SOCIAL POLICY AND DEVELOPMENT CENTRE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the members of Social Policy and Development Centre

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Social Policy and Development Centre (the Company), which comprise the statement of financial position as at June 30, 2020, and the income and expenditure statement, the statement of comprehensive income, the statement of changes in fund, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2020 and of the surplus and other comprehensive income, the changes in fund and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the directors' report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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■ KARACHI ■ LAHORE ■ ISLAMABAD

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

(a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

(d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Osama Kapadia.

Chartered Accountants
Karachi

Date: November 4, 2020

SOCIAL POLICY AND DEVELOPMENT CENTRE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Notes	2020	2019
		-------Rupees-------	
ASSETS			
Non-Current Assets			
Property and equipment	4	712,660	1,934,129
Intangible assets	5	-	47,406
Long-term deposits and prepayments		185,000	185,000
		897,660	2,166,535
Current Assets			
Advances, deposits, prepayments and other receivables	6	5,461,769	9,154,129
Short term investments	7	9,466,708	-
Cash and bank balances	8	4,931,408	14,897,147
		19,859,885	24,051,276
TOTAL ASSETS		20,757,545	26,217,811
FUND			
Accumulated fund		16,747,785	15,765,339
LIABILITIES			
Non-Current Liabilities			
Deferred capital grant	9	135,928	260,738
Current Liabilities			
Deferred income	10	-	2,947,635
Trade and other payables	11	3,873,832	7,244,099
		3,873,832	10,191,734
Contingencies and Commitments	12		
		20,757,545	26,217,811

The annexed notes 1 to 24 form an integral part of these financial statements.

MANAGING DIRECTOR

DIRECTOR

DIRECTOR

SOCIAL POLICY AND DEVELOPMENT CENTRE
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020

	Notes	2020	2019
		---Rupees---	
Income			
Deferred capital grant utilized	9	124,810	364,034
Grants utilized		14,728,570	36,347,737
Other project revenue		10,807,522	4,848,969
Other income	13	5,080,315	7,552,728
		30,741,217	49,113,468
Expenditure			
Research and advocacy cost	14	(26,864,620)	(48,488,138)
Administrative expenses	15	(2,894,151)	(6,351,246)
		(29,758,771)	(54,839,384)
Surplus / (Deficit) for the year		982,446	(5,725,916)

The annexed notes 1 to 24 form an integral part of these financial statements.

MANAGING DIRECTOR	DIRECTOR	DIRECTOR

SOCIAL POLICY AND DEVELOPMENT CENTRE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	----Rupees----	
Surplus / (Deficit) for the year	982,446	(5,725,916)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	982,446	(5,725,916)

The annexed notes 1 to 24 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR** **DIRECTOR**

SOCIAL POLICY AND DEVELOPMENT CENTRE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Notes	2020	2019
		-------------------Rupees	-----------------
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus / (Deficit) for the year		982,446	(5,725,916)
Adjustment for non-cash and other items:			
- Depreciation	4	403,173	879,713
- Amortization	5	47,406	50,056
- Deferred capital grant utilized	9	(124,810)	(364,034)
- Unutilized grant transferred to unrestricted fund		(2,947,634)	-
- Gain on disposal of fixed assets		(514,105)	(33,000)
- Interest on investments		(685,166)	(842,667)
- Return on bank deposits		(188,619)	(580,181)
- Exchange gain		(3,626,870)	(1,727,113)
Working capital changes		(6,654,179)	(8,343,142)
Decrease in advances, deposits, prepayments and other receivable		1,255,150	40,616
Decrease in long term deposits		-	1,527,678
		1,255,150	1,568,294
Decrease in trade and other payables		(3,370,267)	(15,626,762)
Net cash utilized in operating activities		(8,769,296)	(22,401,610)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(52,049)	(410,816)
Sale proceed from disposal of fixed assets		1,384,450	33,000
Investments made/encashed during the year - net		(6,400,000)	20,000,000
Income received on bank deposits		188,619	580,181
Income received on investments		618,458	2,024,914
Net cash (utilized in) / generated from investing activities		(4,260,522)	22,227,279
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants received		21,070,279	43,954,337
Grants utilized		(14,728,570)	(36,347,737)
Net cash generated from financing activities		6,341,709	7,606,600
Net (decrease) / increase in cash and cash equivalents		(6,688,109)	7,432,269
Net foreign exchange differences		(277,630)	1,370,846
Cash and cash equivalents at beginning of the year		14,897,147	6,094,032
Cash and cash equivalents at end of the year	19	7,931,408	14,897,147

The annexed notes 1 to 24 form an integral part of these financial statements.

