KPMG Taseer Hadi & Co.
Chartered Accountants

Sona Welfare Foundation

Financial Statements

For the year ended
31 December 2015

KPMG

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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF TRUSTEES OF SONA WELFARE FOUNDATION

We have audited the accompanying financial statements of Sona Welfare Foundation ("the Foundation") which comprise of balance sheet as at 31 December 2015 and the related income and expenditure account, statement of comprehensive income, statement of cash flow and statement of changes in surplus for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Board of Trustees of the Foundation ("the Trustees") is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, and for such internal controls as the Trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the approved auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation 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, if any, made by the Trustees, as well as evaluating the overall 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, the financial statements present fairly, in all material respects the financial position of the Foundation as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

KPMG Taseer Hadi & Co.

21 June 2016
Islamabad

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

Sona Welfare Foundation
Balance Sheet
As at 31 December 2015

	Note	2015 (Rupees)	2014 (Rupees)
ACCUMULATED SURPLUS		**64,096,249**	93,178,708
NON-CURRENT LIABILITIES			
Deferred grant	4	-	3,821,192
Restricted grant	5	**181,988,644**	285,232,764
Staff retirement gratuity	6	-	2,095,242
		181,988,644	**291,149,198**
CURRENT LIABILITIES			
Current portion of staff retirement gratuity	6	**1,769,702**	54,123,207
Due to Fauji Fertilizer Company		-	1,915,630
Accrued and other liabilities	7	**11,564,908**	22,368,076
		13,334,610	78,406,913
TOTAL SURPLUS AND LIABILITIES		**259,419,503**	462,734,819
CONTINGENCIES AND COMMITMENTS	8		

	Note	2015 (Rupees)	2014 (Rupees)
NON-CURRENT ASSETS			
Property and equipment	9	-	3,821,192
CURRENT ASSETS			
Advances and prepayments	10	**7,194,772**	7,158,103
Bank balances	11	**252,224,731**	451,755,524
		259,419,503	458,913,627
TOTAL ASSETS		**259,419,503**	**462,734,819**

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

Chief Operating Officer

Trustee

CHAIRMAN

Trustee

Sona Welfare Foundation
Income and Expenditure Account
For the year ended 31 December 2015

	Note	2015 (Rupees)	2014 (Rupees)
Income			
Service charges	12	**22,817,404**	360,371,847
Deferred grant recognized during the year	4	**3,821,192**	1,548,420
Amount transferred from restricted grant	5	**155,163,421**	413,704,043
Interest income from short term investments		-	10,190,068
Interest income from bank deposits		**20,896,253**	41,921,086
Other income		**838,659**	288
		203,536,929	827,735,752
Expenditure			
Cost of services	13	**(20,681,533)**	(327,610,771)
Administrative and general expenses	14	**(20,200,676)**	(27,731,762)
Welfare expenses	15	**(191,737,179)**	(468,547,770)
(Deficit) / surplus for the year		**(29,082,459)**	3,845,449

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

Chief Operating Officer
Trustee

CHAIRMAN
CHAIRMAN
Trustee

Sona Welfare Foundation

Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 (Rupees)	2014 (Rupees)
(Deficit) / surplus for the year	**(29,082,459)**	3,845,449
Other comprehensive income	-	-
Total comprehensive income for the year	(29,082,459)	3,845,449

