

RSM Avais Hyder Liaquat Nauman  
Chartered Accountants

REF: RSM/KHI/AUD/15-16/ 599

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November 09, 2015

The Board of Directors  
Indus Crafts Foundation  
Khairpur

Dear Sir(s) & Ma'am

#### FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

We are pleased to enclose four copies of the financial statements of Indus Crafts Foundation as at June 30, 2015 together with our report thereon duly initialed by us for the purpose of identification. We shall be pleased to sign our report, in present of modified form, after:

- the financial statements of the Company have been approved by the Board of Directors and signed by Chief Executive and one other Director authorized in this behalf.
- we have received a management representation letter duly signed by Chief Executive and Chief Financial Officer / Manager Finance authorized in this behalf.
- we have received certified true copy of "minutes of meeting of Board of Directors" relating to the approval of the above financial statements for the year ended June 30, 2015.
- we have received specific representations regarding the existence of the advances given to artisans amounting to Rs. 487,980/- and that the company consider these to be recoverable.

#### Responsibilities of Auditors and the Management in relation to the Financial Statements

- The responsibilities of the independent auditors in a usual examination of financial statements are stipulated in Section 255 of the Companies Ordinance, 1984 and International Standards on Auditing.

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- While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for preparation of such statements is primarily that of the management of the Company. The management's responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the company and prevention and detection of frauds and irregularities. The audit of the financial statements does not relieve the management of its responsibilities. Accordingly, our examination of books of account and records should not be relied upon to disclose all errors or irregularities.

We would like to place on record the appreciation of cooperation extended to us by the management during the course of our audit.

Yours truly,

*PSM Ravi Kumar Thydeekhiquabba*  
Chartered Accountants

## **ASSURANCE DEPARTMENT**

**INDUS CRAFTS FOUNDATION  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

RSM Avais Hyder Liaquat Nauman  
Chartered Accountants  
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### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Indus Crafts Foundation as at June 30, 2015 and the related profit and loss account, cash flow statement and statement of changes in general fund, together with the notes forming part thereof, for the period then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies applied;
  - (ii) the expenditure incurred during the period was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the company;

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- (c) in our opinion, the balance sheet, profit and loss account, cash flow statement and statement of changes in general fund together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and the profit for the period, its cash flows, and changes in general fund for the period then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

*Adnan Zaman*  
Chartered Accountants  
Karachi.

Date: 09 NOV 2015

Engagement Partner: Adnan Zaman

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**INDUS CRAFTS FOUNDATION  
BALANCE SHEET  
AS AT JUNE 30, 2015**

	Note	2015 Rupees	2014 Rupees
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	1,380,537	1,430,202
Intangible assets	5	204,406	-
Long term investment	6	9,990,078	9,990,078
<b>Current assets</b>			
Stock in hand - finished handicrafts		713,491	875,710
Debtors		12,270	43,900
Advances to staff		553,460	771,629
Deposits	7	394,400	394,400
Advance tax		211,706	104,051
Cash and bank balances	8	5,145,702	2,769,698
		7,031,029	4,959,388
<b>Total assets</b>		<b>18,606,050</b>	<b>16,379,668</b>
<b>GENERAL FUND &amp; LIABILITY</b>			
General fund		2,762,885	1,381,904
Endowment fund		10,000,000	10,000,000
Deferred grant	9	5,154,122	4,319,787
		17,917,007	15,701,691
<b>Current liabilities</b>			
Other payables	10	228,716	415,590
Provision for taxation		460,327	262,387
		689,043	677,977
<b>Total funds and liabilities</b>		<b>18,606,050</b>	<b>16,379,668</b>

The annexed notes 1 to 18 form an integral part of these financial statements.

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Chairman

  
Director

**INDUS CRAFTS FOUNDATION  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2015**

		<b>2015</b>	<b>2014</b>
	<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
<b>Income</b>			
Grants	9	5,715,865	4,493,549
<b>Expenditure</b>			
Donor's expenditure	11	(5,715,865)	(4,493,549)
Other operating expense		(75,000)	(75,000)
		(5,790,865)	(4,568,549)
Other Income	12	1,916,308	1,377,221
Profit before taxation		<hr/> 1,841,308	<hr/> 1,302,221
<b>Taxation</b>			
- current		(460,327)	(313,544)
- prior		-	51,157
		(460,327)	(262,387)
Profit after taxation		<hr/> 1,380,981	<hr/> 1,039,834

The annexed notes 1 to 18 form an integral part of these financial statements.

