

RIAZ AHMAD & COMPANY

Chartered Accountants

PUNJAB EDUCATION FOUNDATION

**FINANCIAL STATEMENTS WITH
ACCOMPANYING INFORMATION**

30 JUNE 2007

NEXIA
INTERNATIONAL

AUDITORS' REPORT TO BOARD OF DIRECTORS

We have audited the accompanying financial statements of Punjab Education Foundation, which comprise the balance sheet as at 30 June 2007, and the income and expenditure account, statement of changes in funds for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Basis for Qualified Opinion

- (a) Long term loans include overdue installments of Rupees 20.578 million against which recovery of Rupees 2.022 million was made in the subsequent period. However, no provision against overdue / non-performing loans has been made in the enclosed financial statements.
- (b) Provision for income tax has not been made in the financial statements. Moreover, we have not seen any exemption of income tax notified by the income tax department.

Opinion

In our opinion, except for the effects of matters stated in paragraph (a) and (b) above, the financial statements give a true and fair view of the financial position of Punjab Education Foundation as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

LAHORE: [16 APR 2008


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Chartered Accountants

PUNJAB EDUCATION FOUNDATION

BALANCE SHEET AS AT 30 JUNE 2007

	NOTE	2007 Rupees	2006 Rupees
NON-CURRENT ASSETS			
Property and equipment	4	24,027,826	21,820,708
Advance for purchase of lands		4,042,500	4,042,500
Long term loans	5	28,292,592	39,796,430
		<u>56,362,918</u>	<u>65,659,638</u>
CURRENT ASSETS			
Current portion of long term loans	5.3	27,603,496	27,847,789
Advances, prepayments and other receivables	6	20,927,481	9,384,008
Short term investments	7	1,150,000,000	615,000,000
Cash and bank balances	8	177,245,467	107,093,839
		<u>1,375,776,444</u>	<u>759,325,636</u>
LESS : CURRENT LIABILITIES			
Accrued and other liabilities	9	7,070,806	901,283
NET CURRENT ASSETS		<u>1,368,705,638</u>	<u>758,424,353</u>
LESS : NON-CURRENT LIABILITIES			
Long term loan	10	27,630,624	27,630,624
Deferred credits	11	600,835,312	235,000
NET ASSETS		<u>796,602,620</u>	<u>796,218,367</u>
CONTINGENCIES AND COMMITMENTS			
	12	<u>796,602,620</u>	<u>796,218,367</u>
REPRESENTED BY:			
Fund	13	200,000,000	200,000,000
Accumulated surplus		<u>596,602,620</u>	<u>596,218,367</u>
		<u>796,602,620</u>	<u>796,218,367</u>

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



Managing Director



Deputy Managing Director (Finance)



Director Finance

PUNJAB EDUCATION FOUNDATION
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	2007 Rupees	2006 Rupees
INCOME			
Profit / mark-up on bank deposits		116,436,856	56,309,844
Amortization of deferred credits	11	199,399,688	15,193,313
Other income	14	384,253	2,131,750
		<u>316,220,797</u>	<u>73,634,907</u>
EXPENDITURES			
Programme expenditure	15	276,601,655	43,617,071
Administrative and general expenses	16	38,975,597	19,905,190
Financial and other charges	17	259,292	513,183
		<u>315,836,544</u>	<u>64,035,444</u>
SURPLUS FOR THE YEAR		<u>384,253</u>	<u>9,599,463</u>

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



Managing Director



Deputy Managing Director (Finance)



Director Finance

PUNJAB EDUCATION FOUNDATION

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 30 JUNE 2007

PARTICULARS	FUND	ACCUMULATED SURPLUS	TOTAL
	(.....RUPEES.....)		
Balance as on 30 June 2005	200,000,000	586,618,904	786,618,904
Surplus for the year	-	9,599,463	9,599,463
Balance as on 30 June 2006	<u>200,000,000</u>	<u>596,218,367</u>	<u>796,218,367</u>
Surplus for the year	-	384,253	384,253
Balance as on 30 June 2007	<u>200,000,000</u>	<u>596,602,620</u>	<u>796,602,620</u>

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


Managing Director


Deputy Managing Director (Finance)


Director Finance

PUNJAB EDUCATION FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1 LEGAL STATUS AND FUNCTIONS OF THE FOUNDATION

Punjab Education Foundation (PEF) was established in 1991 under Punjab Education Foundation Act, 1991 and subsequently restructured in 2004 as a body corporate under the Punjab Education Foundation Act, 2004. The principal activity of the Foundation is to provide technical and financial assistance for the establishment, expansion, improvement and management of educational institutions, incentives to students and teachers and promotion of quality education through public-private partnerships.

