

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



**A. F. FERGUSON & CO.**

The Board of Directors  
Bahria Foundation  
Bahria Complex II  
M. T. Khan Road  
Karachi

March 2, 2016

ASR 1628

Dear Sirs

**DRAFT FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015**

We have pleasure in enclosing ten copies of the draft financial statements of Bahria Foundation (the Foundation) for the year ended June 30, 2015 with our draft audit report thereon initialled by us for identification purposes. We shall be pleased to sign our report in its present or amended form after:

- (a) these financial statements have been approved by the Board of Directors of the Foundation and signed by the Managing Director and the Director Finance;
- (b) we have seen the Board's specific approval for the items listed in Annexure 'A' to this letter; and
- (c) we have received a signed letter of representation along the lines of the draft provided to the management.

We take this opportunity to draw your attention to certain accounting and related matters which are set forth in the following paragraphs:

**2. RESPONSIBILITIES OF THE MANAGEMENT AND AUDITORS IN RELATION TO THE FINANCIAL STATEMENTS**

The responsibilities of the independent auditors, in a usual examination of financial statements, are explained in International Standard on Auditing 200, "Overall objectives of the independent auditor and the conduct of an audit in accordance with international standards on auditing." While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for the preparation of the financial statements is primarily that of the Foundation's management in accordance with applicable financial reporting framework, which includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error. The management's responsibilities include to provide the auditor with (i) all information, such as records and documentation, and other matters that are relevant to the preparation and presentation of the financial statements; (ii) any additional information that the auditor may request from management and, where appropriate, those charged with governance; and (iii) unrestricted access to those within the entity from whom the auditor determines it necessary to obtain audit evidence. The audit of the financial statements does not relieve the management of its responsibilities. Accordingly, our examination of the books of accounts and records should not be relied upon to disclose all the errors or irregularities in relation to the financial statements.

We would like to inform the management that unless we have signed the auditors' report on these financial statements, the same shall remain and be deemed unaudited.

**3. FIXED ASSETS NOT TAGGED**

During our audit we noted that the fixed assets of the Foundation are not assigned unique identification numbers in the fixed assets computer module (the fixed assets register) developed as part of the Financial Accounting System. This may result in misappropriated, missing or dislocated items not being detected. We recommend that the management should carry out a detailed exercise to physically verify and tag fixed assets and reconcile the results to the fixed asset register. We have been given to understand by the management that they are in the process of developing a unique identification coding system for fixed assets which will be incorporated in the fixed assets computer module. Once the system is fully deployed

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**A. F. FERGUSON & CO.**

Letter ASR 1628  
Dated March 2, 2016

the exercise of physical verification of fixed assets, their tagging and reconciliation of fixed assets physically present to the fixed assets register will be performed.

**4. MEASUREMENT OF COST INCURRED ON INDIVIDUAL PROJECTS OF BAHRIA ENTERPRISE SYSTEM AND TECHNOLOGY (BEST)**

During our audit we noted that proper cost schedules for individual projects carried out by BEST are not prepared. Management only records purchases of materials (e.g. computer hardware) as cost of goods sold (COGS) and no other project related expenses such as salaries are allocated to COGS as proper budgets and records of working hours incurred on an individual project are not in place. We recommend that the management should prepare detailed expense schedules for all projects on an individual basis so that costs can be identified and linked accurately.

**5. INTERNAL AUDIT DEPARTMENT**

During our audit we noted that there is no separate Internal Audit Department. The Finance Department carries out internal audits of the divisions. We recommend that the Board should form a separate Internal Audit Department so that the work done by the finance team can be independently reviewed with the results being communicated directly to the Board.

**6. TRAINING OF FINANCE PERSONNEL**

During our audit we encountered some difficulties / delays in receipt of information required by us. Further, keeping in view the increase in volume of transactions in the Foundation and recent changes to accounting standards we recommend that training should be conducted for members of the finance department of all administrative divisions (i.e. Southern, Northern and Central Divisions) of the Foundation so that matters relating to accounting and book keeping are dealt with and resolved in a better manner throughout the year, enabling the finance department to work in a more integrated and efficient manner.

**7. CONTINGENCIES AND COMMITMENTS AND RELATED PARTY TRANSACTIONS**

We have been informed by the management that there were no contingencies and commitments and transactions with related parties as at June 30, 2015 other than those already disclosed in the financial statements.

We wish to place on record our appreciation of the courtesy and cooperation extended to us during the course of our audit.

