



Crowe Horwath™

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

We have audited the annexed Balance sheet of "THE KAGHAN MEMORIAL TRUST" as at June 30, 2017 and income and expenditure account, statement of cash flows along with the notes forming part thereof, for the year ended June 30, 2017 (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. These 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, 2017 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:

22 DEC 2017


HORWATH HUSSAIN CHAUDHURY & CO.
(CHARTERED ACCOUNTANTS)

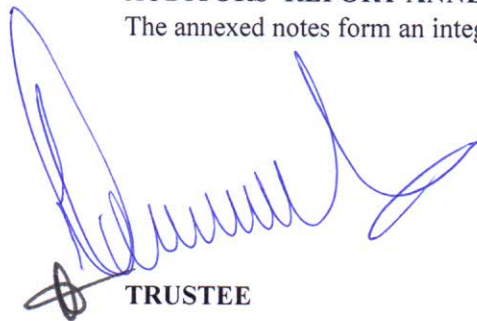


THE KAGHAN MEMORIAL TRUST
BALANCE SHEET
AS AT JUNE 30, 2017

		2017	2016
	Note	------(Rupees)-----	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	19,995,767	20,947,359
Capital work in progress	5	17,503,629	14,655,065
Intangible assets	6	19,778	28,255
		37,519,174	35,630,679
CURRENT ASSETS			
Advances, deposits and prepayments	7	-	901,396
Other receivables	8	-	158,300
Cash and bank balances	9	853,870	195,467
		853,870	1,255,163
		38,373,044	36,885,842
FUNDS & LIABILITIES			
FUNDS - General			
General funds	10	(19,408,787)	(18,097,030)
Deferred grants	11	40,875,881	41,956,938
		21,467,094	23,859,908
CURRENT LIABILITIES			
Short term loans	12	7,644,158	7,423,348
Accrued and other liabilities	13	9,261,792	5,602,586
		16,905,950	13,025,934
		38,373,044	36,885,842

AUDITORS' REPORT ANNEXED:

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



TRUSTEE



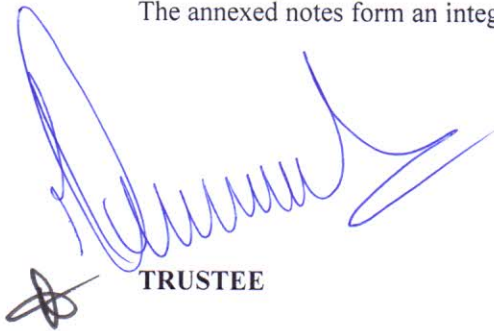
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**THE KAGHAN MEMORIAL TRUST
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 ------(Rupees)-----	2016
INCOME	14	18,213,554	16,408,009
EXPENDITURES			
Fund raising expenditure	15	297,738	703,806
Head office expenditure	16	3,277,061	2,109,279
Volunteer residences expenditure	17	64,991	74,503
The Kaghan Memorial School expenditure	18	15,885,521	13,333,380
TOTAL EXPENDITURES		<u>(19,525,311)</u>	<u>(16,220,968)</u>
Surplus/(Deficit) of income over expenditure for the year		<u>(1,311,757)</u>	<u>187,041</u>

AUDITORS' REPORT ANNEXED:

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



TRUSTEE



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

2017 2016
 -----(Rupees)-----

CASH FLOW FROM OPERATING ACTIVITIES

Surplus/(Deficit) of income over expenditure for the year
 Adjustments for:

Depreciation	(1,311,757)	187,041
Amortization of income	1,554,080	1,215,554
Amortization of intangible assets	(1,081,057)	(724,329)
Gain on disposal of assets	8,477	12,109
	(556,988)	-
Operating income before working capital changes	(1,387,245)	690,375

Changes in working capital

(Increase)/decrease in current assets:

Advances and deposits	901,396	-
Other receivables	158,300	1,700
Increase in current liabilities:	-	-
Accrued and other liabilities	3,659,206	(2,605,447)
Net change in working capital	4,718,902	(2,603,747)
Net cash generated from/(used) in operating activities	3,331,657	(1,913,372)

CASH FLOW FROM INVESTING ACTIVITIES

Capital expenditures (fixed assets/intangibles/

Capital work in progress)	(2,848,564)	(6,443,205)
Addition of fixed assets	(45,500)	-
Proceed from disposal of fixed asset	-	-
Long term advances	-	-
Proceed from disposal of fixed asset	-	-
Net cash generated from /(used) in investing activities	(2,894,064)	(6,443,205)