MANAGING DIRECTOR DIRECTOR DIRECTOR

SOCIAL POLICY AND DEVELOPMENT CENTRE
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	------------------Rupees------------------	
	Accumulated fund (Revenue reserve)	
Balance at the beginning of the year	15,765,339	21,491,255
Surplus / (Deficit) for the year	982,446	(5,725,916)
Other comprehensive income for the year	-	-
	982,446	(5,725,916)
Balance as at end of the year	16,747,785	15,765,339

The annexed notes 1 to 24 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR** **DIRECTOR**

SOCIAL POLICY AND DEVELOPMENT CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. LEGAL STATUS AND OPERATIONS

1.1 Social Policy and Development Centre (the Company) was incorporated in Pakistan in May, 1995 as a public company limited by guarantee not having share capital. The Company has been granted license under Section 42 of the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) as non-profit Company. The registered office of the Company is situated at Aman Tower, IBA City Campus, Karachi.

1.2 The main objects of the Company are to support the process of meeting basic human needs consistent with national goals of social development and to develop the capacity of public and private sector institutions and non-governmental organizations to plan, design, finance and execute social sector programmes.

The core activities of the Company are being funded through grant received from University of Illinois, Chicago (UIC) for tobacco tax research and dissemination of research findings to the public and the policy makers in Pakistan. The contract was entered into on February 1, 2018 will be concluded on December 31, 2020. During the year, the Company initiated discussion with UIC to renew the contract till December 2022. Subsequent to the year end, the Scope of Work has been submitted to UIC for the period January 1, 2021 to December 2022 and same has been approved on September 25, 2020.

1.3 The registered address represents the business unit of the Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organisations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, unless otherwise specifically stated.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgment that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses.

The estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a risk of causing adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

2.3.1 Property and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values used in the calculation of depreciation of property and equipment on an annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

2.4 Initial application of standards, amendments to published standards or an interpretation to existing standards

a) Standards, amendments to published standards and interpretations which are effective during the year

IFRS 16 "Leases" became effective for the first time for annual periods beginning on or after January 1, 2019. IFRS 16 supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease" and sets out the principles for the recognition, measurement, presentation and disclosure of leases. Under IFRS 16, the distinction between operating and finance leases has been removed and all lease contracts, with limited exceptions are to be recognized in the statement of financial position by way of right-of-use assets along with their corresponding lease liabilities.

The Company has evaluated the impact of the new leases standard and has concluded that there is no adjustment that needs to be given effect in these financial statements.

There are other amendments to published standards and interpretations which are effective during the year. However, these are considered either not to be relevant or to have any effect on the Company's financial reporting and, therefore, have not been detailed in these financial statements.

b) Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Company

There are certain amendments to approved accounting and reporting standards and interpretations that will be mandatory for the Company's annual accounting period beginning on or after July 1, 2020. However, these are considered not to be relevant or to have any significant effect on the Company's financial reporting and, therefore, have not been detailed in these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment, if any.

Depreciation on an asset is charged to income and expenditure statement applying the straight-line method whereby the cost of an asset is written off over its estimated useful life at the rates stated in note 4 to the financial statements. Depreciation on additions is charged from the month of addition, whereas no depreciation is charged in the month of disposal.

Gain or loss on disposal or retirement of an asset, represented by the difference between the sale proceeds and the carrying amount of the asset, is recognized in income and expenditure statement.

Repairs and maintenance are charged to income and expenditure statement as and when incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

3.2 Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset, will flow to the Company and the cost of the asset can also be measured reliably.

Generally, costs associated with maintaining computer software are recognized as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognized as an intangible asset. Direct costs include the purchase cost of software and related employee and other overhead cost. Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Computer software cost treated as intangible asset is amortized from the month the software is put to use on straight-line basis over a period of 3 years. The carrying amount of the intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount in income and expenditure statement. Reversal of impairment losses are also recognized in income and expenditure statement.