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Chairman

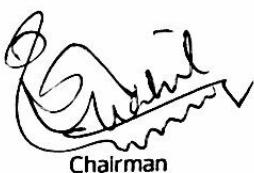


Director

INDUS CRAFTS FOUNDATION  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		1,841,308	1,302,221
Adjustment for non cash items:			
Depreciation	4.1	454,505	298,527
Amortization		100,678	-
		<u>2,396,491</u>	<u>1,600,748</u>
<b>Working capital changes</b>			
Decrease / (Increase) in debtors		31,630	(25,500)
Decrease / (Increase) in advance to staff		219,769	(290,518)
Decrease / (Increase) in deposits		-	(329,246)
Decrease / (Increase) in stock in hand		162,218	(645,880)
(Decrease) / Increase other payables		(186,874)	354,940
		<u>226,743</u>	<u>(936,204)</u>
Tax paid		(371,641)	(138,382)
Grant utilized in operating activities	9	<u>(5,715,865)</u>	<u>(4,493,549)</u>
Net cash (used in) operating activities (A)		<u>(3,464,272)</u>	<u>(3,967,388)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Grant utilized for purchase of fixed asset		(404,840)	(499,349)
Purchase of intangible asset		(305,084)	-
Investment made in Pakistan investment bonds		-	(9,990,078)
Net cash (used in) investing activities (B)		<u>(709,924)</u>	<u>(10,489,427)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Deferred grant		6,550,200	4,860,000
Endowment fund received		-	<u>10,000,000</u>
Net cash generated from financing activities (C)		<u>6,550,200</u>	<u>14,860,001</u>
Net increase in cash and cash equivalents (A+B+C)		<u>2,376,004</u>	<u>403,186</u>
Cash and cash equivalents at the beginning of the year		2,769,698	2,366,512
Cash and cash equivalents at the end of the year		<u>5,145,702</u>	<u>2,769,698</u>

The annexed notes 1 to 18 form an integral part of these financial statements.



Chairman



Director

**INDUS CRAFTS FOUNDATION**  
**STATEMENT OF CHANGES IN GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>General Fund</b>	<b>Profit for the year Rupees</b>	<b>Total</b>
<b>Balance as at June 30, 2013</b>	342,070	-	342,070
<b>Profit for the year</b>	-	1,039,834	1,039,834
<b>Transfer to general fund</b>	1,039,834	(1,039,834)	-
<b>Balance as at June 30, 2014</b>	1,381,904	-	1,381,904
<b>Profit for the year</b>	-	1,380,981	1,380,981
<b>Transfer to general fund</b>	1,380,981	(1,380,981)	-
<b>Balance as at June 30, 2015</b>	<b>2,762,885</b>	-	<b>2,762,885</b>

The annexed notes 1 to 18 form an integral part of these financial statements.

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Director

**INDUS CRAFTS FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**1. STATUS AND NATURE OF BUSINESS**

Indus Crafts Foundation is a company limited by Guarantee, incorporated in Pakistan under section 42 of the Companies Ordinance 1984 on 4th June 2012. The company's registered office is located at Khalpur Mirs Sindh, Pakistan. The principal activity of the company is to promote handicrafts, poverty alleviation and women empowerment. The Organization is a not-for-profit association in accordance with section 42 of the Companies Ordinance, 1984.

**2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Approved accounting standards comprise of such International Accounting Standards (IAS) / IFRS as notified under the provision of Companies Ordinance, 1984. Whenever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Basis of preparation**

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective policies and notes given hereunder.

**3.2 Significant Accounting Estimates and Judgments**

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

**3.3 Property, plant and equipments**

These are stated at cost less accumulated depreciation, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation on

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additions is charged for the full month in which an asset is available for use and on deletions up to the month immediately preceding the month of deletion.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gain or loss on disposal, if any, is included in profit & loss account currently.

#### **3.4 Intangible assets**

Intangible assets acquired having finite useful life are capitalized at cost and stated at cost less amortization. The rate of amortization is 33% applying straight line method.

Amortization on additions is charged from the month during which the asset is put to use or acquired. For disposals during the year, amortization is charged up to the month preceding the month of disposal.

#### **3.5 Investments**

Investments are classified as held to maturity, which are securities with a fixed maturity that the Fund has the intention and ability to hold until maturity.

All investments are initially recorded at cost. Held to maturity investments are subsequently carried at amortized cost using the effective interest rate method.

Profit on investment is accrued on the basis effective yield of respective investments and is shown net of tax with held, if any.

