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AUDITORS' REPORT TO THE TRUSTEES

We have audited the annexed balance sheet of Human Appeal International ("HAI") as at 30 June 2013 and the related income and expenditure account, statement of comprehensive income, cash flow statement and statement of changes in accumulated surplus together with the notes forming part thereof (here-in-after referred to as the financial statements).

It is the responsibility of the trustees to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan. Our responsibility is to express an opinion on these financial 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 financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements present fairly in all material respects the financial position of the Human Appeal International as at 30 June 2013 and its surplus, cash flow and statement of changes in accumulated surplus for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

The financial statements of the HAI for the year ended 30 June 2012 were audited by another auditor, whose report dated 04 December 2012, expressed an unqualified opinion.

As part of our audit of financial statements for the year ended 30 June 2013, we also audited the adjustments described in note 19 that were applied to amend the financial statements for the years ended from 30 June 2006 to 30 June 2012. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended from 30 June 2006 to 30 June 2012 of HAI other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the years ended from 30 June 2006 to 30 June 2012 taken as a whole.

Islamabad
09 March 2014

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Pesnani

**HUMAN APPEAL INTERNATIONAL
BALANCE SHEET
AS AT 30 JUNE 2013**

	Note	2013 Rupees	2012 Rupees (Restated)	2011 Rupees (Restated)
NON CURRENT ASSETS				
Property and equipment	4	33,182,963	33,498,445	24,693,058
Intangible asset	5	126,544	-	-
		<u>33,309,507</u>	<u>33,498,445</u>	<u>24,693,058</u>
Advances	6	32,749	1,583,509	3,286,301
Deposits and short term prepayments	7	185,902	60,300	295,257
Other receivable		4,100	5,347	800,080
Advance tax	8	2,008,996	116,637	-
Other financial assets	9	50,438,298	-	-
Cash and bank balances	10	1,357,391	32,256,904	32,505,395
		<u>54,027,436</u>	<u>34,022,697</u>	<u>36,887,033</u>
CURRENT LIABILITIES				
Trade and other payables	11	(3,194,357)	(2,236,271)	(4,912,949)
		<u>50,833,079</u>	<u>31,786,426</u>	<u>31,974,084</u>
NET CURRENT ASSETS				
NON CURRENT LIABILITIES				
Restricted grant	12	(47,366,908)	(31,188,615)	(31,595,937)
Deferred capital grant	13	(33,309,507)	(33,498,445)	(24,693,059)
		<u>3,466,171</u>	<u>597,811</u>	<u>378,146</u>
NET ASSETS				
REPRESENTED BY:				
Trust fund		35,000	35,000	35,000
Accumulated surplus		3,431,171	562,811	343,146
		<u>3,466,171</u>	<u>597,811</u>	<u>378,146</u>
CONTINGENCIES AND COMMITMENTS				
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The annexed notes from 1 to 24 form an integral part of these financial statements.


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**HUMAN APPEAL INTERNATIONAL
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2013**

	Note	2013 Rupees	2012 Rupees (Restated)
INCOME			
Grant	15	73,136,056	130,601,072
Amortisation of deferred capital grant		3,480,406	1,484,677
Other income	16	1,836,956	168,648
		<u>78,453,418</u>	<u>132,254,397</u>
Programme expenses	17	64,188,356	122,693,850
Administrative expenses	18	11,394,920	9,337,734
Finance cost		1,783	3,148
		<u>(75,585,058)</u>	<u>(132,034,732)</u>
Surplus for the year		<u><u>2,868,360</u></u>	<u><u>219,665</u></u>

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



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**HUMAN APPEAL INTERNATIONAL
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013**

	2013 Rupees	2012 Rupees (Restated)
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year	2,868,360	219,665
<i>Adjustment for:</i>		
Depreciation	2,414,325	1,430,512
Amortization	22,331	-
Profit on term deposit receipts	(938,298)	-
Amortization of restricted grant	(73,136,056)	(130,601,072)
Amortization of deferred capital grant	(3,480,406)	(1,484,677)
Loss on disposal of property and equipment	10,563	-
Provision for staff provident fund	1,069,062	722,040
	<u>(71,170,119)</u>	<u>(129,659,368)</u>
(Increase) / decrease in current assets		
Advances	1,550,760	1,702,792
Deposits and short term prepayments	(125,602)	234,957
Other receivable	1,247	794,733
	<u>1,426,405</u>	<u>2,732,482</u>
Increase / (decrease) in current liabilities		
Trade and other payables	9,520	(2,101,218)
Net cash used in operations	<u>(69,734,194)</u>	<u>(129,028,104)</u>
Grant received	92,605,817	140,483,813
Gratuity fund paid	-	(1,297,500)
Provident fund paid	(120,496)	-
Tax paid	(1,892,359)	(116,637)
Net cash generated from operating activities	<u>20,858,768</u>	<u>10,041,572</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property and equipment	(3,142,593)	(10,290,063)
Additions in intangible asset	(148,875)	-
Proceeds from disposal of property and equipment	1,033,187	-
Investment made during the year	(49,500,000)	-
Net cash used in investing activities	<u>(51,758,281)</u>	<u>(10,290,063)</u>
Net decrease in cash and cash equivalents	<u>(30,899,513)</u>	<u>(248,491)</u>
Cash and cash equivalents at beginning of the year	<u>32,256,904</u>	<u>32,505,395</u>
Cash and cash equivalents at end of the year	<u>1,357,391</u>	<u>32,256,904</u>

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