3.3 Financial assets and financial liabilities

3.3.1 Financial assets

Classification

Financial assets are classified at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). The measurement basis is determined by reference to both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

a) Amortized cost

Financial asset is measured at amortized cost where asset is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) At fair value through other comprehensive income

Financial asset is measured at fair value through other comprehensive income where assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) At fair value through profit or loss

Financial assets, that are not measured at amortized cost or at fair value through other comprehensive income on initial recognition, are classified as fair value through profit or loss.

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets at amortized cost are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses, if any. Interest income and impairment losses are recognized in income and expenditure statement. Financial assets carried at FVTOCI are initially and subsequently measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income / (loss). Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income and expenditure statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the income and expenditure statement in the period in which they arise. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the income and expenditure statement.

Impairment of financial assets

For financial assets, the Company recognizes lifetime Expected Credit Loss (ECL) when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

3.3.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the income and expenditure statement.

3.3.3 Offsetting

A financial asset and financial liability is off-set and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the transaction and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.4 Advances, deposits and other receivables

Advances are stated initially at cost and subsequently measured at amortized cost using the effective interest rate method less provision for impairment, if any. Advances and receivables are written off when considered irrecoverable.

3.5 Cash and cash equivalents

Cash and cash equivalents for the purpose of statement of cash flows comprise of cash in hand, balances with bank and short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.6 Unrestricted contribution

Revenue generated by the organization through contract research receipts and other resources such as sale of annual review are classified as unrestricted contribution / income. These are recognized in income and expenditure statement.

3.7 Restricted contribution

Funds received directly as grants for specific purpose, are classified as restricted contribution. Funds utilized for the purpose of capital items from grants are shown in the statement of financial position as deferred capital grant and a portion of the grant is recognized as income to match the depreciation and amortization provided during the year on the capital items. Grants utilized for operations are taken to income and expenditure statement to the extent of related expenses incurred. Committed grant is accrued in cases where it is probable that the economic benefits of such grant will flow to the Company.

3.8 Trade and other payables

These are stated initially at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company and are subsequently measured at amortized cost using the effective interest method.

3.9 Provident Fund – approved contribution fund

The Company operates an approved provident fund for all its eligible employees. Equal contribution is made by both the Company and the employees at the rate of 8.33% of gross salary.

3.10 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each reporting date and adjusted to reflect current best estimates.

3.11 Revenue / income recognition

- Revenue / income from contract research receipts and other resources is recognized when services are rendered and the performance obligations are fulfilled.
- Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.
- Income in respect of restricted contribution is recognized as and when the related expenses are incurred for those projects, and equivalent amount is transferred from deferred income to the income and expenditure statement.
- Deferred capital grant is recognized as income to match depreciation and amortization provided during the year on the related capital assets.

3.12 Taxation

Under section 100(C) of Income Tax Ordinance, 2001, the Company is allowed a tax credit equal to one hundred percent of the tax payable including minimum tax and final taxes payable under any of the provisions thereof.

3.13 Foreign currency transactions

Transactions in foreign currencies are translated into Pakistan rupees using exchange rates prevailing at the dates of transactions. Foreign exchange gains or losses resulting from settlement of transactions and from translation at year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the income and expenditure statement.

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3.14 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Company's functional currency.

