

**INDEPENDENT AUDITORS' REPORT
OF
THE KAGHAN MEMORIAL TRUST**

We have audited the annexed Balance sheet of "THE KAGHAN MEMORIAL TRUST" as at June 30, 2015 and income and expenditure account, statement of cash flows along with the notes forming part thereof, for the year ended June 30, 2015 (here-in-after referred to as the Financial Statements).

Management's Responsibility

Management is responsible for the preparation of these financial statements in accordance with International Financial Reporting Standards, 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 International Standards on Auditing. 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 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 management, as well as evaluating the 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 financial statements present fairly, in all material respects, the financial position of "THE KAGHAN MEMORIAL TRUST" as at June 30, 2015 and of its financial performance for the year then ended.

We are satisfied that the amount of grant shown in the Financial Statements has been spent on the objects for which it was made within the specified limit. We have also satisfied ourselves about the propriety of disbursement made from the grant.

Place: Islamabad.

Dated: 01 SEP 2016


HORWATH HUSSAIN CHAUDHURY & CO.
(CHARTERED ACCOUNTANTS)


THE KAGHAN MEMORIAL TRUST
BALANCE SHEET
AS AT JUNE 30, 2015

	Note	2015 ------(Rupees)-----	2014
ASSETS			
NON CURRENT ASSETS			
Property and equipment	3	12,856,636	14,392,789
Capital work in progress	4	17,518,138	14,848,553
Intangible assets	5	40,364	57,663
Long term advances	6	-	74,400
		30,415,138	29,373,405
CURRENT ASSETS			
Advances and deposits	7	901,396	1,074,073
Other receivables	8	160,000	-
Cash and bank balances	9	778,413	170,833
		1,839,809	1,244,906
		32,254,947	30,618,311
FUNDS & LIABILITIES			
FUNDS - General			
General funds	10	(18,284,071)	(14,302,258)
Deferred grants	11	33,778,117	33,607,278
		15,494,047	19,305,020
CURRENT LIABILITIES			
Short term loans	12	8,552,867	5,331,716
Accrued and other liabilities	13	8,208,033	5,981,575
		16,760,900	11,313,291
		32,254,947	30,618,311

AUDITORS' REPORT ANNEXED:

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

TRUSTEE

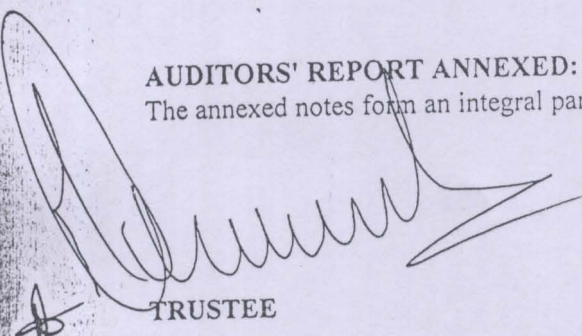
TRUSTEE


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

	Note	2015 ------(Rupees)-----	2014
INCOME	14	13,343,404	14,785,412
EXPENDITURES			
Fund raising expenditure	15	644,692	709,992
Head office expenditure	16	2,649,987	3,589,759
Volunteer residence # 1, 2 & ACO expenditure	17	518,838	1,485,274
The Kaghan Memorial School expenditure	18	13,511,700	14,925,486
TOTAL EXPENDITURES		17,325,217	20,710,511
Operating loss		(3,981,813)	(5,925,098)
Finance charges		-	-
Deficit of income over expenditure for the year		<u>(3,981,813)</u>	<u>(5,925,098)</u>

AUDITORS' REPORT ANNEXED:

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


TRUSTEE


TRUSTEE

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

2015 2014
 -----(Rupees)-----

CASH FLOW FROM OPERATING ACTIVITIES

Deficit of income over expenditure for the year

(3,981,813) (5,925,098)

Adjustments for:

Depreciation

1,359,019

1,497,617

Amortization of income

(829,161)

(861,985)

Amortization of intangible assets

17,299

24,713

Gain on disposal of assets

(421,856)

-

Operating income before working capital changes

(3,856,511)

(5,264,753)

Changes in working capital

(Increase)/decrease in current assets

Advances and deposits

172,677

(207,292)

Other receivables

(160,000)

