Promises to keep

THE CITIZENS FOUNDATION

Annual Report | 2009

FINANCIAL REPORT

TCF inculcates certain values including transparency, honesty and trust

With every sunrise, thousands of deserving children are heading off to their TCF Campuses - thanks to your donations!

To date, TCF is amongst the highest scoring organizations certified by Pakistan Centre for Philanthrophy (PCP)

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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 2009 and the related income and expenditure account, cash flow statement and statement of changes in funds and reserves together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Foundation's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of accounts have been kept by the Foundation as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Foundation's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Foundation;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, cash flow statement and statement of changes in funds and reserves together withthe notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give theinformation required by the Companies Ordinance, 1984, in the manner so required and respectively give a true andfair view of the state of the Foundation's affairs as at 30 June 2009 and of the deficit, its cash flows and changes in funds and reserves for the year then ended; and

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

KPMG Taseer Hadi & Co.

Date: 09 OCT 2009

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Balance Sheet

As at 30th June 2009

	Note	2009	2008
ASSETS			
Non current assets			
Property, plant and equipment	*4*	**2,184,884,315**	1,828,023,767
Intangible asset	*5*	**997,359**	1,308,109
Long term investments	*6*	**67,189,697**	175,333,963
Long term deposits		**2,243,334**	1,600,583
		2,255,314,705	2,006,266,422
Current assets			
Stock of uniforms, text books and exercise copies		**-**	169,298
Advances, deposits and prepayments	*7*	**30,700,799**	25,713,504
Accrued income and other receivables	*8*	**1,830,602**	1,236,035
Short term investments	*9*	**10,000,000**	12,258,000
Cash and bank balances	*10*	**158,800,560**	142,242,276
		201,331,961	181,619,113
	Rupees	**2,456,646,666**	2,187,885,535
FUNDS AND LIABILITIES			
Capital fund	*11*	**1,300,000**	1,200,000
General fund		**867,872,804**	1,032,966,315
Deficit of income over expenditure for the year		**(86,963,169)**	(160,370,453)
Unrealised (loss) / gain on remeasurement of available for sale investments		**(28,291)**	7,300,538
		782,181,344	881,096,400
Endowment fund	*12*	**69,351,782**	60,100,518
Deferred income	*13*	**1,557,307,690**	1,196,654,619
Current liabilities			
Current maturity of liabilities against assets subject to finance lease		**-**	5,655,845
Accrued expenses and other liabilities	*14*	**47,805,850**	44,378,153
		47,805,850	50,033,998
	Rupees	**2,456,646,666**	2,187,885,535
Contingencies and commitments	*15*		

The annexed notes 1 to 25 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Income & Expenditure Account

For the year ended 30th June 2009

	Note	2009	2008
Income			
Donations	16	**568,127,780**	426,868,556
Profit on investments		**6,152,914**	5,453,391
Profit on bank accounts		**4,272,837**	4,236,331
Exchange gain		**11,161,626**	14,174,608
Capital gain / (loss) on sale of investment - net		**12,713,878**	(12,812,962)
Gain on disposal of fixed assets		**2,714,738**	4,256,752
Dividend income		**1,343,700**	4,072,100
Reversal of provision for impairment loss		**-**	45,253,135
		606,487,473	491,501,911
Expenditure			
Scholarships / subsidies to TCF schools	17	**377,972,016**	246,025,588
Salaries and other benefits	18	**67,317,367**	57,245,041
Fund raising expenses		**2,374,234**	3,797,490
Teachers' training		**11,844,675**	6,443,354
Vehicle running and maintenance		**8,143,486**	5,941,065
Repairs and maintenance		**2,768,990**	1,251,670
Travelling and conveyance - staff		**1,776,837**	1,807,304
Utilities and communication		**4,931,310**	2,670,387
Insurance		**447,711**	284,965
Printing and stationery		**3,712,170**	2,621,136
Advertisement		**2,126,497**	1,308,332
Depreciation	4.1	**139,733,289**	107,759,354
Amortization of intangible asset	5	**336,750**	340,883
Fee and subscriptions		**565,820**	44,755
Office rent		**9,205,493**	8,653,949
Auditors' remuneration		**85,125**	59,950
Professional charges		**2,156,445**	176,791
Bank charges		**523,327**	431,334
Office expenses		**465,629**	423,473
Financial charges - leasing		**79,673**	510,302
Provision for impairment loss on available for sale investments	6.6	**17,918,089**	-
		654,484,933	447,797,123
(Deficit) / surplus of income over expenditure - operations other than earthquake relief		**(47,997,460)**	43,704,788
Donations - earthquake relief		**10,628,648**	115,463,882
Earthquake relief expenses		**(49,594,357)**	(319,539,123)
Deficit of income over expenditure - earthquake relief		**(38,965,709)**	(204,075,241)
Deficit of income over expenditure for the yea	Rupees	**(86,963,169)**	(160,370,453)