2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except freehold land and capital work-in-progress which are stated at cost.

Depreciation is charged to income applying the straight-line method to write off the cost of asset over its estimated useful life. Depreciation on additions is charged from the month in which the assets are available for use while no depreciation is charged in the month in which disposal is made.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

3.2 Impairment

The carrying amounts of the foundation's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

3.3 Revenue recognition

(a) Interest income / return on term deposits is recognized on time basis by reference to the principal outstanding and the applicable rate of return.

(b) Service charges on loans are recognized on receipt basis.

3.4 Grants-in-aid

The principal source of funding for the Foundation's activities is grants and donations from Government / Non-Government organizations. Grants-in-aid are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Foundation will comply with all attached conditions. Fair value signifies the amount received in cash and current market value in case of grant received in kind. Grants relating to expenses are deferred and recognized in the income and expenditure account over the period necessary to match them with the expenses that they are intended to compensate.

Grants-in-aid relating to the purchase of operating fixed assets are included in non-current liabilities as deferred credit and are credited to the income and expenditure account over the expected useful lives of the related assets.

3.5 Employees' benefits

The foundation operates non-funded defined benefit pension scheme for permanent employees. Monthly contributions / provisions are made to cover the obligations under these schemes. Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under these scheme.

Employees are entitled to encash leaves if not availed during the preceding year. Leaves are accumulated at the rate of 4 days for each calendar month. Provision is made annually on gross salary to cover the obligation.

3.6 Provisions

Provisions are recorded when the company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation..

3.7 Short Term Investments

These are stated at cost less impairment loss, if any.

4 PROPERTY AND EQUIPMENT

Operating fixed assets (Note 4.1)
Capital work in progress - Building

2007
Rupees

23,351,722
676,104
24,027,826

2006
Rupees

21,820,708
21,820,708

4.1 OPERATING FIXED ASSETS

Description	Rupees						Total
	Freehold Land	Furniture and Fixtures	Vehicles	Machinery and Equipment	Electric Installations		
At 01 July 2005							
Cost	15,525,425	435,658	3,699,592	1,898,600	56,791		21,616,066
Accumulated depreciation	-	376,112	2,163,075	534,495	56,791		3,130,473
Net book value	<u>15,525,425</u>	<u>59,546</u>	<u>1,536,517</u>	<u>1,364,105</u>	-		<u>18,485,593</u>
Year ended 30 June 2006							
Opening net book value	15,525,425	59,546	1,536,517	1,364,105	-		18,485,593
Additions	-	351,100	3,155,610	1,003,085	-		4,509,795
Disposals							
Cost		(38,914)	(1,532,966)	(58,485)	(34,271)		(1,664,636)
Depreciation		38,914	1,532,966	58,385	34,271		1,664,536
Depreciation charge		(26,558)	(932,622)	(100)	-		(100)
Closing net book value	<u>15,525,425</u>	<u>384,088</u>	<u>3,759,505</u>	<u>2,151,690</u>	-		<u>21,820,708</u>
At 01 July 2006							
Cost	15,525,425	747,844	5,322,236	2,843,200	22,520		24,461,225
Accumulated depreciation	-	(363,756)	(1,562,731)	(691,510)	(22,520)		(2,640,517)
Net book value	<u>15,525,425</u>	<u>384,088</u>	<u>3,759,505</u>	<u>2,151,690</u>	-		<u>21,820,708</u>
Year ended 30 June 2007							
Opening net book value	15,525,425	384,088	3,759,505	2,151,690	-		21,820,708
Additions	-	337,662	1,274,000	2,028,739	-		3,640,401
Depreciation charge	-	(97,304)	(1,185,509)	(826,574)	-		(2,109,387)
Closing net book value	<u>15,525,425</u>	<u>624,446</u>	<u>3,847,996</u>	<u>3,353,855</u>	-		<u>23,351,722</u>
At 30 June 2007							
Cost	15,525,425	1,085,506	6,596,236	4,871,939	22,520		28,101,626
Accumulated depreciation	-	(461,060)	(2,748,240)	(1,518,084)	(22,520)		(4,749,904)
Net book value	<u>15,525,425</u>	<u>624,446</u>	<u>3,847,996</u>	<u>3,353,855</u>	-		<u>23,351,722</u>
Annual rate of depreciation	10	10-20	10-20	5-33	10		10

