

A gypsy woman walked into a TCF School in a distant area called Hair, outside of Lahore. Being an illiterate mother, the sole purpose that drove her to enter the gates of TCF was the determination to educate her daughters and niece. For a second, the Principal questioned how wise it would be to admit three gypsy girls into the school on scholarship. She thought to herself, "But they are gypsies, they would leave the area soon to move to another." However, the moment she looked into the eyes of these girls, her mind was made up. She decided that she would go out of her way to not only admit them in school but also ensure that they stay and continue their education. She told herself, "If today I do not admit these girls into my school, tomorrow they might never get a second chance."

Generally gypsy families move from one location to another and live in temporary tent-homes. They are beggars by profession, obtaining food and income by begging in the community, going from one house to another. In local vernacular they are called "Pakhiwaas." With their limited income and inconsistent lifestyle, education is not something on their priority list. Sonya, Goshi and Munazza's family is one of such families. These girls choose to walk a long distance every day from their makeshift tent houses to school. This is the first time that their parents have ever settled in a place for such a long time. When the Pakhiwaas girls joined Class 1 at TCF a year ago, they were not only unacquainted with the alphabet but also ignorant of basic rules of hygiene and etiquettes. The faculty at TCF School – Abdul Rashid Khan Campus took it upon themselves to not only provide the girls with shoes and uniforms but also toothbrushes and hair clips, along with trimming their hair when need be. Because their parents do not have irons at home, the Principal even taught them how to keep their uniforms from creasing. The teachers worked hard over the year and still continue to focus their efforts on encouraging them. They are delighted to find out that not only are these girls benefiting from character building but are also demonstrating a high aptitude in their academic performance.

The Principal and teachers at TCF are determined to give the girls that equal chance in life they truly deserve. The twinkle in their eyes, the pencils in their small hands, and their clean uniforms give hope to the entire TCF family that education will prevent them from begging ever again.

embracing **diversity**

# Financials

The most significant numbers  
are the number of lives  
changed..



THE CITIZENS FOUNDATION

# Auditor's Report to the Members

We have audited the annexed balance sheet of The Citizens Foundation (a company limited by guarantee) as at 30 June 2006 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.

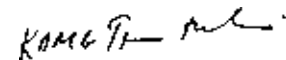
It is the responsibility of the Foundation's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express 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 except for the change referred to in notes 5.1, 5.2 and 5.10 to the financial statements with which we concur;

- 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 2006 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.

Karachi: 21st November, 2006



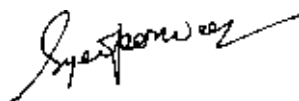
KPMG Taseer Hadi & Co.  
Chartered Accountants

# Balance Sheet

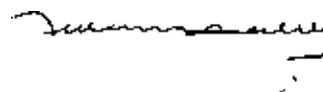
as at 30 June 2006

	Note	2006	2005 (Restated)
<b>NON CURRENT ASSETS</b>			
<b>Tangible fixed assets</b>			
Operating fixed assets - at valuation / at cost less accumulated depreciation	6	752,130,335	656,374,127
Capital work in progress	7	257,454,911	83,163,371
		1,009,585,246	739,537,498
Long term investments	8	160,305,108	46,235,942
Long term deposits		3,360,283	5,704,633
		1,173,250,637	791,478,073
<b>CURRENT ASSETS</b>			
Current maturity of long term investments	8	15,943,765	-
Stock of uniforms, text books and exercise copies	9	833,686	316,047
Advances, deposits and prepayments	10	13,441,466	6,459,689
Accrued income and other receivables	11	2,475,604	3,513,649
Short term investments	12	185,252,500	61,748,340
Cash and bank balances	13	182,838,035	27,781,759
		400,785,056	99,819,484
<b>CURRENT LIABILITIES</b>			
Current maturity of liabilities			
against assets subject to finance lease	14	(9,363,829)	(13,590,039)
Accrued expenses and other liabilities	15	(42,614,831)	(13,729,597)
		(51,978,660)	(27,319,636)
		348,806,396	72,499,848
<b>NON CURRENT LIABILITIES</b>			
Deferred income	16	(321,309,565)	-
Liabilities against assets subject to finance lease	14	(11,501,571)	(26,667,669)
		(332,811,136)	(26,667,669)
	Rupees	1,189,245,897	837,310,252
<b>REPRESENTED BY:</b>			
General fund		837,074,310	630,948,579
Unappropriated surplus		352,035,434	206,125,731
Unrealized gain on remeasurement of available for sale investments		136,153	235,942
	Rupees	1,189,245,897	837,310,252

