

ZINDAGI TRUST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016 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, 2016 and of its deficit 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: December 13, 2016

Karachi

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ZINDAGI TRUST
BALANCE SHEET
AS AT JUNE 30, 2016

	Note	2016	2015
		----- Rupees -----	
FUNDS			
Accumulated surplus	3	7,097,760	13,715,533
Endowment fund	4	<u>104,614,523</u>	<u>98,188,286</u>
		<u>111,712,283</u>	<u>111,903,819</u>
REPRESENTED BY:			
Non-current assets			
Operating fixed assets	5	2,429,438	996,260
Investment property	6	1,302,657	1,487,051
National Savings Certificates	7	<u>96,000,000</u>	<u>91,000,000</u>
		99,732,095	93,483,311
Current assets			
Loans, advances, prepayments, deposits and other receivables	8	3,269,450	3,732,907
Taxation recoverable		2,740,262	1,590,730
Term Deposit Receipts		-	7,000,000
Cash and bank balances	9	<u>7,420,652</u>	<u>8,480,418</u>
		13,430,364	20,804,055
Total assets		<u>113,162,459</u>	<u>114,287,366</u>
Less: current liabilities			
Accrued expenses and other liabilities	10	<u>1,450,176</u>	<u>2,383,547</u>
		<u>111,712,283</u>	<u>111,903,819</u>

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

Atto


Trustee


Trustee

ZINDAGI TRUST
 INCOME AND EXPENDITURE ACCOUNT
 FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		----- Rupees -----	
Income			
Donations		19,570,408	21,002,386
Zakat receipts		8,266,193	8,923,877
Profit on bank deposits		820,419	510,755
Term Deposit Receipts and National Savings Certificates income		8,971,459	9,507,217
Rental income		1,494,580	1,395,489
Others		14,535	62,431
		<u>39,137,594</u>	<u>41,402,155</u>
Expenses			
Direct educational expenses	11	29,488,835	26,311,686
Head office expenses	12	9,826,921	9,305,040
		<u>39,315,756</u>	<u>35,616,726</u>
Other expenses			
Loss on disposal of operating fixed assets		(13,374)	(64,600)
(Deficit) / surplus for the year before taxation		<u>(191,536)</u>	<u>5,720,829</u>
Taxation	13	-	-
(Deficit) / surplus for the year after taxation		<u>(191,536)</u>	<u>5,720,829</u>
Other comprehensive income for the year		-	-
Total comprehensive (loss) / income for the year		<u><u>(191,536)</u></u>	<u><u>5,720,829</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
 CASH FLOW STATEMENT
 FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		----- Rupees -----	
CASH FLOW FROM OPERATING ACTIVITIES			
(Deficit) / surplus for the year		(191,536)	5,720,829
Adjustment for non-cash items:			
Depreciation and amortisation		622,966	804,683
Loss on disposal of operating fixed assets		13,374	64,600
		<u>444,804</u>	<u>6,590,112</u>
Changes in working capital			
Decrease / (increase) in loans, advances, prepayments, deposits and other receivables		463,457	(391,442)
Increase in taxation recoverable		(1,149,532)	(1,590,730)
(Decrease) / increase in accrued expenses and other liabilities		(933,371)	1,022,657
Net cash (used in) / generated from operating activities		<u>(1,174,642)</u>	<u>5,630,597</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of operating fixed assets		(1,889,624)	(754,680)
Proceeds from disposal of operating fixed assets		4,500	46,800
Net investments in National Savings Certificates		(5,000,000)	(8,170,049)
Net cash used in investing activities		<u>(6,885,124)</u>	<u>(8,877,929)</u>
Net decrease in cash and cash equivalents		<u>(8,059,766)</u>	<u>(3,247,332)</u>
Cash and cash equivalents at the beginning of the year		15,480,418	18,727,750
Cash and cash equivalents at the end of the year	14	<u><u>7,420,652</u></u>	<u><u>15,480,418</u></u>

