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Chartered Accountants

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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, 2006 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, 2006 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, 2006 and of the deficit, its cash flows and changes in funds for the year ended December 31, 2006; and
- d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Lahore

Dated 08 APR 2007


(M. HUSSAIN CHAUDHURY & CO.)
Chartered Accountants

KAARVAN CRAFTS FOUNDATION

BALANCE SHEET AS AT DECEMBER 31, 2006

ASSETS	Note	2006 Rupees	2005 Rupees
Non Current Assets			
Tangible fixed assets	3	1,968,003	2,044,754
Intangible fixed asset	4	30,000	-
Long term deposit	5	565,000	319,500
		2,563,003	2,364,254
Current Assets			
Stock in trade	6	1,112,991	639,492
Trade receivables	7	951,633	1,074,038
Advances, prepayments and other receivables	8	893,203	491,289
Cash and bank balances	9	8,925,426	10,074,905
		11,883,253	12,279,724
Less: Current Liabilities			
Creditors, accrued and other liabilities	10	961,285	708,568
NET ASSETS		13,484,971	13,935,410
FINANCED BY:			
General Fund			
Opening balance		13,935,410	-
(Deficit) / Surplus for the year / period		(450,439)	13,935,410
		13,484,971	13,935,410
Contingencies and Commitments	11	-	-
		13,484,971	13,935,410


CHIEF EXECUTIVE


DIRECTOR

KAARVAN CRAFTS FOUNDATION
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2006

	Note	12 Months Ended December 31, 2006 Rupees	For the period from November 10, 2004 to December 31, 2005 Rupees
INCOME			
Grants	12	268,702	16,222,650
Gross profit from Enterprise Development Program	13	4,355,975	4,379,070
Consultancy income		629,237	349,200
Profit on bank account		828,337	294,104
Exchange gain		11,091	13,526
Other income		56,500	-
		6,149,842	21,258,550
EXPENDITURES			
Salaries, wages and benefits	14	3,320,430	3,747,276
Rent, rates and taxes		1,274,450	898,400
Travelling and conveyance		272,117	439,589
Advertisement		144,015	351,937
Postage, telephone and telegram		287,690	427,220
Repair and maintenance		155,468	242,774
Printing and stationery		206,690	271,797
Utilities		195,824	210,398
Entertainment		161,948	115,917
Commission		30,000	41,288
Auditors' remuneration		40,000	35,000
Legal and professional charges		25,000	14,890
Insurance		17,399	12,165
Provision for doubtful debts		42,709	-
Bad debts written off		29,840	-
Bank charges		34,737	3,926
Depreciation	3	346,964	510,563
Amortization	4	15,000	-
		6,600,281	7,323,140
(Deficit) / Surplus for the Year / Period		(450,439)	13,935,410

The annexed notes form an integral part of these accounts.


CHIEF EXECUTIVE


DIRECTOR

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KAARVAN CRAFTS FOUNDATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2006

	12 Months Ended December 31, 2006	For the period from November 10, 2004 to December 31, 2005
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
(Deficit) / Surplus for the year / period	(450,439)	13,935,410
Adjustment for:		
- Depreciation	346,964	510,563
- Amortization	15,000	-
- Non cash net assets received from Kashaf Foundation	-	(7,041,608)
Operating Profit before Working Capital Changes	361,964	(6,531,045)
	(88,475)	7,404,365
Decrease / (increase) in current assets		
- Stock in trade	(473,499)	(244,451)
- Trade debts	122,405	(753,339)
- Advances, deposits, prepayments and other receivables	(401,915)	4,030,635
(Decrease) / increase in current liabilities		
- Creditors, accrued and other liabilities	305,332	207,175
	(447,677)	3,240,020
	(536,152)	10,644,385
Income tax paid	(52,614)	-
Net Cash Used in Operating Activities	(588,766)	10,644,385
CASH FLOW FROM INVESTING ACTIVITES		
Tangible fixed assets purchased	(270,213)	(585,980)
Intangible fixed asset purchased	(45,000)	-
Long term deposits	(245,500)	16,500
Net Cash Used in Investing Activities	(560,713)	(569,480)
Net (Decrease) / Increase in Cash and Cash Equivalents	(1,149,479)	10,074,905
Cash and cash equivalents at the beginning of the year	10,074,905	-
Cash and Cash Equivalents at the End of the Year	8,925,426	10,074,905


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