#### **3.6 Stock in trade**

Stocks are valued at the lower of cost and net realizable value except for stock in transit which is valued at invoice price and related expenses incurred up to the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business less net of estimated cost of completion and selling expenses.

#### **3.7 Taxation**

Current tax expense represents current tax expense. Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates, if any.

Deferred tax where applicable is accounted for using the balance sheet method.

#### **3.8 Trade and other receivables**

Trade and other receivables are stated at estimated realizable value after each debt has been considered individually.

88

**3.9 Cash and cash equivalent**

Cash and cash equivalents comprised cash in hand & cash with banks on savings and current accounts.

**3.10 Staff provident fund**

The Company operates an unrecognized provident fund for all eligible employees and contributions to the provident fund are made at the rate of 5% of the gross salary of employees.

**3.11 Accrued and other payable**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

**3.12 Revenue recognition**

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of revenue and the associated cost incurred or to be incurred can be measured reliably, on the following bases:

(a) Grant income

The grant is recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

(b) Sales of goods

Sale of goods is recognized when the goods are delivered and the risks and rewards of ownership have passed to the customer.

(c) Interest income

Profit on saving account is recognized on receipt basis.

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#### 4 PROPERTY, PLANT AND EQUIPMENT

	Office equipments	Office furniture	Vehicles	Total
<b>Year ended June 30, 2015</b>				
Opening net book values	706,107	124,088	600,006	1,430,202
Additions	353,990	50,850	-	404,840
Disposals	-	-	-	-
Depreciation charge	(257,289)	(44,023)	(153,193)	(454,505)
<b>Closing net book values</b>	<b>802,808</b>	<b>130,915</b>	<b>446,813</b>	<b>1,380,537</b>

	Office equipments	Office furniture	Vehicles	Total
<b>At June 30, 2015</b>				
Cost	1,204,739	236,371	765,965	2,207,075
Accumulated depreciation	(401,931)	(105,456)	(319,152)	(826,539)
Net book value	<b>802,808</b>	<b>130,915</b>	<b>446,813</b>	<b>1,380,536</b>
Depreciation rates	25%	20%	20%	

	Office equipments	Office furniture	Vehicles	Total
<b>Year ended June 30, 2014</b>				
Opening net book values	314,988	161,193	753,199	1,229,380
Additions	499,349	-	-	499,349
Disposals	-	-	-	-
Depreciation charge	(108,230)	(37,105)	(153,193)	(298,527)
<b>Closing net book value</b>	<b>706,107</b>	<b>124,089</b>	<b>600,006</b>	<b>1,430,202</b>

	Office equipments	Office furniture	Vehicles	Total
<b>At June 30, 2014</b>				
Cost	850,749	185,521	765,965	1,802,235
Accumulated depreciation	(144,642)	(61,433)	(165,959)	(372,033)
Net book value	<b>706,107</b>	<b>124,088</b>	<b>600,006</b>	<b>1,430,202</b>
Depreciation rates	25%	20%	20%	

##### 4.1 Depreciation charge has been allocated as follows:

	2015	2014
	Rupees	Rupees
Development fund	122,716	80,324
NARA Fund	245,433	218,203
NASA Fund	86,356	-
	<b>454,505</b>	<b>298,527</b>

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	Note	2015 Rupees	2014 Rupees
<b>5 INTANGIBLE ASSET</b>			
Cost		305,084	-
Amortization charged @ 33%		(100,678)	-
		<u>204,406</u>	<u>-</u>
<b>6 LONG TERM INVESTMENT - HELD TO MATURITY</b>			
Pakistan Investment Bond	6.1	<u>9,990,078</u>	<u>9,990,078</u>
<b>6.1</b> It carries rate of return at the rate of 11.25% per annum and its maturity period is for 3 years.			
<b>7 DEPOSITS</b>			
Security deposits		182,000	182,000
Prepaid rent		212,400	212,400
		<u>394,400</u>	<u>394,400</u>
<b>8 CASH AND BANK BALANCES</b>			
Cash in hand		32,583	6,390
Cash at banks			
- savings account	8.1	3,038,546	1,563,551
- current account		2,074,573	1,199,757
		5,113,119	2,763,308
		<u>5,145,702</u>	<u>2,769,698</u>

