

INDUS EARTH TRUST
Financial Statements
For the year ended 30 June 2017

Auditors' Report to the Trustees

We have audited the accompanying financial statements of **Indus Earth Trust** which comprise of the balance sheet as at **30 June 2017**, and the income and expenditure account, cash flows statement and statement of changes in general fund together with the notes forming part thereof ("here-in-after referred to as the financial statements") for the year then ended.

Managements Responsibilities for the financial statements

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

Auditor's Responsibilities

Our responsibility is to express an opinion on these 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 le assurance about whether the financial statements are free form material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depends on the auditors judgments 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 circumstance but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control . An audit also includes evaluating the appropriateness of the accounting polices uses and the reasonableness of accounting estimate made by 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 respect the financial position of the trust as at 30 June 2017 and of its surplus and cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of Mater

Without qualifying our opinion, we draw attention towards the note 1.2 to the financial statements which states that due to previous losses, the General Fund of the Trust has completely eroded with negative balance of Rs. 27,012,022 as at June 30, 2017 (2016: Rs. 29,675,940). The Trust's current liabilities exceed its current assets by Rs. 28,980,993 (2016: Rs. 31,748,979) as at the same date.

However, during the financial years ended 30 June 2016 and 2017, the Trust earned a surplus of Rs. 2,898,789. The management is confident that it will be able to reverse the losses and has formulated plans as explained in note 1.2 to the financial statements.

Date: **29 March 2018**
Karachi.

Junaidy Shoaib Asad

Chartered Accountants
Engagement Partner: Naveed Alam

INDUS EARTH TRUST**Balance Sheet****As At 30 June 2017**

	<i>Notes</i>	2017 ----- (Rupees) -----	2016 -----
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Property and equipment	3	1,593,394	1,640,537
Capital work in progress	4	260,000	260,000
Intangible assets	5	115,577	172,502
		1,968,971	2,073,039
CURRENT ASSETS			
Micro credit loan portfolio	6	-	-
Advances, deposits, pre-payments and other receivables	7	2,739,145	1,800,642
Cash and bank balances	8	8,923,441	30,281
		11,662,586	1,830,923
<i>Total assets</i>		13,631,557	3,903,962
<u>FUNDS AND LIABILITIES</u>			
FUNDS			
Accumulated deficit		(27,012,022)	(29,675,940)
CURRENT LIABILITIES			
Deferred grant	9	15,292,414	1,895,758
Borrowings under mark-up arrangements	10	4,669,570	4,669,570
Creditors, accrued expenses and other liabilities	11	14,353,751	12,206,749
Due to related parties		2,037,590	1,461,225
Short term loan	12	4,290,254	13,346,600
		40,643,579	33,579,902
CONTINGENCIES AND COMMITMENTS			
	13		
<i>Total equity and liabilities</i>		13,631,557	3,903,962

The annexed notes from 1 to 24 form an integral part of these financial statements.

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**INDUS EARTH TRUST
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2017**

	<i>Notes</i>	2017 ----- (Rupees) -----	2016 -----
INCOME			
Donations	15	9,166,241	101,809,730
Profit on PLS saving accounts		<u>120,164</u>	<u>239,073</u>
		9,286,405	102,048,803
EXPENDITURE			
Cost of projects	16	<u>(8,833,369)</u>	<u>(92,706,363)</u>
Operating surplus		453,036	9,342,440
Administrative expenses	17	(9,000,684)	(9,714,197)
Finance cost	18	<u>(9,968)</u>	<u>(38,428)</u>
		(8,557,616)	(410,185)
Other income	19	<u>11,221,534</u>	<u>645,065</u>
Surplus before taxation		2,663,918	234,880
Taxation		-	-
Surplus after taxation		<u><u>2,663,918</u></u>	<u><u>234,880</u></u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

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**INDUS EARTH TRUST
STATEMENT OF CHANGES IN GENERAL FUND
FOR THE YEAR ENDED 30 JUNE 2017**

	General Fund Rupees
Balance as at 01 July 2015	(29,910,820)
Surplus for the year	234,880
Balance as at 30 June 2016	<u>(29,675,940)</u>
Surplus for the year	2,663,918
Balance as at 30 June 2017	<u><u>(27,012,022)</u></u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

