





# WE BELIEVE IN TRANSPARENCY



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#### **Auditors' Report to the Members**

We have audited the annexed balance sheet of **The Citizens Foundation** ('the Foundation") as at 30 June 2015 and the related income and expenditure account, statement of comprehensive income, statement of changes in funds and reserves, cash flow statement 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 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 of our opinion and, after due verification, we report that:

- a) In our opinion, proper books of account have been kept by the Foundation as required by the Companies Ordinance, 1984;
- b) In our opinion:
  - 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, statement of comprehensive income, cash flow statement and statement of changes in funds and reserves 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 2015 and of the surplus, changes in funds and reserves and its cash flows for the year then ended; and
- d) In our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Date: 12 August 2015

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Mazhar Saleem

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

# Balance Sheet

As at 30 June 2015

ASSETS	Note	2015 (Rupees i	2014
Non-Current assets		(nupees i	11 000)
Property and equipment	4	4,110,780	3,762,783
Intangible assets	5	4,133	4,206
Long term investments	6	1,330,629	712,832
Long term deposits		10,573	9,457
		5,456,115	4,489,278
Current Assets			
Advances and prepayments	7	99,096	65,345
Accrued income and other receivables	8	76,328	26,629
Short term investments	9	1,173,697	1,231,308
Cash and bank balances	10	167,651	101,304
		1,516,772	1,424,586
Total Assets		6,972,887	5,913,864
FUNDS AND LIABILITIES			
Capital fund	11	2,200	2,200
General fund		656,815	700,427
Surplus / (deficit) of income over expenditure for the year		38,991	(43,612)
Unrealized gain on remeasurement of available for sale investments		89,862	151,375
		787,868	810,390
Non-Current Liabilities			
Endowment fund	12	1,369,911	972,922
Deferred income relating to operating fixed assets	13	3,851,765	3,429,332
Deferred income relating to school support, grants and			
children education	14	565,580	461,103
		5,787,256	4,863,357
Current Liabilities			
Accrued expenses and other liabilities	15	397,763	240,117
Total Funds and Liabilities		6,972,887	5,913,864
Contingencies and Commitments	16		

The annexed notes 1 to 27 form an integral part of these financial statements.

**Chief Executive Officer** 

# Income and Expenditure Account

For the year ended 30 June 2015

	Note	2015 (Rupees	2014
INCOME		(nupees	III 000)
Donations	17	2,089,503	1,641,888
Income on investment - net	18	82,781	72,932
Gain on disposal of fixed assets		55,260	47,245
		2,227,544	1,762,065
OPERATING EXPENDITURE			
Education Programme			
Subsidies to TCF schools	19	999,202	775,041
Books, copies, uniforms and other school supplies		267,522	216,720
Repair and maintenance charges		77,117	60,211
School vehicle running and maintenance		91,002	86,302
Teachers' training		48,524	42,362
School supervision and monitoring		147,517	121,983
Depreciation on school assets	20	328,765	285,678
Other school expenses	21	39,088	39,619
		1,998,737	1,627,916
Programme Administration			
Salaries and other benefits	22	82,152	76,224
Resource mobilization expenses		61,266	54,144
Vehicle running and maintenance		4,000	5,720
Travelling and conveyance		2,089	2,703
Utilities		4,874	4,239
Communication		2,961	4,149
Printing and stationery		5,555	3,879
Depreciation	20	17,303	15,036
Other expenses	23	9,616	11,667
		189,816	177,761
Total Operating Expenditure		2,188,553	1,805,677
Surplus / (deficit) of income over expenditure for the year		38,991	(43,612)

The annexed notes 1 to 27 form an integral part of these financial statements.

**Chief Executive Officer** 

# Statement of Comprehensive Income

For the year ended 30 June 2015

**2015** 2014 (Rupees in '000)

Surplus / (deficit) of income over expenditure for the year

Unrealized (loss) / gain on remeasurement of available for sale investments

Reclassification adjustments relating to gain on disposal of available for sale investments Other comprehensive income for the year

Total comprehensive income for the year

38,991	(43,612)
(24,543)	65,451
(36,970)	(29,474)
(61,513)	35,977
(22.522)	(7 635)

The annexed notes 1 to 27 form an integral part of these financial statements.

**Chief Executive Officer** 

# Cash Flow Statement

For the year ended 30 June 2015

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2015 (Rupees	2014 in ' <b>000</b> )
Cash generated from support donation operations	24	(456,278)	(318,389)
Long term deposits		(1,116)	(646)
Net cash used in operating activities		(457,394)	(319,035)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(698,326)	(743,733)
Sales proceeds on disposal of fixed assets		58,322	48,057
Investments - Long term and Short term		(565,919)	(524,351)
Income on investments		122,591	44,153
Net cash used in investing activities		(1,083,332)	(1,175,874)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital fund		-	100
Endowment fund		396,989	611,405
Deferred receipts relating to build donations	13	559,520	547,272
Deferred receipts relating to school support, grants and			
children education	14	663,629	442,651
Net cash generated from financing activities		1,620,138	1,601,428
Net increase in cash and cash equivalents		79,412	106,519
Cash and cash equivalents at beginning of the year		681,089	574,570
Cash and cash equivalents at end of the year	24.2	760,501	681,089

The annexed notes 1 to 27 form an integral part of these financial statements.

Chief Executive Officer

# Statement of Changes in Funds & Reserves

For the year ended 30 June 2015

	Capital fund	General fund	Accumulated (Deficit) / Surplus	Un-realized gain on remeasurement of available for sale investments	Total
			(Rupees in '00	0)	
Balance as at 30 June 2013	2,100	763,911	(18,234)	115,398	863,175
Transaction with members of the Foundation recognized directly in Funds and Reserves for the year ended 30 June 2014					
Contribution received during the year	100	-	-	-	100
Transfer of deficit of income over expenditure to the general fund	-	(18,234)	18,234	-	-
Transfer from General Fund to Sustainability Fund	-	(40,148)	-	-	(40,148)
Transfer from General Fund to Endowment Fund	-	(5,102)	-	-	(5,102)
Total Comprehensive income for the year					
Deficit of income over expenditure for the year	-	-	(43,612)	-	(43,612)
Other comprehensive income					
Unrealized gain on remeasurement of available for sale investments	-	-	-	65,451	65,451
Reclassification adjustments relating to gain on disposal of available for sale investments	-	-	_	(29,474)	(29,474)
Total comprehensive income for the year	-	-	(43,612)	35,977	(7,635)
Balance as at 30 June 2014	2,200	700,427	(43,612)	151,375	810,390
Transaction with members of the Foundation recognized directly in Funds and Reserves for the year ended 30 June 2015					
Transfer of deficit of income over expenditure to the general fund	-	(43,612)	43,612	-	-
Total comprehensive income for the year					
Surplus of income over expenditure for the year	-	-	38,991	-	38,991
Other comprehensive income					
Unrealized loss on remeasurement of available for sale investments	-	-	-	(24,543)	(24,543)
Reclassification adjustments relating to gain on disposal of available for sale investments	_	-	_	(36,970)	(36,970)
Total comprehensive income for the year	-	-	38,991	(61,513)	(22,522)
Balance as at 30 June 2015	2,200	656,815	38,991	89,862	787,868

The annexed notes 1 to 27 form an integral part of these financial statements.

