



KPMG Taseer Hadi & Co.
Chartered Accountants

ANNEXURE

ANNEX D

Sona Welfare Foundation

Financial Statements
For the year ended
31 December 2016



KPMG Taseer Hadi & Co.
Chartered Accountants
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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 2016 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 2016 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.

Islamabad
15 March 2017


KPMG Taseer Hadi & Co
Chartered Accountants
Syed Bakhtiyar Kazmi

Sona Welfare Foundation
Balance Sheet

As at 31 December 2016

	2016	2015
	(Rupees)	(Rupees)
Note	2016	2015
	(Rupees)	(Rupees)

ACCUMULATED SURPLUS

35,158,222

64,096,249

NON-CURRENT LIABILITIES

NON-CURRENT ASSETS

Deferred grant

Restricted grant

Staff retirement gratuity

4

165,453,872

181,988,644

181,988,644

9

Property and equipment

CURRENT LIABILITIES

CURRENT ASSETS

Current portion of staff retirement gratuity

Accrued and other liabilities

6

2,482,658

11,564,908

13,334,610

10

Advances and prepayments

Bank balances

8,375,554

194,719,198

203,094,752

7,194,772

252,224,731

259,419,503

TOTAL SURPLUS AND LIABILITIES

203,094,752

259,419,503

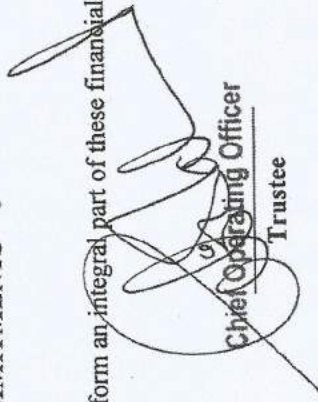
TOTAL ASSETS

203,094,752

259,419,503

CONTINGENCIES AND COMMITMENTS 8

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


Chief Operating Officer
Trustee


CHAIRMAN
Trustee

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Sona Welfare Foundation
 Income and Expenditure Account
 For the year ended 31 December 2016

	Note	2016 (Rupees)	2015 (Rupees)
Income			
Service charges	12	-	22,817,404
Deferred grant recognized during the year	4	-	3,821,192
Amount transferred from restricted grant	5	132,969,464	155,163,421
Interest income from bank deposits		12,164,171	20,896,253
Other income		454	838,659
		<u>145,134,089</u>	<u>203,536,929</u>
Expenditure			
Cost of services	13	-	(20,681,533)
Administrative and general expenses	14	(5,046,388)	(20,200,676)
Welfare expenses	15	(169,025,728)	(191,737,179)
Deficit for the year		<u>(28,938,027)</u>	<u>(29,082,459)</u>

29/12/16

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


 Chief Operating Officer
 Trustee

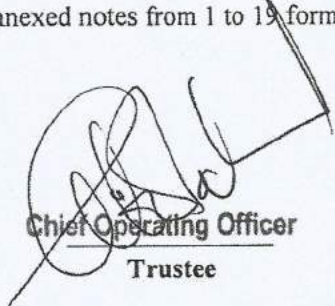

 CHAIRMAN
 Trustee

Sona Welfare Foundation
Statement of Comprehensive Income
For the year ended 31 December 2016

	2016 (Rupees)	2015 (Rupees)
Deficit for the year	(28,938,027)	(29,082,459)
Other comprehensive income	-	-
Total comprehensive income for the year - (deficit)	<u><u>(28,938,027)</u></u>	<u><u>(29,082,459)</u></u>

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

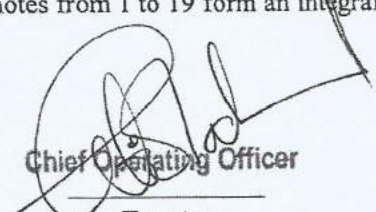

Chief Operating Officer
Trustee

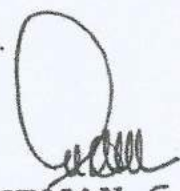

CHAIRMAN
Trustee

Sona Welfare Foundation
Statement of Cashflow
For the year ended 31 December 2016