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**INDUS EARTH TRUST
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 ----- (Rupees) -----	2016 -----
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus before tax for the year		2,663,918	234,880
Adjustment for:			
Profit on PLS saving accounts		(120,164)	(239,073)
Gain on sale of fixed assets		(10,256)	-
Liabilities written back		(11,211,278)	(645,065)
Fixed assets written off		-	343,451
Bad debts written off		385,605	20,828
Amortization	5	56,926	27,500
Depreciation	3	286,834	316,248
		(10,612,333)	(176,111)
Working capital changes			
(Increase) / Decrease in current assets			
Advances, deposits, pre-payments and other receivables		(884,185)	11,215
Increase / (decrease) in current liabilities			
Deferred grant		15,292,414	(7,628,773)
Borrowings under mark-up arrangements		-	188,279
Creditors, accrued and other liabilities		2,147,001	10,000,546
Due to related parties		576,365	(3,014,061)
Short term loan		259,174	925,600
		18,274,954	471,591
Income tax paid		(439,923)	(310,540)
Net cash used in operating activities		9,002,431	219,820
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure	3	(274,435)	(155,650)
Purchase of Intangible asset	4	-	(200,000)
Proceeds from disposal of fixed asset		45,000	-
Profit received on saving accounts		120,164	239,073
Net cash generated from investing activities		(109,271)	(116,577)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in cash and cash equivalents		8,893,160	103,243
Cash and cash equivalents at the beginning of the year		30,281	(84,177)
Cash and cash equivalents at the end of the year	20	8,923,441	30,281

The annexed notes from 1 to 24 form an integral part of these financial statements.



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INDUS EARTH TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1 STATUS AND NATURE OF ACTIVITIES

- 1.1** Indus Earth Trust (The Trust) was constituted under the Trust Act - 1882 on October 02, 2002. The office of the Trust is situated at Mezzanine Floor, Plot No. 29-C, 24th Street, Tauheed Commercial Area, DHA Phase-V, Karachi. The purpose of the Trust is to build natural environment such as community development, tube wells, energy by wind, sun, biomass and micro hydro system, run and setup hospitals, clinics, schools and relief centres, rehabilitation centres for widows, stranded women and orphans, provide healthcare to public including financial assistance to needy and poor in urban and rural areas purely on non-profit basis.
- 1.2** Due to previous losses, the General Fund of the Trust has completely eroded with negative balance of Rs. 27,012,022 as at June 30, 2017 (2016: Rs. 29,675,940). The Trust's current liabilities exceed its current assets by Rs. 28,980,993 (2016: Rs. 31,748,979) as at the same date. However, during the financial years ending 30 June 2016 and 2017, the Trust earned surplus of Rs. 2,898,789. The management is confident that it will be able to reverse the accumulated losses in future years. The management is in the process of developing fund raising activities with various national and international donors including the following:

Donor	Amount	Status
- DAI (2nd Phase)	1,700,000	In process
- Habib Bank Limited	15,000,000	In process
- Coca Cola (2nd phase)	18,000,000	In process
- PPAF (Nurturing and mentoring)	9,000,000	Finalized
- PPAF(NPGP)	50,000,000	In process
- Ministry of food security and Research	30,000,000	Under negotiation

The management is considering various other development projects with Pakistan Poverty Alleviation Fund (PPAF). Further, the management asserts that the trustees will continue to their support in future.

- 1.3** The management believes that the above plans would result in favourable outcome in future for the continuity of the Trust. Accordingly, these financial statements have been prepared on going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprises of Guidelines for accounting and financial reporting by non-governmental Organization (NGOs) / Non-Profit Organization (NPOs) issued by the Institute of Chartered Accountants of Pakistan.

2.2 Basis of measurement

These financial statements have been prepared on the basis of historical cost convention.

2.3 Fixed assets

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

Depreciation on all property, plant and equipment is charged using the reducing balance method in accordance with the rates specified in note 3 to these financial statements.

Depreciation on additions is charged from the month in which the assets become available for use, while no depreciation is charged in the month of disposal.

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of fixed assets are included in income currently.

The management assesses at each balance sheet date whether there is any indication that a fixed asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount.

Intangible

These are stated at cost less accumulated amortization and impairment, if any.

Amortization charge is based on the straight line method whereby the cost of an asset is written-off over its estimated useful life.

