



# FORMULA FOR SUCCESS

Financials

# Auditors' Report to the Members

We have audited the annexed balance sheet of The Citizens Foundation [a company limited by guarantee] ("the Foundation") as at 30 June 2007 and the related income and expenditure account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year 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 Foundation'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 accounts have been kept by the Foundation as required by the Companies Ordinance, 1984;

b) in our opinion:

- i) the balance sheet and income and expenditure 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 consistently applied;
- ii) the expenditure incurred during the year was for the purpose of the Foundation's business; and
- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Foundation;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, cash flow statement and statement of changes in equity 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 Foundation's affairs as at 30 June 2007 and of the results of its operation, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980. ■



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Karachi  
09 October 2007

# Balance Sheet

As at 30 June 2007

	<i>Note</i>	2007	2006
<b>NON CURRENT ASSETS</b>			
<b>Tangible fixed assets</b>			
Operating fixed assets – at valuation / cost less accumulated depreciation	6	1,048,534,960	752,130,335
Intangible asset	7	1,598,992	-
Capital work in progress	8	424,558,997	257,454,911
		<u>1,474,692,949</u>	<u>1,009,585,246</u>
Long term investments	9	201,135,067	160,305,108
Long term deposits		3,660,483	3,360,283
		<u>1,679,488,499</u>	<u>1,173,250,637</u>
<b>CURRENT ASSETS</b>			
Current maturity of long term investments	9	-	15,943,765
Stock of uniforms, text books and exercise copies	10	796,530	833,686
Advances, deposits and prepayments	11	9,114,645	13,441,466
Accrued income and other receivables	12	2,200,174	2,475,604
Short term investments	13	77,500,000	185,252,500
Cash and bank balances	14	112,523,946	182,838,035
		<u>202,135,295</u>	<u>400,785,056</u>
<b>CURRENT LIABILITIES</b>			
Current maturity of liabilities against assets subject to finance lease	15	(5,845,726)	(9,363,829)
Accrued expenses and other liabilities	16	(57,478,766)	(42,614,831)
		<u>(63,324,492)</u>	<u>(51,978,660)</u>
		<u>138,810,803</u>	<u>348,806,396</u>
<b>NON CURRENT LIABILITIES</b>			
Deferred income	17	(755,758,737)	(321,309,565)
Liabilities against assets subject to finance lease	15	(5,655,845)	(11,501,571)
		<u>(761,414,582)</u>	<u>(332,811,136)</u>
	<i>Rupees</i>	<u>1,056,884,720</u>	<u>1,189,245,897</u>
<b>REPRESENTED BY:</b>			
Capital fund		900,000	-
General fund		1,188,309,744	837,074,310
Accumulated (deficit) / surplus		(134,583,392)	352,035,434
Unrealized gain on remeasurement of available for sale investments		2,258,368	136,153
	<i>Rupees</i>	<u>1,056,884,720</u>	<u>1,189,245,897</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

# Income and Expenditure Account

For the year ended 30 June 2007

<b>INCOME</b>	<b>Note</b>	<b>2007</b>	<b>2006</b>
Donations	18	260,296,303	215,528,207
Profit on investments		32,201,925	11,595,070
Profit on bank accounts		6,904,409	6,026,422
Exchange gain		984,041	1,583,558
Capital gain on sale of investment		312,633	939,689
Gain on disposal of fixed assets		248,600	3,612,664
Others		210,000	91,656
		<b>301,157,911</b>	<b>239,377,266</b>
<b>EXPENDITURE</b>			
Scholarships / subsidies to TCF schools	19	176,645,381	103,245,623
Teachers' training		7,021,488	5,784,862
Vehicle running and maintenance		10,705,429	8,883,262
Repairs and maintenance		2,168,855	1,398,842
Salaries and benefits	20	45,338,987	34,943,334
Travelling and conveyance – staff		2,473,383	1,859,733
Utilities and communication		2,521,731	2,040,312
Insurance		2,495,387	2,383,280
Printing and stationery		3,514,805	3,917,389
Depreciation	6	79,861,772	56,834,699
Amortization of Intangible asset	7	40,424	-
Office rent		7,135,932	5,330,832
Auditors' remuneration		59,950	50,000
Professional charges		492,172	1,351,690
Bank charges		307,017	273,192
Miscellaneous		20,953	34,170
Financial charges – leasing		998,542	1,846,166
Provision for impairment loss		-	45,253,135
		<b>341,802,208</b>	<b>275,430,521</b>
Excess of (expenditure over income) - operations other than earthquake relief		<b>(40,644,297)</b>	<b>(36,053,255)</b>
Donations - earthquake relief		<b>183,821,169</b>	<b>519,236,479</b>
Earthquake relief expenses		<b>(277,760,264)</b>	<b>(131,147,790)</b>
Excess of (expenditures over income) / income over expenditure - earthquake relief		<b>(93,939,095)</b>	<b>388,088,689</b>
Excess of (expenditure over income) / income over expenditure	<i>Rupees</i>	<b>(134,583,392)</b>	<b>352,035,434</b>

