

**SHARMEEN KHAN MEMORIAL
FOUNDATION**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020



A.F. FERGUSON & CO.

The Board of Directors
Sharmeen Khan Memorial Foundation
1st Floor, Bahria Complex II
M.T. Khan Road
Karachi

October 7, 2020

ASR 0872

Dear Sirs

**SHARMEEN KHAN MEMORIAL FOUNDATION
DRAFT FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

We have pleasure in enclosing five copies of the draft financial statements of the Company for the year ended June 30, 2020 with our draft audit report thereon which has been initialed by us for identification purposes. We shall be pleased to sign our report on these draft financial statements in its present or amended form after:

- a) these draft financial statements have been approved by the Board of Directors and signed by the Chief Executive Officer and one of the directors authorised in this behalf;
- b) we have received the specific approval of the Board of Directors for the items listed in annexure 'A' to this letter;
- c) we have received satisfactory response to our request for confirmations from
 - (i) Faysal Bank Limited for IPS account and bank balances maintained with them as at June 30, 2020;
 - (ii) Mandviwalla and Zafar Advocates - the legal advisors of the Company; and
- d) we have received an appropriately signed representation letter along the lines of the draft enclosed.

2. RESPONSIBILITIES OF THE MANAGEMENT AND AUDITORS IN RELATION TO THE FINANCIAL STATEMENTS

The responsibilities of the independent auditors, in a usual examination of financial statements, are explained in International Standard on Auditing 200, 'Overall objectives of the independent auditor and the conduct of an audit in accordance with international standards on auditing'. While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for the preparation of the financial statements is primarily that of the Company's management in accordance with applicable financial reporting framework, which includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error. The management's responsibilities include to provide the auditor with (i) all information, such as records and documentation, and other matters that are relevant to the preparation and presentation of the financial statements; (ii) any additional information that the auditor may request from management and, where appropriate, those charged with governance; and (iii) unrestricted access to those within the entity from whom the auditor determines it necessary to obtain audit evidence. The audit of the financial statements does not relieve the management of its responsibilities. Accordingly, our examination of the books of accounts and records should not be relied upon to disclose all the errors or irregularities in relation to the financial statements.

We would like to inform the management that unless we have signed the auditors' report on these draft financial statements, the same shall remain and be deemed unaudited.

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Letter ASR 0872
dated October 7, 2020

3. DONATIONS RECEIVED IN CASH

The Securities and Exchange Commission of Pakistan through S.R.O. 733 (1)/2018 dated June 7, 2018 has notified 'Associations with Charitable and Not for Profit Objects Regulations, 2018' (the Regulations). The Regulations, inter alia, allowed the receipt of cash donations upto the extent of Rs. 20,000 subject to the conditions that proper entries in the books and records shall be maintained and such amount shall be immediately deposited in the bank account of the Company.

During the course of our audit we noted that zakat receipts amounting to Rs 165,000 were received in cash that were individually above Rs 20,000 threshold explained above.

In order to ensure that effective controls are in place for receipt of donations and zakat, we recommend that management should ensure continuous compliance with the aforesaid Regulations.

4. PROCUREMENT PROCESS

During the course of our audit, we noted that the Company does not have any formal mechanism of obtaining quotations and evaluating vendors' quotations with comparable market prices. Further, the Company has a high dependency on a vendor *Madina Traders* from whom the Company made significant amount of the purchases during the year.

We recommend that the Company should follow a formal mechanism of obtaining quotations to make any significant purchases in order to ensure transparency into the procurement process. Furthermore, the Company should consider the merits of reducing its dependency on a single vendor.

5. TAXATION

5.1 Section 100C of the Income Tax Ordinance, 2001 (the Tax Ordinance) inter alia states as follows:

Non-profit organisations, trusts or welfare institutions, as mentioned in sub-section (2) shall be allowed a tax credit equal to one hundred per cent of the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, 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.'

As stated in note 18 to the enclosed draft financial statements, the management intends to avail a tax credit equal to 100% of the tax payable. Accordingly, a tax charge in the enclosed financial statements has not been recorded.

