

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of HISAAR FOUNDATION (company limited by guarantee and licensed under Section 42 of the Companies Ordinance, 1984) as at June 30, 2011 and the related profit and loss account, statement of comprehensive income and 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 our audit.

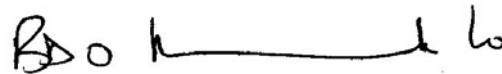
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an 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 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 Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet, profit and loss account and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income and cash flow statement 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 Company's affairs as at June 30, 2011 and of the surplus for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

KARACHI

DATED: 24 SEP 2011



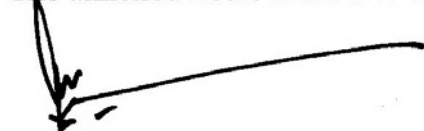
CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

**HISAAR FOUNDATION
BALANCE SHEET AS AT JUNE 30, 2011**

	Note	2011 Rupees	2010 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	3	287,915	297,857
CURRENT ASSETS			
Advances	4	512,790	63,177
Other receivables		81,945	109,276
Cash and bank balances	5	3,109,213	175,478
		3,703,948	347,931
TOTAL ASSETS		<u>3,991,863</u>	<u>645,788</u>
FUND AND LIABILITIES			
FUND			
Capital fund	6	479,727	420,249
Deferred credit - unutilized grants	7	3,363,204	-
		3,842,931	420,249
CURRENT LIABILITIES			
Trade and other payables	8	-	31,859
Accrued expenses		144,450	193,680
		144,450	645,788
CONTINGENCIES AND COMMITMENTS			
	9	-	-
TOTAL FUND AND LIABILITIES		<u>3,987,381</u>	<u>1,066,037</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.



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**HISAAR FOUNDATION
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	2011 Rupees	2010 Rupees
INCOME			
Donations		2,850,093	4,714,840
Institutional charges / management fee		595,222	-
Membership fee (Hisaar)		-	125,000
Relief and emergency support income	10	5,979,210	311,525
Programme support income	11	5,309,294	6,948,490
Release of deferred income		85,555	66,667
		14,819,374	12,166,522
EXPENDITURE			
Administrative expenses	12	4,466,238	4,214,050
Programme expenses	13	5,040,218	7,312,178
Relief and emergency support expenses	14	5,243,896	-
Financial charges		9,544	2,579
		14,759,896	11,528,807
Net surplus for the year		59,478	637,715

The annexed notes from 1 to 17 form an integral part of these financial statements.


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**HISAAR FOUNDATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011**

	2011 Rupees	2010 Rupees
Surplus before taxation	59,478	637,715
Other comprehensive income	-	-
Total comprehensive income for the year	<u>59,478</u>	<u>637,715</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.


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HISAAR FOUNDATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus before taxation	59,478	637,715
Adjustment for items not involving movement of funds:		
Release of deferred income to profit and loss	(85,555)	(66,667)
Amortization of intangibles	-	16,667
Amortization of deferred credit	(3,513,984)	-
Depreciation	237,042	262,498
Operating (loss) / profit before working capital changes	<u>(3,303,019)</u>	<u>850,213</u>
(Increase) / decrease in current assets		
Advances	(449,613)	(17,551)
Other receivables	27,331	144,973
	(422,282)	127,422
Increase / (decrease) in current liabilities		
Trade and other payables	(27,377)	(528,141)
Loan from Governors	-	(500,000)
Accrued expenses	(49,230)	183,140
	(76,607)	(845,001)
Cash (used in) / generated from operations	(3,801,908)	132,634
Taxes paid	-	-
Net cash (used in) / generated from operating activities	<u>(3,801,908)</u>	<u>132,634</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property and equipment	(166,545)	(494,698)
Net cash used in investing activities	<u>(166,545)</u>	<u>(494,698)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Grants received from donors	6,877,188	-
Deferred income	25,000	400,000
Net cash generated from financing activities	6,902,188	400,000
Net increase in cash and cash equivalents	2,933,735	37,936
Cash and cash equivalents at the beginning of the year	175,478	137,542
Cash and cash equivalents at end of the year	<u>3,109,213</u>	<u>175,478</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.


CHIEF EXECUTIVE


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**HISAAR FOUNDATION
(COMPANY LIMITED BY GUARANTEE
AND LICENSED UNDER SECTION 42 OF
COMPANIES ORDINANCE,1984)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

1 NATURE AND STATUS OF COMPANY

Hisaar Foundation ("the Company") was established under a license granted by the Securities and Exchange Commission of Pakistan under section 42 of the Companies Ordinance, 1984 on January 14, 2003. The main object of the Company is to promote and advance the welfare and the well being of the people of Pakistan and of other countries of the world. Registered address of the Company is located at House No. D-66/1, 1st Floor, Block-4, Scheme 5, Clifton, Karachi.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standards for Small-Sized Entities (SSEs) issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Accounting convention

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

2.3 Operating fixed assets

These are stated at cost less accumulated depreciation. Depreciation is charged using the straight line method at the rates specified in the relevant note.