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

Chief Operating Officer

Trustee

CHAIRMAN

Trustee

Sona Welfare Foundation

Statement of Cashflow

For the year ended 31 December 2015

	Note	2015 (Rupees)	2014 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit) / surplus for the year		(29,082,459)	3,845,449
Adjustments for:			
Depreciation	9	1,196,186	1,548,420
Staff retirement gratuity	6.1	298,183	16,193,474
Other income		(838,659)	-
Amortization of deferred grant	4	(3,821,192)	(1,548,420)
Proceeds from disposal of project vehicle	5	2,640,000	-
Interest income from short term investments		-	(10,190,068)
Interest income from bank deposits		(20,896,253)	(41,921,086)
Restricted grant recognized as income	5	(155,163,421)	(413,704,043)
		(205,667,615)	(445,776,274)
Changes in:			
Due to Fauji Fertilizer Company		(1,915,630)	41,392,566
Advances and Prepayments		3,447,615	451,852
Accrued and other liabilities		(10,803,168)	17,721,870
Cash used in operating activities		(214,938,798)	(386,209,986)
Interest received		20,896,253	52,111,154
Taxes paid		(3,484,284)	(2,848,141)
Staff retirement gratuity paid		(54,746,930)	(2,508,354)
Net cash used in operating activities		(252,273,759)	(339,455,327)
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property and equipment	9	-	(688,324)
Disposal of property and equipment		3,463,665	-
Short term investment - net		-	26,695,205
Net cash generated from investing activities		3,463,665	26,006,881
CASH FLOWS FROM FINANCING ACTIVITIES			
Grant received during the year	5	49,279,301	138,363,186
Net cash generated from financing activities		49,279,301	138,363,186
Net decrease in cash and cash equivalents		(199,530,793)	(175,085,260)
Cash and cash equivalents at beginning of the year		451,755,524	626,840,784
Cash and cash equivalents at end of the year	11	252,224,731	451,755,524

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

Chief Operating Officer

Trustee

CHAIRMAN

Trustee

Sona Welfare Foundation
Statement of Changes in Surplus
For the year ended 31 December 2015

	2015 (Rupees)	2014 (Rupees)
Accumulated surplus at beginning of the year	**93,178,708**	89,333,259
Total comprehensive income for the year	**(29,082,459)**	3,845,449
Accumulated surplus at end of the year	**64,096,249**	93,178,708

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

Chief Operating Officer
Trustee

CHAIRMAN
Trustee

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 Sona Tower, 156 The Mall, Rawalpindi.

Subsequent to the year end, majority of employees of the Foundation have left the Foundation. Now operational matters of the Foundation will be overseen by Fauji Fertilizer Company Limited ("FFC"). FFC has confirmed that it will continue to provide financial and operational support to the Foundation to carry out public welfare and related activities.

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 Rupees, 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 require 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 recognised 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 recognised in the financial statements are discussed in the ensuing paragraphs.

i) 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.

ii) Provisions

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

iii) 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

Except for the change below, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

IFRS 13 "Fair Value Measurement" became effective from financial periods beginning on or after 01 January 2015. IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definitition of fair value as a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. The application of IFRS 13 does not have any impact on the financial statements of the Foundation except for certain additional disclosures.

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 comprise 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 recognised 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 derecognised. The cost of the day-to-day servicing of the fixed assets are recognised 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 recognised as income on a systematic basis over the useful life of the related asset.

3.3 Taxation

The Foundation is registered as not for profit organization under section 2(36) the Income Tax Ordinance, 2001. The Foundation is eligible for tax credit under Section 100C of the Income Tax Ordinance 2001 from grants, voluntary contributions, profits on short term deposit receipts, profits on saving bank accounts, investments in the securities of the Federal Government and so much of the income chargeable under the head "income from business" as is expended in Pakistan for the purposes of carrying out welfare activities. Accordingly, provision for taxation has not been made in these financial statements.

3.4 Revenue recognition

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

Unrestricted grant
Grants received without any conditions are recognized as income during the year of receipt.

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

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

3.5 Provisions

A provision is recognised 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 recognised 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 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.

3.9 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.

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 recognised 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 recognised 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.

3.10 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 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Foundation's financial statements.

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Foundation's financial statements.

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Foundation's financial statements.

- Amendment to IAS 27 'Separate Financial Statement' allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Foundation's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] . Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a Foundation can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Foundation's financial statements.