We recommend that the Board should ratify the aforementioned assertion of the management.

5.2 The Company has been provided with the status of a 'non-profit organisation' under section 2(36) of the Tax Ordinance and being a 'non-profit organisation' it intends to claim 100% tax credit under section 100C of the Income Tax Ordinance as stated in paragraph 5.1 above.

In connection with the status of non-profit organisation, rule 217 of the Income Tax Rules, 2002 (the Tax Rules) has specified certain conditions i.e. prohibitions of making any changes in the bye-laws and submission of statement showing names and addresses of the donors, statement showing the money set apart or kept unutilised with reasons thereof and performance evaluation report. Further, rule 217 states that the Commissioner Income Tax may, at any time, withdraw the status of non-profit organisation in case of non-compliance of the aforementioned conditions.



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Letter ASR 0872
dated October 7, 2020

We recommend that the management should, in consultation with its tax advisor, conduct an exercise to assess its compliance status with the aforementioned requirements.

- 5.3 Through the Finance Act, 2017, a fourth condition has been added to the conditions mentioned in paragraph 5.1, 'administrative and management expenses' do not exceed 15% of the receipts. Furthermore, tax on unspent funds (termed as 'surplus funds') of the NPO at the rate of 10% has also been introduced. 'Surplus funds' has been defined as under:

Surplus funds mean funds or monies:

- (i) not spent on charitable and welfare activities during the tax year;
- (ii) received during the tax year as donations, voluntary contributions, subscriptions and other incomes;
- (iii) which are more than 25% of the total receipts of the NPO received during the tax year; and
- (iv) are not part of the restricted funds.

During the current year, the administrative expenses of the company stood at 12.43% and there were no surplus funds. We recommend that the company should monitor the administrative expenses and surplus funds in coming years on a continuous basis to avoid any tax implications.

We take this opportunity to place on record our appreciation of the cooperation and courtesy extended to us during the course of our audit.

Yours truly

A handwritten signature in dark ink, appearing to be 'K. S. Srinivasan', written over a horizontal line.

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ANNEXURE 'A'

SHARMEEN KHAN MEMORIAL FOUNDATION

LIST OF ITEMS REQUIRING SPECIFIC APPROVAL OF THE BOARD OF DIRECTORS AS
REFERRED TO IN PARAGRAPH 1(b) OF OUR LETTER ASR 0872 DATED OCTOBER 7, 2020

	Rupees
Fixed capital expenditure	1,910,745
Related party transactions as disclosed in note 19 to the financial statements.	

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INDEPENDENT AUDITOR'S REPORT

To the members of Sharmeen Khan Memorial Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Sharmeen Khan Memorial Foundation (the Company), which comprise the statement of financial position as at June 30, 2020, and the income and expenditure statement, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the income and expenditure statement, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the surplus, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with 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 Company 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.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to materially misstate. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017) 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.

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In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

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.
- 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 Company'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 Company'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 Company 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 the board of directors 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.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);



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- b) the statement of financial position, the income and expenditure statement, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Shahbaz Akbar**.

A blue ink signature, likely of a representative of A. F. Ferguson & Co., written in a cursive style.

A. F. Ferguson & Co,
Chartered Accountants
Karachi

Dated: October 7, 2020

SHARMEEN KHAN MEMORIAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020	2019
		-----Rupees-----	
ASSETS			
Non-current assets			
Investments	4	38,553,233	-
Property, plant and equipment	5	1,988,959	765,282
Intangibles	6	57,200	36,831
		<u>40,599,392</u>	<u>802,113</u>
Current assets			
Cash and bank balances	7	6,169,340	10,265,815
Advance to suppliers		-	108,334
Prepaid expenses		194,255	126,286
Accrued mark-up and other receivables	8	10,500	44,034
Tax recoverable		62,581	60,164
		<u>6,436,676</u>	<u>10,604,633</u>
TOTAL ASSETS		<u>47,036,068</u>	<u>11,406,746</u>
LIABILITIES			
Non-current liabilities			
Deferred contribution	9	33,431,250	7,029
Current liabilities			
Accrued expenses		303,470	213,133
Deferred contribution	9	7,029	255,872
Withholding tax payable		1,875	17,807
		<u>312,374</u>	<u>486,812</u>
TOTAL LIABILITIES		<u>33,743,624</u>	<u>493,841</u>
NET ASSETS		<u>13,292,444</u>	<u>10,912,905</u>
REPRESENTED BY:			
Accumulated surplus		<u>13,292,444</u>	<u>10,912,905</u>
CONTINGENCIES AND COMMITMENTS	10		

The annexed notes 1 to 23 form an integral part of these financial statements.

