

ZINDAGI TRUST

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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





INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

Opinion

We have audited the accompanying financial statements of **Zindagi Trust** (the Trust), which comprise the balance sheet as at June 30, 2017, the income and expenditure account, statement of movement in surplus and reserves and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at June 30, 2017, and its financial performance and its cash flows for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparation the financial statements, the Trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting progress.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

A handwritten signature in black ink, appearing to read "Rashid A. Jafer", written over the typed name.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: November 17, 2017

Karachi

ZINDAGI TRUST
BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017	2016
		Rupees	
FUNDS			
Accumulated surplus	3	3,450,429	7,097,760
Endowment fund	4	<u>110,374,001</u>	<u>104,614,523</u>
		<u>113,824,430</u>	<u>111,712,283</u>
REPRESENTED BY:			
Non-current assets			
Operating fixed assets	5	2,497,896	2,429,438
Investment property	6	1,118,263	1,302,657
National Savings Certificates	7	80,500,000	41,000,000
Security deposits		517,150	516,650
		84,633,309	45,248,745
Current assets			
Loans, advances, prepayments, deposits and other receivables	8	2,979,414	2,752,800
Taxation recoverable		3,305,905	2,740,262
Current maturity of National Savings Certificates	7	15,500,000	55,000,000
Cash and bank balances	9	10,354,968	7,420,652
		32,140,287	67,913,714
Total assets		<u>116,773,596</u>	<u>113,162,459</u>
Less: non-current liabilities			
Security deposits		1,280,607	857,655
Less: current liabilities			
Accrued expenses and other liabilities	10	<u>1,668,559</u>	<u>592,521</u>
		<u>113,824,430</u>	<u>111,712,283</u>

The annexed notes 1 to 20 form an integral part of these financial statements.

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Trustee


Trustee

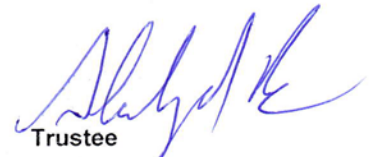
ZINDAGI TRUST
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		Rupees	
Income			
Donations		32,852,925	19,570,408
Zakat receipts		7,200,500	8,266,193
Profit on bank deposits		1,046,958	820,419
Term Deposit Receipts and National Savings Certificates income		6,865,588	8,971,459
Rental income		1,553,743	1,494,580
Others		40,304	14,535
		<u>49,560,018</u>	<u>39,137,594</u>
Expenses			
Direct educational expenses	11	40,320,816	29,488,835
Head office expenses	12	7,136,446	9,826,921
		<u>47,457,262</u>	<u>39,315,756</u>
Other income / (expenses)			
Gain / (loss) on disposal of operating fixed assets		9,391	(13,374)
		<u>2,112,147</u>	<u>(191,536)</u>
Surplus / (deficit) for the year before taxation			
Taxation	13	-	-
		<u>2,112,147</u>	<u>(191,536)</u>
Surplus / (deficit) for the year after taxation			
Other comprehensive income for the year		-	-
		<u>2,112,147</u>	<u>(191,536)</u>
Total comprehensive income / (loss) for the year		<u>2,112,147</u>	<u>(191,536)</u>

The annexed notes 1 to 20 form an integral part of these financial statements.

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Trustee


Trustee

ZINDAGI TRUST
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

Note	2017	2016
	----- Rupees -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus / (deficit) for the year	2,112,147	(191,536)
Adjustment for non-cash items:		
Depreciation	875,541	622,966
Operating fixed asset written off	173,524	-
(Gain)/ loss on disposal of operating fixed assets	(9,391)	13,374
	<u>3,151,821</u>	<u>444,804</u>
Changes in working capital		
(Increase) / decrease in loans, advances, prepayments, deposits and other receivables	(226,614)	461,207
Increase in taxation recoverable	(565,643)	(1,149,532)
Increase / (decrease) in accrued expenses and other liabilities	1,076,038	(845,322)
(Increase) / decrease in security deposit receivable	(500)	2,250
Increase / (decrease) in security deposit payable	422,952	(88,049)
Net cash generated from / (used in) operating activities	<u>3,858,054</u>	<u>(1,174,642)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of operating fixed assets	(933,129)	(1,889,624)
Proceeds from disposal of operating fixed assets	9,391	4,500
Net investments in National Savings Certificates	-	(5,000,000)
Net cash used in investing activities	<u>(923,738)</u>	<u>(6,885,124)</u>
Net increase / (decrease) in cash and cash equivalents	<u>2,934,316</u>	<u>(8,059,766)</u>
Cash and cash equivalents at the beginning of the year	7,420,652	15,480,418
Cash and cash equivalents at the end of the year	<u><u>10,354,968</u></u>	<u><u>7,420,652</u></u>