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



CHIEF EXECUTIVE



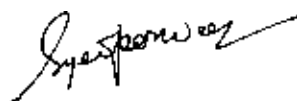
DIRECTOR

# Income & Expenditure Account

for the year ended 30 June 2006

	Note	2006	2005 (Restated)
<b>INCOME</b>			
Donations	17	215,528,207	392,524,507
Profit on investments		11,595,070	4,615,388
Profit on bank accounts		6,026,422	551,432
Exchange gain		1,583,558	1,782,022
Capital gain		939,689	-
Gain on disposal of fixed assets		3,612,664	431,279
Others		91,656	-
		<u>239,377,266</u>	<u>399,904,628</u>
<b>EXPENDITURE</b>			
Scholarships / subsidies to TCF schools	18	103,245,623	82,374,584
Teachers' training		5,784,862	5,427,436
Vehicle running and maintenance		8,883,262	9,256,551
Repairs and maintenance		1,398,842	2,569,536
Salaries and benefits	19	34,943,334	24,973,329
Travelling and conveyance - staff		1,859,733	1,294,233
Utilities and communication		2,040,312	1,620,522
Insurance		2,383,280	1,485,428
Printing and stationery		3,917,389	3,257,475
Depreciation	6	56,834,699	54,703,453
Office rent		5,330,832	3,939,061
Auditors' remuneration		50,000	-
Professional charges		1,351,690	202,186
Bank charges		273,192	162,329
Miscellaneous		34,170	109,329
Financial charges - leasing		1,846,166	2,403,445
Provision for impairment loss		45,253,135	-
		<u>275,430,521</u>	<u>193,778,897</u>
Excess of (expenditure over income)/income over expenditure - operations other than earthquake relief		(36,053,255)	206,125,731
Donations - earthquake relief		519,236,479	-
Earthquake relief expenses		(131,147,790)	-
Excess of income over expenditures - earthquake relief		388,088,689	-
Excess of income over expenditure	Rupees	<u>352,035,434</u>	<u>206,125,731</u>

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



CHIEF EXECUTIVE



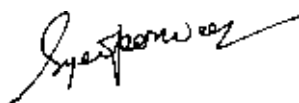
DIRECTOR

# Cash Flow Statement

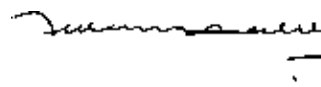
for the year ended 30 June 2006

	Note	2006	2005
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	20	459,282,866	264,062,978
Financial charges paid - leasing		(1,814,746)	(2,399,628)
Net cash inflow from operating activities		457,468,120	261,663,350
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(330,161,036)	(208,558,308)
Sales proceeds on disposal of fixed assets		4,437,678	455,200
Investment made		(291,775,915)	(91,748,340)
Profit received on investments		10,825,822	3,269,025
Long term deposits		2,344,350	(2,313,703)
Net cash outflow from investing activities		(604,329,101)	(298,896,126)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Deferred income		321,309,565	-
Repayment of liabilities under finance lease		(19,392,308)	(13,019,544)
Net (decrease) / increase in cash and cash equivalents		155,056,276	(50,252,320)
Cash and cash equivalents at beginning of the year		27,781,759	78,034,079
Cash and cash equivalents at end of the year	Rupees	182,838,035	27,781,759