2.4 Taxation

Income derived by the Trust from donations, voluntary contributions are currently exempt from income tax. However, any income generated from any business activity is taxable.

2.5 Income recognition

- Donations for trust operations are recognize as income as and when received.
- Donations received for specific purpose are deferred and recognized as income on systematic basis to match them with the related cost that they are in to compensate.
- Gain or loss on sale of investments are included in income and expenditure account on the date at which the transaction takes place.
- Dividend income is recognized when the right to receive dividend is established.
- Grants are recognized in profit or loss on a systematic basis over one or more years under income approach method
- Restricted revenue is recognized as income when the related cost is incurred whereas unrestricted revenue and donations are recognized on receipt basis.
- Mark-up on bank deposits and microfinance loan is recognized on accrual basis.

2.6 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to set-off the recognized amounts and the Trust intends to either settle on a net basis, or to realize the asset and settle the liability

2.7 Provisions and Accrued liabilities

Provisions are recorded when the Trust has a present obligation as a result of past events, which it is probable will result in an outflow of economic benefits and a reliable estimate of the amount of the obligation can be made.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise of cash and bank balances.

3 PROPERTY AND EQUIPMENT

Particulars	Land	Office equipment	Field equipment	Furniture and fixtures	Computer and other accessories	Vehicles	Total
COST							
As at 01 July 2016	-	446,281	310,589	652,911	591,220	1,465,900	3,466,901
Additions	-	142,860	-	-	131,575	-	274,435
Disposal / adjustments	-	-	-	-	-	(86,900)	(86,900)
As at 30 June 2017	-	589,141	310,589	652,911	722,795	1,379,000	3,654,436
ACCUMULATED DEPRECIATION							
As at 01 July 2016	-	210,681	190,550	419,932	382,871	622,330	1,826,364
Depreciation for the year	-	40,696	18,004	34,947	71,490	121,697	286,834
Disposal / adjustments	-	-	-	-	-	(52,156)	(52,156)
As at 30 June 2017	-	251,377	208,554	454,879	454,361	691,871	2,061,042
Written down value as at 30 June 2017	-	337,764	102,035	198,032	268,434	687,129	1,593,394

Particulars	Land	Office equipment	Field equipment	Furniture and fixtures	Computer and other accessories	Vehicles	Total
COST							
As at 01 July 2015	-	629,331	476,014	672,911	1,113,746	1,552,800	4,444,802
Additions	-	81,750	-	-	73,900	-	155,650
Disposal / adjustments	-	(264,800)	(165,425)	(20,000)	(596,426)	(86,900)	(1,133,551)
As at 30 June 2016	-	446,281	310,589	652,911	591,220	1,465,900	3,466,901
ACCUMULATED DEPRECIATION							
As at 01 July 2015	-	353,716	263,484	380,143	783,902	518,972	2,300,217
Depreciation for the year	-	34,867	21,183	41,114	70,219	148,865	316,250
Disposal / adjustments	-	(177,902)	(94,117)	(1,325)	(471,250)	(45,507)	(790,101)
As at 30 June 2016	-	210,681	190,550	419,932	382,871	622,330	1,826,364
Written down value as at 30 June 2016	-	235,600	120,039	232,979	208,349	843,570	1,640,537
Depreciation rate (per annum)	0%	30%	15%	15%	15%	15%	

Notes 2017 2016
----- (Rupees) -----

4 CAPITAL WORK IN PROGRESS

Advance against purchase of land	4.1	<u>260,000</u>	<u>260,000</u>
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- 4.1 This amount represents advance to Chief Operational Officer/Chief Executive Officer against purchase of a piece of land (situated at Mirpur Sakro Sindh), and it will be capitalized when the title of land will transfer to Trust's name.

5 INTANGIBLE ASSETS

Cost as at 01 July	427,533	227,533
Addition	-	200,000
Disposal / adjustments	-	-
Cost as at 30 June	427,533	427,533
Accumulated amortization as at 01 July	(255,031)	(227,531)
Amortization during the year	(56,926)	(27,500)
Disposal / adjustments	-	-
Accumulated amortization as at 30 June	(311,957)	(255,031)
Net book value as at 30 June	115,576	172,502
Amortization rate (per annum)	33%	33%

6 MICRO CREDIT LOAN PORTFOLIO

Out of funds obtained from Orangi Charitable Trust	1,231,971	1,231,971
Out of funds obtained from Trustee / Donor	3,906,994	3,906,994
	5,138,965	5,138,965
Less: provision for doubtful receivables		
opening balance	5,138,965	5,138,965
provided for the year	-	-
	(5,138,965)	(5,138,965)
Closing balance	-	-

- 6.1 The Trust provides microfinance loans to poor and needy persons (with in a range of Rs 10,000 to Rs 15,000 each), helping them to start and run their small businesses. The loan is receivable in 12 equal monthly instalments along with the amount of mark-up charged at the rate of 30%.

