



KPMG Taseer Hadi & Co.  
Chartered Accountants

Annex - A.

**SONA WELFARE FOUNDATION**

Financial Statements

For the year ended

31 December 2013



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
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## INDEPENDENT AUDITORS' REPORT TO THE BOARD OF TRUSTEES

We have audited the annexed balance sheet of Sona Welfare Foundation ("the Foundation") as at 31 December 2013 and the related statement of income and expenditure, statement of comprehensive income, cash flow statement and statement of changes in fund balance together with the notes forming part thereof (here-in-after referred to as the financial statements for the year then ended). It is the responsibility of management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements present fairly in all material respects the financial position of the Foundation as at 31 December 2013 and of its surplus, cash flows and changes in funds for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Islamabad  
04 April 2014

  
**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
*Engagement Partner: Riaz Pesnani*

Sona Welfare Foundation


Balance Sheet

As at 31 December 2013

	Note	2013 (Rupees)	2012 (Rupees)		Note	2013 (Rupees)	2012 (Rupees)
<b>FUND BALANCE</b>				<b>NON-CURRENT ASSETS</b>			
Fund balance		89,333,259	49,360,165	Property and equipment	9	4,681,288	2,619,451
<b>NON-CURRENT LIABILITIES</b>				<b>CURRENT ASSETS</b>			
Deferred grant	4	4,681,288	2,619,451	Due from Fauji Fertilizer Company Limited - unsecured, considered good		39,476,936	-
Restricted grant	5	561,261,945	182,159,926	Short term investments	10	26,695,205	27,175,888
Staff retirement benefit	6	42,533,329	13,756,710	Advances, prepayments and other receivables	11	4,761,814	1,531,374
<i>Total non current liabilities</i>		608,476,562	198,536,087	Bank balances	12	626,840,784	217,680,043
<b>CURRENT LIABILITIES</b>				<i>Total current assets</i>		697,774,739	246,387,305
Accrued and other liabilities	7	4,646,206	36,987				
Due to Fauji Fertilizer Company Limited		-	1,073,517				
<i>Total current liabilities</i>		4,646,206	1,110,504				
<b>TOTAL FUND AND LIABILITIES</b>		<u>702,456,027</u>	<u>249,006,756</u>	<b>TOTAL ASSETS</b>		<u>702,456,027</u>	<u>249,006,756</u>
Commitments	8						

The annexed notes from 1 to 19 form an integral part of these financial statements.


  
Trustee  
CHIEF OPERATING OFFICER

  
Trustee  
CHAIRMAN

Sona Welfare Foundation  
 Income and Expenditure Account  
 For the year ended 31 December 2013

	Note	2013 (Rupees)	2012 (Rupees)
Service charges	13	352,454,598	253,312,685
Amortization of deferred grant	4	1,004,666	307,224
Amount transferred from restricted grant	5	99,236,658	22,939,500
Interest income from short term investments		5,702,536	3,379,175
Interest income from bank deposits		28,187,844	14,835,865
Other income		60,000	-
		<u>486,646,302</u>	<u>294,774,449</u>
Salaries and related expenses	14	(314,133,893)	(230,284,259)
Administrative and general expenses	15	(21,844,211)	(6,793,240)
Welfare expenses	16	(104,336,658)	(22,939,500)
<b>Surplus of income over expenditure</b>		<u><u>46,331,540</u></u>	<u><u>34,757,450</u></u>

The annexed notes from 1 to 19 form an integral part of these financial statements.

  
 Trustee  
 CHIEF OPERATING OFFICER

  
 Trustee  
 CHAIRMAN



Sona Welfare Foundation  
Statement of Comprehensive Income  
For the year ended 31 December 2013

	Note	2013 (Rupees)	2012 (Rupees)
Surplus of income over expenditure for the year		46,331,540	34,757,450
Other comprehensive income - (loss)	6.2	<u>(6,358,446)</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<b><u>39,973,094</u></b>	<b><u>34,757,450</u></b>

The annexed notes from 1 to 19 form an integral part of these financial statements.

