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KAARVAN CRAFTS FOUNDATION

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KAARVAN CRAFTS FOUNDATION** at December 31, 2007 and the related income and expenditure account, cash flow statement and statement of changes in funds together with the notes forming part thereof, for the year ended December 31, 2007 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 account 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 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 December 31, 2007 and of the deficit, its cash flows and changes in funds for the year ended December 31, 2007; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Lahore:

Dated

107 MAR 2008

Horwath Hussain Chk.
HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

KAARVAN CRAFTS FOUNDATION

BALANCE SHEET AS AT DECEMBER 31, 2007

		2007 Rupees	2006 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	3	1,936,756	1,968,003
Intangible assets	4	15,000	30,000
Long term deposits	5	582,800	565,000
		2,534,556	2,563,003
Current Assets			
Stock in trade	6	991,053	1,112,991
Trade debts	7	1,258,646	951,633
Advances, prepayments and other receivables	8	722,201	893,203
Cash and bank balances	9	8,614,165	8,925,426
		11,586,065	11,883,253
Less: Current Liabilities			
Trade and other payables	10	1,344,433	961,285
		10,241,632	10,921,968
NET ASSETS		12,776,188	13,484,971
FINANCED BY:			
General Fund			
Opening balance		13,484,971	13,935,410
Deficit for the year		(708,783)	(450,439)
		12,776,188	13,484,971
Contingencies and Commitments		11	-
		12,776,188	13,484,971

The annexed notes form an integral part of these accounts.


CHIEF EXECUTIVE


DIRECTOR

KAARVAN CRAFTS FOUNDATION
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2007

		2007	2006
	Note	Rupees	Rupees
INCOME			
Grants	12	1,311,620	268,702
Gross profit from Enterprise Development Program	13	3,562,709	4,355,975
Consultancy income		1,117,683	629,237
Profit on bank account		785,583	828,337
Exchange gain		18,543	11,091
Other income		104,096	56,500
		6,900,234	6,149,842
EXPENDITURES			
Salaries, wages and benefits		3,748,316	3,320,430
Rent, rates and taxes		1,681,243	1,274,450
Travelling and conveyance		287,517	272,117
Advertisement		79,116	144,015
Postage, telephone and telegram		278,030	287,690
Repairs and maintenance		201,857	155,468
Printing and stationery		87,101	206,690
Utilities		170,780	195,824
Entertainment		118,900	161,948
Commission		56,500	30,000
Auditors' remuneration		40,000	40,000
Legal and professional charges		44,130	25,000
Insurance		15,068	17,399
Provision for doubtful debts		-	42,709
Bad debts written off - Net		441,808	29,840
Bank charges		25,162	34,737
Depreciation	3	318,489	346,964
Amortization of intangible assets	4	15,000	15,000
		7,609,017	6,600,281
Deficit for the Year		(708,783)	(450,439)

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

KAARVAN CRAFTS FOUNDATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Deficit for the year	(708,783)	(450,439)
Adjustment for:		
- Depreciation	318,489	346,964
- Amortization	15,000	15,000
- Gain on disposal of property plant and equipment	(55,112)	-
- Bad debts written off - net	441,808	-
	<u>720,185</u>	<u>361,964</u>
Operating Profit / (Loss) before Working Capital Changes	11,402	(88,475)
Decrease / (increase) in current assets		
- Stock in trade	121,938	(473,499)
- Trade debts	(730,719)	122,405
- Advances, deposits, prepayments and other receivables	60,200	(401,915)
(Decrease) / increase in current liabilities		
- Trade and other payables	542,154	305,332
	<u>(6,427)</u>	<u>(447,677)</u>
Income tax paid	(66,306)	(52,614)
Net Cash used in Operating Activities	(61,331)	(588,766)
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(537,130)	(270,213)
Intangible fixed asset purchased	-	(45,000)
Proceed from disposal of property plant and equipment	305,000	-
Long term deposits	(17,800)	(245,500)
Net Cash used in Investing Activities	(249,930)	(560,713)
Net Decrease in Cash and Cash Equivalents	(311,261)	(1,149,479)
Cash and cash equivalents at the beginning of the year	8,925,426	10,074,905
Cash and Cash Equivalents at the End of the Year	<u>8,614,165</u>	<u>8,925,426</u>

CHIEF EXECUTIVE



DIRECTOR