The annexed notes 1 to 26 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
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# Cash Flow Statement

For the year ended 30 June 2007

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<i>Note</i>	<b>2007</b>	<b>2006</b>
Cash generated from operations	21	(66,938,680)	459,282,866
Financial charges paid - leasing		(998,542)	(1,814,746)
Net cash flows from operating activities		(67,937,222)	457,468,120
 <b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(545,422,499)	(330,161,036)
Sales proceeds on disposal of fixed assets		661,200	4,437,678
Investments-net		84,988,521	(291,775,915)
Profit received on investments		32,510,768	10,825,822
Long term deposits		(300,200)	2,344,350
Net cash flows from investing activities		(427,562,210)	(604,329,101)
 <b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Capital fund		100,000	-
Deferred income		434,449,172	321,309,565
Repayment of liabilities under finance lease		(9,363,829)	(19,392,308)
Net (decrease) / increase in cash and cash equivalents		425,185,343	301,917,257
		(70,314,089)	155,056,276
Cash and cash equivalents at beginning of the year		182,838,035	27,781,759
Cash and cash equivalents at end of the year	<i>Rupees</i>	112,523,946	182,838,035

The annexed notes 1 to 26 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

# Statement of Changes in Equity

For the year ended 30 June 2007

	General Fund	Capital Fund	Accumulated (deficit) / surplus	Un-realised gain on remeasurement of available for sale investments	Total
Balance as at 30 June 2005	630,948,579	-	206,125,731	235,942	837,310,252
Excess of income over expenditure for the year ended 30 June 2005 transferred to general fund	206,125,731	-	(206,125,731)	-	-
Excess of income over expenditure for the year ended 30 June 2006	-	-	352,035,434	-	352,035,434
Realised gain on disposal of available for sale investments for the year ended 30 June 2006	-	-	-	(343,442)	(343,442)
Un-realised gain on remeasurement of available for sale investments for the year ended 30 June 2006	-	-	-	243,653	243,653
<b>Total income and expenditure recognised during the year</b>	<b>837,074,310</b>	<b>-</b>	<b>352,035,434</b>	<b>(99,789)</b>	<b>351,935,645</b>
Balance as on 30 June 2006	837,074,310	-	352,035,434	136,153	1,189,245,897
Capital Fund received during the year	-	100,000	-	-	100,000
Transfer from General Fund to Capital Fund	(800,000)	800,000	-	-	-
Transfer of accumulated surplus to the general fund	352,035,434	-	(352,035,434)	-	-
Excess of expenditure over income for the year 2007	-	-	(134,583,392)	-	(134,583,392)
Un-realised gain on remeasurement of available for sale investments for the year ended 30 June 2007	-	-	-	2,122,215	2,122,215
<b>Total income and expenditure recognised during the year</b>	<b>1,188,309,744</b>	<b>900,000</b>	<b>(134,583,392)</b>	<b>2,122,215</b>	<b>(132,461,177)</b>
Balance as on 30 June 2007	1,188,309,744	900,000	(134,583,392)	2,258,368	1,056,884,720

The annexed notes 1 to 26 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

# Notes to the Financial Statements

For the year ended 30 June 2007

## 1. STATUS AND NATURE OF OPERATIONS

The Citizens Foundation (the Foundation) was incorporated in Pakistan as company limited by guarantee on 24 September 1996 under section 42 of the Companies Ordinance, 1984. The Foundation is principally engaged in establishing schools to promote education. The Foundation receives funds from cross sections of society within and outside Pakistan for building of primary and secondary schools as well as for operation of schools. These donations are made by organizations, institutions and individuals.

## 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting Standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of Companies Ordinance, 1984 or directives issued by 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. BASIS OF MEASUREMENT

### 3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for :

- available for sale investments which are stated at their fair values.
- donated land and buildings which are stated at valuation.

### 3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Foundation's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee.

### 3.3 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, 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 the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25 to these financial statements.

