GLOBAL PRESENCE
LOCAL EXCELLENCE

FAZAL MAHMOOD & COMPANY
CHARTERED ACCOUNTANTS

AUDITORS'S REPORT TO THE BOARD OF TRUSTEES

We have audited the annexed Balance Sheet of **Transparency International Pakistan (the Trust)** as at June 30, 2010 and the related Income & Expenditure Account and Cash Flow Statement together with the notes forming part thereof (hereinafter referred to as the financial statements) 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 Trust's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as at June 30, 2009 were audited by another firm of auditor whose report dated November 12, 2009 expressed an unqualified opinion thereon.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

This report is intended solely for the information and use of **Transparency International Pakistan (the Trust)** and is not intended to be and should not be used by any one other than the above said trust and its parent company.

In our opinion, the financial statements present fairly in all material respects the financial position of the **Transparency International Pakistan (the Trust)** as at June 30, 2010 and of its surplus and cash flow for the year then ended in accordance with the approved accounting standards.

Lahore: September 14, 2010

FAZAL MAHMOOD & COMPANY
Chartered Accountant

147-SHADMAN-1, LAHORE-54000 (PAKISTAN) TEL: 92-42-37576986, 37580236, 37531445, FAX: 92-42-37560971
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TRANSPARENCY INTERNATIONAL PAKISTAN

BALANCE SHEET

AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees		Note	2010 Rupees	2009 Rupees
GENERAL FUND & LIABILITIES				**ASSETS**			
GENERAL FUND				**NON CURRENT ASSETS**			
Opening Balance		21,012,040	16,414,891	Property, Plant & Equipment	6.	2,736,224	2,920,110
Excess of Income over Expenditure for the year		8,347,829	4,597,149				
		29,359,869	21,012,040				
CURRENT LIABILITIES				**CURRENT ASSETS**			
Accrued and other Payable	5.	740,952	3,269,199	Other Receivables	7.	887,402	3,169,199
				Short Term Investment	8.	21,000,000	14,000,000
				Cash & Bank Balances	9.	5,477,195	4,191,930
						27,364,597	21,361,129
		30,100,821	24,281,239			30,100,821	24,281,239

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

TRUSTEE
SYED ADIL GILANI
CHAIRMAN - TIP

TRUSTEE
KHURRAM ABBAS
TREASURER - TIP

TRANSPARENCY INTERNATIONAL PAKISTAN
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
INCOME			
Grant/Income	10.	**28,370,619**	18,872,850
EXPENDITURE			
Donor's Expenditure	11.	**(19,667,133)**	(13,754,227)
Administration & General Expenses	12.	**(355,657)**	(521,474)
EXCESS OF INCOME OVER EXPENDITURE		**8,347,829**	4,597,149

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

TRUSTEE
SYED ADIL GILANI
CHAIRMAN - TIP

TRUSTEE
KHURRAM ABBAS
TREASURER - TIP

TRANSPARENCY INTERNATIONAL PAKISTAN
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

		2010 Rupees	2009 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
FUNDS PROVIDED FROM OPERATIONS			
Excess of Income Over Expenditure		**8,347,829**	4,597,149
Adjustment For:			
Depreciation & other Non Cash Items		**183,886**	204,681
Accrued Profit on Investment		**(191,546)**	-
		8,340,169	4,801,830
(INCREASE)/DECREASE IN CURRENT ASSETS			
Accounts Receivable		**2,473,343**	(3,169,199)
Short Term Investment		**4,000,000**	(2,000,000)
		6,473,343	(5,169,199)
INCREASE/(DECREASE) IN CURRENT LIABILITIES			
Accrued and other Payable		**(2,528,247)**	3,269,199
Cash Generated From Operating Activities		**12,285,265**	2,901,830
Net Increase in cash and cash equivalents		**12,285,265**	2,901,830
Cash and cash equivalents at the beginning of the year		**4,191,930**	1,290,100
Cash and cash equivalents at the end of the year	13.	**16,477,195**	4,191,930

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

TRUSTEE
SYED ADIL GILANI
CHAIRMAN-TIP

TRUSTEE
KHURRAM ABBAS
TREASURE - TIP

TRANSPARENCY INTERNATIONAL PAKISTAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2010

1. STATUS AND ACTIVITIES

Transparency International Pakistan is an NGO registered in May 2002 as a Trust under the Laws of Pakistan and having office at 5-C, 2nd Floor, Khayaban-e-Ittehad Phase VII, DHA, Karachi. TIP is dedicated primarily to fighting "Grand Corruption in business transactions". TIP is non-profit, non partisan and non political Organization to fight corruption at the National Level.