- Annual Improvements 2012-2014 cycles. (amendments are effective for annual periods beginning on or after 1 January 2016) The new cycle of improvements contain amendments to the following standards:

  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

  - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognised in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

  - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

  - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4. DEFERRED GRANT

	Note	2015 (Rupees)	2014 (Rupees)
Opening balance		3,821,192	4,681,288
Property and equipment purchased during the year	5 & 9	-	688,324
Property and equipment disposed during the year		(2,625,006)	-
Less: Amortization for the year	9	(1,196,186)	(1,548,420)
		-	3,821,192

5. RESTRICTED GRANT

	Note	Nordex	FF Complex Note 5.1	FFC - others	Total
2015 - (Rupees)					
Opening balance		374,192	99,019,036	185,839,536	285,232,764
Grant received during the year - net		-	-	49,279,301	49,279,301
Transfer		-	(8,133,800)	8,133,800	-
Proceeds from disposal of vehicle		-	2,640,000	-	2,640,000
Transferred to income and expenditure account		(356,558)	(69,557,171)	(85,249,692)	(155,163,421)
		17,634	23,968,065	158,002,945	181,988,644
2014 - (Rupees)					
Opening balance		2,760,250	346,198,837	212,302,858	561,261,945
Grant received during the year - net		-	-	138,363,186	138,363,186
Transferred to deferred grant	4 & 9	-	-	(688,324)	(688,324)
Transferred to income and expenditure account		(2,386,058)	(247,179,801)	(164,138,184)	(413,704,043)
		374,192	99,019,036	185,839,536	285,232,764

5.1 Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFC) and Sona Welfare Foundation (SWF) entered into an agreement for provision and development of infrastructure in the form of three Fauji Foundation Complexes in Sindh. FF will provide the land for the purposes of building the Welfare Complexes and will own the Welfare Complexes and take over possession after completion. FFC has provided to SWF an amount of Rs. 355 million out of its CSR activities for a Welfare Complex. SWF was responsible for construction of Welfare Complex that was handed over to FF during the year. Cumulative amount spent since inception on Welfare Complex as at December 31, 2015 is Rs. 325.54 million.

	Note	2015 (Rupees)	2014 (Rupees)
6. STAFF RETIREMENT GRATUITY			
Present value of defined benefit obligation	*6.1*	**1,769,702**	56,218,449
Less: Current portion		**(1,769,702)**	(54,123,207)
		-	2,095,242

6.1 Movement in liability recognized in the balance sheet:

	2015	2014
Net liability at beginning of the year	**56,218,449**	42,533,329
Charge for the year	**298,183**	16,193,474
Benefit paid during the year	**(54,746,930)**	(2,508,354)
Net liability at end of the year	**1,769,702**	56,218,449

6.2 Liability for the staff retirement gratuity at the year-end has been computed based on the settlement amounts, as majority of employees have resigned subsequent to the year end and the recognized liability approximates the settlement amount. Accordingly, actuarial valuation of the staff retirement gratuity has not been carried out since the management believes that actuarial valuation would not result in material adjustment to the financial statements.

7. ACCRUED AND OTHER LIABILITIES

	2015	2014
Accrued expenses	**370,863**	3,420,394
Hepatitis relief fund	**-**	2,530,375
Retention money	**10,630,255**	16,417,307
Withholding tax payable	**563,336**	-
Others	**454**	-
	11,564,908	22,368,076

8. CONTINGENCIES AND COMMITMENTS

8.1 There are no contingencies at the year end (2014: Nil).

	2015	2014
8.2 Commitment to provide funds for welfare activities	**45,042,559**	165,627,002

Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2015

9. PROPERTY AND EQUIPMENT

	Note	Vehicles	Computer and other equipment	Furniture and fixtures	Electrical, gas and office equipment	Total
				(Rupees)		
Cost						
As at 1 January 2014		3,854,420	1,723,606	38,900	413,916	6,030,842
Additions during the year	*4 & 5*	-	652,639	35,685	-	688,324
As at 31 December 2014		3,854,420	2,376,245	74,585	413,916	6,719,166
As at 1 January 2015		**3,854,420**	**2,376,245**	**74,585**	**413,916**	**6,719,166**
Additions during the year		-	-	-	-	-
Disposal during the year		**(3,854,420)**	**(2,376,245)**	**(74,585)**	**(413,916)**	**(6,719,166)**
As at 31 December 2015		-	-	-	-	-
Depreciation:						
As at 1 January 2014		588,561	699,106	5,920	55,967	1,349,554
Charge during the year		770,884	709,739	5,709	62,088	1,548,420
As at 31 December 2014		1,359,445	1,408,845	11,629	118,055	2,897,974
As at 1 January 2015		**1,359,445**	**1,408,845**	**11,629**	**118,055**	**2,897,974**
Charge during the year	*4*	**713,046**	**437,602**	**4,885**	**40,653**	**1,196,186**
Disposal during the year		**(2,072,491)**	**(1,846,447)**	**(16,514)**	**(158,708)**	**(4,094,160)**
As at 31 December 2015		-	-	-	-	-
Written down value as at						
- 31 December 2015		-	-	-	-	-
- 31 December 2014		2,494,975	967,400	62,956	295,861	3,821,192
Depreciation rates (%)		20%	33%	10%	15%	

10. ADVANCES AND PREPAYMENTS

	2015 (Rupees)	2014 (Rupees)
Prepaid insurance	**35,635**	702,743
Prepaid rent	-	201,314
Advances to employees	-	148,548
Interest free loan to employees	-	2,427,645
Advance tax	**7,159,137**	3,674,853
Others	-	3,000
	7,194,772	7,158,103

11. BANK BALANCES

	Note	2015 (Rupees)	2014 (Rupees)
Local currency current account		**529,398**	3,555,919
Local currency saving accounts	*11.1*	**251,695,333**	448,199,605
	11.2	**252,224,731**	451,755,524

11.1 These carry interest rate of 5.25% - 6% (2014: 8.75% - 9%) per annum.

11.2 This includes Rs.16.02 million (2014: Rs. 23.29 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.

12. 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 a period of one year and was later extended upto 21 August 2015. On 02 January 2015, the Agreement was terminated with mutual consent.

13. COST OF SERVICES

	Note	2015 (Rupees)	2014 (Rupees)
Salaries and other benefits	*13.1*	**20,454,148**	320,927,380
Employee old age benefits		**52,160**	4,102,460
Travelling and related expenses		**175,225**	2,580,931
		20,681,533	327,610,771

13.1 This includes Rs. 14.10 million (2014: Rs. 15.81 million) in respect of charge for staff retirement benefits.

Sona Welfare Foundation

Notes to the Financial Statements

For the year ended 31 December 2015

14. ADMINISTRATIVE AND GENERAL EXPENSES	Note	2015 (Rupees)	2014 (Rupees)
Salaries and other benefits	*14.1*	**11,433,240**	16,353,227
Consultancy and professional charges		**2,980,000**	2,059,470
Auditor's remuneration		**200,000**	150,000
Travelling and related expenses		**172,140**	569,253
Office rent		**1,630,648**	2,287,661
Employees training and development		**-**	121,431
Printing, stationary and office supplies		**596,921**	1,627,003
Bank charges		**13,952**	85,656
Depreciation	*9*	**1,196,186**	1,548,420
Utilities		**599,653**	1,119,290
Petrol and other transportation charges		**270,491**	441,945
Insurance expense		**86,945**	77,431
Entertainment charges		**295,891**	600,859
Repair and maintenance		**467,864**	432,060
Miscellaneous expenses		**256,745**	258,056
		20,200,676	27,731,762