  
Trustee  
CHIEF OPERATING OFFICER

  
Trustee  
CHAIRMAN


# Sona Welfare Foundation

## Cash flow Statement

For the year ended 31 December 2013

	Note	2013 (Rupees)	2012 (Rupees)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Surplus of income over expenditure for the year		46,331,540	34,757,450
Adjustments:			
- Depreciation charge for the year	9	1,004,666	307,224
- Staff Retirement Benefits - net		22,418,173	13,756,710
- Amortization of deferred grant	4	(1,004,666)	(307,224)
- Interest income from short term investments		(5,702,536)	(3,379,175)
- Interest income from bank deposits		(28,187,844)	(14,835,865)
- Restricted grant recognized as income	5	(99,236,658)	(22,939,500)
Operating (deficit)/ surplus before working capital changes		(64,377,325)	7,359,620
Changes in working capital:			
(Increase)/decrease in due from Fauji Fertilizer Company Limited - unsecured, considered good		(39,476,936)	241,659
Increase in advances, prepayments and other receivables		(2,745,449)	(656,678)
(Decrease)/increase in Due to Fauji Fertilizer Company Limited		(1,073,517)	1,073,517
Increase/(Decrease) in accrued and other liabilities		4,609,219	(778,296)
		(38,686,683)	(119,798)
Interest received during the year		33,890,380	16,288,006
Taxes paid during the year		(484,991)	(265,815)
Net cash (used in)/ generated from operating activities		(69,658,619)	23,262,013
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Addition to property and equipment	9	(3,066,503)	(2,645,469)
Short term investment - net		480,683	(25,000,000)
Net cash used in investing activities		(2,585,820)	(27,645,469)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net cash generated from financing activities - Grant received during the year	5	481,405,180	153,045,722
Net Increase in cash and cash equivalents		409,160,741	148,662,266
Cash and cash equivalents at the beginning of the year		217,680,043	69,017,777
Cash and cash equivalents at the end of the year	12	626,840,784	217,680,043

The annexed notes from 1 to 19 form an integral part of these financial statements.

  
Trustee  
CHIEF OPERATING OFFICER

  
Trustee  
CHAIRMAN

Sona Welfare Foundation  
 Statement of Changes in Fund Balance  
 For the year ended 31 December 2013

	2013 (Rupees)	2012 (Rupees)
Opening balance as at 01 January	49,360,165	14,602,715
Surplus of income over expenditure for the year	46,331,540	34,757,450
Other comprehensive income - (loss)	<u>(6,358,446)</u>	<u>-</u>
Balance as at 31 December	<u><u>89,333,259</u></u>	<u><u>49,360,165</u></u>

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The annexed notes from 1 to 19 form an integral part of these financial statements.

  
 Trustee  
 CHIEF OPERATING OFFICER

  
 Trustee  
 CHAIRMAN

**Sona Welfare Foundation**  
**Notes to the Financial Statements**  
*For the year ended 31 December 2013*

**1 THE FOUNDATION AND ITS OPERATIONS**

Sona Welfare Foundation ("the Foundation") is a non-profit organization. The Foundation was established in May 2011 and is registered in Pakistan as a society under the Societies Registration Act, XXI of 1860.

The principal objective of the Foundation is to carry out public welfare and related activities. All the income generated by the Foundation is applied towards furtherance of its objectives. The principal office of the Foundation is situated at 64-A, Harley Street, Rawalpindi.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984.

**2.2 Basis of measurement**

These financial statements have been prepared under historical cost convention.

**2.3 Functional and presentation currency**

These financial statements are presented in Pak Rupee, which is also the Foundation's functional currency. All financial information presented in Pak Rupees has been rounded off to the nearest Rupee.

**2.4 Significant accounting estimates**

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are discussed in the ensuing paragraphs.

**2.4.1 Property and equipment**

The Foundation reviews the useful lives and residual value of property and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property and equipments with a corresponding effect on depreciation charge and impairment, if any.

