

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

We have audited the annexed Balance sheet of **"THE KAGHAN MEMORIAL TRUST"** as at June 30, 2016 and income and expenditure account, statement of cash flows along with the notes forming part thereof, for the year ended June 30, 2016 (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, 2016 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: December 21, 2016**

  
**HORWATH HUSSAIN CHAUDHURY & CO.**  
**(CHARTERED ACCOUNTANTS)**



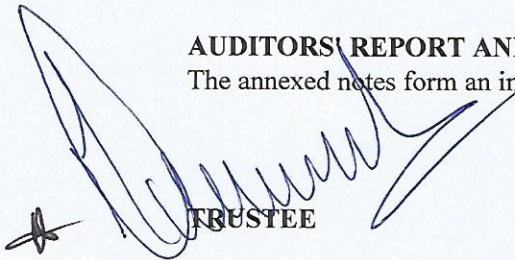


**THE KAGHAN MEMORIAL TRUST**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2016**

	Note	2016 ------(Rupees)-----	2015
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	4	20,947,359	12,856,636
Capital work in progress	5	14,655,065	17,518,138
Intangible assets	6	28,255	40,364
		<b>35,630,679</b>	<b>30,415,138</b>
<b>CURRENT ASSETS</b>			
Advances and deposits	7	901,396	901,396
Other receivables	8	158,300	160,000
Cash and bank balances	9	195,467	778,413
		<b>1,255,163</b>	<b>1,839,809</b>
		<b>36,885,842</b>	<b>32,254,947</b>
<b>FUNDS &amp; LIABILITIES</b>			
<b>FUNDS - General</b>			
General funds	10	(18,097,030)	(18,284,071)
Deferred grants	11	41,956,938	33,778,117
		<b>23,859,908</b>	<b>15,494,047</b>
<b>CURRENT LIABILITIES</b>			
Short term loans	12	7,423,348	8,552,867
Accrued and other liabilities	13	5,602,586	8,208,033
		<b>13,025,934</b>	<b>16,760,900</b>
		<b>36,885,842</b>	<b>32,254,947</b>

**AUDITORS' REPORT ANNEXED:**

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



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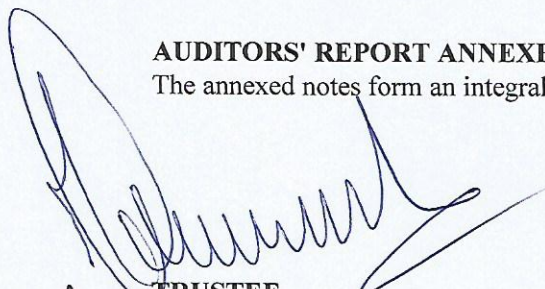


**THE KAGHAN MEMORIAL TRUST  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2016**

	Note	2016 ------(Rupees)-----	2015
<b>INCOME</b>	<b>13</b>	16,408,009	13,343,404
<b>EXPENDITURES</b>			
Fund raising expenditure	<b>15</b>	703,806	644,692
Head office expenditure	<b>16</b>	2,109,279	2,649,987
Volunteer residence # 1, 2 & ACO expenditure	<b>17</b>	74,503	518,838
The Kaghan Memorial School expenditure	<b>18</b>	13,333,380	13,511,700
<b>TOTAL EXPENDITURES</b>		16,220,968	17,325,217
Operating surplus/(defecit)		187,041	(3,981,813)
Surplus/(Deficit) of income over expenditure for the year		187,041	(3,981,813)

**AUDITORS' REPORT ANNEXED:**

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



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**THE KAGHAN MEMORIAL TRUST**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**2016**                      **2015**  
**------(Rupees)-----**