The annexed notes 1 to 20 form an integral part of these financial statements.

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Trustee


Trustee

ZINDAGI TRUST
 STATEMENT OF MOVEMENT IN SURPLUS AND RESERVES
 FOR THE YEAR ENDED JUNE 30, 2017

	Accumulated surplus	Endowment fund Rupees	Total
Balance as at July 1, 2015	13,715,533	98,188,286	111,903,819
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>7,097,760</u>	<u>104,614,523</u>	<u>111,712,283</u>
Transfer from Income and Expenditure Account	2,112,147	-	2,112,147
Transfer to endowment fund	(5,759,478)	5,759,478	-
Balance as at June 30, 2017	<u><u>3,450,429</u></u>	<u><u>110,374,001</u></u>	<u><u>113,824,430</u></u>

The annexed notes 1 to 20 form an integral part of these financial statements.

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 Nazim I. Hajji
 Trustee


 Trustee

ZINDAGI TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1 LEGAL STATUS AND ACTIVITIES

Zindagi Trust (the 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 centres, nurseries, rehabilitation centres, training centres, playgrounds, schools and institutions.

The status of the Trust as a non-profit organisation has been approved by the Commissioner of Income Tax under rule 214 and rule 220 of the Income Tax Rules, 2002 dated January 27, 2017. This approval is valid for subsequent three 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, 2017

There were certain new standards and amendments to the approved accounting standards which became effective during the year ended June 30, 2017 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 accounting periods beginning after July 1, 2017

There are certain new amendments to the approved accounting standards that are mandatory for the Trust's accounting periods beginning after July 1, 2017 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

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 of non-financial assets

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.

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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, interest income and rental 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	2017	2016
		----- Rupees -----	
3 ACCUMULATED SURPLUS			
Balance brought forward		7,097,760	13,715,533
Surplus / (deficit) for the year transferred from income and expenditure account		2,112,147	(191,536)
Transferred to endowment fund	4.1	(5,759,478)	(6,426,237)
		<u>3,450,429</u>	<u>7,097,760</u>
4 ENDOWMENT FUND			
Balance brought forward		104,614,523	98,188,286
Transferred from accumulated surplus	4.1	5,759,478	6,426,237
		<u>110,374,001</u>	<u>104,614,523</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	2017	2016
		----- Rupees -----	
5 OPERATING FIXED ASSETS			
Tangible	5.1	2,497,896	2,429,438
Intangible	5.1	-	-
		<u>2,497,896</u>	<u>2,429,438</u>

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

	Year ended June 30, 2017					Intangibles
	Owned assets				Total tangible fixed assets	Computer software
Buildings	Furniture, office equipment and other assets	Medical equipments	Vehicles			
----- Rupees -----						
At July 1, 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>
Year ended June 30, 2017						
Opening net book value	173,524	2,255,914	-	-	2,429,438	-
Additions (at cost)	-	933,129	-	-	933,129	-
Disposals / Write off						
Cost	350,000	20,020	-	-	370,020	-
Depreciation	176,476	20,020	-	-	196,496	-
	<u>173,524</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,524</u>	<u>-</u>
Depreciation charge for the year	-	691,147	-	-	691,147	-
Write off for the year	173,524	-	-	-	173,524	-
Closing net book value	<u>-</u>	<u>2,497,896</u>	<u>-</u>	<u>-</u>	<u>2,324,372</u>	<u>-</u>
At June 30, 2017						
Cost	-	9,306,343	38,908	1,187,200	10,532,451	80,000
Accumulated depreciation / amortisation	-	6,808,447	38,908	1,187,200	8,034,555	80,000
Net book value	<u>-</u>	<u>2,497,896</u>	<u>-</u>	<u>-</u>	<u>2,497,896</u>	<u>-</u>
Depreciation rate % per annum	5	20	20	20		33.3
----- Rupees -----						
Year ended June 30, 2016						
	Owned assets				Total tangible fixed assets	Intangibles
	Buildings	Furniture, office equipment and other assets	Medical equipments	Vehicles		Computer software
----- 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	-
	<u>-</u>	<u>17,874</u>	<u>-</u>	<u>-</u>	<u>17,874</u>	<u>-</u>
Depreciation / amortisation 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