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Chief Executive Officer


Director

SHARMEEN KHAN MEMORIAL FOUNDATION
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		-----Rupees-----	
Income			
Donations	11	12,230,873	3,938,276
Zakat receipts	12	7,468,500	14,997,760
Mark-up on bank deposits and treasury bills	4.1	4,915,260	312,088
		<u>24,614,633</u>	<u>19,248,124</u>
Expenses			
Administrative expenses	13	3,060,044	2,846,662
School project expenses	14	17,043,641	14,536,008
Water project expenses	15	756,315	1,169,656
Health care project expenses	16	372,273	361,030
Give aways	17	1,000,000	-
Bank charges		2,821	-
		<u>22,235,094</u>	<u>18,913,356</u>
Surplus for the year before taxation		<u>2,379,539</u>	<u>334,768</u>
Taxation	18	-	-
Surplus for the year after taxation		<u><u>2,379,539</u></u>	<u><u>334,768</u></u>

The annexed notes 1 to 23 form an integral part of these financial statements.

Attest


Chief Executive Officer


Director

SHARMEEN KHAN MEMORIAL FOUNDATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	Accumulated surplus ----Rupees ----
Balance as at June 30, 2018	10,578,137
Surplus for the year after taxation	334,768
Balance as at June 30, 2019	<u>10,912,905</u>
Surplus for the year after taxation	2,379,539
Balance as at June 30, 2020	<u><u>13,292,444</u></u>

The annexed notes 1 to 23 form an integral part of these financial statements.

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Chief Executive Officer


Director

SHARMEEN KHAN MEMORIAL FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		2,379,539	334,768
Adjustments:			
Depreciation	5	650,667	502,860
Amortisation	6	16,031	30,017
Rent expense	13	971,859	600,000
Donation-in-kind	11	(455,872)	(929,989)
Mark-up income		(4,915,260)	(312,088)
		(1,353,036)	225,568
(Increase) / decrease in current assets			
Advance to suppliers		108,334	(108,334)
Prepaid expenses		(67,969)	(7,488)
Advance tax paid		(2,417)	(2,289)
		37,948	(118,111)
Increase / (decrease) in current liabilities			
Accrued expenses		90,337	137,847
Deferred contribution		33,431,250	-
Tax payable		(15,932)	(40,538)
		33,505,655	97,309
Net cash flows generated from operating activities		32,190,567	204,766
CASH FLOW FROM INVESTING ACTIVITIES			
Investments made during the year		(70,204,402)	-
Investments matured during the year		35,380,000	-
Purchase of property, plant and equipment		(1,874,345)	(528,264)
Purchase of intangibles		(36,400)	(39,000)
Mark-up income received on bank balances		448,105	295,743
Net cash flows used in investing activities		(36,287,042)	(271,521)
Decrease in cash and cash equivalents during the year		(4,096,475)	(66,755)
Cash and cash equivalents at the beginning of the year		10,265,815	10,332,570
Cash and cash equivalents at the end of the year	7	6,169,340	10,265,815

The annexed notes 1 to 23 form an integral part of these financial statements.

Attest


Chief Executive Officer


Director

SHARMEEN KHAN MEMORIAL FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1 LEGAL STATUS AND ACTIVITIES

Sharmeen Khan Memorial Foundation (the Company) is a company limited by guarantee, not having share capital, set up under section 42 of the Companies Ordinance, 1984 (now section 42 of the Companies Act, 2017). The Company has been licensed as a non-profit organisation by the Securities and Exchange Commission of Pakistan as on June 2, 2014 and was incorporated in Pakistan on June 25, 2014. The registered office of the Company is situated at 5th Floor, Bahria Complex II, M. T. Khan Road, Karachi (previously 1st Floor, Bahria Complex II, M.T. Khan Road, Karachi).