#### **4. NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE USE OF ESTIMATES AND JUDGEMENTS**

The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after 01 July 2007 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

- IAS 1 - Presentation of Financial statements- Amendments relating to capital disclosures;
- IAS 23 - Borrowing Costs (as revised);
- IAS 41 - Agriculture;
- IFRS 2 - Share-based Payments;
- IFRS 3 - Business Combinations;
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 6 - Exploration for and Evaluation of Mineral Resources;
- IFRIC 10 - Interim Financial Reporting and Impairment;
- IFRIC 11 - Group and Treasury Share Transactions;
- IFRIC 12 - Service Concession Arrangements;
- IFRIC 13 - Customer Loyalty Programmes;
- IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction.

#### **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **5.1 Income recognition**

Donations for school operations are recognized as income as and when received. Donations related to fixed assets e.g. for school land and building etc. whether received in cash or kind are recognized as deferred income and amortized over the life of assets from the date assets are available for intended use.

Individual items of receipts and expenditure pertaining to various schools are not incorporated in these financial statements. However, net deficit of the schools is reimbursed by the Foundation and is shown as "Scholarship / subsidies to TCF Schools".

Income on deposit accounts and term deposits receipts are recognised on the basis of constant periodic rate of return.

##### **5.2 Investments**

###### *Held to maturity*

Held to maturity investments are stated at amortised cost.

###### *Available for sale*

Investments classified as available for sale are initially recognized at cost inclusive of transaction costs and subsequently are marked to market using the last quoted rate at the close of the financial year, and resultant gains or losses are recognised in the equity. The investments are recognized / derecognized by the Foundation on the date it commits to purchase / sell the investments.



### **5.3 Borrowings under leasing arrangements**

The Foundation accounts for lease obligations by recording the assets and the corresponding liability there against determined on the basis of discounted value of total minimum lease payments.

Financial charge is recognised in the income and expenditure account using the effective mark-up rate method.

### **5.4 Tangible fixed assets and depreciation**

#### *Owned*

Fixed assets including all additions are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated so as to write off the assets over their expected economic lives under the straight-line basis at rates indicated in note 6 to these financial statements.

Depreciation is charged on fixed assets from the date assets are available for intended use upto the date these assets are disposed off.

Gain or loss on disposal of fixed assets are included in income and expenditure account currently.

Expenditure incurred to replace a component of an item of fixed assets that is accounted for separately, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefit embodied in the item of fixed assets. All other expenditure is recognised in the income and expenditure account as and when expense is incurred.

#### *Leased*

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Lease payments are accounted for as described in note 5.3 to these financial statements.

### **5.5 Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives. Costs that are directly associated with identifiable software products controlled by the Company and have probable economic benefit beyond one year are recognised as intangible assets. Costs associated with maintaining computer software products are recognised as an expense as incurred.

### **5.6 Capital work in progress**

Capital work in progress is stated at cost accumulated upto the balance sheet date. Assets are transferred to operating fixed assets when they are available for intended use.

### **5.7 Stock**

Stock of uniforms, text books and exercise copies are stated at cost. The cost of uniforms, text books and exercise copies are determined on the weighted average basis and includes expenditure incurred in acquiring / bringing these items to their existing location and condition.

#### **5.8 Provisions**

A provision is recognised in the balance sheet when the Foundation has a legal or constructive obligation as a result of a past event, 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 the obligation.

#### **5.9 Foreign currency transactions**

Foreign currency transactions are translated into Pak. Rupees at exchange rates prevailing on the date of transaction. All monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Pak. Rupees at the rates of exchange prevailing on the balance sheet date. Exchange differences, if any, are included in income and expenditure account currently.

#### **5.10 Off-setting**

Assets and liabilities are off set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the Foundation intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

#### **5.11 Transfer to general fund**

The Foundation transfers accumulated surplus to general fund in the year in which it is approved, in accordance with the requirements of International Accounting Standard 10" Events after the Balance Sheet date".

#### **5.12 Capital Fund**

This represents contribution by the members on their joining the Foundation. ■

6. OPERATING FIXED ASSETS - at valuation/cost less accumulated depreciation

2007

	COST			DEPRECIATION			Written down value as at 30 June 2007
	As at 1 July 2006	Additions/ (deletions)	As at 30 June 2007	Rate (%)	As at 1 July 2006	For the year/ additions (deletions)	
<b>Owned</b>							
Land	6.1	117,988,035	4,095,940	122,083,975	-	-	122,083,975
School building	6.2	657,645,023	279,184,519	936,829,542	5	41,235,804	164,763,638
Furniture and fittings		60,258,109	27,508,264	87,766,373	10	7,282,160	30,182,994
Vehicles		78,984,100	58,469,876	154,481,976	20	20,108,576	83,898,385
			17,028,000			15,609,000	70,583,591
Office and other equipments		20,795,591	7,356,398	28,151,989	20	3,823,738	13,306,387
Machinery		2,882,300	64,000	2,463,550	15	433,288	604,346
			(482,750)			(96,550)	1,859,204
<b>Leased</b>							
Vehicles		41,722,033	-	24,298,033	20	6,978,206	14,784,728
			(17,028,000)			(15,609,000)	9,513,305
			(396,000)			(369,600)	
<b>Rupess</b>		<b>980,275,191</b>	<b>376,678,997</b>	<b>1,356,075,438</b>		<b>79,861,772</b>	<b>307,540,478</b>
			<b>17,028,000</b>			<b>15,609,000</b>	<b>1,048,534,960</b>
			<b>(17,028,000)</b>			<b>(15,609,000)</b>	
			<b>(878,750)</b>			<b>(466,150)</b>	