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


 Trustee


 Trustee

ZINDAGI TRUST
 STATEMENT OF MOVEMENT IN SURPLUS AND RESERVES
 FOR THE YEAR ENDED JUNE 30, 2016

	Accumulated surplus	Endowment fund	Total
	----- Rupees -----		
Balance as at July 1, 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	<u>13,715,533</u>	<u>98,188,286</u>	<u>111,903,819</u>
Transfer from Income and Expenditure Account	(191,536)	-	(191,536)
Transfer to endowment fund	(6,426,237)	6,426,237	-
Balance as at June 30, 2016	<u><u>7,097,760</u></u>	<u><u>104,614,523</u></u>	<u><u>111,712,283</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
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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 and amendments to approved accounting standards which became effective during the year ended June 30, 2016

There were certain new standards and amendments to the approved accounting standards which became effective during the year ended June 30, 2016 but are considered not to be relevant or have any significant effect on the Trust's operations.

2.1.4 Amendments to approved accounting standards that are effective for the company's accounting periods beginning after July 1, 2016

There are certain new amendments to the approved accounting standards that are mandatory for the Trust's accounting periods beginning after July 1, 2016 but are considered not to be relevant or are not expected to have any significant effect on the Trust's operations and are, therefore, not disclosed 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 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 the Second Schedule to the Income Tax Ordinance, 2001 (which has 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	2016	2015
		----- Rupees -----	
3 ACCUMULATED SURPLUS			
Balance brought forward		13,715,533	16,028,315
(Deficit) / surplus for the year transferred from income and expenditure account		(191,536)	5,720,829
Transferred to endowment fund	4.1	<u>(6,426,237)</u>	<u>(8,033,611)</u>
		<u>7,097,760</u>	<u>13,715,533</u>
4 ENDOWMENT FUND			
Balance brought forward		98,188,286	90,154,675
Transferred from accumulated surplus	4.1	<u>6,426,237</u>	<u>8,033,611</u>
		<u>104,614,523</u>	<u>98,188,286</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	2016	2015
		----- Rupees -----	
5 OPERATING FIXED ASSETS			
Tangible	5.1	2,429,438	996,260
Intangible	5.1	-	-
		<u>2,429,438</u>	<u>996,260</u>

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

	Year ended June 30, 2016					Intangibles Computer software
	Owned assets				Total tangible fixed assets	
	Buildings	Furniture, office equipment and other assets	Medical equipments	Vehicles		
Rupees						
At July 1, 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	<u>191,024</u>	<u>805,236</u>	<u>-</u>	<u>-</u>	<u>996,260</u>	<u>-</u>
Year ended June 30, 2016						
Opening net book value	191,024	805,236	-	-	996,260	-
Additions (at cost)	-	1,889,624	-	-	1,889,624	-
Disposals / Write off						
Cost	-	29,600	-	-	29,600	-
Depreciation	-	11,726	-	-	11,726	-
	-	17,874	-	-	17,874	-
Depreciation charge for the year	17,500	421,072	-	-	438,572	-
Closing net book value	<u>173,524</u>	<u>2,255,914</u>	<u>-</u>	<u>-</u>	<u>2,429,438</u>	<u>-</u>
At June 30, 2016						
Cost	350,000	8,393,234	38,908	1,187,200	9,969,342	80,000
Accumulated depreciation / amortisation	176,476	6,137,320	38,908	1,187,200	7,539,904	80,000
Net book value	<u>173,524</u>	<u>2,255,914</u>	<u>-</u>	<u>-</u>	<u>2,429,438</u>	<u>-</u>
Depreciation rate % per annum	5	20	20	20		33.3
Year ended June 30, 2015						
	Owned assets				Total tangible fixed assets	Intangibles Computer software
	Buildings	Furniture, office equipment and other assets	Medical equipments	Vehicles		
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	<u>208,524</u>	<u>756,562</u>	<u>3,345</u>	<u>-</u>	<u>968,431</u>	<u>4,838</u>
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	<u>191,024</u>	<u>805,236</u>	<u>-</u>	<u>-</u>	<u>996,260</u>	<u>-</u>
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	<u>191,024</u>	<u>805,236</u>	<u>-</u>	<u>-</u>	<u>996,260</u>	<u>-</u>
Depreciation rate % per annum	5	20	20	20		33.3