The main objectives of the Company are to work for the promotion of education, health and sustainable economic well being of the underprivileged classes particularly the children, the youth, the women and the farming class in Pakistan.

Subsequent to the year end, the status of the Company as a non-profit organisation has been ratified by the Commissioner of Income Tax, on July 20, 2020.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organisations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS for SMEs or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires management to exercise its judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Significant accounting estimates and areas where judgments were made by the management in the application of the accounting policies are as follows:

- i) Depreciation of property, plant and equipment (notes 3.4 and 5);
- ii) Amortisation of intangibles (notes 3.5 and 6);
- iii) Income taxes (notes 3.3 and 18);
- iv) Impairment of assets (note 3.7);
- v) Provisions and contingent assets and contingent liabilities (note 3.8);
- vi) Allocation of expenses (note 3.10 and 13.1); and
- vii) Imputed expenses (note 3.11 and 11.3).

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Financial instruments

3.1.1 Financial assets

3.1.1.1 Classification

The management determines the appropriate classification of the financial assets of the Company in accordance with the requirements of International Accounting Standard (IAS) 39, 'Financial instruments: recognition and measurement' at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The financial assets of the Company are categorised as follows:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as 'financial assets at fair value through profit or loss' category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise of due from members, deposits, cash and bank balances and other receivables in the balance sheet.

c) Held to maturity

These are financial assets with fixed or determinable payments and fixed maturity which the Company has the positive intent and ability to hold to maturity.

d) Available for sale financial assets

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held to maturity or (c) financial assets at fair value through profit or loss.

3.1.1.2 Initial recognition and measurement

All financial assets are recognised at the time the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are taken directly to the income and expenditure account.

3.1.1.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) 'Financial asset at fair value through profit or loss' and 'available for sale'

'Financial assets at fair value through profit or loss' are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the income and expenditure account in the period in which these arise.

'Available for sale' financial assets are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognised in other comprehensive income.

b) 'Loans and receivables' and 'held to maturity'

Loans and receivables and held to maturity financial assets are carried at amortised cost.

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3.1.1.4 Impairment

The Company assesses at each reporting date whether there is an objective evidence that a financial asset is impaired. A significant or prolonged decline in the fair value of an equity instruments below its cost is also an objective evidence of impairment. Provision for impairment in the value of financial assets, if any, is taken to the income and expenditure account.

3.1.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

3.1.3 Derecognition

Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the income and expenditure account.

3.1.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and bank balances and other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

3.3 Income recognition

- Donations are recognised on a receipt basis.
- Donations received in kind (both material and services) are recognised at their nominal value if their fair value cannot be reliably estimated.
- Restricted contributions for expenses of one or more future periods are deferred and recognised as revenue in the same period or periods as the related expenses are recognised.
- Restricted contributions for the purchase of property, plant and equipment that will be depreciated are deferred and recognised as revenue on the same basis as the depreciation / amortisation expense related to the acquired property, plant and equipment.
- Restricted contributions for expenses of the current period are recognised as revenue in the current period.
- Mark-up on deposit account and treasury bills are recorded on accrual basis.

3.4 Taxation

The Company is registered with the income tax authorities as a non-profit organisation under section 2(36)(c) of the Income Tax Ordinance, 2001 read with rules 212 and 220 of the Income Tax Rules, 2002. The Company does not account for taxation, as non-profit organisations are allowed a tax credit equal to one hundred percent (100%) of the tax payable including minimum tax and final tax payable, under section 100C of the Income Tax Ordinance, 2001, subject to fulfilment of certain conditions stipulated therein.

3.5 Property, plant and equipment

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 Company and the cost of the item can be measured reliably. All other maintenance expenses are charged to the income and expenditure statement as and when incurred.