	Note	2016 (Rupees)	2015 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the year		(28,938,027)	(29,082,459)
Adjustments for:			
Depreciation	9	-	1,196,186
Staff retirement gratuity	6.1	440,422	298,183
Other income		(454)	(838,659)
Amortization of deferred grant	4	-	(3,821,192)
Proceeds from disposal of project vehicle	5	-	2,640,000
Interest income from bank deposits		(12,164,171)	(20,896,253)
Restricted grant recognized as income	5	(132,969,464)	(155,163,421)
		<u>(173,631,694)</u>	<u>(205,667,615)</u>
Changes in:			
Due to Fauji Fertilizer Company Limited		-	(1,915,630)
Advances and prepayments		35,635	3,447,615
Accrued and other liabilities		(9,081,796)	(10,803,168)
Cash used in operating activities		(182,677,855)	(214,938,798)
Interest received		12,164,171	20,896,253
Taxes paid		(1,216,417)	(3,484,284)
Staff retirement gratuity paid	6.1	(2,210,124)	(54,746,930)
Net cash used in operating activities		(173,940,225)	(252,273,759)
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of property and equipment		-	3,463,665
Net cash generated from investing activities		-	3,463,665
CASH FLOWS FROM FINANCING ACTIVITIES			
Grant received during the year	5	116,434,692	49,279,301
Net cash generated from financing activities		116,434,692	49,279,301
Net decrease in cash and cash equivalents		(57,505,533)	(199,530,793)
Cash and cash equivalents at beginning of the year		252,224,731	451,755,524
Cash and cash equivalents at end of the year	11	<u>194,719,198</u>	<u>252,224,731</u>

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


Chief Operating Officer
Trustee


CHAIRMAN
Trustee

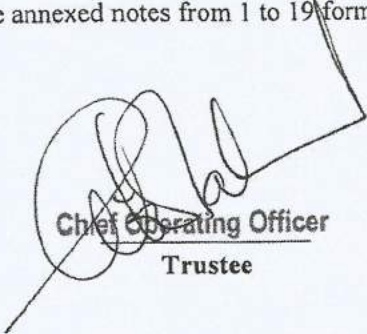
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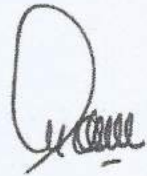
Sona Welfare Foundation
Statement of Changes in Surplus
For the year ended 31 December 2016

	2016 (Rupees)	2015 (Rupees)
Accumulated surplus at beginning of the year	64,096,249	93,178,708
Total comprehensive income for the year - (deficit)	(28,938,027)	(29,082,459)
Accumulated surplus at end of the year	<u>35,158,222</u>	<u>64,096,249</u>

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


Chief Operating Officer
Trustee


CHAIRMAN
Trustee

Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2016

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.

During the current year, all employees of the Foundation have left the Foundation. Now operational matters of the Foundation are directly 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.

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Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2016

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) Provisions

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

ii) 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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 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.

3.2 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.

3.3 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.

16/11/2016

Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2016

Restricted grant

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.

3.4 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.

3.5 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.

3.6 Cash and cash equivalents

Cash and cash equivalents represent balances with banks.

3.7 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.

3.8 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.

10/11/2016

Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2016

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.

3.9 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 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Foundation's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have a significant impact on Foundation's financial statements except for certain presentational amendments.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Foundation's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendment is not likely to have an impact on Foundation's financial statements.

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Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2016

- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
 - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendment is not likely to have an impact on Foundation's financial statements.
 - Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendment is not likely to have an impact on Foundation's financial statements.
 - IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendment is not likely to have an impact on Foundation's financial statements.

10/11/2017

Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2016

4. DEFERRED GRANT	Note	2016 (Rupees)	2015 (Rupees)
Opening balance		-	3,821,192
Property and equipment disposed during the year		-	(2,625,006)
Less: Amortization for the year	9	-	(1,196,186)
		<u>-</u>	<u>-</u>

5. RESTRICTED GRANT

	2016 - (Rupees)			
	Nordex	FF Complex	FFC - others	Total
	<i>Note 5.1</i>			
Opening balance	17,634	23,968,065	158,002,945	181,988,644
Grant received during the year - net	-	-	116,434,692	116,434,692
Transfers	(17,634)	(19,452,065)	19,469,699	-
Transferred to income and expenditure account	-	(4,516,000)	(128,453,464)	(132,969,464)
	<u>-</u>	<u>-</u>	<u>165,453,872</u>	<u>165,453,872</u>
	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
Transfers	-	(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)
	<u>17,634</u>	<u>23,968,065</u>	<u>158,002,945</u>	<u>181,988,644</u>

- 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 a Fauji Foundation Complex in Sindh. FF provided land for the purposes of building the Welfare Complex on the terms that FF will own the Welfare Complex and take over possession after its completion. SWF was responsible for construction of the Welfare Complex and was provided with an amount of Rs. 355 million by FFC out of its CSR activities. Cumulative amount spent since inception on the Welfare Complex as at December 31, 2016 is Rs. 330.05 million which includes Rs. 4.5 million spent during the year, while the remaining unutilized balance of funds has been transferred for use in other welfare projects.