**Sona Welfare Foundation**  
**Notes to the Financial Statements**  
*For the year ended 31 December 2013*

**2.4.2 Provisions**

The Foundation reviews the carrying amount of liabilities on a regular basis and appropriate amount of provision is made as and when necessary.

**2.4.3 Impairment**

The carrying amount of the Foundation's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

**3 SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Property and equipment**

These are stated at cost less accumulated depreciation and impairment loss, if any. Cost of an item of fixed assets comprises purchase price, import duties and other costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Depreciation is provided on a straight-line basis and charged to income and expenditure account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 9. Depreciation on property and equipment is charged from the date when the asset becomes available for use up to the date of its disposal.

The cost of replacing a part of item of fixed asset is recognized in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Foundation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of the fixed assets are recognized in income and expenditure as incurred. Gains and losses on disposal are included in income.

**3.2 Deferred grant**

Grants related to plant and equipment are accounted for by setting up the grant as deferred grant. This is recognized as income on a systematic basis over the useful life of the related assets.

**3.3 Taxation**

A provision for current taxation has not been made in these financial statements as the Foundation has applied to the taxation authorities for grant of exemption from the date of its incorporation and management is confident of securing this exemption.

**3.4 Revenue recognition**

*Services*

Income from services is recognized when related services are provided and it is probable that economic benefits will flow to the Foundation.

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Sona Welfare Foundation  
Notes to the Financial Statements  
For the year ended 31 December 2013

*Grants*

Grant received for immediate financial support to the Foundation which may not be available for whole class of beneficiaries, is recognized as income in the period in which the Foundation qualifies to receive it. Grant received for welfare activities is recognized as income over the periods necessary to match with the related costs on a systematic basis.

*Interest income*

Interest income is recognized on a time proportion basis using the applicable interest rate.

**3.5 Provisions**

A provision is recognized in the financial statements when the Foundation has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

**3.6 Off setting of financial assets and liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet, if the Foundation has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**3.7 Cash and cash equivalents**

Cash and cash equivalents represent balances with banks.

**3.8 Restricted funds**

Grant received to undertake the welfare activities is initially recognized as restricted grant and is recognized as income over the period in which the Foundation recognizes the related costs for which grants are intended to compensate.

**3.9 Loans and receivables**

Investments are classified as loans and receivables which have fixed or determinable payments and are not quoted in an active market. These are measured at amortized cost using the effective interest method less impairment, if any.

**3.10 Impairment**

*Financial assets*

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated cash flows discounted at the original effective interest rate.

Sona Welfare Foundation  
Notes to the Financial Statements  
For the year ended 31 December 2013

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in income and expenditure account.

*Non-financial assets*

The carrying amount of the Foundation's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognized as expense in the income and expenditure account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**3.11 Approved accounting standards which are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novations (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

**3.11 Approved accounting standards which are not yet effective (continued)**

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

IFRS 2 'Share based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.



Sona Welfare Foundation  
Notes to the Financial Statements  
For the year ended 31 December 2013

	Note	2013 (Rupees)	2012 (Rupees)
<b>4 DEFERRED GRANT</b>			
Opening balance		2,619,451	281,206
Property and equipment purchased during the year	5 & 9	3,066,503	2,645,469
Lease Amortization for the year	9	(1,004,666)	(307,224)
		<u>4,681,288</u>	<u>2,619,451</u>

**5 RESTRICTED GRANT**

		2013			
	Note	Nordex	FFC - FF complex Note 5.1	FFC - others	Total
----- (Rupees) -----					
Opening balance		4,600,250	-	177,559,676	182,159,926
Grant received during the year - net		-	355,000,000	126,405,180	481,405,180
Transferred to deferred grant	4 & 9	-	-	(3,066,503)	(3,066,503)
Transferred to income and expenditure account		(1,840,000)	(8,801,163)	(88,595,495)	(99,236,658)
		<u>2,760,250</u>	<u>346,198,837</u>	<u>212,302,858</u>	<u>561,261,945</u>
		2012			
	Note	Nordex	FFC - FF complex	FFC - others	Total
----- (Rupees) -----					
Opening balance		-	-	54,699,173	54,699,173
Grant received during the year - net		6,900,250	-	146,145,472	153,045,722
Transferred to deferred grant		-	-	(2,645,469)	(2,645,469)
Transferred to income and expenditure account		(2,300,000)	-	(20,639,500)	(22,939,500)
		<u>4,600,250</u>	<u>-</u>	<u>177,559,676</u>	<u>182,159,926</u>