**Chief Executive Officer** 

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# Notes to the Financial Statements

For the year ended 30 June 2015

#### 1. LEGAL 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 schools as well as for its operation. These donations are made by organizations, institutions and individuals.

The registered address of The Citizens Foundation is situated at Plot 20, Sector 14, Korangi Industrial Area, Karachi, Pakistan.

#### 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

#### 2.2 Basis of Measurement

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 as described in note 4.1.

### 2.3 Functional and Presentation Currency

The financial statements are presented in Pak Rupees which is also the Foundation's functional currency and have been rounded off to the nearest thousand Rupee.

### 2.4 Use of Estimates and Judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgments and estimates made by management that may have a significant risk of material adjustments to the financial statements in subsequent years are as follows:

#### Operating Fixed Assets and Intangible Assets

The Foundation reviews the rate of depreciation, useful life, residual value 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 and intangible asset with a corresponding affect on the depreciation and amortization charge and impairment.

#### Held to Maturity Investment

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

#### Available for Sale Investment

Management has determined fair value of certain investments by using quotations from active market condition 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.

#### 2.5 New / Revised Accounting Standards, Amendments to Published Accounting Standards and Interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Foundation's financial statements.
- IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Foundation's financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Foundation's financial statements.
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Foundation's financial statements.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value,

establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Foundation's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Foundation's financial statements.
- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Foundation's financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Foundation's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:
  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
  - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
  - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
  - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied to all years presented.

#### 3.1 **Property and Equipment**

#### Owned

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold and leasehold land and donated land and buildings. Cost include expenditure directly attributable to the acquisition of an asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bring the assets to a working condition for their intended use.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Foundation and the cost of the item can be measured reliably.

The value assigned to the leasehold land is not depreciated since the lease is renewable at the option of the lessee.

Donated land is stated at nominal value or actual cost of acquisition as the case may be. Donated buildings are initially measured at valuation determined by the management and subsequently carried at valuation less accumulated depreciation and accumulated impairment, if any.

Depreciation is charged to income and expenditure account under the straight-line basis at rates specified in note 4.1 to these financial statements. Depreciation is charged on operating fixed assets from the date asset is available for intended use upto the date the asset is disposed off. Depreciation methods, useful lives and residual values are reviewed at each reporting date. Normal repairs and maintenance are charged to income and expenditure account as and when incurred. Gains and losses on disposal of an item of property and equipment are taken to income and expenditure account currently.

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

#### **Intangible Assets** 3.2

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight line basis over their estimated useful lives.

Costs that are directly associated with identifiable software products controlled by the Foundation and have probable economic benefit beyond one year are recognized as intangible assets.

Costs associated with maintaining computer software products are recognized as expense as and when incurred.

#### 3.3 Investments

All investments in equity securities and units / certificates of open and closed end mutual funds classified as available for sale are initially recognized at fair value and subsequently remeasured at fair value and any resultant gain or loss recognized directly in the funds and reserves until derecognized or impaired, when the accumulated adjustments recognized in funds and reserves are included in the income and expenditure account. Any reversal in impairment loss is recognized in income and expenditure account except for equity instruments in which case it is recognized in statement of funds and reserves.

The fair value of these investments are determined on the basis of year-end bid prices obtained from stock exchange quotations and the relevant redemption prices for open end mutual fund units.

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Investments classified as held to maturity are recognized initially at fair value, plus attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost.

#### 3.4 Other Payables

Other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

#### 3.5 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such asset is estimated and impairment loss is recognized in the income and expenditure account.

#### 3.6 Financial Instruments

All the financial assets and financial liabilities are recognized at the time when the Foundation becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Foundation loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income and expenditure account.

#### 3.7 Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the Foundation intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### 3.8 Income Recognition

Donations for school operations are recognized as income as and when received.

Donations related to operating fixed assets e.g. for building schools etc. received in cash are recognized as deferred income and amortized over the useful lives of asset from the date the asset is available for intended use.

Donations received for school support and education of a child till matriculation are deferred and recognized as income on a systematic basis to match them with the related costs that they are in to compensate.

Gain or losses on sale of investments are included in income and expenditure account on the date at which the transaction takes place.

Dividend income is recognized when the right to receive dividend is established.

Grants are recognized in profit or loss on a systematic basis over one or more years, under income approach.

Income on term finance certificates is recognized using the effective yield basis.

Income on Pakistan Investment Bonds is recognized using the effective yield basis.

Income on deposit accounts, term deposits receipts and treasury bills are recognized on time proportion basis taking in to account the effective yield.

Miscellaneous income, if any, is recognized on receipt basis.

#### 3.9 Provision for Compensated Absences

The Foundation accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences.

#### 3.10 Expenses

All expenses are recognized in the income and expenditure account on accrual basis.

#### 3.11 Taxation

The Foundation enjoys exemption from income tax under clauses (60) and (92) of Part I of Second Schedule to the Income Tax Ordinance, 2001, consequently no provision for taxation is made in these financial statements.

Further, through Finance Act, 2012 income of the Citizens Foundation has been provided specific exemption from tax under new sub-clause (xxviii) of clause (66) of Part I of the Second Schedule of the Income Tax Ordinance, 2001. Further by virtue of sub-clause (ia) of clause (61) of Part I of the Second Schedule of the said Ordinance, any donation made to The Citizens Foundation by any person shall be allowed as admissible deduction. The exemption clauses became applicable from 01 July 2012.

#### 3.12 Provisions

Provisions are recognized in the balance sheet when the Foundation has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

#### 3.13 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 reporting date are translated into Pak Rupees at the rates of exchange prevailing on the reporting date. Exchange differences, if any, are included in income and expenditure account.

# 3.14 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, balances with banks and other short term highly liquid investments with original maturities of three months or less.

### 3.15 Transfer to General Fund

The Foundation transfers deficit / surplus of income over expenditure to general fund in the year in which it is approved.

#### 3.16 Restricted Funds

These are funds which are not to be used in the current year for meeting operating expenses.