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Depreciation on all property, plant and equipment is charged to the income and expenditure statement using the straight line method in accordance with the rates specified in note 5 to these financial statements after taking into account residual values, if significant. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions is charged from the month the assets are available for use. No depreciation is charged in the month of disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income and expenditure statement in the period in which they arise.

3.6 Intangibles

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets having finite life are amortised using the straight line method from the month in which the assets are available for use, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Company.

3.7 Deferred contribution

Whenever a donor contributes or donates with a specified restriction on the use of that donated sum, the same are considered as externally restricted funds. For such funds, deferral method of accounting is being followed in these financial statements. Under this method, a contribution or donation on which there is any externally imposed restriction and which remains unfulfilled are accumulated as deferred contributions in the statement of financial position and presented under liabilities.

3.8 Impairment

The Company assesses at each reporting date whether there is any indication that non-financial assets may be impaired. If any such indication exists and where the carrying values exceeds the estimated recoverable amount, the assets are written down to their recoverable amount and the differences are recognised in the income and expenditure statement.

3.9 Provisions and contingent assets and contingent liabilities

Provisions are recognised when the Company 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 obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent assets are not recognised and are disclosed unless an inflow of resources embodying economic benefits is virtually certain. Contingent liabilities are also not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

3.10 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

3.11 Allocation of expenses

Expenses which contribute to, or produce the output of, more than one function and are considered directly related to the output of each of those functions and expenses of general support nature which do not directly contribute to, or produce the output of such functions are attributed among various operating functions to which they relate. The allocation is based on the category of expenses concerned and includes a) time (hours incurred directly in undertaking a function); b) usage (measured or estimated consumption attributable to the function); c) per capita (number of people employed within the function); and d) space (floor area occupied by a function).

3.12 Imputed expenses

Expenses which are not directly paid / incurred by the Company but the economic benefits of which flow to the Company are recognised as an expense with corresponding recognition of donation in kind on the basis consistent with the Company's use of those benefits and considering the outflow of resources embodying economic benefits had the Company incurred those expenses directly.

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4	INVESTMENTS	Note	2020	2019
			Rupees	
	Treasury bills - held to maturity	4.1	38,553,233	-

4.1	Particulars	Rate of return per annum	Face value				Balance as at June 30, 2020	Balance as at June 30, 2019
			As at July 1, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020		
							(Rupees)	

Market treasury bills - held to maturity

12 months	13.65%	-	26,000,000	-	26,000,000	25,395,419	-
3 months	8.21% - 13.44%	-	48,580,000	35,380,000	13,200,000	13,157,814	-
June 30, 2020						38,553,233	-

5 PROPERTY, PLANT AND EQUIPMENT

		Note	2020			
			Equipment	Furniture and fixtures	Computers	Total
			Rupees			
Cost						
At July 1, 2019			65,500	157,765	1,659,884	1,883,149
Additions			94,571	188,200	1,591,574	1,874,345
At June 30, 2020		5.1	160,071	345,965	3,251,458	3,757,494
Accumulated depreciation						
At July 1, 2019			53,967	22,940	1,040,961	1,117,868
Depreciation charge for the year		5.2	13,592	77,983	559,093	650,667
As at June 30, 2020			67,559	100,923	1,600,054	1,768,535
Net book value			92,512	245,042	1,651,404	1,988,959
Rate of depreciation		5.3	20%	20% - 50%	33.33%	

		Note	2019			
			Equipment	Furniture and fixtures	Computers	Total
			Rupees			
Cost						
At July 1, 2018			54,500	-	1,276,285	1,330,785
Additions			11,000	157,765	383,599	552,364
At June 30, 2019		5.1	65,500	157,765	1,659,884	1,883,149
Accumulated depreciation						
At July 1, 2018			41,050	-	573,957	615,007
Depreciation charge for the year		5.2	12,917	22,940	467,004	502,860
As at June 30, 2019			53,967	22,940	1,040,961	1,117,867
Net book value			11,533	134,825	618,923	765,282
Rate of depreciation		5.3	20%	20% - 50%	33.33%	

5.1 This includes fully depreciated assets having a cost of Rs 1,310,969 (2019: Rs 130,200).

5.2	Depreciation charge for the year has been allocated as follows:	Note	2020	2019
			Rupees	
	Administrative expenses	13	16,492	24,727
	School project expenses	14	634,175	478,133
	Total		650,667	502,860

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- 5.3 Depreciation rate of 50% (2019: 50%) on furniture and fixtures is charged on chairs donated from Springfield School. The rest of the furniture and fixtures have a depreciation rate of 20% (2019: 20%).