5.1 Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Sona Welfare Foundation (SWF) entered into an agreement for provision and development of infrastructure in the form of Three Fauji Foundation Complexes (Welfare Complexes) in Sindh. FF will provide the land for the purposes of building the Welfare Complexes (WC) and will own the WC and take over its possession after completion of their construction.

FFC will provide to SWF an amount of Rs.355 million out of its CSR activities solely for construction (first phase) of the WC.

SWF will be responsible for the construction of the WC and ensure that the amount is spent solely for the construction of WC which will be handed over to the FF at the end of the construction.

Cumulative amount spent on the construction of WC as at December 31, 2013 is Rs. 8.8 million.

Sona Welfare Foundation  
Notes to the Financial Statements  
For the year ended 31 December 2013

	Note	2013 (Rupees)	2012 (Rupees)
<b>6 STAFF RETIREMENT BENEFIT</b>			
<b>Reconciliation of amount recognized in the balance sheet is as follows:</b>			
Present value of defined benefit obligation		42,533,329	13,756,710
Fair value of plan assets		-	-
Benefits payable at the year end	6.1	<u>42,533,329</u>	<u>13,756,710</u>
<b>6.1 The movement in the present value of defined benefit obligation is as follows:</b>			
Present value of defined benefit obligation at beginning of year		13,756,710	-
Current service cost		14,707,118	13,756,710
Current service cost - prior years		5,389,723	-
Interest cost		3,024,491	-
Benefits paid during the year		(703,159)	-
Actuarial loss on obligation		6,358,446	-
Present value of defined benefit obligation at end of the year	6.2	<u>42,533,329</u>	<u>13,756,710</u>
<b>6.2 Movement in liability recognized in the balance sheet:</b>			
Net liability at beginning of the year		13,756,710	-
Charge for the year	6.3	17,731,609	13,756,710
Benefits paid during the year		(703,159)	-
Current service cost - prior years		5,389,723	-
Actuarial loss on obligation - recognized in other comprehensive income		6,358,446	-
Net liability at end of the year		<u>42,533,329</u>	<u>13,756,710</u>
<b>6.3 Expense recognized in profit and loss account</b>			
Current service cost		14,707,118	13,756,710
Current service cost - prior years		5,389,723	-
Net interest on net defined benefit liability		3,024,491	-
Gratuity cost recognized in P&L for the year		<u>23,121,332</u>	<u>13,756,710</u>
<b>6.4 Actuarial assumptions</b>			
Discount rate - per annum compound		13%	-
Salary increase - per annum compound		13%	-
Death in service - year(s)		1	-

*[Handwritten signature]*

Sona Welfare Foundation  
 Notes to the Financial Statements  
 For the year ended 31 December 2013

6.5 Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the gap between the discount rate and the salary increase rate and this gap between assumptions illustrates the real sensitivity. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in the respective assumptions by one percent.

	Defined benefit obligation	
	1 percent increase	1 percent decrease
Effect on defined benefit obligation	5,703,561	(4,809,276)

6.6 Gratuity figures are based on the actuarial valuation carried out as at December 31, 2013.

	Note	2013 (Rupees)	2012 (Rupees)
<b>7 ACCRUED AND OTHER LIABILITIES</b>			
Accrued expenses		2,843,993	36,987
Hepatitis relief fund		1,756,925	-
Others		45,288	-
		<u>4,646,206</u>	<u>36,987</u>
<b>8 COMMITMENTS</b>			
Commitment to provide funds for welfare activities		<u>353,658,837</u>	<u>10,500,000</u>