4.	PROPERTY AND EQUIPMENT		2015	2014
			(Rupees i	n '000)
	Operating fixed assets	4.1	3,561,881	3,449,517
	Capital work in progress	4.2	503,918	272,947
	Advance for construction		13,403	12,205
	Advance against purchase of operating fixed assets		31,578	28,114
			4,110,780	3,762,783

## 4.1 Operating Fixed Assets

					2015				
	Schoo	land	Buildir	ıg on	Furniture	Vehicles	Electrical	Office and	Total
	leasehold	freehold	leasehold	freehold	and		equipment	other	
			land	land	fittings			equipments	
					(Rupees in '0	00)			
At 1 July 2014	44.440	470.000	00.040	0.040.070					
Cost	11,416	179,923	90,348	3,649,873	307,712	586,287	23,616	84,941	4,934,116
Accumulated depreciation	- 11 116	170.000	(13,969)	(979,539)	(148,960)	(285,034)	(10,660)	(46,437)	(1,484,599)
Net book value	11,416	179,923	76,379	2,670,334	158,752	301,253	12,956	38,504	3,449,517
Additions / transfers from									
capital work in progress	404	14,570	2,544	271,324	37,723	115,647	5,751	13,531	461,494
1.15		,	,	,	,	,	-, -	-,	, ,
Disposals									
Cost	-	-	-	-	513	65,624	-	4,572	70,709
Accumulated depreciation	-	-	-	-	(382)	(62,823)	-	(4,442)	(67,647)
	-	-	-	-	131	2,801	-	130	3,062
Depreciation for the year		-	(4,606)	(189,398)	(27,770)	(106,504)	(4,857)	(12,933)	(346,068)
Closing net book value	11,820	194,493	74,317	2,752,260	168,574	307,595	13,850	38,972	3,561,881
At 30 June 2015									
Cost	11,820	194,493	92,892	3,921,197	344,922	636,310	29,367	93,900	5,324,901
Accumulated depreciation	- 44 000	-	(18,575)	(1,168,937)	(176,348)	(328,715)	(15,517)	(54,928)	(1,763,020)
Net book value	11,820	194,493	74,317	2,752,260	168,574	307,595	13,850	38,972	3,561,881
Depreciation rates									
Depreciation rates (% per annum)	_	_	5	5	10	20	20	20	
(70 per amum)			•	· ·	10	20	20	20	
					2014				
	Schoo	l land	Buildir	ig on	2014 Furniture	Vehicles	Flectrical	Office and	
	Schoo leasehold	l land	Buildir leasehold	ig on freehold	2014 Furniture and	Vehicles	Electrical equipment	Office and other	 Total
					Furniture	Vehicles			Total
			leasehold	freehold land	Furniture and			other	Total
At 1 July 2013	leasehold	freehold	leasehold land	freehold land	Furniture and fittings	00)		other	Total
Cost			leasehold land	freehold land 3,121,232	Furniture and fittings (Rupees in '00 262,911	00) 477,969	equipment	other equipments 66,529	4,189,145
Cost Accumulated depreciation	7,665	freehold 147,120 -	leasehold land  86,868 (9,751)	freehold land 3,121,232 (807,800)	Furniture and fittings (Rupees in '00 262,911 (124,559)	477,969 (250,556)	18,851 (6,992)	other equipments 66,529 (35,753)	4,189,145 (1,235,411)
Cost	leasehold	freehold	leasehold land	freehold land 3,121,232	Furniture and fittings (Rupees in '00 262,911	00) 477,969	equipment	other equipments 66,529	4,189,145
Cost Accumulated depreciation Net book value	7,665	freehold 147,120 -	leasehold land  86,868 (9,751)	freehold land 3,121,232 (807,800)	Furniture and fittings (Rupees in '00 262,911 (124,559)	477,969 (250,556)	18,851 (6,992)	other equipments 66,529 (35,753)	4,189,145 (1,235,411)
Cost Accumulated depreciation Net book value Additions / transfers from	7,665	147,120 	leasehold land  86,868 (9,751) 77,117	freehold land 3,121,232 (807,800) 2,313,432	Furniture and fittings (Rupees in '00 262,911 (124,559) 138,352	477,969 (250,556) 227,413	18,851 (6,992) 11,859	other equipments 66,529 (35,753) 30,776	4,189,145 (1,235,411) 2,953,734
Cost Accumulated depreciation Net book value	7,665	freehold 147,120 -	leasehold land  86,868 (9,751)	freehold land 3,121,232 (807,800)	Furniture and fittings (Rupees in '00 262,911 (124,559)	477,969 (250,556)	18,851 (6,992)	other equipments 66,529 (35,753)	4,189,145 (1,235,411)
Cost Accumulated depreciation Net book value Additions / transfers from capital work in progress	7,665	147,120 	leasehold land  86,868 (9,751) 77,117	freehold land 3,121,232 (807,800) 2,313,432	Furniture and fittings (Rupees in '00 262,911 (124,559) 138,352	477,969 (250,556) 227,413	18,851 (6,992) 11,859	other equipments 66,529 (35,753) 30,776	4,189,145 (1,235,411) 2,953,734
Cost Accumulated depreciation Net book value  Additions / transfers from capital work in progress  Disposals	7,665 - 7,665 3,751	147,120 	leasehold land  86,868 (9,751) 77,117	freehold land 3,121,232 (807,800) 2,313,432	Furniture and fittings (Rupees in '00 262,911 (124,559) 138,352	477,969 (250,556) 227,413	18,851 (6,992) 11,859	other equipments  66,529 (35,753) 30,776	4,189,145 (1,235,411) 2,953,734 797,309
Cost Accumulated depreciation Net book value  Additions / transfers from capital work in progress  Disposals Cost	7,665	147,120 - 147,120 - 147,120	leasehold land  86,868 (9,751) 77,117	freehold land 3,121,232 (807,800) 2,313,432 528,641	Furniture and fittings (Rupees in '00 262,911 (124,559) 138,352 45,185	477,969 (250,556) 227,413 159,735	18,851 (6,992) 11,859 5,302	other equipments 66,529 (35,753) 30,776	4,189,145 (1,235,411) 2,953,734 797,309
Cost Accumulated depreciation Net book value  Additions / transfers from capital work in progress  Disposals	7,665 - 7,665 - 3,751	147,120 - 147,120 32,803	leasehold land  86,868 (9,751) 77,117	freehold land 3,121,232 (807,800) 2,313,432 528,641	Furniture and fittings (Rupees in '00 262,911 (124,559) 138,352	477,969 (250,556) 227,413	18,851 (6,992) 11,859	other equipments  66,529 (35,753) 30,776	4,189,145 (1,235,411) 2,953,734 797,309
Cost Accumulated depreciation Net book value  Additions / transfers from capital work in progress  Disposals Cost	7,665 - 7,665 3,751	147,120 - 147,120 32,803	leasehold land  86,868 (9,751)  77,117  3,480	freehold land 3,121,232 (807,800) 2,313,432 528,641	Furniture and fittings (Rupees in '00 262,911 (124,559) 138,352 45,185	477,969 (250,556) 227,413 159,735 51,417 (51,018)	18,851 (6,992) 11,859 5,302	other equipments  66,529 (35,753) 30,776	4,189,145 (1,235,411) 2,953,734 797,309 52,338 (51,526)