**CASH FLOW FROM OPERATING ACTIVITIES**

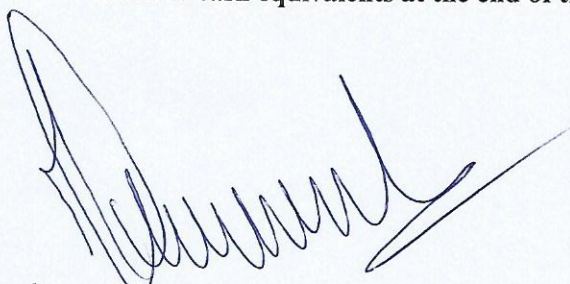
Surplus/(Deficit) of income over expenditure for the year	<b>187,041</b>	<b>(3,981,813)</b>
Adjustments for:		
Depreciation	1,215,554	1,359,019
Amortization of income	(724,329)	(829,161)
Amortization of intangible assets	12,109	17,299
Gain on disposal of assets	-	(421,856)
<b>Operating income before working capital changes</b>	<b>690,375</b>	<b>(3,856,512)</b>
<b>Changes in working capital</b>		
(Increase)/decrease in current assets:		
Advances and deposits	-	172,677
Other receivables	1,700	(160,000)
Increase in current liabilities:		
Accrued and other liabilities	(2,605,447)	2,226,458
<b>Net change in working capital</b>	<b>(2,603,747)</b>	<b>2,239,135</b>
<b>Net cash generated from/(used) in operating activities</b>	<b>(1,913,372)</b>	<b>(1,617,376)</b>

**CASH FLOW FROM INVESTING ACTIVITIES**

Capital expenditures (fixed assets/intangibles/ Capital work in progress)	(6,443,205)	(2,795,596)
Proceed from disposal of fixed asset	-	725,000
Long term advances	-	74,400
<b>Net cash generated from /(used) in investing activities</b>	<b>(6,443,205)</b>	<b>(1,996,196)</b>

**CASH FLOW FROM FINANCING ACTIVITIES**

Deferred building grants received	8,903,150	1,000,000
Short term loan obtained	(1,129,519)	3,221,151
<b>Net cash generated from/(used) in financing activities</b>	<b>7,773,631</b>	<b>4,221,151</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	<b>(582,946)</b>	<b>607,579</b>
<b>Cash &amp; cash equivalents at the beginning of the year.</b>	<b>778,413</b>	<b>170,833</b>
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>195,467</b>	<b>778,413</b>

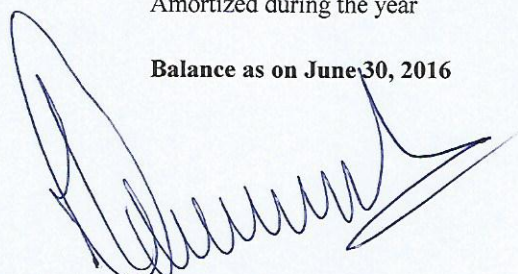
  
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**THE KAGHAN MEMORIAL TRUST**  
**STATEMENT OF CHANGES IN ACCUMULATED FUND**  
**AS AT JUNE 30, 2016**

	<b>General Funds</b>	<b>Restricted Funds</b>	<b>Total Accumulated Funds</b>
	----- (Rupees) -----		
<b>Balance as on June 30, 2014</b>	<b>(14,302,258)</b>	<b>33,607,278</b>	<b>19,305,020</b>
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)
<b>Balance as on June 30, 2015</b>	<b>(18,284,071)</b>	<b>33,778,117</b>	<b>15,494,047</b>
Surplus of income over expenditure for the year ended June 30, 2016	187,041	-	187,041
Restricted fund during the year		8,903,150	8,903,150
Amortized during the year		(724,329)	(724,329)
<b>Balance as on June 30, 2016</b>	<b>(18,097,030)</b>	<b>41,956,938</b>	<b>23,859,908</b>



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**THE KAGHAN MEMORIAL TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**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 Trust have been prepared for the year from July 01, 2015 to June 30, 2016.

**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, 2016**

**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 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 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.