2. BASIS OF PREPARATION

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 Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention. The Organization significant policies are stated in Note 4. not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policy the management considers critical because of its complexity, judgment of estimation involved in its application and its impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and actual results may differ from these estimates. The area involving a higher degree of judgment or complexity or area where assumptions and estimates are significant to the financial statements is as follows:

a) Useful Life and Residual Values of Property, Plant and Equipment

The Organization reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charged and impairment.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Accrued and Other Payable

Liabilities for accrual and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

4.2 Fixed Assets

These are stated at cost less accumulated depreciation. Depreciation is charged on reducing balance method at the rates prescribed in Note # 6 to the accounts. Depreciation is charged for whole year in the year of acquisition, where as no depreciation is charged in the year of disposal. Normal repairs and maintenance are charged off as they are incurred.

4.3 Financial Assets and Liabilities

Financial assets and liabilities are recognized when the organization becomes a party to the contractual provisions of the instruments. The particular measurement methods adopted are disclosed in the individual policy statements associated.

4.4 Cash and Cash Equivalents

Cash and cash equivalents are carried at cost in the balance sheet. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand. Investments of short maturity i.e. for a period of less than three months which are subject to insignificant risks of changes in values are treated as cash and cash equivalents.

4.5 Foreign Currencies Translation

All monetary assets and liabilities in foreign currencies are translated to Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated to rupees at the spot rate. All non monetary items are translated in to rupees at exchange rates prevailing on the date of transactions or on the date when fair values are determined. Any component of an exchange gain or loss relating to a recognized change in the fair value of non monetary assets is charged to profit. All of the exchange differences are included in profit currently.

4.6 Revenue Recognition

Income from foreign grants is recognized in the period in which the related expenses are incurred.

Grants that are received or become receivable as compensation for expenses incurred or for the purpose of giving immediate financial support to the company, with no future related costs, are recognized as income of the period in which these are received or become receivable.

Profit on investments is accrued on the basis of effective yield of respective investments.

		2010 Rupees	2009 Rupees
5.	**ACCRUED AND OTHER PAYABLE**		
	Payable to SDC	**695,856**	3,269,199
	Payable to FK	**45,096**	-
		740,952	3,269,199
6.	**FIXED ASSETS**		
	See Attached Schedule	**2,736,224**	2,920,110
7.	**OTHER RECEIVABLES**		
	Receivable from USAID	**695,856**	3,169,199
	Accrued Profit on Short Term Investment	**191,546**	-
		887,402	3,169,199
8.	**SHORT TERM INVESTMENT**		
	Term Deposits Receipt - Held to Maturity	**21,000,000**	14,000,000
		21,000,000	14,000,000

Short Term Investment represents amount deposited in KASB Bank and Silk Bank term deposit receipts and carries markup @ 10.25% to 11.9% per annum.

The maturity period for short term investments amounting to Rs. 11 million is upto three months and the maturity period for short term investments amounting to Rs. 10 million is upto six months.

		2010 Rupees	2009 Rupees
9. CASH & BANK BALANCES			
Cash in hand		**15,632**	57,203
ABL PKR A/C # 01 200 0536-1		**633,923**	159,436
KASB PKR A/C # 0039 123604 121		**335,255**	1,087,121
KASB PKR A/C # 0039 123604 001		**2,136,747**	1,090,377
KASB £ a/c # 0039123604 027		**-**	644,048
KASB PKR A/C # 0039 123604 101		**229,099**	391,780
KASB Bank $ a/c # 0039 123604 126		**1,188,543**	-
Standard Chartered Bank PKR A/C 01 6411061 01		**383,011**	321,001
Standard Chartered Bank US$ A/C 01 0213625 01		**99,216**	5,667
Standard Chartered Bank PKR A/C 01 0213625 01		**31,225**	-
Standard Chartered Bank Euro A/C 01 0213625 01		**424,534**	435,297
Silk Bank PKR A/C # 2000950249		**10**	-
		5,477,195	4,191,930
10. GRANT/ INCOME			
SDC		**14,000,000**	14,000,000
TIS		**-**	494,507
TIP		**118,350**	-
USAID		**6,780,201**	-
DFID		**3,991,149**	3,392,190
FK		**886,720**	-
Exchange gain/(loss)		**1,256,497**	(14,422)
Interest income		**1,233,702**	1,000,575
Income from sale of inventory		**4,000**	-
Reversal of Excess Provision	**10.1**	**100,000**	-
		28,370,619	18,872,850

10.1 This represents reversal of excess provision amounting to Rs. 100,000 made for theater and plays expenses in the year 2009. During the year it was discovered that this amount is not payable and excess provision was made in the year 2009.