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



CHIEF EXECUTIVE



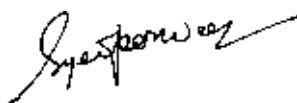
DIRECTOR

# Statement of Changes in Equity

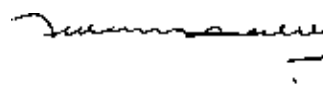
for the year ended 30 June 2006

	General Fund	Un-appropriated Surplus	Un-realised gain on remeasurement of available for sale investments	Total
Balance as at 1 July 2004	630,948,579	-	-	630,948,579
Surplus of income over expenditure for the year 2005 transferred to general fund	206,361,673	-	-	206,361,673
Balance as at 30 June 2005 as previously reported	837,310,252	-	-	837,310,252
Effect of change in accounting policies:				
- Unappropriated surplus for the year ended 30 June 2005 transferred to general fund - note 5.10	(206,361,673)	206,361,673	-	-
- Un-realised gain on remeasurement of available for sale investments - note 5.2	-	(235,942)	235,942	-
Balance as on 30 June 2005 restated	630,948,579	206,125,731	235,942	837,310,252
Surplus of income over expenditure for the year 2005 transferred to general fund	206,125,731	(206,125,731)	-	-
Surplus of income over expenditure for the year 2006	-	352,035,434	-	352,035,434
Realised gain on disposal of available for sale investments	-	-	(343,442)	(343,442)
Un-realised gain on remeasurement of available for sale investments	-	-	243,653	243,653
Total income and expense recognised during the year	-	352,035,434	(99,789)	351,935,645
Balance as on 30 June 2006 Rupees	837,074,310	352,035,434	136,153	1,189,245,897

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 2006

## 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 Accounting 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 accounts have been prepared under the historical cost convention except that:

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

### 3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the company'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 24 to these financial statements.

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

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 July 2006 and are not expected to have a significant effect on the Foundation's financial statements or not relevant to the Foundation:

- Amendments to IAS 1 Presentation of Financial Statements Capital Disclosures
- IAS 19 (Amendment) Employee Benefits contractual agreement between the multi employer plan and defined benefit plans disclosures
- IAS 39 (Amendment) Cash Flow Hedge Accounting of Forecast Intergroup Transactions
- IAS 39 (Amendment) The Fair Value Option
- IAS 21 (Amendment) The Effects of Changes in Foreign Exchange Rates: net investment in foreign operation
- IFRIC 4 Determining whether an Arrangement contains a Lease
- IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 Liabilities arising from Participating in a specific market - Waste Electrical and Electronic Equipment
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

#### 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 of assets are available for intended use. Uptil last year, all donations were recognized as income as and when received and taken to income and expenditure account in the year donations are received. It is impracticable to identify data for prior periods regarding donations related to assets and its utilization, hence related prior period's figures in the financial statements could not be restated.

Individual items of receipts and expenditure pertaining to various schools are not incorporated in these accounts. 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.

Upto last year any resultant gains or losses were recognised directly to the income and expenditure account. This change has been made in line with the requirement of International Accounting Standard - 39 "Financial Instruments: Recognition and Measurement". Figures relating to prior year amounting to Rs. 235,942 have been restated in the financial statements. Had there been no change in the policy, the profit for the year would have been higher by Rs. 243,653.

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 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.

5.6 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.

5.7 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.

5.8 Foreign currency transactions

Foreign currency transactions during the year are translated into Pak. Rupees at exchange rates prevailing on the date of transaction. 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.

5.9 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.

5.10 Change in accounting policy relating to transfer to General Fund

The Company during the year changed its accounting policy whereby transfer to general fund is now recognised in the year in which it is approved. Previously, the financial statements were adjusted for transfer to general fund, approved subsequent to year end. The change was considered necessary in the light of circular number 06/2006, dated 19 June 2006, issued by the Institute of Chartered Accountants of Pakistan, whereby the requirement of International Accounting Standard 10, "Events after the balance sheet date", are now fully applicable to the Company.

Upto previous year, transfers to general fund relating to unappropriated surplus for the year although approved subsequent to year end, were accounted for in the year to which those related. This change has been applied retrospectively and comparatives have been restated to conform to the changed policy under the requirements of International Accounting Standard 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

Had there been no change in accounting policy, the unappropriated surplus and General Fund for the year ended 30 June 2006 would have been lower and higher by Rs. 352.035 million respectively.