Cost Accumulated depreciation Net book value  Additions / transfers from capital work in progress  Disposals Cost	7,665 - 7,665 3,751	147,120 - 147,120 32,803	leasehold land  86,868 (9,751)  77,117  3,480	freehold land 3,121,232 (807,800) 2,313,432 528,641	Furniture and fittings (Rupees in '00 262,911 (124,559) 138,352 45,185	477,969 (250,556) 227,413 159,735 51,417 (51,018)	18,851 (6,992) 11,859 5,302	other equipments  66,529 (35,753) 30,776	4,189,145 (1,235,411) 2,953,734 797,309 52,338 (51,526)
Cost Accumulated depreciation Net book value  Additions / transfers from capital work in progress  Disposals Cost Accumulated depreciation	7,665 - 7,665 3,751	147,120 - 147,120 32,803	leasehold land  86,868 (9,751) 77,117  3,480	freehold land	Furniture and fittings (Rupees in '00 262,911 (124,559) 138,352 45,185 384 (270) 114	477,969 (250,556) 227,413 159,735 51,417 (51,018) 399	18,851 (6,992) 11,859 5,302 537 (238) 299	other equipments  66,529 (35,753) 30,776  18,412	4,189,145 (1,235,411) 2,953,734 797,309 52,338 (51,526) 812
Cost Accumulated depreciation Net book value  Additions / transfers from capital work in progress  Disposals Cost Accumulated depreciation  Depreciation for the year	7,665 - 7,665 - 3,751	147,120 - 147,120 32,803	leasehold land 86,868 (9,751) 77,117 3,480	freehold land	Furniture and fittings (Rupees in '00 262,911 (124,559) 138,352 45,185 384 (270) 114 (24,671)	477,969 (250,556) 227,413 159,735 51,417 (51,018) 399 (85,496)	18,851 (6,992) 11,859 5,302 537 (238) 299 (3,906)	other equipments  66,529 (35,753) 30,776  18,412  (10,684)	4,189,145 (1,235,411) 2,953,734 797,309 52,338 (51,526) 812 (300,714)
Cost Accumulated depreciation Net book value  Additions / transfers from capital work in progress  Disposals Cost Accumulated depreciation  Depreciation for the year	7,665 - 7,665 - 3,751	147,120 - 147,120 32,803	leasehold land 86,868 (9,751) 77,117 3,480	freehold land	Furniture and fittings (Rupees in '00 262,911 (124,559) 138,352 45,185 384 (270) 114 (24,671)	477,969 (250,556) 227,413 159,735 51,417 (51,018) 399 (85,496)	18,851 (6,992) 11,859 5,302 537 (238) 299 (3,906)	other equipments  66,529 (35,753) 30,776  18,412  (10,684)	4,189,145 (1,235,411) 2,953,734 797,309 52,338 (51,526) 812 (300,714)
Cost Accumulated depreciation Net book value  Additions / transfers from capital work in progress  Disposals Cost Accumulated depreciation  Depreciation for the year Closing net book value	7,665 - 7,665 - 3,751	147,120 - 147,120 32,803	leasehold land 86,868 (9,751) 77,117 3,480	freehold land	Furniture and fittings (Rupees in '00 262,911 (124,559) 138,352 45,185 384 (270) 114 (24,671)	477,969 (250,556) 227,413 159,735 51,417 (51,018) 399 (85,496)	18,851 (6,992) 11,859 5,302 537 (238) 299 (3,906)	other equipments  66,529 (35,753) 30,776  18,412  (10,684)	4,189,145 (1,235,411) 2,953,734 797,309 52,338 (51,526) 812 (300,714) 3,449,517
Cost Accumulated depreciation Net book value  Additions / transfers from capital work in progress  Disposals Cost Accumulated depreciation  Depreciation for the year Closing net book value  At 30 June 2014	7,665 - 7,665 - 3,751	freehold  147,120 - 147,120 32,803 179,923	leasehold land  86,868 (9,751) 77,117  3,480  (4,218) 76,379  90,348 (13,969)	freehold land  3,121,232 (807,800) 2,313,432  528,641	Furniture and fittings (Rupees in '00 262,911 (124,559) 138,352 45,185 384 (270) 114 (24,671) 158,752	477,969 (250,556) 227,413 159,735 51,417 (51,018) 399 (85,496) 301,253	18,851 (6,992) 11,859 5,302 537 (238) 299 (3,906) 12,956	other equipments	4,189,145 (1,235,411) 2,953,734 797,309 52,338 (51,526) 812 (300,714) 3,449,517 4,934,116 (1,484,599)
Cost Accumulated depreciation Net book value  Additions / transfers from capital work in progress  Disposals Cost Accumulated depreciation  Depreciation for the year Closing net book value  At 30 June 2014 Cost	7,665 - 7,665 - 3,751	147,120 - 147,120 - 147,120 32,803	leasehold land  86,868 (9,751) 77,117  3,480  (4,218) 76,379	freehold land  3,121,232 (807,800) 2,313,432  528,641	Furniture and fittings (Rupees in '00 262,911 (124,559) 138,352 45,185 384 (270) 114 (24,671) 158,752 307,712	477,969 (250,556) 227,413 159,735 51,417 (51,018) 399 (85,496) 301,253	18,851 (6,992) 11,859 5,302 537 (238) 299 (3,906) 12,956	other equipments  66,529 (35,753) 30,776  18,412  (10,684) 38,504	4,189,145 (1,235,411) 2,953,734 797,309 52,338 (51,526) 812 (300,714) 3,449,517
Cost Accumulated depreciation Net book value  Additions / transfers from capital work in progress  Disposals Cost Accumulated depreciation  Depreciation for the year Closing net book value  At 30 June 2014 Cost Accumulated depreciation Net book value	7,665 - 7,665 - 3,751	freehold  147,120 - 147,120 32,803 179,923	leasehold land  86,868 (9,751) 77,117  3,480  (4,218) 76,379  90,348 (13,969)	freehold land 3,121,232 (807,800) 2,313,432 528,641	Furniture and fittings (Rupees in '00' 262,911 (124,559) 138,352 45,185 384 (270) 114 (24,671) 158,752 307,712 (148,960)	477,969 (250,556) 227,413 159,735 51,417 (51,018) 399 (85,496) 301,253 586,287 (285,034)	18,851 (6,992) 11,859 5,302 537 (238) 299 (3,906) 12,956	other equipments  66,529 (35,753) 30,776  18,412  (10,684) 38,504  84,941 (46,437)	4,189,145 (1,235,411) 2,953,734 797,309 52,338 (51,526) 812 (300,714) 3,449,517 4,934,116 (1,484,599)
Cost Accumulated depreciation Net book value  Additions / transfers from capital work in progress  Disposals Cost Accumulated depreciation  Depreciation for the year Closing net book value  At 30 June 2014 Cost Accumulated depreciation	7,665 - 7,665 - 3,751	freehold  147,120 - 147,120 32,803 179,923	leasehold land  86,868 (9,751) 77,117  3,480  (4,218) 76,379  90,348 (13,969)	freehold land 3,121,232 (807,800) 2,313,432 528,641	Furniture and fittings (Rupees in '00' 262,911 (124,559) 138,352 45,185 384 (270) 114 (24,671) 158,752 307,712 (148,960)	477,969 (250,556) 227,413 159,735 51,417 (51,018) 399 (85,496) 301,253 586,287 (285,034)	18,851 (6,992) 11,859 5,302 537 (238) 299 (3,906) 12,956	other equipments  66,529 (35,753) 30,776  18,412  (10,684) 38,504  84,941 (46,437)	4,189,145 (1,235,411) 2,953,734 797,309 52,338 (51,526) 812 (300,714) 3,449,517 4,934,116 (1,484,599)