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Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2016

	Note	2016 (Rupees)	2015 (Rupees)
6. STAFF RETIREMENT GRATUITY			
Present value of defined benefit obligation	6.1	-	1,769,702
Less: Current portion		-	(1,769,702)
		<u>-</u>	<u>-</u>
6.1 Movement in liability recognized in the balance sheet			
Net liability at beginning of the year		1,769,702	56,218,449
Charge for the year		440,422	298,183
Benefit paid during the year		(2,210,124)	(54,746,930)
Net liability at end of the year		<u>-</u>	<u>1,769,702</u>
7. ACCRUED AND OTHER LIABILITIES			
Accrued expenses		200,000	370,863
Retention money		2,282,658	10,630,255
Withholding tax payable		-	563,336
Others		-	454
		<u>2,482,658</u>	<u>11,564,908</u>
8. CONTINGENCIES AND COMMITMENTS			
8.1 There are no contingencies at the year end (2015: Nil).			
8.2 Commitment for welfare activities spending		<u>26,782,340</u>	<u>45,042,559</u>

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Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2016

9. PROPERTY AND EQUIPMENT

	Vehicles	Computer and other equipment	Furniture and fixtures	Electrical, gas and office equipment	Total
<i>Note</i>					
	(Rupees)				
Cost					
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	-	-	-	-	-
As at 1 January 2016	-	-	-	-	-
Additions during the year	-	-	-	-	-
Disposal during the year	-	-	-	-	-
As at 31 December 2016	-	-	-	-	-
Depreciation					
As at 1 January 2015	1,359,445	1,408,845	11,629	118,055	2,897,974
Charge during the year	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	-	-	-	-	-
As at 1 January 2016	-	-	-	-	-
Charge during the year	-	-	-	-	-
Disposal during the year	-	-	-	-	-
As at 31 December 2016	-	-	-	-	-
Written down value as at					
- 31 December 2016	-	-	-	-	-
- 31 December 2015	-	-	-	-	-
Depreciation rates (%)	20%	33%	10%	15%	

10. ADVANCES AND PREPAYMENTS

	2016 (Rupees)	2015 (Rupees)
Prepaid insurance	-	35,635
Advance tax	8,375,554	7,159,137
	<u>8,375,554</u>	<u>7,194,772</u>

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Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2016

	Note	2016 (Rupees)	2015 (Rupees)
11. BANK BALANCES			
Local currency current account		576,509	529,398
Local currency saving accounts	11.1	194,142,689	251,695,333
	11.2	194,719,198	252,224,731

11.1 These carry interest rate of 4.5% - 5% (2015: 5.25% - 6%) per annum.

11.2 This includes Rs.8.8 million (2015: Rs. 16.02 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 represented 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 provided 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 2 January 2015, the Agreement was terminated with mutual consent.

	Note	2016 (Rupees)	2015 (Rupees)
13. COST OF SERVICES			
Salaries and other benefits	13.1	-	20,454,148
Employee old age benefits		-	52,160
Travelling and related expenses		-	175,225
		-	20,681,533

13.1 This includes Rs. nil (2015: Rs. 14.10 million) in respect of charge for staff retirement benefits.

14/12/2016

Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2016

14. ADMINISTRATIVE AND GENERAL EXPENSES	Note	2016 (Rupees)	2015 (Rupees)
Salaries and other benefits	14.1	3,827,420	11,433,240
Consultancy and professional charges		871,760	2,980,000
Auditor's remuneration		200,000	200,000
Travelling and related expenses		7,483	172,140
Miscellaneous expenses		89,936	256,745
Printing, stationery and office supplies		44,200	596,921
Utilities		3,520	599,653
Bank charges		2,069	13,952
Office rent		-	1,630,648
Depreciation	9	-	1,196,186
Petrol and other transportation charges		-	270,491
Insurance expense		-	86,945
Entertainment charges		-	295,891
Repair and maintenance		-	467,864
		<u>5,046,388</u>	<u>20,200,676</u>