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6 INVESTMENT PROPERTY

	2017						Useful life	
	Cost		Accumulated Depreciation			WDV as at June 30, 2017		
	As at July 1, 2016	Additions / (disposals) / (transfer)	As at June 30, 2017	As at July 1, 2016	For the year			As at June 30, 2017
----- (Rupees) -----								
Building	3,687,875	-	3,687,875	2,385,218	184,394	2,569,612	1,118,263	20 years

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

6.1 The market value of the investment property is Rs 19.4 million as at June 30, 2017 (2016: Rs 12.126 million).

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

	Note	2017	2016
----- Rupees -----			
Direct educational expenses	11	660,760	404,921
Head office expenses	12	214,781	218,045
		<u>875,541</u>	<u>622,966</u>

7 NATIONAL SAVINGS CERTIFICATES

National Savings Certificates	96,000,000	96,000,000
Less: Current maturity of National Savings Certificates	(15,500,000)	(55,000,000)
	<u>80,500,000</u>	<u>41,000,000</u>

7.1 These carry rates of return ranging from 5.80% to 13.4% (2016: 6.0% to 11.6%) per annum with maturity ranging between August 25, 2017 to February 22, 2020 (2016: September 3, 2016 to May 25, 2019).

	Note	2017	2016
----- Rupees -----			
8 LOANS, ADVANCES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES			
Loans and advances to employees	8.1 & 8.2	117,787	42,900
Prepaid expenses		125,966	109,945
Accrued income on National Savings Certificates		2,128,143	2,399,305
Others		607,518	200,650
		<u>2,979,414</u>	<u>2,752,800</u>

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

	2017		2016	
	Executives	Other Employees	Executives	Other Employees
----- Rupees -----				
Opening balance	-	42,900	-	272,372
Disbursement during the year	170,000	668,418	75,000	204,146
Receipt during the year	(170,000)	(593,531)	(75,000)	(433,618)
Closing balance	<u>-</u>	<u>117,787</u>	<u>-</u>	<u>42,900</u>

8.2 This includes interest free loans provided to executives and other employees for the purpose of car leasing, marriage expenses, medical treatment etc. which are repayable within 12 months in equal instalments.

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	Note	2017	2016
		----- Rupees -----	
9	CASH AND BANK BALANCES		
	Cash in hand	16,512	40,959
	Cash at bank		
	- Current accounts		
	In local currency	28,348	20,543
	- Deposit accounts		
	In local currency	10,310,108	7,359,150
		10,338,456	7,379,693
		<u>10,354,968</u>	<u>7,420,652</u>

9.1 Deposit accounts carry a rate of return ranging from 5.50% to 5.85% (2016: 4.5% to 5.75%) per annum.

	Note	2017	2016
		----- Rupees -----	
10	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Accrued expenses	606,059	187,521
	Security deposit	750,000	405,000
	Unearned rental income	312,500	-
		<u>1,668,559</u>	<u>592,521</u>