- 4.1.1 School land includes land acquired by the Foundation as well as received as donations. The donated plots of land are stated at nominal value.
- 4.1.2 Five school buildings which were constructed prior to the incorporation of the Foundation were donated at an estimated cost of Rs. 2 million each.

4.1.3 Book value of building on leased hold land includes

Net book value

4.1.3	Book value of building off leased floid faild includ	162	2015	2014
			(Rupees in	(000' ר
	School buildings		5,067	5,343
	Head Office building		69,250	71,036
			74,317	76,379
4.2	Capital Work in Progress			
	Balance as at 1 July		272,947	320,315
	Expenditure incurred during the year		504,839	484,753
			777,786	805,068
	Transferred during the year to:			
	School buildings		(271,324)	(528,641)
	Office building		(2,544)	(3,480)
			503,918	272,947
5.	INTANGIBLE ASSETS			
	Software	5.1	3,329	2,961
	Advance against purchase of software		804	1,245
		•	4,133	4,206
5.1	Software			
	Net carrying value basis			
	Opening net book value (NBV)		2,961	3,850
	Additions (at cost)		1,640	222
	Amortization charge		(1,272)	(1,111)
	Closing net book value	:	3,329	2,961
	Gross carrying value			
	Cost		7,407	7,186
	Additions (at cost)		1,640	222
	Accumulated amortization		(5,718)	(4,447)

Intangible asset represents softwares purchase cost which is amortized over the period of five years on straight line basis from the date of its initial recognition.

3,329

2,961

#### 6. **LONG TERM INVESTMENTS** 2015 2014 (Rupees in '000) **Held to maturity** Pakistan Investment Bonds (PIBs) 6.1 1,117,253 457,992 Available for sale Certificates of closed end funds PICIC Growth Fund 161,195 148,300 PICIC Investment Fund 41,277 44,811 202,472 193,111 Units of open end funds Meezan Balanced Fund 10,904 9,408 JS Growth Fund 1,643 JS Value Fund 1,022 PICIC Energy Fund 49,656 10,904 61,729

6.1 This represents investment in Pakistan Investment Bonds maturing on 18 July 2016 and 17 July 2017 and carrying yields from 10.39% to 12.50% per annum (2014: 11.97% to 12.08% per annum). The PIBs have market value of Rs. 1,200.77 million (2014: Rs. 458.24 million) as at 30 June 2015.

1,330,629

712,832

### 7. ADVANCES AND PREPAYMENTS

	Advances to staff for expenses - considered good	87,270	50,815
	Advances to suppliers - considered good	10,148	12,146
	Prepaid expenses	1,678	2,384
		99,096	65,345
8.	ACCRUED INCOME AND OTHER RECEIVABLES		
	Accrued income on investments		
	- Pakistan Investment Bonds	57,745	23,860
	- Term Deposit Receipts	13,531	1,409
	- Term Finance Certificates	-	62
		71,276	25,331
	Tax deducted at source	2,913	1,298
	Other receivable	2,139	-
		76,328	26,629

#### 9. SHORT TERM INVESTMENTS

**2015** 2014 (Rupees in '000)

#### **Held to maturity**

Term Deposit Receipts			
Local currency	-		
Faysal Bank Limited		370,000	110,000
Dubai Islamic Bank Pakistan Limited		150,000	-
Meezan Bank Limited		150,000	-
Habib Metropolitan Bank Limited		50,000	-
NIB Bank Limited		50,000	-
Burj Bank Limited		-	50,000
	9.1 & 9.3	770,000	160,000
Foreign currency			
Askari Bank Limited		-	124,196
Bank Al-Habib Limited		-	111,361
Dubai Islamic Bank Pakistan Limited		192,850	-
NIB Bank Limited		-	294,227
	9.2 & 9.3	192,850	529,784
Term Finance Certificates			
United Bank Limited - Tranche III		-	1,663
Treasury Bills			
State Bank of Pakistan	9.4	173,747	507,390
Available for sale			
Money Market Funds	_		
Al-Ameen Islamic Preservation Fund IV		5,351	-
Askari Sovereign Cash Fund		-	3,092
NAFA Islamic Multi Asset Fund	9.5	-	20,063
NAFA Islamic Stock Fund	9.5	31,749	-
NAFA Riba Free Saving Fund	9.5	-	3,980
UBL Islamic Sovereign Fund		-	5,336
		37,100	32,471
	_	1,173,697	1,231,308
	-		

- 9.1 This represents investment in local currency Term Deposit Receipts maturing between 15 July 2015 to 19 March 2016 and carry profit rate of 6.60% to 9.10% (2014: 9.00% to 9.60%) per annum.
- **9.2** This includes Term Deposit Receipts in US Dollar amounting to \$1,900,000 (2014: \$3,690,237) having maturity on 20 August 2015 carrying mark-up at 2.00% (2014: 1.25% to 2.15%) per annum.
- **9.3** This represents Term Deposit Receipts having maturity less than 3 months amounting to Rs. 592.850 million (2014: Rs. 579.785 million).
- 9.4 This represents investments in Treasury Bills having maturities ranging from 09 July 2015 to 17 September 2015 and carrying profit rates ranging from 6.88% to 7.91% (2014: 9.67% to 9.97%) per annum. The Treasury Bills have market value of Rs. 174.99 million (2014: Rs. 483.22 million) as at 30 June 2015.
- 9.5 This represents investments under Shariah Compliant Capital Protected Plan managed by NBP Fullerton Asset Management Limited (NAFA) as per agreement dated 24 January 2013 with the Foundation.

#### 10. **CASH AND BANK BALANCES** 2015 2014 (Rupees in '000) Cash in hand 100 100 Cash at bank: - current account 10.1 12,442 7,327 10.2 & 10.3 155,109 93,877 - deposit account 167.551 101.204 167,651 101,304

- 10.1 This includes foreign currency equivalent to Rs. 10.92 million (2014: Rs. 0.87 million).
- 10.2 This includes foreign currency equivalent to Rs. 3.35 million (2014: Rs. 11.06 million). Profit rate on deposit accounts ranges from 0.10% to 0.25% (2014: 0.10% to 0.25%) per annum for foreign currency deposit accounts and 4.00% to 6.50% (2014: 6.00% to 8.00%) per annum in local currency deposit accounts.
- 10.3 The deposit account also includes a security deposit of Rs. 25.87 million (2014: 21.21 million) which is kept in a separate bank account on which 4.75% (2014: 7.00%) per annum return is offered. This represents deposits obtained mainly from teachers in order to discourage them from leaving the Foundation without notice and is refunded to them at the time of leaving the Foundation. The security deposit is kept in a separate bank account as per the requirement of section 226 of the Companies Ordinance, 1984.

#### 11. CAPITAL FUND

This represents contribution by the members when they joined the Foundation in terms of Article "8" of Articles of Association of the Foundation.

#### 12. ENDOWMENT FUND

This represents contribution received from the donors with the stipulation of principal amount to be kept intact while the income earned on related investments could be used for specific or general purpose as per arrangement with the donor.