## 2006

	COST				DEPRECIATION			
	As at 1 July 2005	Additions/ (deletions)	As at 30 June 2006	Rate (%)	As at 1 July 2005	For the year/ additions (deletions)	As at 30 June 2006	Written down value as at 30 June 2006
<b>Owned</b>								
Land	105,484,745	12,503,290	117,988,035	-	-	-	-	117,988,035
School building	552,585,225	105,059,798	657,645,023	5	93,347,169	30,180,665	123,527,834	534,117,189
Furniture and fittings	51,493,793	8,764,316	60,258,109	10	17,198,581	5,702,253	22,900,834	37,357,275
Vehicles	38,900,905	16,874,801	78,984,100	20	24,100,457	9,588,684	48,180,809	30,803,291
		27,776,394				18,841,854		
		(4,568,000)				(4,350,186)		
Office and other equipments	13,464,175	7,331,416	20,795,591	20	6,777,767	2,704,882	9,482,649	11,312,942
Machinery	-	2,882,300	2,882,300	15		267,608	267,608	2,614,692
<b>Leased</b>								
Vehicles	70,290,427	-	41,722,033	20	34,421,169	8,390,607	23,785,122	17,936,911
		(28,568,394)				(19,026,654)		
<b>Rupess</b>	<b>832,219,270</b>	<b>153,415,921</b>	<b>980,275,191</b>		<b>175,845,143</b>	<b>56,834,699</b>	<b>228,144,856</b>	<b>752,130,335</b>
		<b>27,776,394</b>				<b>18,841,854</b>		
		<b>(33,136,394)</b>				<b>(23,376,840)</b>		

- 6.1 This includes land acquired by the Foundation as well as received as donations. The donated plots of land are stated at their approximate market value determined by the management of the Foundation at the time when donations were received. Title of certain donated land is still in process of being transferred in the name of Foundation.
- 6.2 Five school buildings, which were constructed prior to the incorporation of the Foundation were donated at an estimated cost of Rs. two million each.

## 7. INTANGIBLE ASSETS

	2007	2006
Cost as at June 30	1,639,416	-
Amortization	40,424	-
	<i>Rupees</i> 1,598,992	-

Intangible asset represents software purchase cost which is amortized over the period of five years from the date of their initial recognition.

## 8. CAPITAL WORK IN PROGRESS

Balance as at 1 July		201,847,052	80,709,796
Expenditure incurred during the period		419,710,965	226,197,054
		621,558,017	306,906,850
Transferred to school buildings during the period		(279,184,519)	(105,059,798)
	8.1	342,373,498	201,847,052
Moibilisation advance to contractors		26,104,932	9,771,507
Advance against purchase of fixed assets		56,080,567	45,836,352
	<i>Rupees</i>	424,558,997	257,454,911

- 8.1 This represents civil works and related cost for the construction of school buildings.

## 9. LONG TERM INVESTMENTS

### *Held to maturity*

Bank AL Habib Limited		-	15,943,765
Current maturity of long term investment		-	(15,943,765)
		-	-
United Bank Limited	9.1	10,277,400	10,279,028
United Bank Limited	9.2	10,382,293	10,006,306
Pakistan Mobile Communication Limited	9.3	9,102,099	9,094,125
Askri Commercial Bank Limited	9.4	10,476,815	10,454,911
		40,238,607	39,834,370
<i>Available for sale</i>			
United Money Market Fund		452,386	411,398
BSJS Mutual Fund		664,350	607,500

	2007	2006
UTP - Income Fund (formerly ABAMCO Composite Fund)	2,028,000	1,487,500
Atlas Fund of Fund	5,129,000	4,797,000
Strategic Allocation Fund	6,751,500	6,496,500
Meezan Balanced Fund	6,170,500	5,497,350
Atlas Income Fund	54,883,839	50,024,836
UGIF - Income Fund	57,632,292	51,148,654
MCB Dynamic Cash Fund	6,525,994	-
Faysal Income and Growth Fund	20,658,599	-
	<b>160,896,460</b>	<b>120,470,738</b>
<i>Rupees</i>	<b>201,135,067</b>	<b>160,305,108</b>

9.1 These represent investment in 8 years bank term deposit receipts and carry profit rate of 1.35% plus trading yield of 8 years PIB per annum and will mature on 15 March of 2013.