The annexed notes 1 to 25 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Cash Flow Statement

For the year ended 30th June 2009

	Note	2009	2008
Cash flows from operating activities			
Cash generated from operations	19	**13,259,060**	(86,793,411)
Long term deposits		**(642,751)**	2,059,900
Financial charges paid - leasing		**(79,673)**	(510,302)
Net cash flows generated from / (used) in operating activities		**12,536,636**	(85,243,813)
Cash flows from investing activities			
Capital expenditure		**(498,440,540)**	(458,181,268)
Sales proceeds on disposal of fixed assets		**4,535,449**	4,256,790
Investments-net		**82,897,340**	30,011,135
Profit received on investments		**5,781,993**	6,878,211
Net cash flows used in investing activities		**(405,225,758)**	(417,035,132)
Cash flows from financing activities			
Capital fund		**100,000**	300,000
Deferred income		**408,017,045**	453,692,975
Endowment fund		**4,528,206**	35,731,030
Repayment of liabilities under finance lease		**(5,655,845)**	(5,845,726)
Net cash flows from financing activities		**406,989,406**	483,878,279
Net increase / (decrease) in cash and cash equivalents		**14,300,284**	(18,400,666)
Cash and cash equivalents at beginning of the year		**154,500,276**	172,900,942
Cash and cash equivalents at end of the year	20 Rupees	**168,800,560**	154,500,276

The annexed notes 1 to 25 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Statement of Changes in Funds and Reserves

For the year ended 30th June 2009

	Capital fund	General fund	Accumulated deficit	Un-realised (loss) / gain on remeasurement of available for sale investments	Total
Balance as at 30 June 2007	900,000	1,187,511,745	(136,345,942)	2,258,368	1,054,324,171
Changes in funds and reserves for the year ended 30 June 2008					
Capital Fund received during the year	300,000	-	-	-	300,000
Transfer of deficit of income over expenditure to the general fund	-	(136,345,942)	136,345,942	-	-
Transfer from general fund to endowment fund	-	(18,199,488)	-	-	(18,199,488)
Deficit of income over expenditure for the year	-	-	(160,370,453)	-	(160,370,453)
Realised gain on disposal of available for sale investments	-	-	-	(2,425,030)	(2,425,030)
Un-realised gain on remeasurement of available for sale investments	-	-	-	7,467,200	7,467,200
Total recognized income and expense for the year	-	-	(160,370,453)	5,042,170	(155,328,283)
Balance as at 30 June 2008 *Rupees*	1,200,000	1,032,966,315	(160,370,453)	7,300,538	881,096,400
Changes in funds and reserves for the year ended 30 June 2009					
Capital Fund received during the year	100,000	-	-	-	100,000
Transfer of deficit of income over expenditure to the general fund	-	(160,370,453)	160,370,453	-	-
Transfer from general fund to endowment fund	-	(4,723,058)	-	-	(4,723,058)
Deficit of income over expenditure for the year	-		(86,963,169)	-	(86,963,169)
Realised gain on disposal of available for sale investments	-	-	-	(8,756,282)	(8,756,282)
Un-realised loss on remeasurement of available for sale investments	-	-	-	(16,490,636)	(16,490,636)
Impairment loss on available for sale investments	-	-	-	17,918,089	17,918,089
Total recognized income and expense for the year	-	-	(86,963,169)	(7,328,829)	(94,291,998)
Balance as at 30 June 2009	1,300,000	867,872,804	(86,963,169)	(28,291)	782,181,344

The annexed notes 1 to 25 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

Notes to the Financial Statements

For the year ended 30th June 2009

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 primary and secondary schools as well as for operation of schools. These donations are made by organizations, institutions and individuals.