#### 12.1 Classification of Endowment Donors

AKU Class of '94 Group	21,023	15,257
Austin Group	18,926	17,332
Connecticut Group	12,007	9,908
Crescent Steel & Allied Products Ltd	11,207	10,000
Friends and Wellwishers of Sultan Mowjee	33,500	33,500
Ghulam Fatima School	19,164	17,145
HBL Foundation	36,367	34,333
Houston Group	50,522	20,152
Indus Motor Company	20,000	-
Interloop Welfare Trust	36,000	16,338
Kansas Donors	10,245	5,519
Los Angeles Group	18,556	-
Mrs. Banu M.A. Rangoonwala Trust	12,000	12,000
Microsoft Evergreen campus	18,375	18,375
M. I. Naseem	19,500	19,500
National Bank of Pakistan	17,500	13,750
Noorani Family	13,131	11,741
One Muslim - post matric students	10,000	10,000
Pakistan State Oil Company Ltd	17,500	17,500
Radiant Way Endowment Fund	80,204	78,301
Saeeda Mazhar Mahmood	33,100	33,100
Sajid Salman	18,643	15,802
Seattle Group	17,935	17,935
Seeds of learning	37,111	-
The Shirin Sultan Dossa Foundation	654,642	439,099
TCF - USA	49,050	49,050
Wahid Maskatiya	10,130	10,130
Others	73,573	47,155
	1,369,911	972,922

13.	DEFERRED INCOME RELATING TO OPERATING	à	2015	2014
	FIXED ASSETS		(Rupees i	n '000)
	Opening balance		3,429,332	2,986,043
	Donations received during the year		559,520	547,272
	Amortization for the year		(137,087)	(103,983)
		_	3,851,765	3,429,332
14.	DEFERRED INCOME RELATING TO SCHOOL SU GRANTS AND CHILDREN EDUCATION	PPORT,		
	Opening balance		461,103	367,561
	Donations received during the year	14.1	663,629	482,799
	Amortization for the year		(559,152)	(389,257)
		14.2 & 14.3	565,580	461,103

14.1 This includes grants received during the year amounting to Rs. 382.91 million (2014: Rs. 260.49 million) as follows:

		,	,		
		20	15		
	Grants as at 01 July 2014	Grants Received during the year	Amortization for the year	Grants as at 30 June 2015	
		(Rupees	s in '000)		
DAI Europe	-	11,948	11,948	-	
Education Fund for Sindh	-	127,391	127,391	-	
I-Care Foundation	1,049	-	1,049	-	
New Zealand Embassy	-	1,200	300	900	
Qatar Foundation	-	220,803	220,803	-	
Skoll Foundation	-	19,031	6,344	12,687	
Target Foundation	1,339	2,532	2,606	1,265	
	2,388	382,905	370,441	14,852	
		2014			
	Grants as at 01 July 2013	Grants Received during the year	Amortization for the year	Grants as at 30 June 2014	
		(Rupees	s in '000)		
UK Aid	-	2,063	2,063	-	
Education Fund for Sindh	20,954	102,532	123,486	-	
JP Morgan Chase Foundation	1,657	-	1,657	-	
I-Care Foundation	-	1,399	350	1,049	
Skoll Foundation	-	42,711	42,711	-	
Target Foundation	1,214	2,680	2,555	1,339	
Qatar Foundation	-	109,104	109,104	-	
Others	1,484		1,484		
	25,309	260,489	283,410	2,388	

- **14.2** This includes an amount of Rs. 312.97 million (2014: Rs. 268.41 million) representing sustainability fund to meet cash short fall in the operational support of the schools in future.
- 14.3 This includes Zakat amounting to Rs. 15.18 million (2014: Rs. 9.60 million).

15.	ACCRUED EXPENSES AND OTHER LIABILITIES		2015	2014
			(Rupees	in '000)
	Accrued expenses		273,880	136,863
	Security deposit	10.3	25,868	21,208
	Retention money		22,233	21,853
	Scholarship		27,763	25,313
	Provision for compensated absences		19,353	12,005
	School water project		11,167	8,180
	Other liabilities		17,499	14,695
		-	397,763	240,117

#### 16. CONTINGENCIES AND COMMITMENTS

#### **Contingent Liabilities**

- The Foundation received a notice in June 2003 from Sindh Employees' Social Security Institution (SESSI) demanding a payment of Rs. 0.48 million as arrears of social security contribution for the year from May 2003 to September 2003 vide Sindh Government Gazette Notification No. L-II-5-9/2002 dated 8 February 2003. Consequently, the Foundation filed a petition with Honourable Sindh High Court challenging SESSI's application of Social Security Scheme on Educational Units. The Sindh High Court on 25 April 2008 adjudicated the case against the Foundation on the ground that the services of the employees should be secured in case of sickness, maternity, employment injury or death and for matters ancillary thereto. The Foundation filed an appeal with the Honourable Supreme Court of Pakistan against Sindh High Court's dismissal of the Foundation petition which was admitted by the Supreme Court on 26 September 2008. On 16 June 2010, the Supreme Court of Pakistan up-held the decision of Sindh High Court and dismissed the petition. The Foundation filed a review petition on 04 November 2010 with the Supreme Court of Pakistan against its Judgement. Further, the SESSI demanded a payment of Rs. 35.47 million on 2 February 2011 including an increase amounting to Rs. 11.82 million. The Foundation filed an appeal on 16 April 2011 against the said increase with the Commissioner of SESSI. Currently the Foundation is awaiting for judgment on review petition filed with the Supreme Court of Pakistan and appeal pending with Commissioner SESSI. However, a provision of Rs. 35.47 million has been made in the financial statements against the alleged demand. Similarly, the Foundation has also made a provision of Rs. 35.967 million in the financial statements against PESSI contribution on the basis of SESSI's demand as the number of employees eligible for PESSI contribution were approximately the same as in the case of SESSI.
- 16.2 On 15 March 2013 the Foundation received a notice from Inland Revenue Officer of Federal Board of Revenue (FBR) reference no. Unit-06/WHT/RTO-II/Khi/2012- 2013/438 under section 161(1A) of the Income Tax Ordinance 2001 on account of non/short deduction of Withholding Tax relating to tax year 2012. The notice set out a show cause on short deduction of with holding tax of Rs. 64.19 million. The Foundation through its tax advisor submitted detailed explanations, paid challans and various communications to FBR from time to time. Resultantly, Officer Inland Revenue (OIR) through its letter reference Unit -06/WHT/RTO-II/Khi/2012-2013/140 dated 10 October 2013 and 241 dated 12 November 2013 accepted Foundation's justifications for all the line items of non/short deduction of withholding tax mentioned in previous notice except for the withholding tax on construction work on Head office building of Rs 77.55 million with the corresponding withholding tax amount of Rs. 4.65 million and construction work on other buildings of Rs. 359.65 million with the corresponding withholding tax amount of Rs. 21.58 million, aggregating the total short fall of withholding tax to Rs. 19.71 million (net of withholding tax deducted on the above construction work amounting to Rs. 6.52 million). Further default surcharge, under section 205 of Income Tax Ordinance 2001, amounting to Rs. 3.55 million was also levied by OIR making a total demand of Rs 23.26 million. The Foundation through its tax advisor filed an appeal to Commissioner Inland Revenue against the demand and submitted all the relevant supports and evidences. The Commissioner in his order reference no. 34 dated 27 February 2015 disposed off the appeal and remanded back the recovery order under section 129 of Income Tax Ordinance 2001 to the concerned department for reassessment of the same taking into account the supports provided by the Foundation.