Yours truly

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BAHRIA FOUNDATION

LIST OF ITEMS REQUIRING SPECIFIC APPROVAL OF THE BOARD OF DIRECTORS AS REFERRED TO IN PARAGRAPH 1 (b) OF OUR LETTER ASR 1628 DATED MARCH 2, 2016

	Rupees
(a) Capital expenditure incurred – tangible and intangible	95,594,636
(b) Fixed assets having written down value of Rs 13,275,421 disposed of for	69,737,217
(c) Bad debts written off	573,288
(d) Provision for doubtful debts	1,093,181
(e) Welfare contribution expense during the year	101,059,070
(f) Share of Director General Welfare and Rehabilitation Pakistan Navy and NHS Directorate in the net income generated from Bahria Complex III and IV	86,530,463
(g) Investment made in Maritime Technical and Support Services (Private) Limited during the year	4,000,000
(h) Investment in Bahria Hajj and Umrah Services (Private) Limited of Rs 3 million settled during the year against net assets of the company on winding up for	2,939,562
(i) Related party transactions as disclosed in note 29 to the financial statements	

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**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS**

We have audited the accompanying financial statements of **Bahria Foundation**, which comprise the balance sheet as at June 30, 2015, and income statement, cash flow statement and statement of changes in accumulated fund for the year then ended and a summary of significant accounting policies and other explanatory information.

**Management's Responsibilities for the Financial Statements**

The Board of Directors 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 control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 the 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 made by the management, 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 Bahria Foundation as at June 30, 2015, and of its financial performance and cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: April 1, 2016

Karachi

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BAHRIA FOUNDATION  
BALANCE SHEET  
AS AT JUNE 30, 2015

	Note	2015	2014
		----- Rupees -----	
<b>Non-current assets</b>			
Property, plant and equipment			
Operating assets	3	936,144,900	801,501,281
Capital work-in-progress	4	15,174,376	171,848,150
Intangible assets	5	32,717,275	12,413,127
		984,036,551	985,762,558
Investment properties	6	1,229,728,725	1,257,536,101
Long-term loans	7	3,612,219	-
Long-term investments	8	5,600,200	4,600,200
Long-term security deposits		14,031,919	14,145,019
<b>Current assets</b>			
Stock-in-trade	9	73,082,575	54,507,907
Trade debts	10	317,825,148	271,605,826
Short term investments	11	136,140,800	161,467,060
Loans and advances	12	36,381,875	23,056,347
Trade deposits and short-term prepayments	13	96,645,707	81,654,803
Other receivables	14	208,066,389	163,150,665
Taxation recoverable		8,608,797	12,368,810
Cash and bank balances	15	205,963,770	207,589,460
		1,082,715,061	975,400,878
<b>Current liabilities</b>			
Current maturity of advance rent		105,726,913	126,547,216
Trade and other payables	16	247,921,443	187,978,052
		353,648,356	314,525,268
		729,066,705	660,875,610
<b>Non-current liabilities</b>			
Deferred liability - provision for staff retirement gratuity	17	127,376,015	140,386,146
Long-term loans and advance rent		26,187,093	36,326,697
Security deposits from students		99,165,288	79,843,560
		252,728,396	256,556,403
<b>Contingencies and commitments</b>			
	18		
<b>Net assets</b>		<u>2,713,347,923</u>	<u>2,666,363,085</u>
<b>Financed by:</b>			
Accumulated fund		1,912,798,923	1,865,814,085
Contribution from Director General Welfare and Rehabilitation (DGWR) Pakistan Navy		800,549,000	800,549,000
		<u>2,713,347,923</u>	<u>2,666,363,085</u>

The annexed notes 1 to 38 form an integral part of these financial statements.

*Attest*

  
MANAGING DIRECTOR

  
FINANCE DIRECTOR

BAHRIA FOUNDATION  
 INCOME STATEMENT  
 FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ----- Rupees -----	2014 -----
Net sales	19	154,860,231	139,603,467
Cost of goods sold	20	103,726,139	105,357,501
Gross profit		51,134,092	34,245,966
Rental income	21	634,681,672	562,311,466
Service income	22	262,630,011	295,736,875
Fee income	23	752,208,763	648,121,145
		1,700,654,538	1,540,415,452
Operating, selling and administrative expenses	24	1,614,043,126	1,409,091,850
Operating income		86,611,412	131,323,602
Other income	25	138,165,203	109,997,237
		224,776,615	241,320,839
Financial charges	26	2,872,522	2,503,884
Other charges	27	189,870,983	128,367,193
		192,743,505	130,871,077
Income before taxation		32,033,110	110,449,762
Taxation	28	8,366,143	5,095,921
Income after taxation		23,666,967	105,353,841
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain on remeasurement of gratuity scheme	17.3	23,317,871	-
Total comprehensive income		46,984,838	105,353,841

The annexed notes 1 to 38 form an integral part of these financial statements.