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

					2006				
					Rate	DEPRECIATION			Written down
					(%)	As at 1 July 2005	For the year/ additions/ (deletions)	As at 30 June 2006	value as at 30 June 2006
OWNED									
Land	6.1	105,484,745	12,503,290	117,988,035	–	–	–	–	117,988,035
School building	6.2	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 27,776,394 (4,568,000)	78,984,100	20	24,100,457	9,588,684 18,841,854 (4,350,186)	48,180,809	30,803,291
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
LEASED									
Vehicles		70,290,427	– (28,568,394)	41,722,033	20	34,421,169	8,390,607 (19,026,654)	23,785,122	17,936,911
	Rupees	832,219,270	153,415,921 27,776,394 (33,136,394)	980,275,191		175,845,143	56,834,699 18,841,854 (23,376,840)	228,144,856	752,130,335

					2005				
					Rate	DEPRECIATION			Written down
					(%)	As at 1 July 2004	For the year/ additions/ (deletions)	As at 30 June 2005	value as at 30 June 2005
OWNED									
Land	6.1	96,138,815	9,345,930	105,484,745	–	–	–	–	105,484,745
School building	6.2	407,294,528	145,290,697	552,585,225	5	65,717,908	27,629,261	93,347,169	459,238,056
Furniture and fittings		37,207,992	14,285,801	51,493,793	10	12,049,202	5,149,379	17,198,581	34,295,212
Vehicles		32,064,130	6,836,775	38,900,905	20	18,873,105	5,227,352	24,100,457	14,800,448
Office and other equipments		6,873,903	6,773,172 (182,900)	13,464,175	20	4,297,345	2,639,401 (158,979)	6,777,767	6,686,408
LEASED									
Vehicles		40,568,033	29,722,394	70,290,427	20	20,363,109	14,058,060	34,421,169	35,869,258
	Rupees	620,147,401	212,254,769 (182,900)	832,219,270		121,300,669	54,703,453 (158,979)	175,845,143	656,374,127

- 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. 2 million each.

7. CAPITAL WORK IN PROGRESS

	Note	2006	2005
Balance at 1 July		80,709,796	54,683,863
Expenditure incurred during the year		226,197,054	171,316,630
		<u>306,906,850</u>	<u>226,000,493</u>
Transferred to school buildings during the year		(105,059,798)	(145,290,697)
	7.1	<u>201,847,052</u>	<u>80,709,796</u>
Mobilisation advance to contractors		9,771,507	2,453,575
Advance against purchase of fixed assets		45,836,352	–
	Rupees	<u>257,454,911</u>	<u>83,163,371</u>

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

8. LONG TERM INVESTMENTS

Held to maturity			
Bank AL Habib Limited	8.1	15,943,765	15,500,000
Current maturity of long term investment		(15,943,765)	–
		–	15,500,000
United Bank Limited	8.2	10,279,028	10,000,000
United Bank Limited	8.3	10,006,306	–
Pakistan Mobile Communication Limited	8.4	9,094,125	–
Askari Commercial Bank Limited	8.5	10,454,911	–
Available for sale			
United Money Market Fund		411,398	20,343,442
BSJS Mutual Fund		607,500	392,500
ABAMCO Composite Fund		1,487,500	–
Atlas Fund of Fund		4,797,000	–
Strategic Allocation Fund		6,496,500	–
Meezan Balanced Fund		5,497,350	–
Atlas Income Fund		50,024,836	–
UGIF- Income Fund		51,148,654	–
	Rupees	<u>160,305,108</u>	<u>46,235,942</u>

8.1 These represent investment in 5 years bank term deposit receipts and carry profit rate of 11% per annum and will mature on 27 March 2007.

8.2 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 2013.

8.3 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 31 July 2013.

8.4 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 May 2013.

8.5 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 31 July 2013.