### Commitments

Commitment in respect of capital expenditure amounts to Rs. 152.66 million (2014: Rs. 177.82 million).

17.	DONATIONS		2015	2014
			(Rupees in '000)	
	Donations received during the year	17.1	1,393,264	1,148,648
	Amortized - donations related to assets	13	137,087	103,983
	Amortized - donations related to school support,			
	grants and children education	14	559,152	389,257
			2,089,503	1,641,888
17.1	This includes Zakat amounting to Rs. 284.63 million (2014	: Rs. 284.82 million).		

#### 18. **INCOME ON INVESTMENTS**

Income from:			
- Term Finance Certificates		438	830
- Term Deposit Receipts		27,508	14,330
- Treasury Bills		19,834	46,207
- Pakistan Investment Bonds		120,756	7,378
Profit on bank accounts		12,753	12,982
Exchange (loss) / gain - net		(8,754)	3,498
Dividend income		30,669	25,139
Capital gain on disposal of investments		42,715	30,524
Income on investments		245,919	140,888
Transferred during the year to:			
Support Donation	18.1	(125,532)	(39,104)
Endowment Fund		(9,768)	(7,051)
Scholarship Fund		(1,468)	-
Sustainability Fund		(26,370)	(21,801)
		(163,138)	(67,956)
Income on investments - net		82,781	72,932

**18.1** This represents income on investments from endowment fund utilized for support operations at the discretion of donor.

The amount is transferred to Donation as referred in note 17 to these financial statements.

#### 19. **SUBSIDIES TO TCF SCHOOLS**

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

#### 20. **DEPRECIATION**

Depreciation has been allocated as follows:

Education Programme	328,765	285,678
Programme Administration	17,303	15,036
	346,068	300,714

21.	OTHER SCHOOL EXPENSES			2015	2014
	omenconoce excenses			(Rupees	
				(	,
	Schools - medical and general insurance			14,367	17,409
	Ceremony functions and awards			11,132	8,983
	Freight charges - furniture and equipments			175	3,479
	Consultancy expenses			1,838	1,590
	Student activities			5,869	4,309
	Other school expenses		_	5,707	3,849
			=	39,088	39,619
22.	SALARIES AND OTHER BENEFITS				
22.1	Remuneration of Chief Executive Officer a	nd Executives			
		Chief Execu	utive Officer	Executi	ve
		2015	2014	2015	2014
			(Rupees in	n '000)	
	Remuneration	8,480	7,680	70,534	53,696
	Number of person	1 =	1	69	60
22.2	The Chief Executive Officer, Vice Presidents,	General Manage	ers and HODs are pro	ovided with free use of Fo	oundation
	maintained cars in accordance with the pres				
22.3	Staff Summary			2015	2014
	,				
	Management and Faculty staff as on 30 June	e		8,807	8,133
	Management and Faculty staff -average for	the vear	=	7,756	
	Managomone and Fabanty Stan - avoilago for	ino your	=	7,700	7,126
23.	OTHER EXPENSES			2015	2014
				(Rupees	
				(1.04	,
	Advertisement			454	212
	Amortization of intangible asset		5.1	1,272	1,111
	Auditors' remuneration			333	300
	Bank charges			1,154	1,217
	Fee and subscriptions			202	419
	Insurance			456	722
	Office expenses			1,900	1,847
	Professional charges			3,020	2,629
	Repairs and maintenance		_	825	3,210
			=	9,616	11,667
24.	CASH GENERATED FROM OPERATIONS				
	Surplus / (deficit) of income over expenditure	for the year		38,991	(43,612)
	calplacy (collect) or meeting over experience.	, ,		33,331	(10,01=)
	Adjustments for non cash charges and other	items:			
	Depreciation		20	346,068	300,714
	Capital gain on disposal of investments		18	(42,715)	(30,524)
	Amortization of intangible asset		5.1	1,272	1,111
	Amortization of deferred income		13 & 14	(696,239)	(493,240)
	Income on investments			(168,536)	(68,745)
	Gain on sale of fixed assets			(55,260)	(47,245)
	Working capital changes		24.1	120,141	63,152
	3 1 3		_	(456,278)	(318,389)
			_	(,	(= : = ,000)

24.1	Working Capital Changes		2015 (Rupees in	2014 <b>'000)</b>
	(Increase) / decrease in current assets			
	Advances, deposits and prepayments		(33,751)	(1,809)
	Accrued income and other receivables		(3,754)	5,731
		<del>-</del>	(37,505)	3,922
	Increase / (decrease) in current liabilities			
	Accrued expenses and other liabilities		157,646	59,230
		<del>-</del>	120,141	63,152
24.2	Cash and Cash Equivalents	=		
	Short term investments	9.3	592,850	579,785
	Cash and bank balances	10	167,651	101,304
		<del>-</del>	760,501	681,089

#### 25. RELATED PARTY TRANSACTIONS

Related parties include associated undertakings having common directors and key management personnel. Details of transactions with related parties other than those disclosed else where in the financial statements are as follows:

#### 25.1 Donation Received from Related Parties

Atherton Imrooz, in which Mr. Ateed Riaz (Director of the Foundation) is also a director, has donated Rs. 0.13 million (2014: Rs. Nil) during the year.

Crescent Steel and Allied Products Limited, in which Mr. Ahsan M Saleem (Director of the Foundation) is also a director, has donated Rs. 6.65 million (2014: Rs. 20.65 million) during the year.

First Imrooz Modarba, in which Mr. Ateed Riaz (Director of the Foundation) is also a director, has donated Rs. 0.05 million (2014: Rs. Nil) during the year.

Multinet Pakistan (Private) Limited, in which Mr. Adnan Asdar (Director of the Foundation) is also a director, has donated Rs. 0.44 million (2014: Rs. 0.10 million) during the year.

Interloop Limited, in which Mr. Musadaq Zulqarnain (Director of the Foundation) is also a director, has donated Rs. Nil (2014: Rs. 1.43 million) during the year.

Interloop Welfare Trust, in which Mr. Musadaq Zulqarnain (Director of the Foundation) is also a director, has donated Rs. 58.05 million (2014: Rs. 17.92 million) during the year.

Searle Pakistan (Private) Limited, in which Mr. Adnan Asdar and Mr. Rashid Abdulla (Directors of the Foundation) are also directors, has donated Rs. 10.00 million (2014: Rs. 5.30 million) during the year.

Tarseel (Private) Limited, in which Mr. Ateed Riaz (Director of the Foundation) is also a director, has donated Rs. 0.34 million (2014: Rs. 0.10 million) during the year.

Transpak (Private) Limited, in which Mr. Mushtaq K. Chhapra (Chairman of the Foundation) is also a director, has donated Rs. 0.01 million (2014: Rs. 0.01 million) during the year.