The registered office of the Foundation is situated at 7th floor, NIC Building, Abbasi Shaheed Road, 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 Initial application of a standard or an interpretation

- IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard have resulted in certain increased disclosures.

- IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard did not affect the Company's financial statements.

- IFRIC 13 – Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 did not affect the Company's financial statements.

- IFRIC 14 – IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset.

2.3 Forthcoming requirements

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures and impact on presentation of financial statement:

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009).

- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009).

- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009).

- IAS 27 'Consolidated and separate financial statements (effective for annual periods beginning on or after 1 January 2009).

- Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009).

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009).

- Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009).

- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009).

- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010).

- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009).

- IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009).

- Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009).

- IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009).

- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009).

- IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008).

- IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009).

- IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009).

- The International Accounting Standards Board made certain amendments to existing standards as part of its first and second annual improvements project. The effective dates for these amendments vary by standard.

2.4 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 3.1.

2.5 Functional and presentation currency

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

2.6 Use of estimates and judgments

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 subsequent years are as follows:

Operating fixed assets and intangible 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 and intangible asset with a corresponding affect on the depreciation and amortisation charge and impairment.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant 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 attirbutable to bringing the assets to a working condition for their intended use.

Subsequent costs are included in the asset's carrying amount or are recognised 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. 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 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, plant and equipment are taken to income and expenditure account currently.

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.

Leased

Assets subject to finance lease are accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired. The related obligations under the lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged in a manner similar to owned assets.

3.2 Intangible assets

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

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

Costs associated with maintaining computer software products are recognised 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 recognised directly in the funds and reserves until derecognised or impaired, when the accumulated adjustments recognised in funds and reserves are included in the income and expenditure account. Any reversal in impairment loss is recognised in funds and reserves for equity instruments.

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 recognised initially at fair value, plus attributable transaction cost. Subsequent to initial recognition, these are stated at amortised cost.

3.4 Other payables

Other payables are recognized initially at fair value and subsequently carried at amortised 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 recognised 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 recognised amount and the Foundation intends to either settle on a net basis, or to realise 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 recognised as income on a systematic basis to match them with the related costs that they are intended 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 recongised when the right to receive dividend is established.

Income on held to maturity investments is recognised on an accrual basis using the effective interest rate method.

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

3.9 Expenses

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

3.10 Taxation

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

3.11 Provisions

Provisions are recognised 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. Provisions are regularly reviewed and adjusted to reflect the current best estimates.

3.12 Foreign currency transactions

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

3.13 Cash and cash equivalents

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

3.14 Transfer to general fund

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

4. PROPERTY, PLANT AND EQUIPMENT

		2009	2008
Operating fixed assets	*4.1*	**1,890,352,290**	1,319,400,146
Capital work in progress	*4.2*	**282,709,279**	445,472,570
Advance for construction		**8,649,082**	18,419,505
Advance against purchase of operating fixed assets		**3,173,664**	44,731,546
	Rupees	**2,184,884,315**	1,828,023,767