7 ADVANCES, DEPOSITS, PRE-PAYMENTS AND OTHER RECEIVABLES

Advance tax	717,422	663,104
Advances against projects	198,700	-
Short term deposits	300,000	300,000
Pre-payments	9,584	160,900
Loan to employees	313,669	318,213
Other receivables	1,199,770	358,425
	2,739,145	1,800,642

8 CASH AND BANK BALANCES

Cash in hand	8,885	11,573
Cash at banks:		
- in current accounts	23,508	7,284
- in saving accounts	8,891,048	11,424
	8,914,556	18,708
	8,923,441	30,281

	<i>Notes</i>	2017 ----- (Rupees) -----	2016 -----
9 DEFERRED GRANT			
Coca Cola Foundation	9.1	15,516,514	-
UBL Awaran	9.2	-	1,895,758
		<u>15,516,514</u>	<u>1,895,758</u>
9.1 This amount represents money donated by Coca Cola Foundation for construction of water reservoir, check dams and rehabilitation of dug wells in Kohistan, Sindh.			
9.2 This amount has been donated by United Bank Limited for Earth quake relief and rehabilitation efforts in Awaran District of Balochistan. This project was discontinued due to security concerns.			
10 BORROWINGS UNDER MARK-UP ARRANGEMENTS			
Orangi Charitable Trust		3,454,479	3,454,479
Borrowings from Donor / Trustee	10.1	1,215,091	1,215,091
		<u>4,669,570</u>	<u>4,669,570</u>
10.1 This represents outstanding balance of loan obtained from one of the Donor / Trustee for financing against micro credit activities.			
11 PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES			
Payable against projects		3,267,347	3,409,724
Accrued expenses		11,086,404	8,797,025
		<u>14,353,751</u>	<u>12,206,749</u>
12 SHORT TERM LOAN- Unsecured			
Short term loan	12.1	4,290,254	13,346,600
12.1 These represents interest free and unsecured loans obtained from trustees and are repayable on demand.			
13 CONTINGENCIES AND COMMITMENTS			
Contingencies			
The Trust has entered into contract with Nizam Energy Private Limited (“NEPL”) for the supply and installation of Solar Mini-Grids. NEPL has not completed the project in time. The Trust carried out audit of the services delivered and found that the NEPL is in breach of terms of agreement and the Trust may forfeit security deposit and impose penalty as per agreement on NEPL. The Trust has entered into negotiation with the NEPL for amicable solution of the above dispute. No adjustment has been made in these financial statements on the possible outcome of the negotiations.			
Commitments			
There were no commitments as at 30 June 2017 (2016: Nil)			
14 FUNDS FROM DONORS			
Restricted Income			
Pakistan Poverty Alleviation Fund (PPAF)		-	85,179,432
United Bank Limited - Awaran Project		-	6,635,531
United Nation Development Program (UNDP)		-	338,000
Habib Bank Limited - Solar Pump Project		2,500,000	-
Coca Cola - Water Reservoir check dams and dug wells		3,395,233	-
PFF-Livestock Management		2,469,730	-
		<u>8,364,963</u>	<u>92,152,963</u>

	Notes	2017 ----- (Rupees) -----	2016 -----
Unrestricted Income			
Pasha Fund		400,000	-
Mosque		100,000	-
Global Giving		54,639	-
Zakat		110,639	5,000
Others		136,000	6,809,129
		801,278	6,814,129
		9,166,241	98,967,092