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 MANAGING DIRECTOR

  
 FINANCE DIRECTOR

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

	Note	2015	2014
		----- Rupees -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	30	(1,382,203,958)	(1,163,414,292)
Staff gratuity - net		10,307,740	69,182,577
Taxes paid		(4,606,130)	(5,208,075)
Long-term security deposits - net		113,100	37,000
Fee received		743,657,776	640,336,358
Rent received		603,721,765	535,428,364
<b>Net cash (used in) / generated from operating activities</b>		<b>(29,009,707)</b>	<b>76,361,932</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred - tangible and intangible		(95,594,636)	(284,809,873)
Long term loans		(5,335,894)	(2,500,000)
Long term investments		(1,000,000)	-
Proceeds from sale of fixed assets		69,737,217	50,614,225
Short term investments		25,326,260	1,183,735
Interest income received		14,929,342	25,535,340
<b>Net cash generated from / (used in) investing activities</b>		<b>8,062,289</b>	<b>(209,976,573)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Contribution made by DGWR		-	14,000,000
Security deposits from students		19,321,728	11,886,483
<b>Net cash generated from financing activities</b>		<b>19,321,728</b>	<b>25,886,483</b>
<b>Decrease in cash and cash equivalents</b>		<b>(1,625,690)</b>	<b>(107,728,158)</b>
Cash and cash equivalents at beginning of the year		207,589,460	315,317,618
<b>Cash and cash equivalents at end of the year</b>	31	<b>205,963,770</b>	<b>207,589,460</b>

The annexed notes 1 to 38 form an integral part of these financial statements.

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MANAGING DIRECTOR

  
FINANCE DIRECTOR



BAHRIA FOUNDATION  
STATEMENT OF CHANGES IN ACCUMULATED FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Contribution from DGWR- Pakistan Navy	Accumulated fund	Total
----- Rupees -----			
Balance as at June 30, 2013	786,549,000	1,760,460,244	2,547,009,244
Contribution during the year	14,000,000	-	14,000,000
Total comprehensive income for the year ended June 30, 2014	-	105,353,841	105,353,841
<b>Balance as at June 30, 2014</b>	<b>800,549,000</b>	<b>1,865,814,085</b>	<b>2,666,363,085</b>
Contribution during the year	-	-	-
Total comprehensive income for the year ended June 30, 2015	-	46,984,838	46,984,838
<b>Balance as at June 30, 2015</b>	<b>800,549,000</b>	<b>1,912,798,923</b>	<b>2,713,347,923</b>

The annexed notes 1 to 38 form an integral part of these financial statements.

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MANAGING DIRECTOR

  
FINANCE DIRECTOR

## 1. THE FOUNDATION AND ITS OPERATIONS

Bahria Foundation was established in 1982 under the Charitable Endowments Act, 1890 to undertake commercially viable businesses for the welfare of retired as well as serving officials of the Pakistan Navy, their dependents and families, including civilians working in the Pakistan Navy.

The address of its registered office is Bahria Complex II, M.T. Khan Road, Karachi. Bahria Foundation is administratively divided into three wings:

- Bahria Foundation - South;
- Bahria Foundation - North; and
- Bahria Foundation - Centre.

The above wings are carrying out various commercial activities by setting up separate divisions. The following is a list of divisions set up by Bahria Foundation:

### SOUTHERN REGION

- Head Office, Karachi
- Bahria Complexes
- Falah Trading Agency
- Bahria Travels
- Bahria Paints
- Bahria Security System and Services
- Bahria Recruiting Agency
- Bahria Maritime Services
- Bahria Pharmacy
- Bahria Colleges
- Bahria Enterprise and System Technologies
- Bahria Filling Station
- Bahria Developers and Constructors

### NORTHERN REGION

- Head Office, Islamabad
- Falah Trading Agency
- Bahria Bakery
- Bahria Mini Flour Mills
- Bahria Security System and Services
- Bahria Travels
- Bahria Pharmacy
- Bahria Colleges

### CENTRAL REGION

- Head Office, Lahore
- Bahria Colleges

### 1.1 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 (IFRSs) issued by the International Accounting Standards Board as notified by the Securities and Exchange Commission of Pakistan (SECP).

### 1.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except that certain investments are carried at fair value and inventories are carried at lower of cost and net realisable value.

- i) These financial statements include the financial statements of the allied divisions of Bahria Foundation, South, North and Centre.
- ii) Inter divisional balances and transactions have been eliminated.

### 1.3 Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Foundation operates. The financial statements are presented in Pakistani Rupees, which is the Foundation's functional and presentational currency.

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