Sona Welfare Foundation  
Notes to the Financial Statements  
For the year ended 31 December 2013

9 PROPERTY AND EQUIPMENT

	Note	Vehicles	Computer and other equipment	Furniture and fixtures	Electrical, gas and office equipment	Total
(Rupees)						
<b>Cost</b>						
As at 1 January 2012		-	299,970	18,900	-	318,870
Additions during the year		1,910,185	676,860	-	58,424	2,645,469
As at 31 December 2012		1,910,185	976,830	18,900	58,424	2,964,339
As at 1 January 2013		1,910,185	976,830	18,900	58,424	2,964,339
Additions during the year	4 & 5	1,944,235	746,776	20,000	355,492	3,066,503
As at 31 December 2013		3,854,420	1,723,606	38,900	413,916	6,030,842
<b>Depreciation:</b>						
As at 1 January 2012		-	37,053	611	-	37,664
Charge during the year		140,473	163,660	1,890	1,201	307,224
As at 31 December 2012		140,473	200,713	2,501	1,201	344,888
As at 1 January 2013		140,473	200,713	2,501	1,201	344,888
Charge during the year	4	448,088	498,393	3,419	54,766	1,004,666
As at 31 December 2013		588,561	699,106	5,920	55,967	1,349,554
Written down value as at						
- 31 December 2013		3,265,859	1,024,500	32,980	357,949	4,681,288
- 31 December 2012		1,769,712	776,117	16,399	57,223	2,619,451
Depreciation rates (%)		20%	33%	10%	15%	

Sona Welfare Foundation  
Notes to the Financial Statements  
For the year ended 31 December 2013

	Note	2013 (Rupees)	2012 (Rupees)
<b>10 SHORT TERM INVESTMENT</b>			
<i>Loans and receivables</i>			
Investment in Term Deposit Receipt	10.1	<u>26,695,205</u>	<u>27,175,888</u>
		<u>26,695,205</u>	<u>27,175,888</u>

10.1 This represents investment made in term deposit with Samba Bank Limited pursuant to the requirements of the Memorandum of Association of the Foundation (refer note 12.2). This carries interest of 9.00% p.a and will mature on 31 March 2014.

	Note	2013 (Rupees)	2012 (Rupees)
<b>11 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Prepaid insurance		1,167,507	548,953
Prepaid rent		183,013	-
Advances to employees		233,051	-
Interest free loan to employees		1,639,997	-
Advance tax		826,712	341,721
Advances to vendors		711,254	640,700
Other receivable		280	-
		<u>4,761,814</u>	<u>1,531,374</u>

**12 BANK BALANCES**

Local currency current account		2,180,417	5,062,567
Local currency saving account	12.1	<u>624,660,367</u>	<u>212,617,476</u>
	12.2	<u>626,840,784</u>	<u>217,680,043</u>

12.1 These carry interest rate of 8.75% (2012: 8.75%) per annum.

12.2 This includes Rs. 9.99 million (2012: Rs. 8.69 million) ear-marked for the purpose of investment in Government Securities, investment scheme registered under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, mutual funds, real estate investment trust approved under Real Estate Investment Trust Regulations, 2008 or scheduled banks pursuant to the requirements of the Memorandum of Association of the Foundation.

**13 SERVICE CHARGES**

This represents income from services provided to Fauji Fertilizer Company ("FFC") Limited pursuant to administrative support services agreement ("the Agreement") dated 22 August 2011. As per terms of the Agreement, the Foundation provides various support services to FFC including maintenance, warehousing, security and other services on actual cost reimbursement plus 10% service charge basis. Original term of the agreement was for the period of one year. In the year ended 31 December 2012, the term of the Agreement was extended for a further period of two years expiring on 21 August 2014, extendable with mutual consent of the Foundation and FFC.