	Note	2017	2016
		----- Rupees -----	
11	DIRECT EDUCATIONAL EXPENSES		
	Salaries and wages	24,813,954	16,605,932
	Stipend to students	322,840	439,469
	Rent	1,721,951	1,648,254
	Depreciation	660,760	404,921
	Travelling and conveyance	107,735	149,646
	Printing and stationery	920,949	801,503
	Communication	293,283	238,459
	Repairs and maintenance	3,328,042	2,057,415
	Utilities	117,857	120,864
	Security charges	1,149,372	982,300
	Festivals and other related expenses	91,607	79,933
	Sports related expenses	627,877	819,332
	Student fees expenses	855,250	918,450
	Janitorial expenses	180,681	197,312
	Breakfast expenses	870,649	646,778
	Incentives to staff	480,000	450,000
	Art activities expenses	332,845	229,785
	Fumigation expenses	-	52,800
	Plantation expenses	109,648	43,534
	Academic course expenses	1,040,232	1,136,903
	Healthcare expenses	31,037	289,397
	Teachers' training expenses	9,260	263,587
	Advertisement expenses	-	50,000
	Networking expenses	32,000	53,620
	Library expenses	107,614	56,751
	Stores and materials	1,280,535	235,770
	Auditors' remuneration	249,128	-
	Insurance	126,500	-
	Service charges	131,241	45,000
	Exhibition expenses	28,102	35,602
	Scrabble competition expenses	26,250	-
	Others	273,617	435,518
		<u>40,320,816</u>	<u>29,488,835</u>

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

Karachi region	30,202,912	20,589,720
Lahore region	6,055,329	5,231,408
Rawalpindi region	4,062,575	3,667,707
	<u>40,320,816</u>	<u>29,488,835</u>

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- 11.2 This includes Rs 11,171,069 (2016: Rs 8,351,997) and Rs 6,950,736 (2016: Rs 3,016,434) 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 15 and 16 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 (as more fully explained in note 15).
- 11.4 This includes sport activities conducted under Dosti Programme funded by the British Council.

12 HEAD OFFICE EXPENSES	Note	2017	2016
		----- Rupees -----	
Salaries and wages		3,791,304	7,046,466
Travelling and conveyance		498,035	9,800
Rent and taxes		1,564,694	1,504,200
Auditors' remuneration		86,282	50,003
Printing and stationery		19,739	39,775
Depreciation	6.2	214,781	218,045
Operating fixed asset written off		173,524	-
Communication		342,064	198,943
Repairs and maintenance		57,200	20,783
Bank charges		7,113	5,971
Entertainment expenses		7,997	16,259
Utilities		146,745	147,599
Fee and subscription		-	250,000
Insurance		31,626	130,596
Others		195,342	188,481
		<u>7,136,446</u>	<u>9,826,921</u>

13 TAXATION

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 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 income amounting to Rs 2.112 million during the year ended June 30, 2017. 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, 2017.

14 TRANSACTIONS AND BALANCES WITH RELATED PARTIES	2017	2016
	----- Rupees -----	
Donations by Zindagi Trust USA Inc.	11,999,453	14,966,083
Donation / Zakat received from trustees and key management personnel	875,111	279,620
Key management personnel compensation		
- Salaries and benefits	4,074,600	3,819,638
- Travelling expenses	497,735	-

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

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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:

Particulars	Note	2017	2016
		----- Rupees -----	
Salaries		11,171,069	8,351,997
Repairs and maintenance		1,906,391	989,833
Security charges		1,068,604	982,300
Sports related expenses	11.4	621,047	814,532
Janitorial expenses*		108,747	129,076
Breakfast expenses		454,505	493,271
Incentives to staff		360,000	360,000
Art activities expenses		223,618	171,165
Fumigation expenses		-	52,800
Plantation expenses		61,778	21,230
Depreciation		231,801	214,333
Travelling and conveyance		55,102	93,026
Exhibition expense		28,102	-
Printing and stationery		423,952	312,070
Communication		115,760	119,691
Festivals and other related expenses		42,395	36,480
Stores and materials		352,825	67,900
Utilities		9,940	-
Healthcare expenses		23,531	268,175
Library expenses		5,860	-
Networking expenses		32,000	-
Teachers' training expenses		9,260	263,587
Academic course expenses		682,717	581,222
Advertisement expenses		-	50,000
Auditors' remuneration		62,282	-
Insurance		63,250	-
Service charges		52,800	30,000
Others	15.1	63,873	156,808
		<u>18,231,209</u>	<u>14,559,496</u>