4.1 Operating fixed assets

2009

	Land leasehold	Land freehold	School building on leasehold land	School building on freehold land	Furniture and fittings	Vehicles owned	Vehicles leased	Machinery	Office and other equipments	Total
At 1 July 2008										
Cost	6,410,000	125,425,343	5,528,071	1,212,126,531	124,521,155	192,117,551	24,298,033	2,497,900	34,678,922	1,727,603,506
Accumulated depreciation	-	-	2,211,240	220,603,534	40,482,295	106,180,038	19,625,231	975,084	18,125,938	408,203,360
Net book value	6,410,000	125,425,343	3,316,831	991,522,997	84,038,860	85,937,513	4,672,802	1,522,816	16,552,984	1,319,400,146
Additions	-	11,484,077	-	602,680,488	29,585,941	65,685,852	-	44,300	3,025,486	712,506,144
Transfer										
Cost	-	-	-	-	-	24,298,033	-	-	-	24,298,033
Depreciation	-	-	-	-	-	22,040,831	-	-	-	22,040,831
	-	-	-	-	-	2,257,202	-	-	-	2,257,202
Disposals										
Cost	-	-	-	-	102,000	6,871,775	24,298,033	8,000	4,670,411	35,950,219
Depreciation	-	-	-	-	40,398	5,717,408	22,040,831	2,680	4,070,989	31,872,306
	-	-	-	-	61,602	1,154,367	2,257,202	5,320	599,422	4,077,913
Depreciation for the year	-	-	276,404	79,230,523	13,120,721	38,617,534	2,415,600	377,877	5,694,630	139,733,289
Closing net book value *Rupees*	6,410,000	136,909,420	3,040,427	1,514,972,962	100,442,478	114,108,666	-	1,183,919	13,284,418	1,890,352,290
At 30 June 2009										
Cost	6,410,000	136,909,420	5,528,071	1,814,807,019	154,005,096	275,229,661	-	2,534,200	33,033,997	2,428,457,464
Accumulated depreciation	-	-	2,487,644	299,834,057	53,562,618	161,120,995	-	1,350,281	19,749,579	538,105,174
Net book value *Rupees*	6,410,000	136,909,420	3,040,427	1,514,972,962	100,442,478	114,108,666	-	1,183,919	13,284,418	1,890,352,290
Depreciation rates (% per annum)	-	-	5	5	10	20	20	15	20	

2008

	Land leasehold	Land freehold	School building on leasehold land	School building on freehold land	Furniture and fittings	Vehicles owned	Vehicles leased	Machinery	Office and other equipments	Total
At 1 July 2007										
Cost	4,710,000	116,575,976	5,528,071	931,301,471	87,766,373	154,481,976	24,298,033	2,463,550	28,151,989	1,355,277,439
Accumulated depreciation	-	-	1,934,831	162,828,808	30,182,994	83,898,385	14,784,728	604,346	13,306,387	307,540,479
Net book value	4,710,000	116,575,976	3,593,240	768,472,663	57,583,379	70,583,591	9,513,305	1,859,204	14,845,602	1,047,736,960
Additions	1,700,000	8,849,367	-	280,825,060	36,754,782	44,732,067	-	34,350	6,526,933	379,422,559
Disposals										
Cost	-	-	-	-	-	7,096,492	-	-	-	7,096,492
Depreciation	-	-	-	-	-	7,096,473	-	-	-	7,096,473
	-	-	-	-	-	19	-	-	-	19
Depreciation for the year	-	-	276,409	57,774,726	10,299,301	29,378,126	4,840,503	370,738	4,819,551	107,759,354
Closing net book value *Rupees*	6,410,000	125,425,343	3,316,831	991,522,997	84,038,860	85,937,513	4,672,802	1,522,816	16,552,984	1,319,400,146
At 30 June 2008										
Cost	6,410,000	125,425,343	5,528,071	1,212,126,531	124,521,155	192,117,551	24,298,033	2,497,900	34,678,922	1,727,603,506
Accumulated depreciation	-	-	2,211,240	220,603,534	40,482,295	106,180,038	19,625,231	975,084	18,125,938	408,203,360
Net book value *Rupees*	6,410,000	125,425,343	3,316,831	991,522,997	84,038,860	85,937,513	4,672,802	1,522,816	16,552,984	1,319,400,146
Depreciation rates (% per annum)	-	-	5	5	10	20	20	15	20	

4.1.1 Leased hold land includes land acquired by the Foundation as well as received as donations. The donated plots of land are stated at nominal value. Title of certain donated land is still in process of being transferred in the name of Foundation.

4.1.2 Five school buildings which were constructed prior to the incorporation of the Foundation were donated at an estimated cost of Rs. 1 million each.

4.2 Capital work in progress

		2009	2008
Balance at 1 July		445,472,570	342,373,498
Expenditure incurred during the year		439,917,197	383,924,132
		885,389,767	726,297,630
Transferred to school buildings during the year		(602,680,488)	(280,825,060)
	Rupees	282,709,279	445,472,570

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

5. INTANGIBLE ASSETS

		2009	2008
Net carrying value basis			
Opening net book value (NBV)		1,308,109	1,598,992
Additions (at cost)		26,000	50,000
Amortisation charge		(336,750)	(340,883)
Closing net book value	*Rupees*	997,359	1,308,109
Gross carrying value			
Cost		1,689,416	1,639,416
Additions (at cost)		26,000	50,000
Accumulated amortisation		(718,057)	(381,307)
Net book value	*Rupees*	997,359	1,308,109

