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

Opinion

We have audited the financial statements of Sona Welfare Foundation (the Foundation), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in surplus and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sona Welfare Foundation as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Board of Trustees is responsible for the preparation and fair presentation of the financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan, and for such internal control as the Board of Governors determines is necessary to enable the preparation of financial

In preparing the financial statements, the Board of Trustees is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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KPMG TASEER HADI & Co.
CHARTERED ACCOUNTANTS

Engagement Partner: Riaz Pesnani

19 July 2019
ISLAMABAD

Sona Welfare Foundation
Statement of Financial Position
As at 31 December 2018

	<i>Note</i>	2018 (Rupees)	2017 (Rupees)		<i>Note</i>	2018 (Rupees)	2017 (Rupees)
ACCUMULATED SURPLUS		23,036,392	19,860,473				
NON-CURRENT LIABILITIES							
Restricted grant	4	74,862,054	102,441,986				
CURRENT LIABILITIES				CURRENT ASSETS			
Accrued and other liabilities	5	1,148,081	1,196,457	Advance income tax	7	9,813,924	9,162,223
				Bank balances	8	89,232,603	114,336,693
TOTAL SURPLUS AND LIABILITIES		<u>99,046,527</u>	<u>123,498,916</u>	TOTAL ASSETS		<u>99,046,527</u>	<u>123,498,916</u>
CONTINGENCIES AND COMMITMENTS	6						

The annexed notes from 1 to 12 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 2018

	2018 (Rupees)	2017 (Rupees)
Income		
Amount transferred from restricted grant	110,897,282	158,706,604
Interest income from bank deposits	6,459,281	7,866,696
Expenditure		
Administrative and general expenses	(340,245)	(1,125,608)
Welfare expenses	(113,840,399)	(180,745,441)
Surplus/(deficit) for the year	<u>3,175,919</u>	<u>(15,297,749)</u>
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u><u>3,175,919</u></u>	<u><u>(15,297,749)</u></u>

The annexed notes from 1 to 12 form an integral part of these financial statements.

Moody
 Chief Operating Officer
 Trustee

Engelhas
 CHAIRMAN
 Trustee

Sona Welfare Foundation
Statement of Cash Flows
For the year ended 31 December 2018

	2018	2017
	(Rupees)	(Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus / (deficit) for the year	3,175,919	(15,297,749)
Adjustments for:		
Interest income from bank deposits	(6,459,281)	(7,866,696)
Restricted grant recognized as income	(110,897,282)	(158,706,604)
Changes in:		
Accrued and other liabilities	(48,376)	(1,286,201)
Cash used in operating activities	(114,229,020)	(183,157,250)
Interest received	6,459,281	7,866,696
Taxes paid	(651,701)	(786,669)
Net cash used in operating activities	(108,421,440)	(176,077,223)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash generated from investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant received during the year	83,317,350	95,694,718
Net cash from financing activities	83,317,350	95,694,718
Net decrease in cash and cash equivalents	(25,104,090)	(80,382,505)
Cash and cash equivalents at beginning of the year	114,336,693	194,719,198
Cash and cash equivalents at end of the year	89,232,603	114,336,693

Note

The annexed notes from 1 to 12 form an integral part of these financial statements.

Anshu
CHAIRMAN
Trustee

Manoj
Chief Operating Officer
Trustee

Sona Welfare Foundation
 Statement of Changes in Surplus
 For the year ended 31 December 2018

	2018	2017
	(Rupees)	(Rupees)
Accumulated surplus at beginning of the year	19,860,473	35,158,222
Total comprehensive income for the year	3,175,919	(15,297,749)
Accumulated surplus at end of the year	23,036,392	19,860,473

The annexed notes from 1 to 12 form an integral part of these financial statements.

[Signature]
 Chief Operating Officer
 Trustee

[Signature]
 CHAIRMAN
 Trustee

Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2018

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. Operations 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 accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of: International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB); and Accounting Standard for Not for Profit Organisations (NPOs) issued by Institute of Chartered Accountants of Pakistan, as are notified by the Securities and Exchange Commission of Pakistan.

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.

Sona Welfare Foundation

Notes to the Financial Statements

For the year ended 31 December 2018

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 judgements 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) of 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 Income recognition

Unrestricted grant

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

Restricted grant

Grants received to undertake the welfare activities are initially recognised as restricted grant and are 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 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 statement of comprehensive income.

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 statement of comprehensive income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.



Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2018

4. RESTRICTED GRANT

2018 - (Rupees)				
FFC	GlobalGiving	Individuals	Technical Training Center - Jhampir	Total
Note 4.1.1	Note 4.1.2	Note 4.1.3	Note 4.1.4	

Balance at 01 January 2018
102,149,986
Grant received during the year - net
80,392,350
Transferred to income
(107,691,491)
and expenditure account
74,850,843
Balance at 31 December 2018
(110,897,282)

Balance at 01 January 2017
165,453,872
Grant received during the year - net
93,476,434
Transfers
126,000
Transferred to income
156,906,322
and expenditure account
102,149,984
Balance at 31 December 2017
(158,706,604)

2017 - (Rupees)				
165,453,872	-	-	-	165,453,872
93,476,434	189,329	1,472,955	430,000	95,568,718
126,000	-	-	-	126,000
(156,906,322)	(189,329)	(1,472,955)	(137,998)	(158,706,604)
102,149,984	-	-	292,002	102,441,986

4.1.1 In 2017, Rs. 96,000 and Rs. 30,000 were transferred from retention money payable to M/s Lucky Builders (construction works at Government Girls Primary School Wahid Baksh Lahar) and to M/s So Safe Water Technologies (Water Supply Scheme Kenjar Lake, Jhampir) respectively.