3,000

Increase in current liabilities

Accrued and other liabilities

2,226,458

1,192,720

Net change in working capital

2,239,135

988,429

Net cash generated from/(used) in operating activities

(1,617,376)

(4,276,324)

CASH FLOW FROM INVESTING ACTIVITIES

Capital expenditures (fixed assets/intangibles/

Capital work in progress)

(2,795,596)

(5,986,308)

Proceed from disposal of fixed asset

725,000

-

Long term advances

74,400

111,326

Net cash generated from /(used) in investing activities

(1,996,196)

(5,874,982)

CASH FLOW FROM FINANCING ACTIVITIES

Deferred building grants received

1,000,000

11,746,904

Short term loan obtained

3,221,151

4,613,179

Short term loan repaid

-

(6,200,083)

Net cash generated from/(used) in financing activities

4,221,151

10,160,000

Net increase/(decrease) in cash & cash equivalents

607,580

8,694

Cash & cash equivalents at the beginning of the year.

170,833

162,139

Cash & cash equivalents at the end of the year.

778,413

170,833

TRUSTEE

TRUSTEE

THE KAGHAN MEMORIAL TRUST
STATEMENT OF CHANGES IN ACCUMULATED FUND
AS AT JUNE 30, 2015

	General Funds	Restricted Funds	Total Accumulated Funds
	------(Rupees)-----		
Balance as on June 30, 2013	(8,377,160)	22,722,359	14,345,199
Deficit of income over expenditure for the year ended June 30, 2014	(5,925,098)	-	(5,925,098)
Restricted fund during the year		11,746,904	11,746,904
Amortized during the year		(861,985)	(861,985)
Balance as on June 30, 2014	<u>(14,302,258)</u>	<u>33,607,278</u>	<u>19,305,020</u>
Deficit of income over expenditure for the year ended June 30, 2015	(3,981,813)	-	(3,981,813)
Restricted fund during the year		1,000,000	1,000,000
Amortized during the year		(829,161)	(829,161)
Balance as on June 30, 2015	<u>(18,284,071)</u>	<u>33,778,117</u>	<u>15,494,047</u>

TRUSTEE

TRUSTEE

**THE KAGHAN MEMORIAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

1 STATUS AND OPERATIONS

The Kaghan Memorial Trust (the Trust) was registered in March 2006 under Trust Act 1882, with the objective to build and run a school in the earthquake affected area in order to provide quality and free education. The Trust receives funds from cross sections of society within and outside Pakistan for building of primary and secondary schools as well as for operation of schools. These donations are made by organizations, institutions and individuals. The registered office of the Trust is situated at House #1, Old firing range drive, Main Bani Gala Road, Islamabad.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of Guideline for Accounting and Financial Reporting Standards for Small-Sized Entities (SSEs) issued by the Institute of Chartered Accountants of Pakistan and provisions of the Trust Act, 1882. In case requirements differ, provisions of the Trust Act, 1882 shall prevail.

2.2 Basis of preparation

These accounts have been prepared under the historical cost convention without any adjustments to the effects of inflation or current values except otherwise stated in relevant policies and notes.

2.3 Management responsibility for financial statements

The Board of Trustees of the Trust are responsible for the preparation and presentation of financial statements. The reporting currency of the financial statements is Pakistani Rupee. These financial statements of the Foundation have been prepared for the year from July 01, 2013 to June 30, 2014.

2.4 Property, plant and equipment (PPE)

PPE are stated at cost less accumulated depreciation and impairment losses. PPE received free of cost is stated at nominal value of rupee 1. Depreciation is provided on reducing balance method at the rates specified in note 4. Depreciation is charged on additions from the month in which asset is acquired, while no depreciation is charged in the month of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Gains and losses at disposal of assets, if any, are taken to income & expenditure account.

2.5 Intangible assets

Intangible Assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged on a reducing balance method over the estimated useful lives of intangible assets. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The Trust charges amortization on all additions from the month in which an asset is acquired or capitalized, while no amortization is charged in the month of disposal.

2.6 Income

Income is recognized when it is received.

2.7 Grant

Grants received for capital assets are deferred and recognized as income to the extent, the capital asset is depreciated over its useful life.

THE KAGHAN MEMORIAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

2.8 Expenses

All expenses are recognized in the income and expenditure account on accrual basis.

2.9 Capital work in progress

Capital work in progress is stated at cost.