CASH FLOW FROM FINANCING ACTIVITIES

Deferred building grants received

Short term loan obtained

Short term loan repaid

Net cash generated from/(used) in financing activities

Net increase/(decrease) in cash & cash equivalents

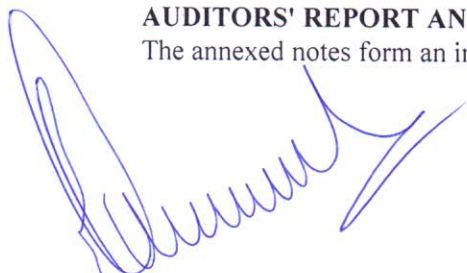
Cash & cash equivalents at the beginning of the year.

Cash & cash equivalents at the end of the year

-	8,903,150
220,810	(1,129,519)
-	-
220,810	7,773,631
658,403	(582,946)
195,467	778,413
853,870	195,467

AUDITORS' REPORT ANNEXED:

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


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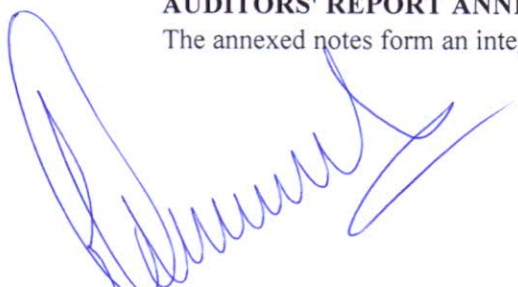

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THE KAGHAN MEMORIAL TRUST
STATEMENT OF CHANGES IN ACCUMULATED FUND
AS AT JUNE 30, 2017

	General Funds	Restricted Funds	Total Accumulated Funds
	------(Rupees)-----		
Balance as on June 30, 2015	(18,284,071)	33,778,117	15,494,047
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)
Balance as on June 30, 2016	(18,097,030)	41,956,938	23,859,908
Surplus of income over expenditure for the year ended June 30, 2017	(1,311,757)	-	(1,311,757)
Restricted fund during the year	-	-	-
Amortized during the year	-	(1,081,057)	(1,081,057)
Balance as on June 30, 2017	(19,408,787)	40,875,881	21,467,094

AUDITORS' REPORT ANNEXED:

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



TRUSTEE



TRUSTEE

THE KAGHAN MEMORIAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2016 to June 30, 2017.

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, 2017

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.

THE KAGHAN MEMORIAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

4 PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost				Depreciation				W.D.V. as at June 30, 2017	Rate %
	As at July 1, 2016	Addition	(Disposal/ Transfer)	As at June 30, 2017	As at July 1, 2016	For the year	(Disposal/ Transfer)	As at June 30, 2017		
	Amount in Rupees				Amount in Rupees					
Head Office										
Computers and accessories	880,048	45,500	-	925,548	512,874	60,560	-	573,434	352,114	15
Office equipment	168,600	-	-	168,600	122,188	6,962	-	129,150	39,450	15
Motor vehicle	-	-	-	-	-	-	-	-	-	20
Furniture and fixtures	128,900	-	-	128,900	65,163	6,374	-	71,537	57,363	10
Electric equipment	157,000	-	-	157,000	89,955	10,057	-	100,012	56,988	15
	1,334,548	45,500	-	1,380,048	790,179	83,953	-	874,132	505,915	
Volunteer Residence#1,2 & ACO										
Computers and accessories	12,200	-	-	12,200	7,459	711	-	8,170	4,030	15
Electric equipment	428,846	-	-	428,846	259,376	25,420	-	284,796	144,050	15
Furniture and fixtures	653,063	-	-	653,063	306,376	34,669	-	341,045	312,018	10
Other assets	72,853	-	-	72,853	51,896	4,191	-	56,087	16,766	20
	1,166,962	-	-	1,166,962	625,107	64,991	-	690,098	476,864	
The Kaghan Memorial School										
Building	18,061,605	-	-	18,061,605	1,848,292	810,666	-	2,658,958	15,402,647	5
Computers and accessories	142,830	-	-	142,830	37,069	15,864	-	52,933	89,897	15
Office equipment	49,044	-	-	49,044	34,943	2,115	-	37,058	11,986	15
Motor vehicle	4,515,522	700,000	(900,000)	4,315,522	2,878,175	346,532	(756,988)	2,467,719	1,847,803	20
Furniture and fixtures	1,918,545	-	-	1,918,545	811,721	110,682	-	922,403	996,142	10
Books and sports items	118,371	-	-	118,371	70,027	4,834	-	74,861	43,510	10
Electric equipment	1,266,237	-	-	1,266,237	613,311	97,939	-	711,250	554,987	15
Other assets	371,259	-	-	371,259	288,739	16,504	-	305,243	66,016	20
	26,443,413	700,000	(900,000)	26,243,413	6,582,277	1,405,136	(756,988)	7,230,425	19,012,988	
Total for the Year 2017	28,944,923	745,500	(900,000)	28,790,423	7,997,564	1,554,080	(756,988)	8,794,656	19,995,767	
Total for the Year 2016	19,638,646	9,306,277	-	28,944,923	6,782,010	1,215,554	-	7,997,564	20,947,359	