14.1 This includes Rs. 0.44 million (2015: Rs. 0.64 million) in respect of charge for staff retirement benefits.

16/11/16

Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2016

15. WELFARE EXPENSES	2016 (Rupees)	2015 (Rupees)
<i>Donation for:</i>		
- Construction of FF Complex in Sindh	4,516,000	69,557,171
- Earthquake relief package	-	8,133,800
- Construction of teachers' hostel	11,257,000	-
- Construction of road & laying of sewerage line in Basti Khai	-	10,196,327
- Construction of Sona College (Computer Section), Mirpur Mathelo	-	8,966,276
- Uplift of Village Sukhu	-	12,982,250
- Implantation of Transcatheter Aortic Valve in NIHD/AFIC	-	14,000,000
- Construction of MP Hall TTC Dharki	11,648,239	12,904,762
- Rehabilitation of Govt Boys High School MM	4,075,091	5,252,803
- Rehabilitation of Govt Primary School Khattian	2,000,000	-
- Installation of water plant and solar system at Terpai Multan	3,152,900	3,365,250
- Construction of School at Wahid Baksh Maher	-	13,498,579
- Rehabilitation of Keenjar Lake	2,012,500	5,337,500
- 30 seater bus to Munir Arshad Trust	5,900,000	-
- Rehabilitation and re-surfacing of road from village Kori Wala to village Kamal Khan Mahar	-	3,879,700
- Installation of water filtration plant at DI Khan	-	2,360,000
- Construction of Govt Girls High School Tanda Ghambir AJK	-	1,998,000
- Installation of water filtration plant at Zafarwal	-	2,000,000
- Indus river blind dolphin conversation program	-	1,000,000
<i>Donation to:</i>		
- Sona Welfare Society, Mirpur Mathelo	43,950,000	-
- Fauji Foundation for Yaum-e-Shuhada Ceremony	31,500,000	-
- Hazrat Bilal Trust Hospital	8,000,000	-
- Pakistan Armed Services Board	5,000,000	-
- Abdul Razzaq Welfare Trust and Special Education Academy	4,737,000	-
- Pakistan Poverty Alleviation Fund	1,220,000	-
- Helpcare Society	1,000,000	-
Miscellaneous welfare activities	29,056,998	16,304,761
	<u>169,025,728</u>	<u>191,737,179</u>

15.1 Selection of recipients of financial assistance from both restricted and un-restricted grants of Sona Welfare Foundation ("SWF") is done by the Corporate Social Responsibility ("CSR") Department of Fauji Fertilizer Company Limited ("FFC"). Further, the selection of vendors/contractors alongwith monitoring and evaluation of welfare projects is also done by CSR Department of FFC on behalf of SWF. Volunteer services to SWF are being rendered by mangement and other staff of CSR & Finance Departments of FFC.

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Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2016

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:

	2016 (Rupees)	2015 (Rupees)
Bank balances	194,719,198	252,224,731

Geographically there is no concentration of credit risk. As at the year end the Foundation's most significant receivable was with Banks of Rs. 194.7 million (2015: Rs. 252.22 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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Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2016

16. FINANCIAL INSTRUMENTS (CONTINUED)

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)			
2016				
Accrued and other liabilities	2,482,658	(2,482,658)	(2,482,658)	-
2015				
Accrued and other liabilities	11,001,572	(11,001,572)	(11,001,572)	-

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	
	2016	2015
	(Rupees)	(Rupees)
Fixed rate instruments		
<i>Financial assets</i>		
Bank balances	194,142,689	251,695,333

16.3.2 Currency Risk Management

The Foundation is not exposed to currency risk.

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Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2016

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.

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Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2016

17 DETERMINATION OF FAIR VALUES (CONTINUED)

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, 2016							
Financial assets not measured at fair value							
Bank balances	-	194,719,198	-	194,719,198	-	-	-
Financial liabilities not measured at fair value							
Accrued and other liabilities	-	-	2,482,658	2,482,658	-	-	-
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	-	-	-

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Sona Welfare Foundation
 Notes to the Financial Statements
 For the year ended 31 December 2016

18. TRANSACTIONS WITH RELATED PARTIES

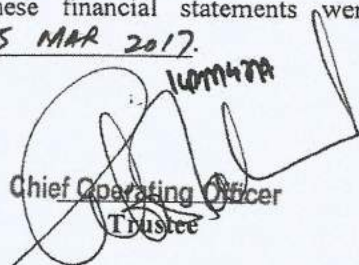
Related parties comprise of trustees, key management personnel and entity with significant influence over the Foundation. Transactions with related party are as follows:

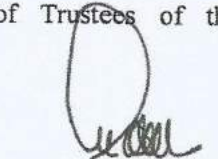
	2016 (Rupees)	2015 (Rupees)
Entity with significant influence over the Foundation		
Grants received during the year- net	<u>116,434,692</u>	<u>49,279,301</u>
Services provided during the year	<u>-</u>	<u>22,817,404</u>
Payments made during the year	<u>-</u>	<u>6,196,357</u>
Other related party		
Donations paid during the year to Sona Welfare Society	<u>43,950,000</u>	<u>-</u>

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 15 MAR 2017.


 Chief Operating Officer
 Trustee


CHAIRMAN
 Trustee