United Distributors Pakistan Limited, in which Mr. Rashid Abdulla (Director of the Foundation) is also a director, has donated Rs. 0.50 million (2014: Rs. Nil) during the year.

25.2	Donations from Directors	2015 (Rupe	2014 es in ' <b>000)</b>
	Ahsan M Saleem	4,285	7,412
	Ateed Riaz	50	-
	Ishaque Noor	1,023	_
	Mushtaq K. Chhapra	13	_
	Nilofer Saeed	1,105	52
	Rashid Abdulla	-	200
	Shahid Abdulla	400	-

25.3 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Foundation. The Foundation considers Chief Executive Officer, Chief Financial Officer, Vice Presidents and General Manager Operations as its key management personnel. The remuneration/compensation paid or payable to key management for employee service amounts to Rs. 21.99 million (2014: Rs. 17.74 million) during the year. Key management personnel also donated to the Foundation from their salaries an amount of Rs. 0.18 million (2014: Rs. 0.02 million) during the year. There are no transactions with the key management personnel other than under their terms of employments entitlements.

#### 26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Board of Directors of the Foundation has overall responsibility for the establishment and oversight of the Foundation's risk management framework. The Board is also responsible for developing and monitoring the Foundation's risk management policies.

The Foundation's activities expose it to a variety of financial risks such as:

- Market risk
- Credit risk and
- Liquidity risk

#### 26.1 Market Risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Foundation's income or the value of its holdings of financial instruments.

The Foundation manages market risk by monitoring exposure in marketable securities by following the investments guidelines approved by the Board of Directors (BOD). The Investment Committee is responsible for making investment decisions.

Market risk comprises of three type of risk: currency risk, interest rate risk and other price risk.

### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign supporter or volunteer. At reporting date, the Foundation hold foreign currency bank accounts including Term Deposit Receipts maintained with financial institutions, amounting to Rs. 355.67 million (2014: Rs. 541.72 million) in aggregate that exposes the Foundation to currency risk.

The currencies in which these bank accounts are denominated are Euro (EUR) Pound Sterling (GBP), United States Dollar (USD), Swiss Franc (CHF), United Arab Emirates Dirham (AED).

The following exchange rates were applied during the year:

	Average rate		Reporting date Spot rate	
	2015	2014	2015	2014
EUR to PKR	120.8	138.9	113.6	134.46
GBP to PKR	159.4	168.4	159.6	167.79
USD to PKR	101.3	101.6	101.5	98.55
CHF to PKR	107.4	113.8	109.4	110.59
AED to PKR	27.6	27.7	27.6	26.83

#### Sensitivity Analysis

The sensitivity analysis is not necessarily an indication of the effect on surplus of income over expenditure for the year.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the reporting date the interest rate profile of the Foundation's significant interest bearing financial instruments were as follows:

	Effective interest rate		Carrying amount	
	2015	2014	2015	2014
Financial Assets	(in Percent)		(Rupees in '000)	
Fixed Rate Instruments Pakistan Investment Bonds	10.39 - 12.50	11.97 - 12.08	1,117,253	457,992
Variable Rate Instruments Term Finance Certificates	-	11.84	-	1,663

#### Fair value sensitivity analysis for fixed rate instruments

The Foundation does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, any change in interest rates at the reporting date would not affect income and expenditure account.

#### Other Price Risk

Other price risk includes equity price risks which is the risk of changes in the fair value of equity securities as a result of changes in the value of individual certificates of Closed End Fund and shares of quoted companies. The equity price risk exposure arises from investments in equity securities held by the Foundation for which prices in the future are uncertain.

#### 26.2 Credit Risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or other counter parties to fulfil their obligations resulting in financial loss to the Foundation. The credit risk of the Foundation mainly arises from its investments in debt securities representing failure of the investee companies in repayment of principal and / or the return due on such investments. The Foundation is also exposed to counterparty credit risk on bank balances, investment in units of open end mutual fund, long term deposits, accrued income and other receivable balances.

#### Credit Risk Management

The Foundation assesses all counterparties for credit risk before contracting with them. It is the Foundation's policy to enter into financial contracts with reputable and creditworthy counterparties. Credit risk relating to unsettled transactions in securities is considered to be minimal as the Foundation uses brokers with high creditworthiness and the transactions are settled or paid for only upon delivery.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

		2015	2014
		(Rupees in '000)	
Long term investments	6	213,376	254,840
Long term deposits		10,573	9,457
Short term investments	9	999,950	723,918
Bank balances	10	167,551	101,204
		1,391,450	1,089,419

None of the above financial assets were considered to be past due or impaired for the year ended 30 June 2015.

#### **Investment in Debt Securities**

At reporting date the Foundation has invested in Pakistan Investment Bonds, units of open and closed end mutual funds, term deposit receipts and treasury bills. The Foundation manages credit risk arising from term deposit receipt by making investments in financial institutions or counter party having sound credit rating. With respect to units of open end mutual funds the management manages credit risk by investing in Funds having good performance record.

The analysis below summarizes the credit quality of the Foundation's investment in Term Finance Certificates.

Debt Securities (term finance certificates) by rating category issued by JCR-VIS credit rating Co. Ltd	2015	2014
AA	_	100%

The management believes that investment in Treasury bills and Pakistan Investment Bonds does not expose the Foundation to credit risk as the counterparty to the instrument is Government of Pakistan.

#### **Bank Balances**

The Foundation kept surplus liquidity with banks having credit rating from A- to AAA. The rating of the banks is monitored by the management.

#### **Long Term Deposits**

The Foundation has deposited various amounts as security to suppliers against provisioning of different services. The management does not expect to incur material losses on such deposits and consider such amount is receivable upon termination of service contract from respective suppliers.

#### Concentration of Credit Risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Foundation's total credit exposure. The Foundation's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

#### 26.3 Liquidity Risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Foundation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring losses or risking damage to the Foundation's reputation.

The following are the contractual maturities of the non interest bearing financial liabilities:

	2015						
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	After five years
	· (Rupees in '000) · · · · · · · · · · · · · · · · · ·						
Financial Liabilities							
Accrued and other							
liabilities	397,763	397,763	49,996	347,767			-
				2014			
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	After five years
	· (Rupees in '000) · · · · · · · · · · · · · · · · · ·						
Financial Liabilities							
Accrued and other liabilities	240,117	240,117	47,166	192,951	<u> </u>	<u> </u>	_

#### 26.4 Fair Value of Financial Instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The Foundation measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques using significant unobservable inputs.

Investments in certificates of closed end funds and units of open end funds are measured using quoted prices in stock exchange redemption amount of units of open end fund, hence, fair value of such investments fall within Level 1 in fair value hierarchy mentioned above.

#### 26.5 Fund Management

The Foundation is funded by contributions received from its members and donors from different sections of society within and outside Pakistan.

The Foundation is a company limited by guarantee having no share capital and is not exposed to any externally imposed capital requirements.

#### 27. DATE OF AUTHORIZATION

These financial statements were authorized for issue in the Board of Directors meeting held on 12 August 2015.

**Chief Executive Officer** 

# "Education is a matter of life or death for Pakistan."

- Quaid-e-Azam Muhammad Ali Jinnah