9. STOCK OF UNIFORMS, TEXT BOOKS AND EXERCISE COPIES

	Note	2006	2005
School uniforms		342,095	234,575
Text books		–	81,472
Exercise copies		491,591	–
	Rupees	<u>833,686</u>	<u>316,047</u>

10. ADVANCES, DEPOSITS AND PREPAYMENTS - considered good

Advances to staff		487,727	524,716
Advances to suppliers		7,600,827	2,622,475
Current maturity of long term deposits		1,742,400	752,400
Prepaid expenses		3,610,512	2,560,098
	Rupees	<u>13,441,466</u>	<u>6,459,689</u>

11. ACCRUED INCOME AND OTHER RECEIVABLES - considered good

Accrued income on investments		1,840,341	1,793,058
Tax deducted at source		547,053	1,323,626
Other receivables		88,210	396,965
	Rupees	<u>2,475,604</u>	<u>3,513,649</u>

12. SHORT TERM INVESTMENTS

Pak Oman Investment Bank Limited		–	10,275,000
Crescent Standard Investment Bank Limited	12.1	38,881,000	51,473,340
Saudi Pak Commercial Bank Limited	12.2	80,000,000	–
KASB Bank Limited	12.3	20,000,000	–
NIB Bank Limited	12.4	65,252,500	–
Habib Bank A.G. Zurich	12.5	20,000,000	–
Provision for impairment loss	12.6	(38,881,000)	–
	Rupees	<u>185,252,500</u>	<u>61,748,340</u>

12.1 These represent term deposits and carry profit rate of 10.00% to 12.25% per annum and 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 12.6.

12.2 These represent investment in term deposits and carry profit rate of 11% per annum and will mature on 30 September 2006.

12.3 These represent investment in term deposits and carry profit rate of 11% per annum and will mature on 17 August 2006.

12.4 These represent investment in fixed deposits and carry profit rate of 4.75% per annum and will mature on 20 July 2006.

12.5 These represent investment in fixed deposits and carry profit rate of 10.25% per annum and will mature on 9 July 2006.

- 12.6 The Securities and Exchange Commission of Pakistan has appointed an Administrator in place of the Board of Directors of the Crescent Standard Investment Bank Limited (CSIBL). 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.

13. CASH AND BANK BALANCES

	Note	2006	2005
Cash in hand		8,142,770	491,161
Cash at bank:			
- current account		13,412,589	4,481,152
- deposit account		167,654,811	22,809,446
		181,067,400	27,290,598
Provision for impairment loss	12.6	(6,372,135)	-
	Rupees	<u>182,838,035</u>	<u>27,781,759</u>

14. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - secured

Present value of minimum lease payments:			
Balance as on 1 July		40,257,708	23,554,858
Assets acquired on lease during the year		-	29,722,394
		40,257,708	53,277,252
Repayments during the year		(19,392,308)	(13,019,544)
		20,865,400	40,257,708
Current maturity – shown under current liabilities		(9,363,829)	(13,590,039)
	Rupees	<u>11,501,571</u>	<u>26,667,669</u>

	2006			2005		
	Minimum lease payment	Financial charges	Principal outstanding	Minimum lease payment	Financial charges	Principal
Not later than one year	10,387,276	1,023,447	9,363,829	15,917,890	2,327,851	13,590,039
Later than one year but not more than five years	12,091,546	589,975	11,501,571	28,665,776	1,998,107	26,667,669
	22,478,822	1,613,422	20,865,400	44,583,666	4,325,958	40,257,708
Current portion	(10,387,276)	(1,023,447)	(9,363,829)	(15,917,890)	(2,327,851)	(13,590,039)
Liabilities against asset subject to finance lease	<u>12,091,546</u>	<u>589,975</u>	<u>11,501,571</u>	<u>28,665,776</u>	<u>1,998,107</u>	<u>26,667,669</u>
	Rupees					

Present value of minimum lease payments has been discounted by using financing rate ranging from 11% to 7.5% per annum (2005: 12.5% to 7.5%). Title to the assets acquired under the leasing arrangements are transferable to the company on completion of lease period and adjustment of deposit (residual value) of Rs. 4.158 million (2005: Rs. 6.081 million) paid against these liabilities. Repair and insurance costs are to be borne by the Foundation.

## 15. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2006	2005
Accrued expenses		19,132,917	4,831,200
Accrued mark-up on finance leases		31,420	248,801
Security deposit - Teachers	15.1	5,524,170	3,648,116
Retention money		7,755,087	4,802,213
Tax deducted at source		9,533	199,267
Scholarship		157,635	-
Others	15.2	10,004,069	-
	Rupees	<u>42,614,831</u>	<u>13,729,597</u>

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

15.2 This includes an amount of Rs. 10 million given by the spouse of Mr. Ahsan Saleem (Chairman of the Foundation) 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.