4.1 Depreciation allocation charge is as follows;

	June 30, 2017	June 30, 2016
Head office expenditures	83,953	91,899
Volunteer residence# 1, 2& ACO expenses	64,991	74,503
School expenditures	1,405,136	1,049,152
	1,554,080	1,215,554

THE KAGHAN MEMORIAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 ------(Rupees)-----	2016
5 CAPITAL WORK IN PROGRESS (BUILDING)			
Opening balance		14,655,065	17,518,138
Additions during the year		2,848,564	6,009,756
Transfer to property and equipment		-	(8,872,829)
		<u>17,503,629</u>	<u>14,655,065</u>
5.1	This represents cost incurred on construction of school building located at Revenue estate of Mouza Kawai, Tehsil Balakot, District Mansehra.		
6 INTANGIBLE ASSETS			
Opening WDV		28,255	40,364
Amortization for the year		(8,477)	(12,109)
		<u>19,778</u>	<u>28,255</u>
6.1	This represents the cost of windows and antivirus being amortized at the rate of 30%.		
7 ADVANCES AND DEPOSITS			
Advances to suppliers		-	-
Advance tax		-	901,396
		<u>-</u>	<u>901,396</u>
8 OTHER RECEIVABLES			
Opening balance		-	160,000
Additions during the year		-	158,300
Received during the year		-	(160,000)
		<u>-</u>	<u>158,300</u>
9 CASH AND BANK BALANCES			
Cash in hand		37,163	8,348
Cash at bank - current account - Meezan Bank Ltd.		807,544	177,956
- Faysal Bank Ltd.		4,438	4,438
- The Bank of Khyber Ltd.		1,827	1,827
- United Bank Ltd.		2,898	2,898
		<u>853,870</u>	<u>195,467</u>
10 GENERAL FUNDS			
Opening balance		(18,097,030)	(18,284,071)
(Surplus)/deficit of income over expenditure for the year		(1,311,757)	187,041
		<u>(19,408,787)</u>	<u>(18,097,030)</u>
11 DEFERRED GRANTS			
Opening balance		41,956,938	33,778,117
Grants received during the year	11.1	-	8,903,150
Amortization of grant		(1,081,057)	(724,329)
		<u>40,875,881</u>	<u>41,956,938</u>
11.1 For Building:			
Pakistan State Oil		-	7,000,000
The Embassy of Poland		-	1,903,150
Mr. Iqbal Ahmed Khan		-	-
		<u>-</u>	<u>8,903,150</u>

THE KAGHAN MEMORIAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 ------(Rupees)-----	2016
12 SHORT TERM LOANS			
Loans from:			
Arcadian Hotels & Resotrs (Pvt) Ltd.		3,697,837	3,697,837
Ms. Meraj Humayun Khan		1,550,000	1,550,000
Mr. Khurram Khan (Managing Trustee)	12.1	1,361,441	1,010,631
Ms. Jennifer Ankrom-Khan (Trustee)		649,650	779,650
Ms. Maryam Khan (Trustee)		300,000	300,000
Steadfast		85,230	85,230
		7,644,158	7,423,348
12.1 This represents interest free loans from Mr. Khurram Khan (Managing Trustee) for meeting the school construction cost of the building, school operations and other day-to-day expenses of the Trust.			
13 ACCRUED AND OTHER LIABILITES			
Payables		8,743,000	5,287,397
Lease rental payable		518,792	315,189
		9,261,792	5,602,586
14 INCOME			
Donations		4,199,966	4,087,010
Income from fundraising event	14.1	1,541,480	1,429,000
Income from child sponsorship		9,114,817	10,164,170
Others	14.2	3,357,291	727,829
		18,213,554	16,408,009
14.1 Income from fund raising events			
Local fundraising event#1 (Lucky draw 2017/2016)		1,541,480	-
Local fundraising event#2 (Spring social 2016/2015)		-	1,429,000
		1,541,480	1,429,000
14.2 This includes amortized amounts of building and vehicle grants as shown in Note 11 and include sale of two school jeeps.			
15 FUND RAISING EXPENDITURE			
Local fundraising event#1 (Lucky draw 2017/2016)	15.1	297,738	-
Local fundraising event#2 (Spring social 2016/2015)	15.2	-	703,806
		297,738	703,806
15.1 Local fundraising event#1 (Lucky draw 2017/2016)			
Printing and promotion		54,000	-
Miscellaneous		243,738	-
		297,738	-
15.2 Local fundraising event#2 (Spring social 2016/2015)			
Food and catering charges		-	274,280
Logistics and décor		-	320,000
Entertainment (local band and D.J. fees)		-	14,000
Printing and promotion		-	8,500
Travelling expense		-	16,000
Miscellaneous		-	71,026
		-	703,806