## 4

## PROPERTY, PLANT AND EQUIPMENT

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**THE KAGHAN MEMORIAL TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Note	2016 ------(Rupees)-----	2015
<b>5 CAPITAL WORK IN PROGRESS (BUILDING)</b>			
Opening balance		17,518,138	14,848,553
Additions during the year		6,009,756	2,669,585
Transfer to property and equipment		(8,872,829)	-
Closing balance		<u>14,655,065</u>	<u>17,518,138</u>
<b>5.1</b> This represents cost incurred on construction of school building located at Revenue estate of Mouza Kawai, Tehsil Balakot, District Mansehra.			
<b>6 INTANGIBLE ASSETS</b>			
Opening WDV		40,364	57,663
Amortization for the year		(12,109)	(17,299)
		<u>28,255</u>	<u>40,364</u>
<b>6.1</b> This represents the cost of windows and antivirus being amortized at the rate of 30%.			
<b>7 ADVANCES AND DEPOSITS</b>			
Advances to suppliers		-	-
Advance tax		901,396	901,396
		<u>901,396</u>	<u>901,396</u>
<b>8 OTHER RECEIVABLES</b>			
Opening balance		160,000	-
Additions during the year		158,300	160,000
Received during the year		(160,000)	-
Closing balance		<u>158,300</u>	<u>160,000</u>
<b>9 CASH AND BANK BALANCES</b>			
Cash in hand		8,348	12,883
Cash at bank - current account		187,119	765,530
		<u>195,467</u>	<u>778,413</u>
<b>10 ACCUMULATED FUNDS</b>			
Opening balance		18,284,071	14,302,258
(Surplus)/deficite of income over expenditure for the year		(187,041)	3,981,813
Closing balance		<u>18,097,030</u>	<u>18,284,071</u>
<b>11 DEFERRED GRANTS</b>			
Opening balance		33,778,117	33,607,278
Grants received during the year	11.1	8,903,150	1,000,000
Amortization of grant		(724,329)	(829,161)
Closing balance		<u>41,956,938</u>	<u>33,778,117</u>
<b>11.1 For Building:</b>			
Pakistan State Oil		7,000,000	-
The Embassy of Poland		1,903,150	-
Mr. Iqbal Ahmed Khan		-	1,000,000
		<u>8,903,150</u>	<u>1,000,000</u>



**THE KAGHAN MEMORIAL TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

		2016	2015
	Note	----- (Rupees) -----	
<b>12 SHORT TERM LOANS</b>			
Loans from:			
Managing trustee	12.1	1,010,631	2,880,200
Others	12.2	6,412,717	5,672,667
		<u>7,423,348</u>	<u>8,552,867</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.			
<b>13 ACCRUED AND OTHER LIABILITES</b>			
Payables		5,287,397	8,090,517
Lease payable		315,189	117,516
		<u>5,602,586</u>	<u>8,208,033</u>
<b>14 INCOME</b>			
Donations		4,087,010	2,445,938
Income from fundraising event	14.1	1,429,000	2,894,750
Income from child sponsorship		10,164,170	6,714,908
Others	14.2	727,829	1,287,808
		<u>16,408,009</u>	<u>13,343,404</u>
14.1 Income from fund raising events			
Local fundraising event#1 (Lucky draw 2015)		-	1,058,750
Local fundraising event#2 (Spring social 2016/2015)		1,429,000	1,836,000
		<u>1,429,000</u>	<u>2,894,750</u>
14.2 This includes amortized amounts of building and vehicle grants as shown in Note 11, bank profit and sale of vehicle.			
<b>15 FUND RAISING EXPENDITURE</b>			
Local fundraising event#1 (Lucky draw 2015)	15.1	-	36,250
Local fundraising event#2 (Spring social 2016/2015)	15.2	703,806	608,442
		<u>703,806</u>	<u>644,692</u>
15.1 Local fundraising event#1 (Lucky draw 2015)			
Printing and promotion		-	36,250
Travel expense		-	-
		<u>-</u>	<u>36,250</u>
15.2 Local fundraising event#2 (Spring social 2016/2015)			
Food and catering charges		274,280	218,360
Logistics and décor		320,000	280,000
Entertainment (local band and D.J. fees)		14,000	14,000
Printing and promotion		8,500	5,600
Travelling expense		16,000	27,000
Miscellaneous		71,026	63,482
		<u>703,806</u>	<u>608,442</u>