6 INTANGIBLES

	Note	2020	2019
		----- Rupees ----- (Website)	
Cost			
At July 1		150,367	111,367
Additions		36,400	39,000
At June 30		186,767	150,367
Accumulated amortisation			
At July 1		113,536	83,519
Amortisation charge for the year	13	16,031	30,017
At June 30		129,567	113,536
Net book value		57,200	36,831
Rate of amortisation		33.33%	33.33%

7 CASH AND BANK BALANCES

	Note	2020	2019
		----- Rupees -----	
Cash in hand		-	8,739
Cash at banks			
- deposit accounts	7.1	6,169,340	10,257,076
		6,169,340	10,265,815

- 7.1 These accounts carry a rate of return ranging from 2.35% to 6.5% (2019: 7% to 10.5%) per annum.

8 ACCRUED MARK-UP AND OTHER RECEIVABLES

	Note	2020	2019
		----- Rupees -----	
Accrued markup on bank deposits		10,500	44,034

9 DEFERRED CONTRIBUTION

Non-current			
School chairs	9.2	-	7,029
School project	9.3	33,431,250	-
		33,431,250	7,029
Current			
School chairs	9.2	7,029	12,050
E-learning		-	243,822
		7,029	255,872

9.1 Movement in deferred contribution

Opening as at July 1		262,901	568,790
Additions during the year		33,431,250	24,100
Recognised in the income and expenditure statement	11.2 & 11.4	255,872	329,989
Closing as at June 30		33,438,279	262,901

- 9.2 This represents chairs donated by Springfield School for the school project.

- 9.3 This represents donation by AJCL (Private) Limited (a corporate donor) restricted for initiating a new school project that covered acquisition of land, construction and meeting related expenses.

10 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2020 and June 30, 2019.

AJCL

	Note	2020	2019
		Rupees	
11 DONATIONS			
11.1 Donation by sources			
Corporate	11.2	503,012	1,939,493
Individuals	11.3	10,250,000	1,423,815
Other not-for-profit organisations	11.4	1,477,861	574,968
		<u>12,230,873</u>	<u>3,938,276</u>
11.2	This includes donation in kind amounting to Rs 3,012 (2019: Rs 5,021) representing amortisation of deferred contribution relating to chairs donated by Springfield School for the school project recognised in the income and expenditure statement during the current year.		
11.3	This includes a donation in kind relating to an imputed expense amounting to Rs 200,000 (2019: Rs 600,000) representing rent of the Company's previous registered office. The rent of the previous registered office was paid by Naved A. Khan - a related party and had been allocated to the Company based on the floor area used by the Company. With effect from November 06, 2019, under new rental agreement with Baharia Foundation, the rent of the new registered office (as referred to in note 1 to these financial statements) was entirely paid by the Company amounting to Rs 771,859 (2019: Nil).		
11.4	This includes donation in kind amounting to Rs 252,860 (2019: Rs 324,968) representing amortisation of deferred contribution relating to 50 portable tablets donated by Hamid D Habib Memorial Trust for the school's e-learning project recognised in the income and expenditure statement during the current year.		
	Note	2020	2019
		Rupees	
12 ZAKAT RECEIPTS			
12.1 Zakat by sources			
Individuals		7,368,500	14,962,760
Other not-for-profit organisations		100,000	35,000
		<u>7,468,500</u>	<u>14,997,760</u>
13 ADMINISTRATIVE EXPENSES			
Salaries expense	13.1	1,348,154	1,254,090
Utilities expenses		87,119	63,104
Rent expense	11.3	971,859	600,000
Consultancy fee		230,279	265,834
Website maintenance		158,876	153,226
Depreciation expense	5.2	16,492	24,727
Amortisation expense	6	16,032	30,017
Legal and professional fee		-	337,750
Auditors' remuneration	13.2	17,820	17,700
Penalty		-	33,075
Others		213,414	67,139
		<u>3,060,044</u>	<u>2,846,662</u>
13.1	The salary expense of Mariam Sheikh (projects administrator) is bifurcated into school project expenses, water project expenses and health care project expenses in the ratio of 50%, 25% and 25% (2019: 50%, 25% and 25%) respectively. The salary expense of Waseem Sajjad (common boy) is bifurcated into administrative expenses and school project expenses in the ratio of 50% and 50% (2019: 50% and 50%) respectively. This is based on the hours they incurred directly in undertaking a project proportionate to their total hours used in all the functions.		
	Note	2020	2019
		Rupees	
13.2 Auditors' remuneration			
Statutory audit fee		5,000	5,000
Tax services		10,000	10,000
Sindh sales tax on services		1,700	1,200
Out of pocket expenses		1,120	1,500
		<u>17,820</u>	<u>17,700</u>

