,500	225,000
13.1 Balance outstanding with related parties have been disclosed in the relevant balance sheet notes.			
15 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:			
		2014	2013
		----- Rupees -----	
Particulars			
Salaries		8,167,488	8,203,305
Repairs and maintenance		2,478,834	3,752,615
Security charges		868,585	773,459
Others		4,741,124	3,763,036
		<u>16,256,031</u>	<u>16,492,415</u>
16 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.

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16.1 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.

16.1.1 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.

	2014							Total June 30, 2013
	Yield / Interest Rate	Interest bearing			Non-interest bearing			
		Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
------(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>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>

	2013							Total June 30, 2014
	Yield / Interest Rate	Interest bearing			Non-interest bearing			
		Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
------(Rupees)-----								
Financial Assets								
Term Deposit Receipts and National Savings Certificates	7.5% - 14%	33,394,308	26,557,539	59,951,847	-	-	-	59,951,847
Loans, advances, deposits and other receivables	-	-	-	-	1,599,196	604,750	2,203,946	2,203,946
Cash and bank balances	5.5% - 9%	31,964,030	-	31,964,030	24,032	-	24,032	31,988,062
Sub-total		<u>65,358,338</u>	<u>26,557,539</u>	<u>91,915,877</u>	<u>1,623,228</u>	<u>604,750</u>	<u>2,227,978</u>	<u>94,143,855</u>
Financial Liabilities								
Accrued expenses and other liabilities	-	-	-	-	896,026	524,856	1,420,882	1,420,882
Sub-total		-	-	-	<u>896,026</u>	<u>524,856</u>	<u>1,420,882</u>	<u>1,420,882</u>
On-balance sheet gap		<u>65,358,338</u>	<u>26,557,539</u>	<u>91,915,877</u>	<u>727,202</u>	<u>79,894</u>	<u>807,096</u>	<u>92,722,973</u>

16.1.2 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.

16.1.3 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.

16.2 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.

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16.3 Credit risk

16.3.1 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.

16.3.2 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 16.4 to these financial statements.

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

	2014	2013
	----- Rupees -----	
Bank Balances		
AA+	<u>12,715,519</u>	<u>31,965,920</u>

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

	2014		2013	
	Payment over due	Amount	Payment over due	Amount
	(in days)	(Rupees in 000)	(in days)	(Rupees in 000)
Loans and receivables	Over 365 days	-	Over 365 days	-
Held to maturity	Over 365 days	-	Over 365 days	-

16.4 Financial instruments by category

	2014		
	Loans and receivables	Held to maturity	Total
	----- Rupees -----		
Financial Assets			
Term Deposit Receipts and National Savings Certificates	88,829,951	-	88,829,951
Loans, advances, deposits and other receivables	3,282,095	-	3,282,095
Cash and bank balances	12,727,750	-	12,727,750
	<u>104,839,796</u>	<u>-</u>	<u>104,839,796</u>

	2014	
	Amortised cost	Total
	----- Rupees -----	
Financial Liabilities		
Accrued expenses and other liabilities	<u>1,360,890</u>	<u>1,360,890</u>

	2013		
	Loans and receivables	Held to maturity	Total
	----- Rupees -----		
Financial Assets			
Term Deposit Receipts and National Savings Certificates	59,951,847	-	59,951,847
Loans, advances, deposits and other receivables	2,203,946	-	2,203,946
Cash and bank balances	31,988,062	-	31,988,062
	<u>94,143,855</u>	<u>-</u>	<u>94,143,855</u>

	2013	
	Amortised cost	Total
	----- Rupees -----	
Financial Liabilities		
Accrued expenses and other liabilities	<u>1,420,882</u>	<u>1,420,882</u>

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16.5 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, 2014.

17 CORRESPONDING FIGURES

Corresponding figures have been re-arranged, re-classified or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year.

18 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 28 OCT 2014 by the Trustees.

19 GENERAL

Figures have been rounded off to the nearest Rupee.

Atto



Trustee



Trustee