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6 INVESTMENT PROPERTY

	Cost		2016				Useful life	
	As at July 1, 2015	Additions / (disposals) / (transfer)	As at June 30, 2016	Accumulated Depreciation		WDV as at June 30, 2016		
			As at July 1, 2015	For the year	As at June 30, 2016			
	(Rupees)							
Building	<u>3,687,875</u>	<u>-</u>	<u>3,687,875</u>	<u>2,200,824</u>	<u>184,394</u>	<u>2,385,218</u>	<u>1,302,657</u>	20 years

	Cost		2015				Useful life	
	As at July 1, 2014	Additions / (disposals) / (transfer)	As at June 30, 2015	Accumulated Depreciation		WDV 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

6.1 The market value of the investment property is Rs 12.126 million as at June 30, 2016 (2015: Rs 11.156 million).

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

	Note	2016	2015
		----- Rupees -----	
Direct educational expenses	11	404,921	555,575
Head office expenses	12	<u>218,045</u>	<u>249,108</u>
		<u>622,966</u>	<u>804,683</u>

7 NATIONAL SAVINGS CERTIFICATES

National Savings Certificates carry rates of return ranging from 6.0% to 11.6% (2015: 7.6% to 13.4%) per annum with maturity ranging between September 3, 2016 to May 25, 2019 (2015: August 31, 2015 to October 31, 2017).

	Note	2016	2015
		----- Rupees -----	
Loans to employees	8.1	42,900	272,372
Prepaid expenses		109,945	83,818
Security deposit		516,650	518,900
Accrued Income on National Savings Certificates		2,399,305	2,518,722
Accrued Income on Term Deposit Receipts		-	47,945
Others	8.2	<u>200,650</u>	<u>291,150</u>
		<u>3,269,450</u>	<u>3,732,907</u>

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

	2016		2015	
	Executives	Other Employees	Executives	Other Employees
	----- Rupees -----			
Opening balance	-	272,372	-	102,044
Disbursement during the year	75,000	204,146	133,426	437,800
Receipt during the year	(75,000)	(433,618)	(133,426)	(267,472)
Closing balance	-	<u>42,900</u>	-	<u>272,372</u>

8.2 This includes amount of Rs Nil (2015: Rs 227,786) receivable from Zindagi Trust USA Inc. (related party).

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9	CASH AND BANK BALANCES	Note	2016	2015
			----- Rupees -----	
	Cash in hand		40,959	23,350
	Cash at bank			
	- Current accounts			
	In local currency		20,543	95,596
	- Deposit accounts			
	In local currency	9.1	7,359,150	8,361,472
			7,379,693	8,457,068
			<u>7,420,652</u>	<u>8,480,418</u>

9.1 Deposit accounts carry a rate of return ranging from 4.5% to 5.75% (2015: 4.5% to 7%) per annum.

10	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2016	2015
			----- Rupees -----	
	Accrued expenses		187,521	1,437,843
	Security deposit		1,262,655	945,704
			<u>1,450,176</u>	<u>2,383,547</u>