8.1 Savings account carries interest rate ranging from 5.50% to 8% per annum (2014: 6.50% to 8% per annum).

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## 9 DEFERRED GRANTS

	NARA Fund 9.1	Development Fund 9.2	NCFC 9.3	BBSYDP 9.4	Total
	Rupees				
<b>Balance as at June 30, 2013</b>	(36,807)	3,990,143	-	-	3,953,336
Grants received from government	4,860,000	-	-	-	4,860,000
Grants utilized during the period	(3,900,199)	(593,350)	-	-	(4,493,549)
<b>Balance as at June 30, 2014</b>	922,994	3,396,793	-	-	4,319,787
Grants received from government	4,000,000	-	2,500,000	50,200	6,550,200
Grants utilized during the year	(3,416,920)	(1,459,678)	(835,816)	(3,451)	(5,715,865)
<b>Balance as at June 30, 2015</b>	<b>1,506,074</b>	<b>1,937,115</b>	<b>1,664,184</b>	<b>46,749</b>	<b>5,154,122</b>

- 9.1 NARA Crafts person capacity building and handi craft promotion. This represents grant received from the Government of Sindh for the purpose of development of the handicrafts sector of Kharipur District.
- 9.2 This represents grant received from Government of Sindh for the purpose of capacity building, handicraft promotion and development of handicraft sector of Kharipur District.
- 9.3 Nara Crafts Finishing Center (NCFC) grant received from district administration Kharipur for the purpose to create sustainable livelihood opportunities for crafts persons of the district through utilization of their folk wisdom and skill through design development and finishing of the products items according to national & international market demand level in Kharipur.
- 9.4 Benazir Bhutto Shaheed Youth Development Program (BBSYDP) grant received from Government of Sindh for the purpose to enable the trainee to make creative designs in Embroidery and prepare dresses by using these embroidery stitches. Identifying new opportunities in crafts, textile art and Fashion and design markets. Produce trainees capable of designing embroidery by different stitches.

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		2015 Rupees	2014 Rupees
<b>10 OTHER PAYABLES</b>			
Auditors' fee		75,000	75,000
Payable to chief executive officer		2,000	12,000
Withholding tax payable		922	22,684
Other payable		-	48,282
Salaries and wages payable		723	257,623
Provident Fund Deductions		<u>150,071</u>	-
		<u>228,716</u>	<u>415,590</u>
<b>11 DONOR WISE PROJECT EXPENDITURES</b>			
Development fund	11.1	1,459,678	593,350
NARA fund	11.2	3,416,920	3,900,199
NCFC fund	11.3	835,816	-
BBSYDP fund		3,451	-
		<u>5,715,865</u>	<u>4,493,549</u>
<b>11.1 Development fund</b>			
Salaries & wages		24,396	16,500
Office rent		75,604	-
Communication expenses		10,340	8,440
Exhibition expenses		32,093	-
Repairs and maintenance		2,000	-
Freight and transportation		56,315	-
Legal and professional fees		393,945	191,931
Office stationary		16,217	6,740
Office supplies		1,160	1,585
Depreciation	4.1	122,716	80,324
Packaging expenses		20,910	29,250
Postage, mailing service		294	12,994
Printing and copying		-	39,309
Utilities expenses		9,496	-
Advertising expenses		13,000	43,952
Bank charges		2,344	2,500
Boarding and lodging		69,670	3,142
Training expenses		5,300	-
Meeting and refreshments		31,893	10,645
Travel and parking		52,132	43,059
Penalties and fines		-	1,711
Miscellaneous expense		2,100	27,948
Sample development expense		301,926	73,320
Employer Contributions-CP Fund		115,149	-
Amortization		<u>100,678</u>	-
		<u>1,459,678</u>	<u>593,350</u>

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	2015 Rupees	2014 Rupees
	Note	
<b>11.2 NARA fund</b>		
Salaries & wages expenses	2,113,249	2,290,191
Office rent	288,995	401,480
Communication expenses	40,130	50,270
Freight and transportation	-	36,466
Islamabad outlet expenses	63,667	13,356
Office stationary	25,106	49,869
Office supplies	6,792	37,179
Depreciation	4.1 245,433	218,203
Packaging expenses	19,450	5,785
POL expenses	103,319	199,623
Postage, mailing service	53,220	26,287
Printing and copying	2,477	8,413
Repair & maintenance	40,532	50,755
Utilities expenses	78,678	61,694
Office renovation	-	9,375
Meeting and refreshments	205,920	43,034
Travel and parking	36,443	206,885
Staff development	-	91,185
Boarding and lodging	-	10,534
Miscellaneous expense	12,091	444
Exhibition expenses	-	62,810
Sample development Expense	61,598	26,361
Advertising expenses	19,820	-
	<u>3,416,920</u>	<u>3,900,199</u>