## 16. DEFERRED INCOME

	Note	2006	2005
Donations related to fixed assets during the year		324,094,716	-
Ammortization for the year		(2,785,151)	-
	Rupees	<u>321,309,565</u>	<u>-</u>

## 17. DONATIONS

Donations received for school operations		213,920,224	397,261,379
Ammortized - donations related to assets		2,785,151	-
Fund raising expenses		(1,177,168)	(4,736,872)
	Rupees	<u>215,528,207</u>	<u>392,524,507</u>

## 18. 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".



## 19. SALARIES AND BENEFITS

### 19.1 Chief Executive Officer's Remuneration

	Note	2006	2005
Salaries and allowances		3,075,000	250,000
Utilities		—	—
House rent		—	—
Domestic servant salary		—	—
Leave encashment		—	—
Medical expenses		—	—
Entertainment allowance		—	—
	Rupees	<u>3,075,000</u>	<u>250,000</u>

The Foundation also provides free use of company maintained car.

## 20. CASH GENERATED FROM OPERATIONS

	Note	2006	2005 (restated)
Excess of income over expenditure		352,035,434	206,125,731
Adjustments for non cash charges and other items:			
Depreciation		56,834,699	54,703,453
Profit on investments		(11,595,070)	(4,615,388)
Gain on sale of fixed assets		(3,612,664)	(431,279)
Financial charges		1,846,166	2,403,445
Provision for impairment loss		38,881,000	—
Working capital changes	20.1	24,893,301	5,877,016
	Rupees	<u>459,282,866</u>	<u>264,062,978</u>

### 20.1 Working capital changes

Stocks	(517,639)	1,799,605
Advances, deposits and prepayments	(4,528,202)	(2,213,095)
Accrued income and other receivables	1,085,328	299,821
	(3,960,513)	(113,669)
Increase / (decrease) in current liabilities		
Accrued expenses and other liabilities	28,853,814	5,990,685
Rupees	<u>24,893,301</u>	<u>5,877,016</u>

## 21. TAXATION

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

## 22. 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 8 and 12 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 14 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.

### 23. RELATED PARTY TRANSACTIONS

- 23.1 Arshad Shahid Abdullah (Private) Limited, in which Mr. Arshad Abdullah (Director of the Foundation) is also a director, has provided voluntary architect consultancy services to the Foundation during the year.
- 23.2 Shakarganj Mills Limited and Crescent Steel & Allied Products Limited in which Mr. Ahsan Saleem (Chairman of the Foundation) is also a director have donated Rs. 2,463,263 and Rs. 8,000,000 respectively.
- 23.3 Searle Pakistan Limited, in which Mr. Rashid Abdullah (Director of the Foundation) is also a director, has donated Rs. 12,430,000 for the Earth Quake Relief Fund.
- 23.4 An amount of Rs. 10,000,000 has been given by the spouse of Mr. Ahsan Saleem (Chairman of the Foundation) 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.

### 24. ACCOUNTING ESTIMATES AND JUDGMENTS

#### 24.1 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.

#### 24.2 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.

24.3 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.

24.4 Stock of uniforms, text books and exercise copies

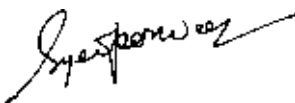
The Foundation reviews the net realizable value of stock of uniforms, text books and exercise copies to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stocks with a corresponding affect on the amortization charge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

25. DATE OF AUTHORISATION

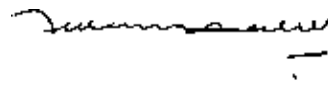
These financial statements were authorised for issue in the Board of Directors meeting held on 21st November, 2006.

26. GENERAL

Prior year's figures have been re-arranged wherever considered necessary for the comparison.



CHIEF EXECUTIVE



DIRECTOR

# Notice of AGM

Notice is hereby given that 10th Annual General Meeting (AGM) of The Citizens Foundation will be held at 1300 hours on 30 December, 2006 at 7th Floor, NIC Building, Abbasi Shaheed Road, Karachi, to transact the following business.

## ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on 27 October 2005.
2. To receive, consider and approve the audited accounts of the company for the period ended 30 June 2006 together with the Directors and Auditors report thereon.
3. To appoint Auditors and fix their remuneration for the year 2006-2007. The present auditors M/s. KPMG Taseer Hadi & Co. Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

## SPECIAL BUSINESS

4. To transact any other business with the permission of the Chair.

By Order of the Board



Col (R) Syed Qaisar Hussain Rizvi  
Company Secretary

Dated: 08 December 2006.



# 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 Commercial 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: PAHLPKKA

Donations to TCF Pakistan are approved for tax deduction U/S 2(36)(c) of the income tax ordinance, 2001, valid upto 30-06-2007.  
All donations to FTFCF-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

### 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

### Canada

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

your **help** will go a long way in helping us **change lives..**

# Pledge Form

I hereby pledge to The Citizens Foundation:  
(Please tick the appropriate category)

- |   |                             |
|---|-----------------------------|
| <input type="radio"/> Build-a-school (Primary)      | Rs. 5,500,000               |
| <input type="radio"/> Build-a-school (Secondary)    | Rs. 11,000,000              |
| <input type="radio"/> Build-a-Classroom             | Rs. 800,000                 |
| -----   |                             |
| In the earthquake affected areas                    |                             |
| <input type="radio"/> Build-a-school (Primary)      | Rs. 9,000,000               |
| <input type="radio"/> Build-a-school (Secondary)    | Rs. 18,000,000              |
| -----   |                             |
| <input type="radio"/> School Van                    | Rs. 450,000                 |
| <input type="radio"/> Secondary School Computer Lab | Rs. 425,000                 |
| <input type="radio"/> Stock a Library (Primary)     | Rs. 50,000                  |
| <input type="radio"/> Stock a Library (Secondary)   | Rs. 75,000                  |
| <input type="radio"/> Support-a-school - Primary    | Rs. 880,000<br>(per year)   |
| <input type="radio"/> Support-a-school - Secondary  | Rs. 1,500,000<br>(per year) |
| <input type="radio"/> Educate-a-child (per year)    | Rs. 9000<br>(Rs. 750/month) |
| <input type="radio"/> Educate-a-child (till Matric) | Rs. 98,000                  |
| <input type="radio"/> Education Fund                | Any amount                  |
| <input type="radio"/> Zakat Fund                    | Any amount                  |

All the above rates are for 2006-2007. Build-a-school rates apply to projects in urban slums.  
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)

Name \_\_\_\_\_

Email \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

Country \_\_\_\_\_ Post Code \_\_\_\_\_

Tel (Off) \_\_\_\_\_ Tel (Home) \_\_\_\_\_

Mobile \_\_\_\_\_

**For Donors wishing to pay through Credit Cards**

I hereby authorize TCF to deduct

Rs. \_\_\_\_\_  
(Please enter full year amount)

from my ☐ Visa ☐ Master

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

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

Credit Card No.

0000 - 0000 - 0000 - 0000  
(and thereafter renewed cards)

Expiry Date ☐ / ☐  
month year

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

Mail me Donation receipts:

☐ Never ☐ Monthly ☐ Annually (in June)

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

The recognition of your donation should be in the name of

\_\_\_\_\_

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



THE CITIZENS FOUNDATION

7th Floor, NIC Building, Abbasi Shaheed Road, Karachi - 75530

Tel: (9221) 111-823-823, Fax: (9221) 565 3173

Email: citizens@cyber.net.pk

www.thecitizensfoundation.org

The accounts of TCF 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 ,2001, valid upto 30-06-2007.

## TCF Contact Information

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Cell: 973-39-221669  
ghazalahusain@yahoo.com



Five year old Rabia Ali is a Kindergarten student at a TCF School. She belongs to the Baloch-Makrani community settled in the metropolis of Karachi, which is a melting pot of diverse ethnicities from all over the country. The Makran community in Pakistan has an African-Arab origin dating back hundreds of years.



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Publication of this report has been sponsored by a well-wisher