Full month depreciation is charged during the month in which the asset is acquired, while no depreciation is charged in the month of disposal.

Maintenance and normal repairs are charged to income as and when incurred.

2.4 Other receivables

Other receivables are recognized at normal amount which is fair value of the consideration to be received in future.



2.5 Cash and bank balances

Cash in hand and at banks are carried at nominal amount.

2.6 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

2.7 Taxation

The Company has been provided exemption from levy of income tax, and therefore, no provision for tax has been made for the year.

2.8 Revenue recognition

Donations, fees and programme income are recognized on receipt basis.

Unrestricted grants are recognized in income and expenditure account on receipt basis.

Restricted grants received for revenue expenditure are treated as "Grant Income" upon utilization. Restricted grant received is credited to "Deferred Credit - Unutiliaed Grant" upon receipt of funds. This grant is transferred to profit and loss account when conditions stipulated for its receipt have been complied with.

Grants not utilized are repayable and shown as "Deferred Credit – Unutilized Grant".

2.9 Related party transactions and transfer pricing

Transactions and contracts with the related parties are based on the policy that all transactions between the Company and related parties are carried out at an arm's length. These prices are determined in accordance with the methods prescribed in the Companies Ordinance, 1984.

2.10 Functional and presentation currency

These financial statements are presented in Pak rupee, which is the functional and presentation currency for the Company.

	Note	2011 Rupees	2010 Rupees
3 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	3.1	560,693	631,190
Less: Deferred income	3.2	<u>(272,778)</u>	<u>(333,333)</u>
		<u>287,915</u>	<u>297,857</u>

3.1 Operating fixed assets

Particulars	C o s t			Rate %	D e p r e c i a t i o n			Book value as at 30-06-2011
	As at 01-07-2010	Additions	As at 30-06-2011		As at 01-07-2010	For the year	As at 30-06-2011	
Owned								
Office equipment	329,273	60,125	389,398	20	141,044	64,533	205,577	183,821
Computers (3.2)	460,369	106,420	566,789	33.33	368,231	88,549	456,780	110,009
Vehicle (3.2)	402,200	-	402,200	20	66,777	80,440	147,217	254,983
Furniture and	17,600	-	17,600	20	2,200	3,520	5,720	11,880
Total rupees – 2011	<u>1,209,442</u>	<u>166,545</u>	<u>1,375,987</u>		<u>578,252</u>	<u>237,042</u>	<u>815,294</u>	<u>560,693</u>
Total rupees – 2010	<u>714,744</u>	<u>494,698</u>	<u>1,209,442</u>		<u>315,753</u>	<u>262,499</u>	<u>578,252</u>	<u>631,190</u>

3.2 Deferred income

Opening net book value of donated assets	333,333	400,000
Donations received during the year	25,000	-
Less: amortization to profit and loss account	<u>(85,555)</u>	<u>(66,667)</u>
	<u>272,778</u>	<u>333,333</u>

4 ADVANCES AND PREPAYMENTS

Unsecured (considered good)		
Advances to staff	13,471	11,154
Advance income tax	61,319	52,023
Advance for PCP certification	75,000	-
Prepaid rent	363,000	-
	<u>512,790</u>	<u>63,177</u>

5 CASH AND BANK

Cash in hand	8,560	10,530
Cash at bank in current account	3,100,653	164,948
	<u>3,109,213</u>	<u>175,478</u>

6 CAPITAL FUND

Opening balance	420,249	(217,466)
Surplus for the year	59,478	637,715
Closing balance	<u>479,727</u>	<u>420,249</u>

Sub

7 DEFERRED CREDIT - UNUTILIZED GRANTS

Particulars	AAB Project (UBL)	Mutual Accountability in Urban Water Sector (ANSA)	2011	2010
	Rupees			
Balance as on July 01	-	-	-	-
Add : Grants received from Donors 7.1	4,000,000	2,877,188	6,877,188	-
Less: Grants utilized	636,796	2,877,188	3,513,984	-
Closing balance - Payable	<u>3,363,204</u>	-	<u>3,363,204</u>	-

7.1 This includes receipts of:

7.1.1 Rs. 4.000 million from United Bank Limited (UBL) under an agreement for implementation of a project entitled "Total Water Solutions". Under this agreement UBL will provide a total sum of Rs. 23.400 million over a period of one year till April 2012 for rehabilitation of existing water system, provision of new filter plants and other proposed water interventions to support flood relief efforts in Pakistan.