11 DIRECT EDUCATIONAL EXPENSES

	Salaries and wages	11.2	16,782,415	13,636,124
	Stipend to students		439,469	343,495
	Rent		1,648,254	1,610,570
	Depreciation and amortisation	6.2	404,921	555,575
	Travelling and conveyance		149,646	100,385
	Printing and stationery		801,503	851,453
	Communication		238,459	168,954
	Repairs and maintenance		2,057,415	2,190,562
	Utilities		120,864	94,306
	Security charges	11.3	982,300	937,484
	Festivals and other related expenses		79,933	94,492
	Sports related expenses	11.4	642,849	2,744,900
	Student fees expenses		918,450	981,200
	Janitorial expenses		197,312	87,035
	Breakfast expenses		646,778	400,089
	Incentives to staff		450,000	360,500
	Art activities expenses		229,785	120,918
	Fumigation expenses		52,800	175,000
	Plantation expenses		43,534	45,700
	Academic course expenses		1,136,903	500,921
	Healthcare expenses		289,397	-
	Teachers' training expenses		263,587	-
	Advertisement expenses		50,000	-
	Networking expenses		53,620	-
	Library expenses		56,751	-
	Stores and materials		235,770	-
	Others		516,120	312,023
			<u>29,488,835</u>	<u>26,311,686</u>

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

	Karachi region	20,589,720	17,416,279
	Lahore region	5,231,408	5,254,887
	Rawalpindi region	3,667,707	3,640,520
		<u>29,488,835</u>	<u>26,311,686</u>

11.2 This includes Rs 8,351,997 (2015: Rs 8,138,457) and Rs 3,016,434 (2015: Rs Nil) in respect of salaries and wages paid to teachers and other administrative staff of SMB Fatima Jinnah School and Khatoon-e-Pakistan School respectively. In accordance with the terms of arrangement (as more fully explained in notes 16 and 17 to these financial statements) the teachers and other administrative staff were appointed by the Trust.

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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 (as more fully explained in note 16).

11.4 This includes sport activities conducted under Dosti Programme funded by British Council.

12 HEAD OFFICE EXPENSES	Note	2016	2015
		----- Rupees -----	
Salaries and wages		7,046,466	6,767,152
Travelling and conveyance		9,800	30,688
Rent and taxes		1,504,200	1,358,176
Auditors' remuneration		50,003	50,004
Printing and stationery		39,775	74,746
Depreciation and amortisation	6.2	218,045	249,108
Communication		198,943	183,711
Repairs and maintenance		20,783	57,270
Bank charges		5,971	6,874
Entertainment expenses		16,259	14,295
Advertisement expenses		-	1,500
Legal expenses		-	5,055
Utilities		147,599	173,055
Security charges		-	3,000
Fee and subscription		250,000	-
Insurance		130,596	93,499
Others		188,481	236,907
		<u>9,826,921</u>	<u>9,305,040</u>

13 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 prior year, the Finance Act, 2014 (applicable for tax year 2015 and onwards) had deleted clauses (59) and (60) as mentioned above and had 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 loss amounting to Rs 0.192 million during the year ended June 30, 2016. 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, 2016.

14 CASH AND CASH EQUIVALENTS	Note	2016	2015
		----- Rupees -----	
Cash and bank balances		7,420,652	8,480,418
Term Deposit Receipts		-	7,000,000
		<u>7,420,652</u>	<u>15,480,418</u>

15 TRANSACTIONS WITH RELATED PARTIES		2016	2015
Donations by Zindagi Trust USA Inc.		14,966,083	12,579,484
Donation / Zakat received from trustees and key management personnel		279,620	3,340,200
Key management personnel compensation			
- Salaries and benefits		3,819,638	3,535,077
- Travelling expenses		-	15,344