9.2 These represent investment in 7 years bank term finance certificates and carry profit rate of 1.70% per annum plus trading yield and will mature on 8 September 2013.

9.3 These represent investment in 7 years term finance certificates and carry profit rate of 2.85% per annum plus trading yield and will mature on 30 May 2013.

9.4 These represent investment in 8 years bank term finance certificates and carry profit rate of 1.50% per annum plus trading yield and will mature on 30 October 2013.

#### 10. STOCK OF UNIFORMS, TEXT BOOKS AND EXERCISE COPIES

School uniforms	-	342,095
Text books	368,895	-
Exercise copies	427,635	491,591
<i>Rupees</i>	<b>796,530</b>	<b>833,686</b>

#### 11. ADVANCES, DEPOSITS AND PREPAYMENTS - considered good

Advances to staff	1,489,897	487,727
Advances to suppliers	4,229,976	7,600,827
Current maturity of long term deposits	-	1,742,400
Prepaid expenses	3,394,772	3,610,512
<i>Rupees</i>	<b>9,114,645</b>	<b>13,441,466</b>

#### 12. ACCRUED INCOME AND OTHER RECEIVABLES - considered good

Accrued income on investments	1,531,498	1,840,341
Tax deducted at source	235,196	547,053
Other receivables	433,480	88,210
<i>Rupees</i>	<b>2,200,174</b>	<b>2,475,604</b>

<b>13. SHORT TERM INVESTMENTS</b>		<b>2007</b>	<b>2006</b>
Innovative Housing Finance Limited (Formerly Crescent Standard Investment Bank Limited)	13.1	<b>38,881,000</b>	38,881,000
Meezan Bank Limited	13.2	<b>2,500,000</b>	-
PICIC Commercial Bank Limited	13.3	<b>25,000,000</b>	-
Faysal Bank Limited	13.4	<b>50,000,000</b>	-
Saudi Pak Commercial Bank Limited		-	80,000,000
KASB Bank Limited		-	20,000,000
NIB Bank Limited		-	65,252,500
Habib Metropolitan Bank Limited (formerly Habib Bank A.G. Zurich)		-	20,000,000
Provision for impairment loss	13.5	<b>(38,881,000)</b>	<b>(38,881,000)</b>
	<i>Rupees</i>	<b>77,500,000</b>	<b>185,252,500</b>

13.1 These represent investment in term deposits and carry profit rate of 10.00% to 12.25% per annum and were maturing during 25 May 2006 to 31 July 2006. However, as a matter of prudence, no profit on these deposits have been accrued during the year. For details refer note 13.5.

13.2 These represent investment in term deposits and carry profit rate of 4.60% per annum and will mature on 11 July 2007.

13.3 These represent investment in term deposits and carry profit rate of 9.75% per annum and will mature on 29 September 2007.

13.4 These represent investment in term deposits and carry profit rate of 10.50% per annum and maturing during 07 July 2007 and 14 July 2007.

13.5 The Board of Directors of the Foundation follows a very cautious investment policy and are confident that the aggregate amount of the Foundation's funds will be fully recoverable in the due course of time. However, in order to comply with the requirements of International Accounting Standards, a provision of Rs. 45 million has been made against any possible losses in the value of term deposits and balance in current account.

#### **14. CASH AND BANK BALANCES**

Cash in hand		<b>17,123,003</b>	8,142,770
Cash at bank			
- current account		<b>40,185,643</b>	13,412,589
- deposit account		<b>61,587,435</b>	167,654,811
		<b>101,773,078</b>	181,067,400
Provision for impairment loss	13.5	<b>(6,372,135)</b>	<b>(6,372,135)</b>
	<i>Rupees</i>	<b>112,523,946</b>	<b>182,838,035</b>

<b>15. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - secured</b>	<b>2007</b>	<b>2006</b>
Present value of minimum lease payment:		
Balance as on 1 July	20,865,400	40,257,708
Assets acquired on lease during the year	-	-
	<b>20,865,400</b>	<b>40,257,708</b>
Repayments during the year	<b>(9,363,829)</b>	<b>(19,392,308)</b>
	<b>11,501,571</b>	<b>20,865,400</b>
Current maturity - shown under current liabilities	<b>(5,845,726)</b>	<b>(9,363,829)</b>
	<b>5,655,845</b>	<b>11,501,571</b>
	<i>Rupees</i>	