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

6. LONG TERM INVESTMENTS

		2009	2008
Held to maturity - Term finance certificates			
United Bank Limited - Tranche II	*6.1*	**9,998,400**	9,998,800
United Bank Limited - Tranche III	*6.2*	**9,990,000**	9,994,000
Pakistan Mobile Communication Limited	*6.3*	**19,111,427**	8,992,800
Askari Bank Limited	*6.4*	**10,260,615**	10,264,725
NIB Bank Limited	*6.5*	**4,185,660**	-
		53,546,102	39,250,325
Available for sale - Units / Certificates of Open end and Closed end funds			
United Money Market Fund		**-**	494,161
JS Value Fund		**229,175**	995,495
JS Large Capital Fund		**1,276,655**	3,657,555
Atlas Fund of Funds		**2,082,000**	6,183,540
Pakistan Strategic Allocation Fund		**2,719,990**	7,303,530
Meezan Balanced Fund		**3,479,560**	5,749,100
Atlas Income Fund		**-**	49,710,699
United Growth and Income Fund (Income Units)		**-**	21,179,650
United Growth and Income Fund (Growth Units)		**-**	804,890
MCB Dynamic Cash Fund		**-**	29,013,771
Faysal Saving Growth Fund		**-**	1,562,456
AKD Income Fund (Growth Units)		**472,455**	525,731
JS Growth Fund		**355,260**	1,131,810
NAFA Cash Fund		**-**	5,202,180
PICIC Energy Fund		**3,028,500**	2,569,070
		13,643,595	136,083,638
	Rupees	**67,189,697**	175,333,963

6.1 This represents investment in 8 years term finance certificate and carry profit at the rate of 9.49% per annum and will mature on 15 March 2013. Fair value of the TFC as at 30 June 2009 amounted to Rs. 8,718,010.

6.2 This represents investment in 8 years term finance certificate and carry profit at the rate of 1.70% per annum plus 6 months KIBOR and will mature on 8 September 2014. Fair value of the TFC as at 30 June 2009 amounted to Rs. 9,661,410.

6.3 This represents investment in 7 years term finance certificate and carry profit at the rate of 2.85% per annum plus 6 months KIBOR and will mature on 31 May 2013.Fair value of the TFC as at 30 June 2009 amounted to Rs. 20,049,250.

6.4 This represents investment in 8 years term finance certificate and carry profit at the rate of 1.5% per annum plus 6 months KIBOR and will mature on 31 October 2012. Fair value of the TFC as at 30 June 2009 amounted to Rs. 9,819,365.

6.5 This represents investment in 7 years term finance certificate and carry profit at the rate of 1.15% per annum plus 6 months KIBOR and will mature on 05 March 2016. Fair value of the TFC as at 30 June 2009 amounted to Rs. 4,622,010.

6.6 During the year impairment loss amounting to Rs. 17,918,089 has been recognized on its available for sale securities.

7. ADVANCES, DEPOSITS AND PREPAYMENTS - considered good

		2009	2008
Advances to staff for expenses		**24,800,737**	13,346,541
Advances to suppliers		**2,665,474**	6,187,577
Current maturity of lease deposits		**-**	2,415,600
Prepaid expenses		**3,234,588**	3,763,786
	Rupees	**30,700,799**	25,713,504

8. ACCRUED INCOME AND OTHER RECEIVABLES

Accrued income on investments		**1,453,804**	1,082,883
Tax deducted at source		**130,755**	82,872
Other receivables		**246,043**	70,280
	Rupees	**1,830,602**	1,236,035

9. SHORT TERM INVESTMENTS

Term deposit receipts:			
Bank AL-Habib Limited		**-**	12,258,000
Barclays PLC Pakistan	9.1	**10,000,000**	-
	Rupees	**10,000,000**	12,258,000

9.1 This represent investments in term deposit for 3 months maturing on 26 September 2009 and carrying profit at the rate of 11.25% per annum.