**THE KAGHAN MEMORIAL TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Note	2016 ------(Rupees)-----	2015
<b>16 KMT HEAD OFFICE EXPENDITURE</b>			
Staff salaries		906,135	1,415,233
Advertisement and website hosting charges		3,000	4,500
Supplies, printing and stationary		88,400	14,180
Postage and courier		2,400	7,084
Domestic travelling		92,150	209,350
Vehicle running		103,200	382,730
Freight			
Communication		49,125	46,335
Import duties			
Building rent		12,000	12,000
Building repairs and maintenance		36,330	5,530
Equipment repairs and maintenance		118,650	114,200
Vehicle repair and maintenance		15,970	47,520
Miscellaneous		43,968	31,785
Entertainment		12,250	3,500
Meals for volunteer teachers and staff		296,345	139,771
Bank charges		95,348	30,422
Depreciation	4.1	91,899	98,548
Amortization	6	12,109	17,299
Audit fee		130,000	70,000
		<b>2,109,279</b>	<b>2,649,987</b>
<b>17 KMT VOLUNTEER RESIDENCES' EXPENSES</b>			
KMT volunteer residences and aco expenditure-1	17.1	50,093	490,504
KMT volunteer residences-2	17.2	24,410	28,334
		<b>74,503</b>	<b>518,838</b>
<b>17.1 KMT VOLUNTEER RESIDENCES and ACO EXPENDITURE-1</b>			
Staff meals		-	174,996
Furnishings		-	-
Building rent		-	240,000
Building repairs and maintenance		-	1,650
Equipment repairs and maintenance		-	1,700
ACO communication		-	-
Utilities		-	2,170
Miscellaneous		-	12,804
Depreciation	4.1	50,093	57,184
		<b>50,093</b>	<b>490,504</b>
<b>17.2 KMT VOLUNTEER RESIDENCES-2</b>			
Depreciation	4.1	24,410	28,334
		<b>24,410</b>	<b>28,334</b>

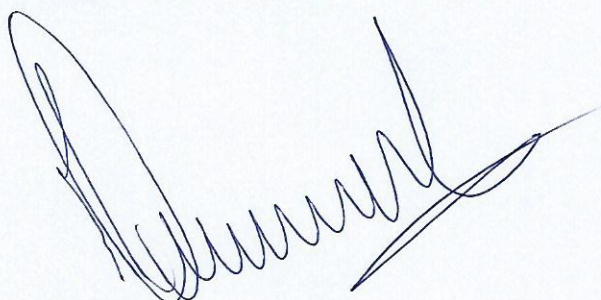


**THE KAGHAN MEMORIAL TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Note	2016 ------(Rupees)-----	2015
<b>18 KAGHAN MEMORIAL SCHOOL EXPENDITURE</b>			
Staff salaries		6,138,383	6,137,351
Medical tests and treatments		46,253	17,281
Classroom supplies		771,837	717,781
Office supplies, printing and stationary		30,340	7,780
Lease expenses		197,673	191,916
International travelling (volunteer teachers air tickets)		68,452	516,054
Domestic travelling		108,010	105,650
Vehicle running		1,466,585	1,554,905
Freight		27,000	37,890
Utilities		160,559	251,948
Communication		253,693	179,694
Furnishings		-	127,675
Building repairs and maintenance		15,860	46,020
Equipment repairs and maintenance		57,830	45,100
Vehicle repair and maintenance		270,830	262,680
Vehicle rental charges		1,201,530	838,300
Fuel for generator		26,883	5,500
Meals for volunteer teachers and staff		463,739	566,604
Sports day and annual day expense		358,980	311,460
Student lunches		-	118,681
Guest entertainment		54,732	
Accommodation		54,924	96,422
Miscellaneous		510,135	200,054
Depreciation	4.1	1,049,152	1,174,954
		<b><u>13,333,380</u></b>	<b><u>13,511,700</u></b>

**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 21-Dec-2016.

  
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