15.1 These include expenses pertaining to general expenses and other miscellaneous expenses.

16 KPS SCHOOL PROJECT

In the year 2016, 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	2017	2016
		----- Rupees -----	
Salaries		6,950,736	3,016,434
Depreciation		428,959	190,588
Travelling and conveyance		9,913	38,950
Printing and stationery		453,873	325,784
Communication		104,338	37,314
Repairs and maintenance		1,399,878	1,049,703
Utilities		7,300	9,700
Festivals and other related expenses		37,954	25,691
Sports related expenses		37,800	4,800
Janitorial expenses		71,934	68,236
Breakfast expenses		416,144	153,507
Incentives to staff		120,000	90,000
Security charges		80,768	-
Art activities expenses		109,227	58,620
Plantation expenses		47,870	22,304
Academic course expenses		218,157	140,674
Auditors' remuneration		62,282	-
Insurance		63,250	-
Healthcare expenses		7,506	21,222
Networking expenses		-	53,620
Library expenses		101,754	56,751
Stores and materials		927,710	164,320
Service charges		78,441	15,000
Exhibition expense		-	35,602
Scrabble competition expenses		26,250	-
Others	16.1	78,109	192,654
		<u>11,840,153</u>	<u>5,771,474</u>

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17.1.2 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.

17.1.3 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.

17.2 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.

17.3 Credit risk

17.3.1 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 minimise its exposure to this risk.

17.3.2 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 17.4 to these financial statements. No financial assets were past due or impaired as at June 30, 2017 (2016: Nil).

17.3.3 The analysis below summarises the credit quality of the Trust's financial assets:

	2017	2016
	----- Rupees -----	
Bank balances		
AA+	10,338,051	7,379,693
A+	405	-
	<u>10,338,456</u>	<u>7,379,693</u>

17.4 Financial instruments by category

	2017		
	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	2,853,448	-	2,853,448
Security deposits	517,150	-	517,150
Cash and bank balances	10,354,968	-	10,354,968
	<u>109,725,566</u>	<u>-</u>	<u>109,725,566</u>

	2017	
	Amortised cost	Total
	----- Rupees -----	
Financial Liabilities		
Security deposits	1,280,607	1,280,607
Accrued expenses and other liabilities	1,356,059	1,356,059
	<u>2,636,666</u>	<u>2,636,666</u>

	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	2,642,855	-	2,642,855
Security deposits	516,650	-	516,650
Cash and bank balances	7,420,652	-	7,420,652
	<u>106,580,157</u>	<u>-</u>	<u>106,580,157</u>

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	2016	
	Amortised cost	Total
	----- Rupees -----	
Financial Liabilities		
Security deposits	857,655	857,655
Accrued expenses and other liabilities	592,521	592,521
	<u>1,450,176</u>	<u>1,450,176</u>

17.5 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date (i.e. it is an exit price).

Underlying the definition of fair value is the presumption that the Trust is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other assets and liabilities is considered not to be significantly different from their carrying values as the items are either short-term in nature or periodically repriced.

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Trust to classify assets 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, whether 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, 2017.

18 CORRESPONDING FIGURES

The following corresponding figures have been rearranged and reclassified in these financial statements for the purpose of better presentation:

Reclassification from	Reclassification to	2016 ---- Rupees ----
National Savings Certificates	Current maturity of National Savings Certificates	55,000,000
Loans, advances, prepayments, deposits and other receivables	Security deposits - Non-current asset	516,650
Accrued expenses and other liabilities	Security deposits - Non-current liability	857,655

As required by IAS 1 - 'Presentation of financial statements' an additional balance sheet has not been presented as at the beginning of the preceding period, as the reclassifications are not considered to, individually or collectively, influence the economic decisions of the users of these financial statements.

19 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on _____ by the Trustees.

20 GENERAL

Figures have been rounded off to the nearest Rupee.

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Nazim I. Hossain
Trustee

Abulhasan
Trustee

ZINDAGI TRUST

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