16 COST OF PROJECTS

Particulars	Project Cost		Operational Cost		2017 ----- (Rupees) -----	2016 -----
	(Restricted)	(Unrestricted)	(Restricted)	(Unrestricted)		
SCAD	-	-	-	-	-	36,854,928
SCAD-PPPAF III	-	-	-	-	-	46,647,084
PPAF-STIPEND	-	-	-	-	-	166,000
PPAF DIGITAL HUB	-	-	-	-	-	1,511,420
UNDP	-	-	-	-	-	338,000
UBL Awaran	-	-	-	-	-	6,635,531
PFF-Livestock Management	2,469,730	-	-	-	2,469,730	-
HBL-Drinking Water	2,275,000	-	225,000	-	2,500,000	-
Coca Cola-Water for Women	1,711,253	6,000	1,678,000	-	3,395,253	-
Others	-	468,386	-	-	468,386	553,400
	6,455,983	474,386	1,903,000	-	8,833,369	92,706,363

16.1 DETAILS OF PROJECTS

<u>2017</u>		<u>2016</u>	
PFF	Pakistan FisherFolk Forum	SCAD	Sindh Coastal Area Development
HBL	Habib Bank Foundation	UNDP	United Nation Development Programme
Coca Cola	Coca Cola Foundation	UBL	United Bank Limited

	Notes	2017 ----- (Rupees) -----	2016 -----
17 ADMINISTRATIVE EXPENSES			
Salaries and other allowances		6,407,484	6,577,370
Traveling and transport		120,667	282,929
Office rent		516,000	452,000
Consultancy fee		-	5,000
Printing and stationery		21,289	177,466
Office supplies		14,631	24,003
Entertainment		28,850	32,000
Utilities		223,231	338,068
Repairs and maintenance		230,270	403,236
Depreciation	3	286,834	316,248
Amortization	5	56,925	27,500
Fixed assets - written off		-	343,451
Bad debts written off		385,605	20,828
Auditors' remuneration	17.1	133,800	133,800
Miscellaneous expenses		575,098	580,298
		<u>9,000,684</u>	<u>9,714,197</u>

17.1 Auditors' remuneration

Audit fee	110,000	110,000
Sindh Sales Tax @ 8%	8,800	8,800
Out of pocket expenses	15,000	15,000
	<u>133,800</u>	<u>133,800</u>

18 FINANCE COST

Mark-up on bank loan	-	17,354
Bank charges	9,968	21,074
	<u>9,968</u>	<u>38,428</u>

19 OTHER INCOME

Liabilities written back	11,211,278	1,647,865
Gain on sale of fixed assets	10,256	-
	<u>11,221,534</u>	<u>1,647,865</u>

20 CASH AND CASH EQUIVALENTS

Cash and bank balances	8	8,923,441	30,281
		<u>8,923,441</u>	<u>30,281</u>

Notes

	2017	2016
	----- (Rupees) -----	-----

21 REMUNERATION TO TRUSTEES AND CHIEF EXECUTIVE OFFICER

Salaries, wages and other benefits to Chief Executive Officer

- Managerial remuneration	1,800,000	1,800,000
- Other allowances	300,000	300,000
	2,100,000	2,100,000

21.1 No amount was paid during the period to the trustees other than Chief Executive of the Company in respect of salaries or other benefits.

22 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Trustees, associated undertakings with or without common directors, other companies with common directors, key management personnel and their close family members. Remuneration of key management personnel are in accordance with their terms of employment. Transactions with other related parties are entered into at rates negotiated with them.

Details of transactions and balances with related parties are as follows:

		2017	2016
		----- (Rupees) -----	-----
<u>Balances with:</u>			
<u>Payable to:</u>			
Mr. Nadim Shafiqullah	Trustee	1,040,800	540,800
Mr. Abbas Hyder Bilgrami	Trustee	50,000	50,000
Mr. Salim Raza	Trustee	50,000	50,000
Mr. Shahid Sayeed Khan	CEO	1,595,092	1,595,092
<u>Transactions with:</u>			
Trustees	Short term loans	1,270,425	1,270,425
Chief Executive Officer	Accrued expenses	1,595,092	1,595,092

23 GENERAL

23.1 Number of employees

The total number of employees as at 30 June 2017 were 12 (2016: 11). Average number of employees during the year were 11 (2016: 10)

23.2 Figures in these financial statements have been rounded off to the nearest rupee.

23.3 Other corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, the effect of which is not material.

24 DATE OF AUTHORISATION

These financial statements were authorized for issue on 28 MAR 2018 by the Board of Trustees.

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