	<b>2007</b>			<b>2006</b>		
	Minimum lease payment	Financial charges	Principal outstanding	Minimum lease payment	Financial charges	Principal outstanding
Not later than one year	6,356,028	510,302	5,845,726	10,387,276	1,023,447	9,363,829
Later than one year but not more than five years	5,735,518	79,673	5,655,845	12,091,546	589,975	11,501,571
	<b>12,091,546</b>	<b>589,975</b>	<b>11,501,571</b>	<b>22,478,822</b>	<b>1,613,422</b>	<b>20,865,400</b>
Current portion	<b>(6,356,028)</b>	<b>(510,302)</b>	<b>(5,845,726)</b>	<b>(10,387,276)</b>	<b>(1,023,447)</b>	<b>(9,363,829)</b>
Liabilities against assets subject to lease finance	<b>5,735,518</b>	<b>79,673</b>	<b>5,655,845</b>	<b>12,091,546</b>	<b>589,975</b>	<b>11,501,571</b>
	<i>Rupees</i>					

Present value of minimum lease payments has been discounted by using financing rate ranging from 7.5% to 8.5% per annum (2006: 7.5% to 11.0%). Title to the assets acquired under the leasing arrangements are transferable to the Foundation on completion of lease period and adjustment of deposit (residual value) of Rs. 2.415 million (2006 : Rs 4.158 million) paid against these liabilities. Repair and insurance costs are to be borne by the Foundation.

#### **16. ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses		18,405,474	19,132,917
Accrued mark-up on finance leases		-	31,420
Security deposit	16.1	7,554,302	5,524,170
Retention money		16,200,104	7,755,087
Tax deducted at source		606,244	9,533
Scholarship		4,893,349	157,635
Others	16.2	9,819,293	10,004,069
	<i>Rupees</i>	<b>57,478,766</b>	<b>42,614,831</b>



16.1 These represent deposits obtained from teachers in order to discourage them from leaving TCF without noticing. These deposits are utilized in training of teachers.

16.2 This includes an amount of Rs. 6.075 million given by a donor which is payable on demand. This amount has been invested and the profit received on the amount to be treated as donation income by the Foundation.

#### 17. DEFERRED INCOME

	2007	2006
Opening balance	321,309,565	-
Donations related to fixed assets during the year	440,690,998	324,094,716
Amortisation for the year	(6,241,826)	(2,785,151)
<i>Rupees</i>	755,758,737	321,309,565

#### 18. DONATIONS

Donations received for school operations	257,526,981	213,920,224
Amortised - donations related to assets	6,241,826	2,785,151
Fund raising expenses	(3,472,504)	(1,177,168)
<i>Rupees</i>	260,296,303	215,528,207

#### 19. SCHOLARSHIPS / SUBSIDIES TO TCF SCHOOLS

Individual items of receipts and expenditure pertaining to various schools are not incorporated in these financial statements. However, net deficit of the schools is reimbursed by the Foundation and is shown as "Scholarship / subsidies to TCF Schools".

#### 20. SALARIES AND BENEFITS

##### 20.1 Chief Executive Officer's Remuneration

Salaries and allowances	3,811,863	3,075,000
Medical expenses	381,186	-
Special allowance	381,186	-
<i>Rupees</i>	4,574,235	3,075,000

The Foundation also provides free use of company maintained car.

#### 21. CASH GENERATED FROM OPERATIONS

Excess of (expenditure over income)/ income over expenditure	(134,583,392)	352,035,434
Adjustments for non cash charges and other items:		
Depreciation	79,861,772	56,834,699
Amortization of Intangible asset	40,424	-
Profit on investments	(32,201,925)	(11,595,070)
Gain on sale of fixed assets	(248,600)	(3,612,664)
Financial charges	998,542	1,846,166
Provision for impairment loss	-	38,881,000
Working capital changes	21.1 19,194,499	24,893,301
<i>Rupees</i>	(66,938,680)	459,282,866

<b>21.1 Working capital changes</b>	<b>2007</b>	<b>2006</b>
Stocks	37,156	(517,639)
Advances, deposits and prepayments	4,326,821	(4,528,202)
Accrued income and other receivables	(33,413)	1,085,328
	<b>4,330,564</b>	<b>(3,960,513)</b>
Increase / (decrease) in current liabilities		
Accrued expenses and other liabilities	<b>14,863,935</b>	28,853,814
	<b>Rupees 19,194,499</b>	<b>24,893,301</b>

## 22. TAXATION

No provision for taxation has been made in the financial statements as the Foundation enjoys exemption from taxes under clauses (60) and (92) of the Second Schedule to the Income Tax Ordinance, 2001.