10. CASH AND BANK BALANCES

Cash in hand		**29,842**	17,797
Cash at bank:			
- current account		**33,204,908**	36,909,122
- deposit account	*10.1*	**125,565,810**	105,315,357
		158,770,718	142,224,479
	Rupees	**158,800,560**	142,242,276

10.1 Profit rates on deposit accounts range between 0.25 to 9% per annum (2008: 0.25 to 10 % per annum).

11. CAPITAL FUND

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

12. ENDOWMENT FUND

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

13. DEFERRED INCOME

		2009	2008
Related to operating fixed assets			
Opening balance		**1,172,798,499**	755,758,737
Donations received during the year		**359,370,947**	430,332,070
Amortisation for the year		**(39,812,692)**	(13,292,308)
		1,492,356,754	1,172,798,499
Related to school support and children education			
Opening balance		**23,856,120**	1,762,548
Donations received during the year		**48,646,098**	23,360,905
Amortisation for the year		**(7,551,282)**	(1,267,333)
		64,950,936	23,856,120
	Rupees	**1,557,307,690**	1,196,654,619

14. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses		**4,544,940**	6,366,096
Security deposit	*14.1*	**12,354,264**	9,529,780
Retention money		**21,511,606**	18,249,096
Tax deducted at source		**-**	446,258
Scholarship		**7,398,173**	7,408,869
Other liabilities		**1,996,867**	2,378,054
	Rupees	**47,805,850**	44,378,153

14.1 These represent deposits obtained from teachers in order to discourage them from leaving TCF without noticing.

15. CONTINGENCIES AND COMMITMENTS

Contingent liabilities

In June 2003, the Foundation received an advice from Sindh Employees' Social Security Institution (SESSI) vide letter No. SS/CD/Cont/4/3589 dated 1 June 2003 stating that the Foundation is liable to pay social security contribution in respect of all employees w.e.f. 8 February 2003 under Social Security Scheme, vide Sindh Government Gazette Notification No. L-II-5-9/2002 dated 8 February 2003. Consequently a notice was received by the Foundation from Assistant Collector (Grade-I) demanding a payment of Rs. 484,500 as arrears of social contribution for the period May 2003 to September 2003. The Foundation has filed a petition with Honourable Bench of Sindh High Court challenging SESSI's application of Social Security Scheme on Educational Units. The Division Bench of 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 Supreme Court against Sindh High Court's dismissal of the Foundation petition which has been admitted by the Supreme Court on 26 September 2008. However, no hearing has been taken place since then. Similar notification has been received from Punjab Employees' Social Security Institution (PESSI) demanding a payment of Rs. 86,988 being social security contribution for the period from November 2002 to November 2008 in view of sub-section (3) of section-I of the Provincial Employees Social Security Ordinance 1965 ("the Ordinance"). The Foundation has filed case in Supreme Court of Pakistan which referred back the case to relevant authorities in term of the Ordinance.

No provision has been made in the financial statements for the alleged demands as management is confident of a favourable outcome in appeal.

Commitments

Commitment in respect of capital expenditure amount to Rs. 59.3 million (2008: Rs. 110.8 million).

16. DONATIONS

		2009	2008
Donations received for school operations	*16.1*	**520,763,806**	412,308,915
Amortised - donations related to assets		**39,812,692**	13,292,308
Amortised - donations related to school support and children education		**7,551,282**	1,267,333
	Rupees	**568,127,780**	426,868,556

16.1 This includes zakat collected during the year amounting to Rs. 64.8 million (2008: Rs. 68.3 million).

17. SCHOLARSHIPS / SUBSIDIES TO TCF SCHOOLS

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

18. SALARIES AND BENEFITS

18.1 Chief Executive Officer's Remuneration

		2009	2008
Salaries and allowances		**2,130,000**	4,455,596
Medical allowance		**-**	445,346
Special allowance		**90,000**	445,346
	Rupees	**2,220,000**	5,346,288

19. CASH GENERATED FROM OPERATIONS

		2009	2008
Deficit of income over expenditure		**(86,963,169)**	(160,370,453)
Adjustments for non cash charges and other items:			
Depreciation		**139,733,289**	107,759,354
Amortization of intangible asset		**336,750**	340,883
Amortization of deferred income		**(47,363,974)**	(14,559,641)
Profit on investments		**(6,152,914)**	(5,453,391)
Gain on sale of fixed assets		**(2,714,738)**	(4,256,752)
Financial charges		**79,673**	510,302
Provision for impairment loss		**17,918,089**	-
Working capital changes	*19.1*	**(1,613,946)**	(10,763,713)
	Rupees	**13,259,060**	(86,793,411)