<b>11.3 NCFC fund</b>		
Office Stationary	7,385	-
Office Supplies	16,477	-
Packaging expenses	3,830	-
POL Expenses	25,797	-
Postage, Mailing Service	550	-
Printing and Copying	3,807	-
Repair & Maintenance	5,600	-
Salaries & Wages Expense	663,420	-
Utilities expenses	6,552	-
Miscellaneous Expenses	715	-
Depreciation	4.1 86,356	-
Travel and Meetings	14,757	-
Travel and Meetings:Travel & Parking	570	-
	<u>835,816</u>	<u>-</u>

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	Note	2015 Rupees	2014 Rupees
<b>12 OTHER INCOME</b>			
Interest income on PLS account		449,466	442,862
Profit on Pakistan investment bonds		1,109,263	559,751
Income from sales of handicraft - Net		12.1 357,579	374,608
		<u>1,916,308</u>	<u>1,377,221</u>
<b>12.1 Income from sales of handicraft - Net</b>			
Sales		1,257,845	847,179
Less: Cost of sales			
Opening balances		875,710	387,743
Purchases		738,047	960,538
Closing balances		(713,491)	(875,710)
		<u>(900,266)</u>	<u>(472,571)</u>
		<u>357,579</u>	<u>374,608</u>

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**13 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

**13.1 Financial assets and financial liabilities**

Financial assets and financial liabilities for the year ended June 30, 2015 are stated below:

Description	2015			
	Interest / Mark-up bearing		Non-Interest bearing	
Rate of interest	Maturity up to one year	Maturity after 5 years	Maturity up to one year	Maturity after 5 years
<b>% age</b>				<b>Rupees</b>
<b>Financial assets</b>				<b>Rupees</b>
Long term investments	-	-	-	9,990,078
Stock in trade	-	-	-	713,491
Debtors	-	-	-	12,270
Advance to staff	-	-	-	553,460
Deposits	-	-	-	394,400
Advance tax	-	-	-	211,706
Cash and bank balances	5.5% to 8%	3,038,546	2,107,156	5,145,702
		3,038,546	13,982,561	13,770,855
<b>Financial liabilities</b>				<b>16,809,401</b>
Other payables	-	-	228,716	228,716
			228,716	228,716
<b>On balance sheet Gap</b>				<b>228,716</b>
				<b>228,716</b>
3,038,546	-	3,038,546	13,753,846	13,542,140
				<b>16,580,686</b>

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Description	2014				
	Interest / Mark-up bearing			Non-Interest bearing	
	Rate of interest	Maturity up to one year	Maturity after one year and up to 5 years	Sub-total	Total

Description	Rupees				
	% age	Maturity up to one year	Maturity after 5 years	Sub-total	Total
Financial assets					
Long term investments	-	-	-	9,990,078	9,990,078
Stock in trade	-	-	-	875,710	875,710
Debtors	-	-	-	43,900	43,900
Advance to staff	-	-	-	771,629	771,629
Deposits	-	-	-	394,400	394,400
Advance tax	-	-	-	104,051	-
Cash and bank balances	6.5% to 8%	1,563,551	1,563,551	1,206,147	2,769,698
Financial Liabilities					
Other payables	-	-	-	415,590	415,590
On balance sheet Gap					

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## 14 FINANCIAL RISK MANAGEMENT

The Company finances its operations through donation. The Company utilises funds to promote handicrafts, poverty alleviation and women empowerment. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

### 14.1 MARKET RISK

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. The Company manages this risk through continuous monitoring of the market prices, market mark-up/profit rates and its mark-up/profit rates sensitivity position. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

#### 14.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

#### 14.1.2 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company manages price risk by monitoring and implementing the strict discipline in internal risk management and investment policies.

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

#### 14.1.3 Interest rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

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**14.2 CREDIT RISK**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk in respect of Trade debtors transactions.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

**14.3 LIQUIDITY RISK**

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The company finances its operations through donations.

**15 CAPITAL RISK MANAGEMENT**

There is no risk relating to capital management and the company has debt free structure.

**16 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of financial assets and financial liabilities is estimated to approximate their carrying amounts.

**17 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue in a meeting held on 09 NOV 2015.

**18 General**

18.1 Corresponding figures have been rearranged / reclassified for the purpose of better presentation and comparison. However, there is no major re-classification to report.

18.2 Figures have been rounded off to the nearest rupee.

*PLW*



Chairman



Director