3 Taxation

No provision for taxation has been made in these accounts as the Income/ Sponsorship/ Donations of the Trust is exempt from levy of income tax under section 60 and 92 of the 2nd Schedule to the Income Tax Ordinance, 2001 being an educational and charitable institution solely for educational and charitable purposes and not for the purpose of making profit.

3.1 Foreign currency transactions

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transactions. All monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Pak Rupees at the rates of exchange prevailing on the balance sheet date. Exchange differences, if any, are included in income and expenditure account currently.

THE KAGHAN MEMORIAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

3 PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost			Depreciation						Rate %
	As at July 1, 2014	Addition	(Disposal/ Transfer)	As at June 30, 2015	As at July 1, 2014	For the year	(Disposal/ Transfer)	As at June 30, 2015	W.D.V. as at June 30, 2015	
	Amount in Rupees			Amount in Rupees						
Head Office										
Computers and accessories	754,037	126,011	-	880,048	380,954	67,124	-	448,078	431,970	15
Office equipments	168,600	-	-	168,600	104,362	9,636	-	113,998	54,602	15
Motor vehicle	1,242,680	-	1,242,680	-	939,536	-	939,536	-	-	20
Furniture and fixtures	128,900	-	-	128,900	50,212	7,869	-	58,081	70,819	10
Electric equipment	157,000	-	-	157,000	64,205	13,919	-	78,124	78,876	15
	2,451,217	126,011	1,242,680	1,334,548	1,539,269	98,547	939,536	698,280	636,266	
Volunteer Residence#1,2 & ACO										
Computers and accessories	12,200	-	-	12,200	5,638	984	-	6,622	5,578	15
Electric equipment	428,846	-	-	428,846	194,286	35,184	-	229,470	199,376	15
Furniture and fixtures	653,062	-	-	653,063	225,054	42,801	-	267,855	385,208	10
Other assets	72,853	-	-	72,853	40,108	6,549	-	46,657	26,196	20
	1,166,961	-	-	1,166,962	465,086	85,518	-	550,604	616,358	
The Kaghan Memorial School										
Building	9,188,776	-	-	9,188,776	1,055,276	406,675	-	1,461,951	7,726,825	5
Computers and accessories	32,050	-	-	32,050	15,997	2,408	-	18,405	13,645	15
Office equipments	49,044	-	-	49,044	29,526	2,928	-	32,454	16,590	15
Motor vehicle	4,515,523	-	-	4,515,523	1,957,167	511,671	-	2,468,838	2,046,684	20
Furniture and fixtures	1,770,895	-	-	1,770,896	572,469	119,843	-	692,312	1,078,584	10
Books and sports items	118,371	-	-	118,371	58,687	5,968	-	64,655	53,716	10
Electric equipment	1,091,219	-	-	1,091,219	426,728	99,674	-	526,401	564,818	15
Other assets	371,259	-	-	371,259	242,321	25,788	-	268,109	103,150	20
	17,137,137	-	-	17,137,137	4,358,171	1,174,954	-	5,533,125	11,604,012	
Total for the Year 2015	20,755,315	126,011	1,242,680	19,638,647	6,362,526	1,359,019	939,536	6,782,010	12,856,636	
Total for the Year 2014	20,345,314	410,000	-	20,755,314	4,864,908	1,497,617	-	6,362,525	14,392,789	
Depreciation allocation charge is as follows;										
				June 30, 2015	June 30, 2014					
Head office expenditures				98,547	172,770					
Volunteer residence#1, 2& ACO expenses				85,518	98,293					
School expenditures				1,174,954	1,226,554					
				1,359,019	1,497,617					