19.1 Working capital charges

		2009	2008
Decrease / (increase) in current assets			
Stock of uniforms, text books and exercise copies		**169,298**	627,232
Advances, deposits and prepayments		**(4,987,295)**	(4,975,856)
Accrued income and other receivables		**(223,646)**	515,524
		(5,041,643)	(3,833,100)
Increase / (decrease) in current liabilities			
Accrued expenses and other liabilities		**3,427,697**	(6,930,613)
	Rupees	**(1,613,946)**	(10,763,713)

20. CASH AND CASH EQUIVALENTS

Short term investments	*9*	**10,000,000**	12,258,000
Cash and bank balances	*10*	**158,800,560**	142,242,276
	Rupees	**168,800,560**	154,500,276

21. 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:

21.1 Donation / service received from related parties

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

Ashraf Riaz (Private) Limited, in which Mr. Ateed Riaz (Director of the Foundation) is also a director, has donated Rs. 25,858 (2008: Rs.3,008,388) during the year.

Crescent Steel and Allied Products Limited, in which Mr. Ahsan Saleem (Director of the Foundation) is also a director, has donated Rs. 4,144,150 (2008: Rs. 22,823,210) during the year.

Indus Valley of School Art and Architecture, in which Mr. Arshad Abdulla (Director of the Foundation) is also a director, has donated Rs. 35,400 (2008: Rs. 10,000) during the year.

Searle Pakistan (Private) Limited, in which Mr. Rashid Abdulla (Director of the Foundation) is also a director, has donated Rs. 495,016 (2008: Rs. 2,000,000) during the year.

United Distribution (Private) Limited, in which Mr. Rashid Abdulla and Mr. Arshad Abdulla (Directors of the Foundation) are also directors, has donated Rs.1,225,057 (2008: Rs. 1,118,223) during the year.

21.2 Key management remuneration / compensation

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, Vice Presidents and Financial Controller as its key management personnel. The remuneration / compensation paid or payable to key management for employee service amounts to Rs. 9.176 million (2008: Rs.6.285 million). There are no transactions with the key management personnel other than under their terms of employments / entitlements.

22. 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

22.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market prices.

The Foundation manages market risk by monitoring exposure in marketable securities by following the investments guidelines approved by the Executive Committee (EC) and Board of Directors (BOD).

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. The financial assets and liabilities of the Foundation are not materially exposed to foreign exchange risk.

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.

As at 30 June 2009, the investment in debt securities exposed to interest rate risk is detailed in note 6.

At present the Foundation has no interest bearing financial liabilities, the income and expenditure account and operating cash flows are substantially independent of changes in market interest rates.

a) Sensitivity analysis for variable rate instruments

At present majority of the Foundation's investment in debt securities carry floating interest rate that expose it to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on 30 June 2009 with all other variables held constant, the assets of the Foundation would have been higher / lower by Rs.78,668 (2008: Rs.56,407) with consequential effect on deficit of income over expenditure for the year. This arises substantially from the increase / decrease in interest income and accrued income receivable on Term Finance Certificates.

b) Sensitivity analysis for fixed rate instruments

The Foundation manages fair value risk by investing primarily in floating rate debt securities preferably with no cap and floor to insulate it from fair value interest rate risk. At present the Foundation account for fixed rate debt instrument at amortized cost, therefore a change in interest rate as at reporting date would have no effect on income and expenditure account and funds and reserves.

The sensitivity analysis prepared as at 30 June 2009 is not necessarily indicative of the effect on the Foundation's assets and income and expenditure account of future movements in interest rates. The table below summarizes the Foundation's exposure to interest rate risk.