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	Note	2013 (Rupees)	2012 (Rupees)
<b>14 SALARIES AND RELATED EXPENSES</b>			
Salaries and other benefits	14.1	308,090,637	225,201,073
Employee old age benefits		3,963,060	3,451,625
Travelling and related expenses		2,080,196	1,631,561
		<u>314,133,893</u>	<u>230,284,259</u>

14.1 This includes Rs. 22.77 million (2012: Rs. 13.5 million) in respect of charge for staff retirement benefits.

	Note	2013 (Rupees)	2012 (Rupees)
<b>15 ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Salaries and other benefits		11,584,478	5,513,591
Consultancy and professional charges		2,873,040	4,475
Auditor's remuneration		100,000	-
Travelling and related expenses		1,189,161	4,275
Office rent		1,913,315	-
Printing, stationery and office supplies		796,487	436,249
Bank charges		100,848	48,448
Depreciation	9	1,004,666	307,224
Hiring charges		54,000	8,804
Utilities		849,020	202,403
POI / transportation charges		344,744	80,248
Insurance Expense		43,087	11,379
Entertainment charges		348,179	91,586
Repair and maintenance		436,233	74,369
Toiletries and consumables		106,279	9,094
Miscellaneous expenses		100,674	1,095
		<u>21,844,211</u>	<u>6,793,240</u>

15.1 This includes Rs. 0.354 million (2012: Rs. 0.26 million) in respect of charge for staff retirement benefits.

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Note	2013 (Rupees)	2012 (Rupees)
<b>16 WELFARE EXPENSES</b>		
Payments in respect of deceased employees	-	295,000
Compensation against natural calamities	300,000	-
Financial assistance to employees & needy persons	392,500	528,500
Donation for Yaum-e-Shuhada	25,000,000	-
Donation to HRDC	83,000	-
Donation to Tameer-e-Millat Foundation - Olive Garden Project	-	1,300,000
Donation to Al-Mustafa Trust	-	250,000
Donation to Shaukat Khanum Memorial Trust	20,000,000	5,000,000
Donation to Strategic Vision Institute	3,500,000	-
Donation to Innah Sports Complex, Sadiqabad	-	2,000,000
Payment to Masoom Foundation	1,840,000	2,300,000
Funding for rehabilitation of flood affected areas	2,000,000	10,000,000
Financial assistance to Askari Guards	264,000	66,000
Payment to LUMS under NOP	1,200,000	1,200,000
Donation to Foundation University	250,000	-
Payment to Adventure Foundation Pakistan	400,000	-
Sponsorship of a student for participation in IMO (USA)	232,000	-
Payment to Haroon Rahim Tennis Academy	350,000	-
Payment to NUSI	1,778,400	-
Payment to PRCS for construction of houses for flood affectees	12,764,625	-
Donation to Forum Christian College	1,960,800	-
Payment of refreshment expenses - 12th National Mountain Meet 2013	2,595	-
Payments for construction of FF Complex in Sindh	8,801,163	-
Sponsorship of 05 eye camps in collaboration with AI - Shifa Eye Trust	1,848,973	-
Scholarship to two students of SZABIST	260,148	-
Donation for repair of St. Pauls church	119,090	-
Donation to Pakistan German Business Forum	200,000	-
Payment for Hosepipe to Rescue 1122 & CDA fire staff	33,930	-
Scholarship to 20 students to attend Young Leadership Conference	960,000	-
Donation to Prime Minister's Baluchistan Earthquake Relief Fund - 2013	5,000,000	-
Sponsorship of 02 tennis players	767,040	-
Donation to NIHD	1,175,000	-
Donation to Pakistan Society for Training & Development	350,000	-
Donation to Wah Engineering College	1,500,000	-
Donation for construction of Sona Medical Centre & Recreational Park	5,000,000	-
Sponsorship of Water Pump for residents of Tula Sai, Abbotabad	100,000	-
Payment to Autism Society of Pakistan	500,000	-
Payment to LUMS for sponsoring South Asian Economics Student Meet	1,000,000	-
Donation to Hussain Bibi Trust	1,000,000	-
Sponsorship of a conference at AFIRM, Rawalpindi	2,000,000	-
Payment to RIC for cardiac treatment of MS. Bagh Bari	120,000	-
Payment to Social Network Pakistan for participation in CSR seminar	45,000	-
Donation to National Institute of Health, Islamabad	1,000,000	-
Donation of 5 LED TVs for Cadit College, Larkana	238,394	-
	<b>104,336,658</b>	<b>22,939,500</b>