11. DONORS EXPENDITURE			
SDC		**10,188,946**	8,481,317
USAID		**4,321,719**	3,169,199
DFID		**4,363,463**	2,103,711
FK		**793,005**	-
		19,667,133	13,754,227

12. ADMINISTRATION & SELLING EXPENSES

Computer + Laser Printer + Scanner	120,412	-
Rent & Taxes	5,515	11,715
International Travel	10,833	215,378
Domestic Travel	34,460	-
Bank Charges	551	1,650
Report Writing	-	88,050
Depreciation	183,886	204,681
	355,657	521,474

13. CASH & CASH EQUIVALENTS

		2010 Rupees	2009 Rupees
Cash and cash equivalents constitutes of:			
Cash & bank balances	9.	5,477,195	4,191,930
Short term investments with maturity of less than three months	8.	11,000,000	-
		16,477,195	4,191,930

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

14.1 Foreign Currency Risk

Financial assets exposed to foreign exchange rate risk, included in cash and bank balances, amounted to Rs. 1.716 million (2009: Rs. 1.085 million).

The organization operates separate bank accounts in US dollars, GBP and Euro. It incurs currency risk as a result of the conversion of foreign currency balances held in bank accounts to Pak Rupees at the balance sheet date. The currency risk associated with this balance is considered minimal and, therefore, the organization does not hedge its foreign currency exposure.

14.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments.

As the organization's financial instruments are invested with related banks and financial institutions, the organization does not believe it is exposed to any interest rate risk.

14.3 Liquidity Risk

The organization maintains cash and cash equivalent balances to manage working capital requirements and, therefore, it does not have significant liquidity risk. Cash flows are projected on continuous basis to closely monitor the liquidity need of the organization and excess fund is then invested in line with the forecast requirements. The contractual maturities of financial liabilities are as follows:

	2010	
	Contractual Cashflows	Less than One Year
	Rupees	
Financial Liabilities		
Accrued and Other Payable	740,952	740,952

	2009	
	Contractual Cashflows	Less than One Year
	Rupees	
Financial Liabilities		
Accrued and Other Payable	3,269,199	3,269,199

14.4 Credit Risk

Short term and long term funds are held in interest-bearing investments as a result of comprehensive investment policies.

In the current economic scenario, credit risk is being monitored more closely. Investments are only made with the banks with a high quality external rating. For other receivables, the organization is not significantly exposed to credit risk to any single customers.

	2010 Rupees	2009 Rupees
Other Receivables	887,402	3,169,199
Investments	21,000,000	14,000,000
Cash and bank balances	5,477,195	4,191,930
	27,364,597	21,361,129

14.5 Fair Value of Financial Assets and Liabilities

The carrying value of financial assets and liabilities reflected in the financial statements approximate their fair values.

15. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 14, 2010 by the Board of Trustees of the organization.

16. CORRESPONDING FIGURES

Corresponding figures have been re-arranged wherever considered necessary for the purpose of comparison. However, no significant change has been made.

TRUSTEE
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CHAIRMAN - TIP

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TRANSPARENCY INTERNATIONAL PAKISTAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2010

6. PROPERTY, PLANT & EQUIPMENT

Particulars	W.D.V June 30 2009	Additions	Disposals/ Write off	June 30, 2010	Depreciation Rate%	Depreciation June 30,	W.D.V. June 30, 2010
	RUPEES					RUPEES	
Office Premises	2,752,625	-	-	2,752,625	5	137,631	2,614,994
Computer/Accessories & Printer	73,639	-	4,857	68,782	30	20,635	48,147
Laptop and Laser Printer	12,503	-	-	12,503	30	3,751	8,752
Facsimile, Photocopier and VCR	12,186	-	-	12,186	20	2,437	9,749
Multimedia	38,295	-	-	38,295	30	11,489	26,806
Additional Furniture	12,616	-	-	12,616	10	1,262	11,354
Air Conditioner	10,333	-	-	10,333	10	1,033	9,300
Stabilizer / UPS	7,913	-	-	7,913	10	791	7,122
2010	**2,920,110**	-	**4,857**	**2,915,253**		**179,029**	**2,736,224**
2009	3,124,791	-	-	3,124,791		204,681	2,920,110