## 23. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial assets of the Foundation include investments, advances, deposits, prepayments, other receivables and cash and bank balances. Financial liabilities include liabilities against assets subject to finance lease, accrued expenses and other liabilities.

### ***Interest / mark-up rate risk***

Effective rate of return on investments are disclosed in note 9 and 13 of the financial statements. Other financial assets do not carry interest / mark-up. Effective mark-up rates for liabilities against assets subject to finance lease are disclosed in note 15 of the financial statements. Other financial liabilities of the Foundation do not bear any interest / mark-up.

### ***Fair value***

The carrying amounts of all the financial instruments reflected in the financial statements approximate their fair value.

### ***Credit risk***

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Foundation endeavours to mitigate its credit risk by investing in recognised securities and monitoring the credit worthiness of all counter parties.

## 24. RELATED PARTY TRANSACTIONS

24.1 Arshad Shahid Abdulla (Private) Limited, in which Mr. Arshad Abdulla (Director of the Foundation) is also a director, has provided voluntary architect consultancy services to the Foundation during the year.

24.2 Shakarganj Mills Limited and Crescent Steel & Allied Products Limited in which Mr. Ahsan Saleem (Director of the Foundation) is also a director have donated Rs. 373,983 and Rs. 12,815,000 respectively.

24.3 Searle Pakistan Limited, in which Mr. Rashid Abdulla (Director of the Foundation) is also a director, has donated Rs. 12,000,000 for the Earth Quake Relief fund.

## 25. ACCOUNTING ESTIMATES AND JUDGMENTS

### 25.1 Operating fixed assets

The Foundation reviews the rate of depreciation, useful life and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of operating fixed assets with a corresponding affect on the depreciation charge and impairment.

### 25.2 Held to maturity investment

The Foundation has classified certain investments as held to maturity. In this regard, judgement is involved in evaluating the intention and ability to hold these investments till their respective maturities.

### 25.3 Available for sale investment

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgement (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

### 25.4 Stock of uniforms, text books and exercise copies

The Foundation reviews the net realizable value of stock of uniforms, text books and exercise copies to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stocks with a corresponding affect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditures to issue the stocks.

## 26. DATE OF AUTHORISATION

These financial statements were authorised for issue in the Board of Directors meeting held on 09 October 2007.



CHIEF EXECUTIVE



DIRECTOR

# How You Can Help

## Cheques and Bank Drafts:

Cheques and Bank Drafts may be mailed to any of the following addresses:

**Pakistan:** The Citizens Foundation  
7th Floor, NIC Building, Abbasi Shaheed Rd,  
Karachi-75530.

**UK:** Friends of The Citizens Foundation  
9 Camden Road, London, E11 2JP.

**UAE:** The Citizens Foundation  
P.O Box 1081, Sharjah.

**Canada:** The Citizen's Foundation  
55-3176 Ridgeway Drive, Mississauga,  
ON L5L5S6, Canada

**USA:** The Citizens Foundation, USA  
100 Trisatate International, Suite No. 100  
Lincolnshire IL 60069

## Deposits or Direct Bank Transfers

Deposits or direct bank transfers can be made to our accounts in any of the below mentioned countries. If you use this mode of making donations, kindly send us a letter (communicating your address and donation details) to the address of that country).

### Pakistan

Account Title: The Citizens Foundation  
Bank: Askari Bank Ltd.,  
Clifton Branch, Karachi  
Account no (PKR): 011650046-1  
Account no (USD): 15-020460016-9  
Swift Code: ASCMPKKA

Account Title: The Citizens Foundation  
Bank: Bank Al-Habib Ltd.,  
Shahrah-e-Faisal Branch, Karachi.  
Account no (PKR): 08105211901-6 (Zakat)  
Account no (USD): 41805382275-5  
Swift Code: BAHLPKKA

### USA

Account Title: The Citizens Foundation, USA  
Bank: Citibank  
Account no: 800477867  
Routing no: 271070801

### UK

Account Title: Friends of the Citizens Foundation  
Bank: HSBC Bank plc, Leadenhall Street Branch,  
London, EC3 3DB  
Sort no: 40-04-12  
Account no: 71415255  
Name of Charity: Friends of the Citizens Foundation  
Charities Commission no: 1087864

### UAE

Account Title: The Citizens Foundation  
Bank: Habib Bank AG Zurich, Main Branch,  
Beniyas Square, P.O Box: 3306, Diera, Dubai.  
Account no (UAE Dirhams): 20430-105-266861  
Account no (USD): 20430-333-266861  
Swift Code: HBZUAEAD

### Canads

Account Title: The Citizen's Foundation, Canada  
Bank: Royal Bank of Canada, 200 Bay Street,  
RBC Plaza Toronto, ON, M5J 2J5  
Institution no: 003  
Account no: 00002-1361682  
Swift Code: ROYCCAT2

## Online Donations

[www.thecitizensfoundation.org](http://www.thecitizensfoundation.org)  
using your VISA/MASTER credit card

Donations to TCF Pakistan are approved for tax deduction U/S 2(36)(c) of the income tax ordinance, 2001.