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

16 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	2016	2015
		----- Rupees -----	
Salaries		8,351,997	8,138,457
Repairs and maintenance		989,833	2,171,602
Security charges		982,300	937,484
Sports related expenses	11.4	814,532	2,744,900
Janitorial expenses		129,076	87,035
Breakfast expenses		493,271	400,089
Incentives to staff		360,000	360,500
Art activities expenses		171,165	120,918
Fumigation expenses		52,800	175,000
Plantation expenses		21,230	45,700
Depreciation and amortisation		214,333	550,998
Travelling and conveyance		93,026	81,525
Printing and stationery		312,070	294,068
Communication		119,691	99,314
Festivals and other related expenses		36,480	62,588
Stores and materials		67,900	21,565
Utilities		-	3,020
Healthcare expenses		268,175	-
Teachers' training expenses		263,587	-
Academic course expenses		581,222	500,921
Advertisement expenses		50,000	-
Others	16.1	186,808	173,590
		<u>14,559,496</u>	<u>16,969,274</u>

16.1 These include expenses pertaining to general expenses, service charges and other miscellaneous expenses.

17 KPS SCHOOL PROJECT

During the year, the Trust entered into an arrangement with the Government of Sindh in order to reform the entire school system of Khatoon-e-Pakistan Girls High 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	2016	2015
		----- Rupees -----	
Salaries		3,016,434	-
Depreciation		190,588	-
Travelling and conveyance		38,950	-
Printing and stationery		325,784	-
Communication		37,314	-
Repairs and maintenance		1,049,703	-
Utilities		9,700	-
Festivals and other related expenses		25,691	-
Sports related expenses		4,800	-
Janitorial expenses		68,236	-
Breakfast expenses		153,507	-
Incentives to staff		90,000	-
Art activities expenses		58,620	-
Plantation expenses		22,304	-
Academic course expenses		140,674	-
Healthcare expenses		21,222	-
Networking expenses		53,620	-
Library expenses		56,751	-
Stores and materials		164,320	-
Others	17.1	243,256	-
		<u>5,771,474</u>	<u>-</u>

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17.1 These include expenses pertaining to general expenses, service charges and other miscellaneous 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.

	2016							Total
	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								
National Savings Certificates	6.0%-11.6%	55,000,000	41,000,000	96,000,000	-	-	-	96,000,000
Loans, advances, deposits and other receivables	-	-	-	-	2,642,855	516,650	3,159,505	3,159,505
Cash and bank balances	4.5%-5.75%	7,359,150	-	7,359,150	61,502	-	61,502	7,420,652
Sub-total		62,359,150	41,000,000	103,359,150	2,704,357	516,650	3,221,007	106,580,157
Financial Liabilities								
Accrued expenses and other liabilities	-	-	-	-	187,521	1,262,655	1,450,176	1,450,176
Sub-total		-	-	-	187,521	1,262,655	1,450,176	1,450,176
On-balance sheet gap		62,359,150	41,000,000	103,359,150	2,516,836	(746,005)	1,770,831	105,129,981
------(Rupees)-----								
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	
------(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		36,361,472	70,000,000	106,361,472	3,249,135	518,900	3,768,035	110,129,507
Financial Liabilities								
Accrued expenses and other liabilities	-	-	-	-	1,437,843	945,704	2,383,547	2,383,547
Sub-total		-	-	-	1,437,843	945,704	2,383,547	2,383,547
On-balance sheet gap		36,361,472	70,000,000	106,361,472	1,811,292	(426,804)	1,384,488	107,745,960

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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:

	2016	2015
	----- Rupees -----	
Bank Balances		
AA+	<u>7,379,693</u>	<u>8,457,068</u>

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

	2016		2015	
	Payment over due (in days)	Amount -----Rupees----	Payment over due (in days)	Amount -----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

	2016		
	Loans and receivables	Held to maturity	Total
	----- Rupees -----		
Financial Assets			
National Savings Certificates	96,000,000	-	96,000,000
Loans, advances, deposits and other receivables	3,159,505	-	3,159,505
Cash and bank balances	7,420,652	-	7,420,652
	<u>106,580,157</u>	<u>-</u>	<u>106,580,157</u>

	2016	
	Amortised cost	Total
	----- Rupees -----	
Financial Liabilities		
Accrued expenses and other liabilities	<u>1,450,176</u>	<u>1,450,176</u>

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