	2007 Rupees	2006 Rupees
5 LONG TERM LOANS		
To private educational institutes and NGOs (Note 5.1)	55,134,158	66,967,397
To employees (Note 5.2)	761,930	676,822
	<u>55,896,088</u>	<u>67,644,219</u>
Less : Current portion (Note 5.3)	27,603,496	27,847,789
	<u>28,292,592</u>	<u>39,796,430</u>
5.1	This represents interest free loans provided to private educational institutes and NGOs for purchase of equipment, furniture and construction of buildings. These Loans are secured against registered charge on land and are repayable within 7 years to 15 years from the date of disbursement.	
5.2	This represents interest free house building and vehicle loans provided to the permanent employees.	
5.3 CURRENT PORTION OF LONG TERM LOANS		
Installments due but not yet received	20,578,355	20,522,663
Receivable within next twelve months	7,025,141	7,325,126
	<u>27,603,496</u>	<u>27,847,789</u>
6 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Advances		
to employees for expenses	358,973	14,782
to parties	200,000	-
Prepaid rent	436,500	375,000
Lease rent receivables	3,000	3,000
Profit / mark-up accrued on bank deposits	19,914,512	8,975,506
Other	14,496	15,720
	<u>20,927,481</u>	<u>9,384,008</u>
7 SHORT TERM INVESTMENTS		
The Bank of Punjab	500,000,000	540,000,000
Bank Al-Falah Limited	250,000,000	75,000,000
ABN Amro Bank (Pakistan) Limited	400,000,000	-
	<u>1,150,000,000</u>	<u>615,000,000</u>

7.1 These represent short term deposits held with banking companies having maturity of one month to one year and carry interest rate ranging from 11% to 11.9% (2006 : 8.25% to 12.5%) per annum.

	2007 Rupees	2006 Rupees
8 CASH AND BANK BALANCES		
Cash in hand	15,000	2,718
Cash with banks on:		
Saving accounts	176,134,723	107,014,211
Current account	1,095,744	76,910
	<u>177,230,467</u>	<u>107,091,121</u>
	<u>177,245,467</u>	<u>107,093,839</u>
9 ACCRUED AND OTHER LIABILITIES		
Programme expenditures	5,968,600	34,837
Income tax	277,446	3,754
Service charges payable	241,266	43,750
Accrued expenses	326,694	143,812
Retention money	112,895	-
Interest payable on G.P fund	134,572	-
Pension contribution payable	-	73,569
Leave salary payable	9,333	601,561
	<u>7,070,806</u>	<u>901,283</u>
10 LONG TERM LOAN		
This long term loan was given by Technical Education and Vocational Training Authority of the Punjab (TEVTA) out of the loan received from Asian Development Bank. This loan was disbursed by the Foundation to technical and educational institutes for purchase of furniture, equipment and civil works.		
11 DEFERRED CREDITS		
Grant -in- aid (Note 11.1)	800,000,000	15,193,313
Special grant from chief minister	85,000	85,000
Donations	150,000	150,000
	<u>800,235,000</u>	<u>15,428,313</u>
Amortized during the year (Note 11.2)	199,399,688	15,193,313
	<u>600,835,312</u>	<u>235,000</u>
11.1	This represents grants received from the Government of the Punjab for development , social service, education, administrative and other programmes.	
11.2 AMORTIZED DURING THE YEAR		
Programme expenditure	160,164,799	15,193,313
Administrative and general expenses	38,975,597	-
Financial and other charges	259,292	-
	<u>199,399,688</u>	<u>15,193,313</u>