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Notes to the Financial Statements  
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17 FINANCIAL INSTRUMENTS

The Foundation has exposures to the following risks from its use of financial instruments:

- Credit risk,
- Liquidity risk; and
- Market risk

The Board of Trustees has overall responsibility for the establishment and oversight of the Foundation's risk management framework. The Board is also responsible for developing and monitoring the Foundation's risk management policies.

The Foundation's risk management policies are established to identify and analyze the risks faced by the Foundation, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Foundation's activities. The Foundation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Trustees oversees how management monitors compliance with the Foundation's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Foundation.

17.1 Credit risk

Credit risk is the risk of financial loss to the Foundation if a counterparty to a financial instrument fails to meet its contractual obligations. The Foundation's credit risk is primarily attributable to balances at banks. The Foundation believes that it is not exposed to major concentration of credit risk as the exposure is spread over a number of counter parties which are mainly banks with reasonable high credit ratings. The carrying amount of financial assets represents the maximum credit exposure at the reporting date as follows:

	2013 (Rupees)	2012 (Rupees)
Due from FFC - unsecured, considered good	39,476,936	-
Short term investment	26,695,205	27,175,888
Other receivable	1,873,328	-
Bank balances	<u>626,840,784</u>	<u>217,680,043</u>
	<u>694,886,253</u>	<u>244,855,931</u>

Geographically there is no concentration of credit risk. As at the year end the Foundation's most significant receivable was with a Bank of Rs. 424.591 million (2012: Rs. 212.62 million). At the balance sheet date, management believes that no impairment allowance is necessary in respect of the Foundation's financial assets.



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17.2 Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they fall due. The Foundation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Foundation's reputation. The Foundation uses different methods which assist it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Foundation ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within one year	Over one year
	(Rupees)			
<b>2013</b>				
Accrued and other liabilities	2,889,281	(2,889,281)	(2,889,281)	-
	<u>2,889,281</u>	<u>(2,889,281)</u>	<u>(2,889,281)</u>	<u>-</u>
<b>2012</b>				
Accrued and other liabilities	36,987	(36,987)	(36,987)	-
Due to Fauji Fertilizer Company Limited	1,073,517	(1,073,517)	(1,073,517)	-
	<u>1,110,504</u>	<u>(1,110,504)</u>	<u>(1,110,504)</u>	<u>-</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

17.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Foundation incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Foundation is not significantly exposed to market risk.

17.4 Fair value hierarchy

The carrying value of financial assets and liabilities reflected in financial statements approximate their fair values.

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**17.5 Determination of fair values**

A number of the Foundation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

**Non-derivative financial assets**

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

**Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

However since these assets and liabilities are due to be settled within one year, the fair value is approximate to their carrying values.

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18 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of trustees, key management personnel and entity with significant influence over the Foundation. Transactions with related party are as follows:

	2013 (Rupees)	2012 (Rupees)
<b>Entity with significant influence over the Foundation</b>		
Grants received during the year - net	<u>481,405,180</u>	<u>146,145,472</u>
Services provided during the year	<u>352,454,598</u>	<u>253,312,685</u>
Service charges receivable	<u>39,476,936</u>	<u>(1,073,517)</u>
Payments made during the year	<u>3,466,578</u>	<u>53,460</u>
Funding for rehabilitation of flood affected areas	<u>2,000,000</u>	<u>10,000,000</u>

19 GENERAL

These financial statements were approved by the Board of Trustees of the Foundation in their meeting held on 04 APR 2014.

  
Trustee  
CHIEF OPERATING OFFICER

  
Trustee  
CHAIRMAN