14.1 This includes Rs. 0.64 million (2014: Rs. 0.38 million) in respect of charge for staff retirement benefits.

Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2015

15. **WELFARE EXPENSES**	**2015 (Rupees)**	2014 (Rupees)
Construction of FF Complex in Sindh	**69,557,171**	247,179,801
Earthquake relief package	**8,133,800**	-
Boarding / lodging of next of kins of Shuhadas for attending Yaum-e-Shuhada Ceremony	-	27,500,000
Equipment for Burn Centre, Sheikh Zayed Medical College & Hospital	-	10,000,000
Vehicles donated to Tameer-e-Millat Foundation	-	7,345,500
Donation for:		
- Internally Displaced Persons	-	23,000,000
- Upgradation of Dera Izzat School, Bahawalpur	-	20,000,000
- Construction of road & laying of sewerage line in Basti Khai	**10,196,327**	13,243,863
- Olympus Endoscopy System for peads' treatment	-	12,000,000
- Construction of Mushtaq Baig Shaheed Hostel	-	10,000,000
- Construction of Sona College (Computer Section), Mirpur Mathelo	**6,479,503**	7,213,448
- Uplift of Village Sukhu	**12,982,250**	-
- Implantation of Transcatheter Aortic Valve in NIHD/AFIC	**14,000,000**	-
- Construction of MP Hall TTC Dharki	**12,904,762**	-
- Rehabilitation of Govt Boys High School MM	**5,252,803**	-
- Construction of School at Wahid Baksh Maher	**13,498,579**	-
- Rehabilitation of keenjar Lake	**5,337,500**	
Donation to:		
- Sona Welfare Society, Mirpur Mathelo	-	22,000,000
- Hazrat Bilal Trust Hospital	-	6,147,042
- Prime Minister's Baluchistan Earthquake Relief Fund 2013	-	5,000,000
- Shaukat Khanum Memorial Trust	-	10,000
Miscellaneous welfare activities	**33,394,484**	57,908,116
	191,737,179	468,547,770

16. 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.

16.1 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 represent the maximum credit exposure at the reporting date as follows:

	2015 (Rupees)	2014 (Rupees)
Other receivable	-	2,576,193
Bank balances	**252,224,731**	451,755,524
	252,224,731	454,331,717

Geographically there is no concentration of credit risk. As at the year end the Foundation's most significant receivable was with Banks of Rs. 252.22 million (2014: Rs. 451.75 million). At the balance sheet date, management believes that no impairment allowance is necessary in respect of the Foundation's financial assets.

16.2 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 manage 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)		
2015				
Accrued and other liabilities	**11,001,572**	**(11,001,572)**	**(11,001,572)**	**-**
2014				
Accrued and other liabilities	19,837,701	(19,837,701)	(19,837,701)	-

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

16.3 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.

16.3.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the reporting date the interest rate risk profile of the Foundation's interest-bearing financial instruments are as follows:

		Carrying amounts	
		2015	2014
		(Rupees)	(Rupees)
(i)	**Variable rate instruments**		
	Financial assets		
	Bank balances	**251,695,333**	448,199,605

16.3.2 Currency Risk Management

Foundation is not exposed to currency risk.

17 DETERMINATION OF FAIR VALUES

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

17.1 Fund management

The Board of Trustees of the Foundation monitors the performance along with the fund required for the sustainable operations of the Foundation. There were no changes to the Foundation's approach to the fund management during the year. The Foundation is not subject to externally imposed fund requirements.

17.2 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred.

17.3 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.

The following table shows the carrying amounts of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

	Carrying amount				Fair Value		
	Held to maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees)						
December 31, 2015							
Financial assets not measured at fair value							
Bank balances	-	**252,224,731**	-	**252,224,731**	-	-	-
Financial liabilities not measured at fair value							
Accrued and other liabilities	-	-	**11,001,572**	**11,001,572**	-	-	-
December 31, 2014							
Financial assets not measured at fair value							
Advances	-	2,579,193	-	2,579,193	-	-	-
Bank balances	-	451,755,524	-	451,755,524	-	-	-
Financial liabilities not measured at fair value							
Accrued and other liabilities	-	-	22,368,076	22,368,076	-	-	-
Due to Related Party	-	-	1,915,630	1,915,630	-	-	-

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:

	2015 (Rupees)	2014 (Rupees)
Entity with significant influence over the Foundation		
Grants received during the year- net	**49,279,301**	138,363,186
Services provided during the year	**22,817,404**	360,371,847
Balance payable at the year end	-	(1,915,630)
Payments made during the year	**6,196,357**	4,236,337

19. GENERAL

19.1 Figures have been rounded off to the nearest Rupee.

19.2 These financial statements were approved by the Board of Trustees of the Foundation on June 21, 2016.

Chief Operating Officer
Trustee

CHAIRMAN
Trustee