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14 SCHOOL PROJECT EXPENSES

The Company entered into an arrangement with the Sindh Education Foundation under 'adopt a school program' whereunder the adopting entity will incur expenses for uplifting the overall standard of schools by building infrastructure and providing basic necessities to these schools. The expenses incurred by the Company for the school it has adopted are as follows:

	Note	2020	2019
		----- Rupees -----	
Salaries expense	13.1	10,155,843	8,846,720
Depreciation expense	5.2	634,175	478,133
School uniform and bags		22,800	49,550
Repair and maintenance		160,525	148,646
Computers maintenance		192,702	130,285
Equipment		26,355	2,800
Class room renovation		18,300	48,250
Staff training		24,307	3,881
Janitorial expense		1,500,000	1,525,757
Sports equipment		60,505	61,206
Extra curricular activities and workshops		28,200	237,575
Internet connection		46,875	37,504
Laboratory equipment		-	44,280
Stationery, text books and copies		931,921	1,069,305
Lunch program		2,025,948	1,008,644
Others		1,215,185	843,472
		<u>17,043,641</u>	<u>14,536,008</u>

15 WATER PROJECT EXPENSES

The Company has been working for supply of clean drinking water to the schools and small towns in the province of Sindh in collaboration with different non-governmental organisations. Details of the expenses incurred by the Company in this connection are as follows:

	Note	2020	2019
		----- Rupees -----	
Salaries expense	13.1	171,735	159,756
Water filtration plant and related expenses	15.1	310,900	907,500
Others	15.2	273,680	102,400
		<u>756,315</u>	<u>1,169,656</u>

15.1 This represents Rs 310,900 (2019: 907,500) paid to Community Advisory and Welfare Services (a related party by virtue of common directorship) for the rehabilitation of the various water filtration plants and sponsorship for related transportation arrangements.

15.2 This includes sponsorship for rehabilitation of five wells situated in Karachi (2019: two wells situated in Karachi).

16 HEALTH CARE PROJECT EXPENSES

The Company is working on tracking and improving the nutrition of the students in its adopted school. Enrolled students receive regular checkups and basic medical provisions which includes nutritional assessment, ENT and oral hygiene checkups. The Company has also started donating hospital and medical equipment to the hospitals / dispensaries located in the remote areas. Details of the expenses incurred by the Company in this connection are as follows:

	Note	2020	2019
		----- Rupees -----	
Salaries expense	13.1	171,735	159,756
Health care		200,538	201,274
		<u>372,273</u>	<u>361,030</u>

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17 GIVE AWAYS

The Company distributed utility items to needy people during the COVID-19 lockdown period. A total of 500 bags comprising of basic necessities were donated by the Company (2019: Nil).

18 TAXATION

As per section 100C of the Income Tax Ordinance, 2001, 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 Company fall within the purview of section 100C of the Income Tax Ordinance, 2001 and the 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.