2009

	Mark-up rates %	Interest / mark-up bearing Maturity upto one year	Maturity one to five years	Maturity after five years	Sub-total	Non interest / mark-up bearing	Total
Financial assets							
Investments	9.49-16.60	10,018,470	53,527,632	-	63,546,102	13,643,595	77,189,697
Long term deposits	-	-	-	-	-	2,243,334	2,243,334
Accrued income and other receivables	-	-	-	-	-	1,699,847	1,699,847
Cash and bank balances	0.25 - 9.0	125,565,810	-	-	125,565,810	33,234,750	158,800,560
		135,584,280	53,527,632	-	189,111,912	50,821,526	239,933,438
Financial liabilities							
Accrued expenses and other liabilities	-	-	-	-	-	47,805,850	47,805,850
On balance sheet gap	*Rupees*	135,584,280	53,527,632	-	189,111,912	3,015,676	192,127,588

2008

	Mark-up rates %	Interest / mark-up bearing Maturity upto one year	Maturity one to five years	Maturity after five years	Sub-total	Non interest / mark-up bearing	Total
Financial assets							
Investments	8.00-14.00	12,270,110	25,919,815	13,318,400	51,508,325	136,083,638	187,591,963
Long term deposits	-	-	-	-	-	1,600,583	1,600,583
Advances and deposits	-	-	-	-	-	2,415,600	2,415,600
Accrued income and other receivables	-	-	-	-	-	1,153,163	1,153,163
Cash and bank balances	3.50-9.5	105,315,357	-	-	105,315,357	36,926,919	142,242,276
		117,585,467	25,919,815	13,318,400	156,823,682	178,179,903	335,003,585
Financial liabilities							
Accrued expenses and other liabilities	-	-	-	-	-	43,931,895	43,931,895
Current maturity of liabilities against asset	7.5-8.5	5,655,845	-	-	5,655,845	-	5,655,845
On balance sheet gap	*Rupees*	111,929,622	25,919,815	13,318,400	151,167,837	134,248,008	285,415,845

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. The equity price risk exposure arises from investments in equity securities held by the Foundation for which prices in the future are uncertain. If the prices of certificates of closed end fund were increased / decreased by 5%, with all other variable held constant, the impact on assets and consequential impact on funds and reserves would be Rs. 682,180 (2008: Rs. 1,405,792).

There is no sensitivity effect on income and expenditure account as the Foundation has no quoted equity securities classified as 'fair value through profit or loss'.

22.2 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.

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 interest due on such investments. The Foundation is also exposed to counterparty credit risk on cash and cash equivalents, deposits and other receivable balances. The Foundation has no significant concentration of credit risk.

Credit risk management

The Foundation assesses all counterparties for credit risk before contracting with them. It is the Foundation policy to enter into financial contracts with reputable and creditworthy counterparties The Foundation kept its funds in banks having credit rating ranging from A+ to AA+. 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 maximum exposure to credit risk before any credit enhancements at 30 June is the carrying amount of the financial assets as set out below.

		2009	2008
Accrued income and other receivables		**1,699,847**	1,153,163
Short term investments		**10,000,000**	12,258,000
Cash and bank balances		**158,770,718**	142,224,479
	Rupees	**170,470,565**	155,635,642

None of the above financial assets were considered to be past due or impaired in 2009 and 2008.

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

Debt Securities by rating category

AA	**37.33%**	50.94%
AA-	**54.85%**	49.06%
A+	**7.82%**	-

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 Fund's total credit exposure. The Fund'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.

22.3 Liquidity risk

Liquidity risk is the risk that Foundation will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Foundation believes that it is not exposed to any significant level of liquidity risk.

22.4 Fair value of financial instruments

The carrying values of all the financial instruments reflected in the financial statements approximates their fair value.

22.5 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.

23. MOVEMENT BETWEEN DEFICIT OF INCOME OVER EXPENDITURE FOR THE YEAR TO GENERAL FUND

The Board of Director in their meeting held on 09 OCT 2009 has proposed to transfer an amount of Rs.86,963,169 representing deficit of income over expenditure for the year to general fund.

24. CORRESPONDING FIGURES

Previous year's figures are re-arranged and re-classified wherever necessary for the purpose of comparison.

Major changes made for better presentation during the year are as follows:

Reclassification from component	Reclassification to component	(Rupees)
Insurance	Scholarships / subsidies to TCF schools	2,564,686
Salaries and other benifits	Repairs and maintenence	204,000
Printing and stationery	Advertisement	1,308,332

25. DATE OF AUTHORISATION

These financial statements were authorised for issue in the Board of Directors meeting held on 09 OCT 2009

CHIEF EXECUTIVE OFFICER

DIRECTOR