4.1.2 The Foundation raised Rs. 189,329 during 2017 using GlobalGiving, a US-based non-profit online crowdfunding platform, whereby individuals donated funds to the Foundation for financial assistance of students under projects managed through Sona Welfare Society, Mirpur Mathelo, Sindh.

4.1.3 This represents restricted funds received from individuals for Hazrat Bilal Trust Hospital, Goth Machi, Punjab.

4.1.4 This represents restricted funds received for technical training center run by FFC Energy Limited in Jhampir, Sindh. Funds received during the year include Rs. 2,175,000, Rs. 700,000 and Rs. 50,000 from FFC Energy Limited, Descon Power Solution (Pvt) Limited and Beybani Construction Company, respectively.

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Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2018

	2018	2017
5. ACCRUED AND OTHER LIABILITIES		
Auditors' remuneration	200,000	200,000
Retention money	948,081	996,457
	<u>1,148,081</u>	<u>1,196,457</u>
6. CONTINGENCIES AND COMMITMENTS		
6.1 There are no contingencies at the year end (2017: Nil).		
6.2 Commitment for welfare activities spending	13,154,113	22,580,056
7. ADVANCE INCOME TAX		
This represents advance income tax paid by the Foundation on bank deposits in savings accounts with scheduled banks.		
8. BANK BALANCES		
Local currency current account	1,319,525	4,753,691
Local currency saving accounts	87,913,078	109,583,002
	<u>89,232,603</u>	<u>114,336,693</u>
8.1 These carry interest rate of 4.5% - 9.25% (2017: 4.5% - 5%) per annum.		
9. ADMINISTRATIVE AND GENERAL EXPENSES		
Consultancy and professional charges	31,500	862,850
Auditors' remuneration	200,000	200,000
Miscellaneous expenses	74,572	12,538
Printing, stationery and office supplies	32,963	48,850
Bank charges	1,210	1,370
	<u>340,245</u>	<u>1,125,608</u>
9.1 Auditors' remuneration	200,000	200,000
9.1 Statutory audit		

200,000

Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2018

10. WELFARE EXPENSES

	2018	2017
	(Rupees)	(Rupees)
<i>Donation for:</i>		
- Construction of vocational training center, Goth Machi	8,900,000	8,900,000
- Technical Training Center, Jhampir, Sindh	3,205,791	137,998
- Agriculture Value Chain Project	8,994,000	4,716,600
- 1x Air Conditioned Van to SOS Village Rawalpindi	-	3,880,000
- Student Scholarship Ward of Farmers	3,282,000	3,083,440
- Dowry Assistance Program, Goth Machi	1,000,000	1,225,000
- School Adoption Program	4,703,212	3,958,588
- Sponsorship of national hockey junior squad	700,000	1,500,000
- Annual Golf Tournament	1,200,000	1,000,000
- Financial Assistance Humanitarian Grounds	1,184,500	-
- Construction of classroom Ahmedpur Lamma	2,500,000	-
- Provision of sewerage line and brick soiling for Bilal Colony, Tehsil Sadigabad	6,625,106	-
- Environmental conservation activities, Goth Machi	1,000,000	-
- Sona Urea 7s rugby championship	1,000,000	-
<i>Donation to:</i>		
- Sona Welfare Society, Mirpur Mathelo	35,171,250	41,776,329
- Fauji Foundation for Yaum-e-Shuhada Ceremony	20,000,000	54,000,000
- Hazrat Bilal Trust Hospital	8,000,000	9,472,955
- Raj Buksh Trust Model School	-	10,000,000
- Al Shifa Eye Trust Hospital	-	3,684,000
- NUST Trust Fund	-	2,000,000
- Heartfile	-	1,000,000
- Foundation University	3,503,687	-
- Pink Ribbon Pakistan	1,000,000	-
- Pakistan Kidney Patients Association	1,000,000	-
- Representatives of project committees for:	1,000,000	-
- Renovation of St Paul's Church, Rawalpindi	-	3,364,000
- Uplift of mosque - Nohanwali district, Muzafargarh	-	1,500,000
- Upgradation of water supply scheme Sauwal, Tehsil PD Khan	-	13,647,000
- Community uplift work in Saiban Hills, Bharakhan	-	2,466,543
Miscellaneous welfare activities	8,834,347	9,432,988
	<u>113,840,399</u>	<u>180,745,441</u>

Sona Welfare Foundation
Notes to the Financial Statements
For the year ended 31 December 2018

11. TRANSACTIONS WITH RELATED PARTIES

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

	2018	2017
	(Rupees)	(Rupees)
Entity with significant influence over the Foundation	80,392,350	93,476,434
Grants received during the year - net		
Others		
Donations paid during the year to Sona Welfare Society	35,171,250	41,776,329
Donations paid during the year to Fauji Foundation	20,000,000	54,000,000
Grants received during the year - net	2,022,982	430,000

12. GENERAL

12.1 Figures have been rounded off to the nearest Rupee.

12.2 These financial statements were approved by the Board of Trustees of the Foundation on
7 9 JUL 2018
7 0 III 2018
Chief Operating Officer
Trustee

CHAIRMAN
Trustee

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