THE KAGHAN MEMORIAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 ------(Rupees)-----	2016
16 KMT HEAD OFFICE EXPENDITURE			
Staff salaries		1,319,052	906,135
Advertisement and website hosting charges		28,800	3,000
Supplies, printing and stationery		28,150	88,400
Postage and courier		1,550	2,400
Domestic travelling		33,111	92,150
Vehicle running		103,200	103,200
Communication		38,581	49,125
Building rent		12,000	12,000
Building repairs and maintenance		6,940	36,330
Equipment repairs and maintenance		109,430	118,650
Vehicle repair and maintenance		29,670	15,970
Miscellaneous		24,440	43,968
Entertainment		-	12,250
Meals for volunteer teachers and staff		268,611	281,939
Utilities		11,460	14,406
Written off	16.1	1,059,696	-
Bank charges		29,940	95,348
Depreciation	4.1	83,953	91,899
Amortization	6	8,477	12,109
Audit fee		80,000	130,000
		3,277,061	2,109,279
16.1 Writes offs			
Advance tax		901,396	-
Other receivables		158,300	-
		1,059,696	-
-Management has considered that the above balances are not probable to be received hence should be written off.			
17 KMT VOLUNTEER RESIDENCES' EXPENSES			
Depreciation			
KMT volunteer residences and aco expenditure-1		45,494	50,093
KMT volunteer residences-2		19,497	24,410
	4.1	64,991	74,503

THE KAGHAN MEMORIAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 ------(Rupees)-----	2016
18 KAGHAN MEMORIAL SCHOOL EXPENDITURE			
Staff salaries		8,434,895	6,138,383
Medical tests and treatments		300	46,253
Classroom supplies		992,497	771,837
Office supplies, printing and stationery		28,615	30,340
Lease expenses		203,603	197,673
International travelling (volunteer teachers air tickets)		-	68,452
Domestic travelling		126,311	108,010
Vehicle running		1,389,231	1,466,585
Freight		21,200	27,000
Utilities		146,698	160,559
Communication		290,913	253,693
Furnishings		33,350	-
Building repairs and maintenance		96,090	15,860
Equipment repairs and maintenance		39,052	57,830
Vehicle repair and maintenance		331,128	270,830
Vehicle rental charges		1,137,270	1,201,530
Fuel for generator		26,380	26,883
Meals for volunteer teachers and staff		506,956	463,739
Sports day and annual day expense		344,032	358,980
Guest entertainment		-	54,732
Accommodation		-	54,924
Miscellaneous		331,864	510,135
Depreciation	4.1	1,405,136	1,049,152
		15,885,521	13,333,380
19 NUMBER OF EMPLOYEES			
Number of employees at June 30		44	32
Average number of employees during the period		40	34

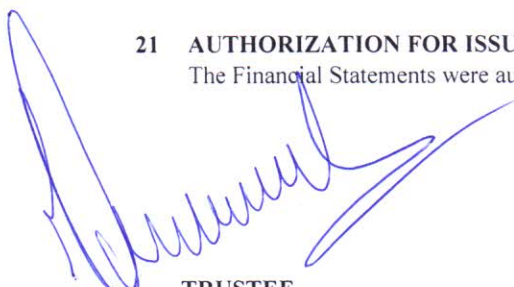
20 GENERAL

-Figures have been rounded off to the nearest rupee.

-Previous years figures have been re-arranged wherever necessary for the purpose of comparison.

21 AUTHORIZATION FOR ISSUE

The Financial Statements were authorized for issue on the 22nd day of December 2017.


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