19 TRANSACTIONS WITH RELATED PARTIES

- 19.1 The following are the related parties with whom the Company had entered into transactions or had agreements and / or arrangements in place during the financial year:

S. no.	Name of related party	Relationship
1	Naved A Khan	Chief Executive Officer / Member
2	Umrana Najam	Sibling of the Chief Executive Officer
3	Rayyan N Khan	Lineal descendant of the Chief Executive Officer
4	Dr. Rashid Bajwa	Member and Director
5	Shalla Subhani	Sibling of the Chief Executive Officer
6	M. Abdul Aleem	Member and Director
7	Gas & Oil Pakistan (Private) Limited	Common directorship
8	Hisham N Khan	Lineal descendant of the Chief Executive Officer
9	Community Advisory and Welfare Services	Common directorship

19.2 Balances and transactions with related parties

Donations and Zakat from related parties are measured in accordance with the accounting policies as disclosed in these financial statements.

Details of balances and transactions with related parties as at the end of, and during, the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2020	2019
	----- Rupees -----	
19.2.1 Transactions with related parties during the year		
Naved A Khan		
Donation	30,000	54,000
Zakat	898,000	7,185,260
Umrana Najam		
Donation	20,000	150,000
Zakat	400,000	245,000
Rayyan N Khan		
Zakat	-	130,000

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	2020	2019
	----- Rupees -----	
Dr. Rashid Bajwa Zakat	250,000	200,000
Shalla Subhani Zakat	50,000	50,000
M. Abdul Aleem Zakat	250,000	250,000
Gas & Oil Pakistan (Private) Limited Donation	-	300,000
Hisham N Khan Zakat	330,000	450,000
Community Advisory and Welfare Services Water project expenses	310,900	907,500

	2020	2019
	----- Rupees -----	
20 REMUNERATION OF EXECUTIVES, CHIEF EXECUTIVE OFFICER AND DIRECTORS	-	-

20.1 Executive means an employee other than the chief executive and directors, whose basic salary exceeds Rs 1,200,000 in a financial year.

	2020	2019
	---- Number of employees ----	
21 NUMBER OF EMPLOYEES		
Actual number of employees as at June 30	45	43
Average number of employees for the year ended June 30	48	44

22 GENERAL

22.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. There were no reclassifications / restatements in these financial statements.

22.2 Effects of COVID-19 pandemic

On March 11, 2020, the World Health Organisation made an assessment that the outbreak of a coronavirus (COVID-19) can be characterised as a pandemic. As a result, businesses have subsequently been affected amongst others with temporary suspension of travel, and closure of recreation public facilities.

To alleviate the negative impact of the COVID-19 pandemic, the Government of Pakistan, the State Bank of Pakistan and the Securities & Exchange Commission of Pakistan (SECP) have taken measures and issued directives to support businesses, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity in the market.

The Company's adopted school (Government School, PECHS, Block 6, Quaideen Campus) was closed on February 27, 2020 due to COVID-19 pandemic as per the Government of Sindh - School, Education and Literacy Department's notification NO. SO (A&T)SELD/9(3)/2020 dated February 27, 2020 as a result of the nationwide lockdown. During the lockdown period, private schools and educational institutions were providing online classes. However, the Company did not start any online activity due to it being beyond the means of the students studying in the Company's adopted school. Nevertheless, in order to continuously provide education to the students, the Company devised a homework worksheet program for the students. Under this program, the teachers of all classes prepared worksheets as per their relevant subjects and handed them over to the students who then returned them after completing them, subject to following of all the necessary COVID-19 health and safety SoPs.

The above program continued till the first week of September 2020. The school restarted in phases starting from September 15, 2020 as per various notifications of the Government of Sindh - School, Education and Literacy Department. Apart from the temporary closure as mentioned above of the Company's adopted school, the management believes that there is no significant impact of the COVID-19 pandemic on these financial statements.

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23 DATE OF AUTHORISATION

These financial statements were authorised for issue on _____ by the Board of Directors of the Company.

After



Chief Executive Officer



Director