THE KAGHAN MEMORIAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ------(Rupees)-----	2014
4 CAPITAL WORK IN PROGRESS (BUILDING)			
Opening balance		14,848,553	9,272,245
Additions during the year		2,669,585	5,576,308
Closing balance		<u>17,518,138</u>	<u>14,848,553</u>
4.1 This represents cost incurred on construction of school building located at Revenue estate of Mouza Kawai, Tehsil Balakot, District Mansehra.			
5 INTANGIBLE ASSETS			
Opening WDV		57,663	82,376
Amortization for the year		(17,299)	(24,713)
		<u>40,364</u>	<u>57,663</u>
5.1 This represents the cost of windows and antivirus being amortized at the rate of 30%.			
6 LONG TERM ADVANCES			
Advance annual lease rental on land	6.1	-	74,400
		<u>-</u>	<u>74,400</u>
6.1 This represents advance lease rentals deposited in respect of land located at revenue estate of Mouza Kawai, Tehsil Balakot, District Manshera. The land is utilized for the purpose of The Kaghan Memorial School.			
7 ADVANCES AND DEPOSITS			
Advances to suppliers		-	172,678
Advance tax		901,396	901,396
		<u>901,396</u>	<u>1,074,073</u>
8 OTHER RECEIVABLES			
Opening balance		-	3,000
Additions during the year		160,000	-
Received during the year		-	(3,000)
Closing balance		<u>160,000</u>	<u>-</u>
9 CASH AND BANK BALANCES			
Cash in hand		12,883	22,384
Cash at bank - current account		765,530	148,449
		<u>778,413</u>	<u>170,833</u>

THE KAGHAN MEMORIAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ------(Rupees)-----	2014
10 ACCUMULATED FUNDS			
Opening balance		14,302,258	8,377,160
Deficit of income over expenditure for the year		3,981,813	5,925,098
Closing balance		<u>18,284,071</u>	<u>14,302,258</u>
11 DEFERRED GRANTS			
Opening balance		33,607,278	22,722,359
Grants received during the year	11.1	1,000,000	11,746,904
Amortization of grant		(829,161)	(861,985)
Closing balance		<u>33,778,117</u>	<u>33,607,278</u>
For Building:			
Embassy of Japan		-	11,746,904
Mr. Iqbal Ahmed Khan		1,000,000	-
		<u>1,000,000</u>	<u>11,746,904</u>
12 SHORT TERM LOANS			
Loans from:			
Managing trustee	12.1	2,880,200	4,107,461
Others	12.2	5,672,667	1,224,255
		<u>8,552,867</u>	<u>5,331,716</u>
12.1	This represents interest free loans from Mr. Khurram Khan (Managing Trustee) for meeting the construction cost of the building and other day-to-day expenses of the Trust.		
12.2	Represents interest free loans from Arcadian Hotels and Resorts and others.		
13 ACCRUED AND OTHER LIABILITES			
Payables		8,090,517	5,981,575
Lease payable		117,516	-
		<u>8,208,033</u>	<u>5,981,575</u>
14 INCOME			
Donations		2,445,938	6,478,461
Income from fundraising event	14.1	2,894,750	2,028,669
Income from child sponsorship		6,714,908	4,814,630
Others	14.2	1,287,808	1,463,653
		<u>13,343,404</u>	<u>14,785,412</u>

THE KAGHAN MEMORIAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ------(Rupees)-----	2014
14.1 Income from fund raising events			
Local fundraising event#1 (Lucky draw 2015/2013)		1,058,750	774,700
Local fundraising event#2 (Spring social 2015/2014)		1,836,000	1,253,969
		<u>2,894,750</u>	<u>2,028,669</u>
14.2 This includes amortized amounts of building and vehicle grants as shown in Note 11, bank profit and sale of			
15 FUND RAISING EXPENDITURE			
Local fundraising event#1 (Lucky draw 2015/2013)	15.1	36,250	48,270
Local fundraising event#2 (Spring social 2015/2014)	15.2	608,442	661,722
		<u>644,692</u>	<u>709,992</u>
15.1 Local fundraising event#1 (Lucky draw 2015/2013)			
Printing and promotion		36,250	31,250
Travel expense		-	17,020
		<u>36,250</u>	<u>48,270</u>
15.2 Local fundraising event#2 (Spring social 2015/2014)			
Food and catering charges		218,360	297,970
Logistics and décor		280,000	251,100
Entertainment (local band and D.J. fees)		14,000	14,000
Printing and promotion		5,600	8,500
Travelling expense		27,000	-
Miscellaneous		63,482	90,152
		<u>608,442</u>	<u>661,722</u>