7.1.2 Rs. 2.877 million (USD 33,750) from The Affiliated Network for Social Accountability (ANSA) under an agreement for the implementation of a project entitled "Mutual Accountability in Urban Water Sector". Under this agreement ANSA will provide a total sum of USD 45,000 over 15 months ending March 2012 against achievement of specified milestones. Rs. 2.877 million has been received in respect of the milestones achieved by June 30, 2011.

	2011 Rupees	2010 Rupees
8 TRADE AND OTHER PAYABLES		
Other payables		
Related parties	-	31,859
Others	4,482	-
	<u>4,482</u>	<u>31,859</u>
9 CONTINGENCIES AND COMMITMENTS		

There was no contingent liability and commitment as at the balance sheet date.

10 RELIEF AND EMERGENCY SUPPORT INCOME

Donation for flood relief	5,442,225	-
Swat Internally Dislocated People	-	93,325
Zakat	536,985	218,200
	<u>5,979,210</u>	<u>311,525</u>

	Note	2011 Rupees	2010 Rupees
11 PROGRAMME SUPPORT INCOME			
Stakeholder training workshop (Capnet)		1,795,310	4,607,050
Karachi Water Partnership		-	112,000
Water System in Drought Prone Area (Thar)		-	300,000
GWP stakeholder dialogues		-	(7,651)
AAB Project(UBL)		636,796	-
School rehabilitation programme		-	1,085,700
Women support programme (Citi Foundation/UWW)		-	841,391
Machar Colony income		-	10,000
Mutual Accountibility in Urban Water Sector (ANSA)		2,877,188	-
		<u>5,309,294</u>	<u>6,948,490</u>
12 ADMINISTRATIVE EXPENSES			
Salaries and wages		1,407,386	2,244,400
Printing		51,953	27,880
Office stationary and supplies		56,818	66,408
Postage and courier		28,102	3,076
Entertainment		85,388	22,096
Professional charges		15,000	15,000
Computer stationary		23,428	22,170
Depreciation	3.1	237,042	262,498
Amortization		-	16,667
Honorarium		16,350	2,200
Utilities		97,776	101,357
Hosting and facilitating charges		-	540,000
Rent		981,750	-
Photocopying		22,932	3,529
Books and periodicals		5,824	7,727
Repair and maintenance		153,905	193,574
Travelling, conveyance and maintenance		662,060	384,286
Office kitchen supplies		119,458	40,129
Internet and email / web maintenance and hosting		64,900	14,500
Generator rent and running		49,743	93,207
Interns fee		-	2,933
Press conference and meeting		13,838	9,983
Miscellaneous		32,479	28,171
Drip irrigation		7,816	27,000
Advertising expense		17,500	10,000
Fees and subscription		180,540	-
Electricity expense		133,650	-
Workshop expense		600	75,259
		<u>4,466,238</u>	<u>4,214,050</u>

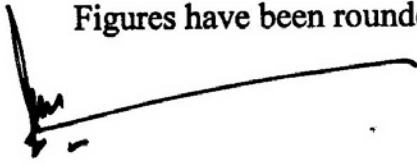
	2011 Rupees	2010 Rupees
13 PROGRAMME EXPENSES		
Research and development (Capnet)	-	1,346,425
Stakeholder training workshop (Capnet)	395,960	2,671,077
Karachi Water Partnership	738,141	2,033,500
Water System in Drought Prone Area (Thar)	-	270,000
Zakat utilized for programmes	-	218,200
KWP School programme	-	121,642
SEA project	2,498	1,334
GWP team visit Karachi	85,059	-
School rehabilitation programme	851,782	-
Women support programme (Citi Foundation/UWW)	696,979	-
Food aid	-	650,000
Mutual Accountability in Urban Water Sector (ANSA)	1,633,003	-
AAB project (UBL)	636,796	-
	<u>5,040,218</u>	<u>7,312,178</u>
14 RELIEF AND EMERGENCY SUPPORT EXPENSES		
Flood relief program	4,706,912	-
Zakat utilized for flood relief programmes	536,985	-
	<u>5,243,897</u>	<u>-</u>
15 TRANSACTIONS WITH RELATED PARTIES		
The related parties comprise of related group companies, local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties are as follows:		
Raasta Development Consultants		
Hosting and facilitating services	-	1,800,000
Governors		
Loan repaid to Governors	-	(500,000)
Vehicle donated to the Company	-	400,000
Laptop donated to the Company	25,000	-
16 DATE OF AUTHORIZATION FOR ISSUE		

The Board of Governors of the Company authorized these financial statements for issue on 24 SEP 2011.

Asst

17 GENERAL

Figures have been rounded off to the nearest rupee.



CHIEF EXECUTIVE



GOVERNOR