All donations to FTCF-UK are tax deductible for UK basic and higher rate taxpayers under the Gift Aid Scheme.

All donations to TCF USA, are tax deductible. Tax identification no. is 41-2046295

# TCF Contact Information

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shahab@sajjadhaider.com

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Tel /Fax: 0845 230 1947  
Cell: 07961 198 703  
Mehvish.khan@ftcf.org.uk  
website: www.ftcf.org.uk

# Pledge Form

I hereby pledge to The Citizens Foundation:

(Please tick the appropriate category)

Pak Rupee

- |  |                        |            |
|--|------------------------|------------|
| <input type="checkbox"/> Build-a-School + Support for three years                                  |                        |            |
| Primary  | (6,500,000+2,850,000)  | 9,350,000  |
| Secondary  | (13,500,000+4,950,000) | 18,450,000 |
| <hr/>  |                        |            |
| <input type="checkbox"/> Build-a-School in the Earthquake affected areas + Support for three years |                        |            |
| Primary  | (10,400,000+2,850,000) | 13,250,000 |
| <hr/>  |                        |            |
| <input type="checkbox"/> Donate a School Van   |                        | 450,000    |
| <input type="checkbox"/> Equip a Secondary School Computer Lab                                     |                        | 450,000    |
| <input type="checkbox"/> Support-a-School (per year)   |                        |            |
| Primary  |                        | 950,000    |
| Secondary  |                        | 1,650,000  |
| <input type="checkbox"/> Educate-a-Child   |                        |            |
| For 1 year (Rs. 800/month)   |                        | 9,600      |
| Upto Primary   |                        | 60,000     |
| Upto Secondary   |                        | 100,000    |
| <input type="checkbox"/> Educational Fund (General)  |                        | Any Amount |
| <input type="checkbox"/> Zakat   |                        | Any Amount |
| <input type="checkbox"/> Endowment Fund  |                        | Any Amount |

All the above rates are for 2007-2008. Build-a-School rates apply to projects in urban slums. Each Build-a-School project can be taken up only with provision of school support for 3 years. Other locations may need cost review & customized project costing. An endowment fund has been created for Educate-a-child (till matric) scheme.

- To be Paid:  Monthly     Annually     One-time
- Through:  Cheque     Cash     Credit Card
- For:  Ongoing     Two Years     One Year

I have enclosed a cheque / cash of Rs. \_\_\_\_\_  
 (Not to be filled by persons paying full amount through credit cards)

**For Donors wishing to pay through credit cards**

I hereby authorize TCF to deduct Rs. \_\_\_\_\_  
 (Please enter your full amount)

from my  Visa     Master

Amount in Words \_\_\_\_\_

Name \_\_\_\_\_  
 (as it appears on the card)

Credit Card No.

□□□□-□□□□-□□□□-□□□□  
 (and thereafter renewed on the card)

month    year

Expiry Date    □□/□□

In case of change of credit card details, including card expiry, kindly send us a letter communicating new card information.

Name \_\_\_\_\_

Email \_\_\_\_\_  
 (Please fill so that TCF newsletter can be emailed to you)

Company \_\_\_\_\_ Designation \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_ City \_\_\_\_\_

Country \_\_\_\_\_ Postal Code \_\_\_\_\_

Tel (off) \_\_\_\_\_ Tel (Home) \_\_\_\_\_

Mobile \_\_\_\_\_ Fax \_\_\_\_\_

Mail me Donations receipts

- Never     Monthly     Annually (in June)


Signature \_\_\_\_\_ Date \_\_\_\_\_

The recognition of your donations should be in the name of \_\_\_\_\_

**Thank you for your support!**

TCF Accounts are audited by KPMG Taseer Hadi & Co and will be available on request. Donations to TCF are approved for tax deduction U/S 2(36)(c) of the income tax ordinance.

To make your donations,  
 please complete this form and mail it to:



THE CITIZENS FOUNDATION

7th floor, NIC Building,  
 Abbasi Shaheed Road, Karachi 75530 - Pakistan  
 Tel: 92-21-111-823-823, Fax: 92-21-5653173  
 Email: citizens@cyber.net.pk

[www.thecitizensfoundation.org](http://www.thecitizensfoundation.org)