THE KAGHAN MEMORIAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ------(Rupees)-----	2014
16 KMT HEAD OFFICE EXPENDITURE			
Staff salaries		1,415,233	1,421,000
Advertisement and website hosting charges		4,500	4,800
Supplies, printing and stationary		14,180	106,885
Postage and courier		7,084	10,992
International travelling (volunteer programme officers)		-	123,134
Domestic travelling		209,350	73,511
Vehicle running		382,730	915,150
Communication		46,335	33,653
Building rent		12,000	12,000
Building repairs and maintenance		5,530	-
Equipment repairs and maintenance		114,200	231,805
Vehicle repair and maintenance		47,520	250,491
Miscellaneous		31,785	106,981
Entertainment		3,500	13,787
Meals for volunteer teachers and staff		139,771	-
Medical treatment and tests		-	470
Bank charges		30,422	22,617
Depreciation	3.1	98,548	172,770
Amortization	5	17,299	24,713
Audit fee		70,000	65,000
		<u>2,649,987</u>	<u>3,589,759</u>
17 KMT VOLUNTEER RESIDENCES' EXPENSES			
KMT volunteer residences and aco expenditure-1	17.1	490,504	476,784
KMT volunteer residences-2	17.2	28,334	1,008,490
		<u>518,838</u>	<u>1,485,274</u>
17.1 KMT VOLUNTEER RESIDENCES and ACO EXPENDITURE-1			
Staff meals		174,996	124,037
Furnishings		-	165,350
Building rent		240,000	-
Building repairs and maintenance		1,650	-
Equipment repairs and maintenance		1,700	-
ACO communication		-	20,600
Utilities		2,170	95,779
Miscellaneous		12,804	5,666
Depreciation	3.1	57,184	65,352
		<u>490,504</u>	<u>476,784</u>
17.2 KMT VOLUNTEER RESIDENCES-2			
Staff salaries		-	36,500
Furnishings		-	286,159
Building rent		-	305,000
Building repairs and maintenance		-	48,720
Equipment repairs and maintenance		-	76,500
ACO communication		-	20,243
Utilities		-	177,987
Miscellaneous		-	24,440
Depreciation	3.1	28,334	32,941
		<u>28,334</u>	<u>1,008,490</u>

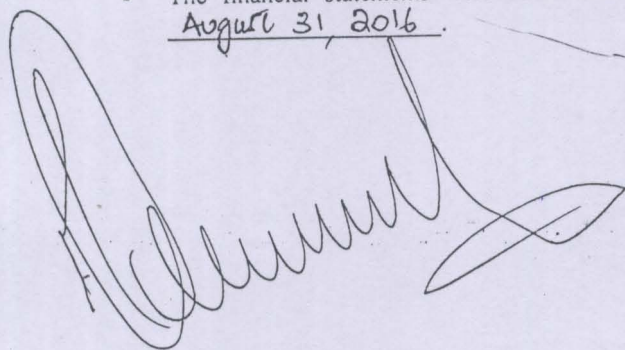
THE KAGHAN MEMORIAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		----- (Rupees) -----	
18 KAGHAN MEMORIAL SCHOOL EXPENDITURE			
Staff salaries		6,137,351	6,302,910
Medical tests and treatments		17,281	172,837
Classroom supplies		717,781	474,301
Office supplies, printing and stationary		7,780	1,343
Lease expenses		191,916	186,326
International travelling (volunteer teachers air tickets)		516,054	296,245
Domestic travelling and accommodation		105,650	136,500
Vehicle running		1,554,905	2,142,323
Freight		37,890	16,000
Utilities		251,948	466,810
Communication		179,694	191,347
Furnishings		127,675	96,450
Building repairs and maintenance		46,020	223,435
Equipment repairs and maintenance		45,100	125,565
Vehicle repair and maintenance		262,680	432,235
Vehicle rental charges		838,300	281,000
Fuel for generator		5,500	-
Meals for volunteer teachers and staff		566,604	608,995
Sports day and annual day expense		311,460	150,091
Student lunches		118,681	958,373
Guest entertainment			11,100
Accommodation		96,422	213,116
Miscellaneous		200,054	211,629
Depreciation	3.1	1,174,954	1,226,555
		<u>13,511,700</u>	<u>14,925,486</u>

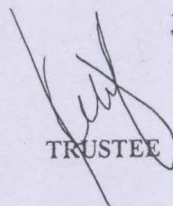
19 GENERAL

- Figures have been rounded off to the nearest rupee.
- The financial statements were authorized for issue by the Board of Trustees in their meeting held on

August 31, 2016



TRUSTEE



TRUSTEE