4. PROPERTY AND EQUIPMENT

	Furniture and fixture	Motor vehicles	Office equipments	Computer	Books and Publications	Total
	Rupees					
As at June 30, 2018						
Cost	960,917	1,201,750	3,996,790	4,266,862	13,202,805	23,629,124
Accumulated depreciation	(862,680)	(536,487)	(2,502,473)	(4,123,895)	(13,200,563)	(21,226,098)
Net book value	98,237	665,263	1,494,317	142,967	2,242	2,403,026
Year ended June 30, 2019						
Opening net book value	98,237	665,263	1,494,317	142,967	2,242	2,403,026
Additions	-	-	49,000	356,600	5,216	410,816
Disposals						
Cost	-	-	(182,140)	-	-	(182,140)
Accumulated depreciation	-	-	182,140	-	-	182,140
	-	-	-	-	-	-
Depreciation	(29,060)	(240,350)	(391,503)	(215,935)	(2,865)	(879,713)
Closing net book value	69,177	424,913	1,151,814	283,632	4,593	1,934,129
As at June 30, 2019						
Cost	960,917	1,201,750	3,863,650	4,623,462	13,208,021	23,857,800
Accumulated depreciation	(891,740)	(776,837)	(2,711,836)	(4,339,830)	(13,203,428)	(21,923,671)
Net book value	69,177	424,913	1,151,814	283,632	4,593	1,934,129
Year ended June 30, 2020						
Opening net book value	69,177	424,913	1,151,814	283,632	4,593	1,934,129
Additions	-	-	6,549	45,500		52,049
Disposals						
Cost	(733,640)	-	(3,050,569)	(2,558,174)	-	(6,342,383)
Accumulated depreciation	681,997	-	2,254,761	2,535,280	-	5,472,038
	(51,643)	-	(795,808)	(22,894)	-	(870,345)
Depreciation	(4,780)	(180,725)	(80,251)	(135,427)	(1,990)	(403,173)
Closing net book value	12,754	244,188	282,304	170,811	2,603	712,660
As at June 30, 2020						
Cost	227,277	1,201,750	819,630	2,110,788	13,208,021	17,567,466
Accumulated depreciation	(214,523)	(957,562)	(537,326)	(1,939,977)	(13,205,418)	(16,854,806)
Net book value	12,754	244,188	282,304	170,811	2,603	712,660
Annual rate of depreciation (%)	10	20	10	35	25	

4.1 Property and equipment include assets costing Rs. 356,600 (2019: Rs. 356,600) having net book value of Rs. 135,928 (2019: Rs. 260,738) purchased under various grant agreements.

5. INTANGIBLE ASSETS

	2020	2019
	Rupees	
Net carrying value		
Balance at the beginning of the year	47,406	97,462
Less: Amortization charge during the year	(47,406)	(50,056)
Balance at the end of the year	-	47,406
Gross carrying value		
Cost	1,977,682	1,977,682
Less: Accumulated amortization	(1,977,682)	(1,930,276)
Net book value	-	47,406

5.1 The cost is being amortized over a period of 3 years.

	2020	2019
	--------------------Rupees--------------------	

6. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES – unsecured, considered good

	2020	2019
Advances to employees	470,452	257,462
Security deposits	6,598	1,417,898
Prepayments	127,626	221,717
Other receivables (note 6.1)	4,857,093	7,257,052
	4,991,317	8,896,667
	5,461,769	9,154,129

6.1 This includes grants receivable from donors amounting to Rs.4,819,842 (2019: Rs.7,257,052).

	2020	2019
	--------------------Rupees--------------------	

7. SHORT TERM INVESTMENTS – at amortized cost

	2020	2019
Term deposit receipts (note 7.1)	9,400,000	-
Accrued interest on:		
Term deposit receipts	66,708	-
	9,466,708	-

7.1 This represents investments in Term Deposit Receipts maturing at various dates latest by December 2020 and carrying interest at the rate of 6.7% to 10.5% per annum.

	2020	2019
	--------------------Rupees--------------------	

8. CASH AND BANK BALANCES

	2020	2019
Cash in hand	2,439	22,250
Cash at bank in:		
- Current accounts		
Foreign currency [US$ 2,033.73] (2019: US$ 4,032.53)]	341,768	645,415
Local currency	3,894,846	447,381
- Deposit accounts		
Foreign currency [US$ 2,837.7 (2019: US$ 65,837.7)]	476,876	10,537,382
Local currency (note 8.1)	215,479	3,244,719
	4,928,969	14,874,897
	4,931,408	14,897,147

8.1 These carry profit at the average rate ranging from 6.5% to 7.5% (2019: 10.25%) per annum.

	2020	2019
	----------Rupees----------	
9. DEFERRED CAPITAL GRANT		
Balance at the beginning of the year	260,738	213,956
Capital expenditure on operating assets transferred	-	410,816
Transfers to unrestricted assets	-	(174,510)
	260,738	450,262
Depreciation for the year credited to income (note 14)	(124,810)	(189,524)
Balance at the end of the year	135,928	260,738

9.1 The Company utilizes grant received from various donor agencies for purchase of capital assets as per the grant agreement with respective donors.

	2020	2019
	----------Rupees----------	

10. DEFERRED INCOME

10.1 Movement in deferred income balance is as follows:

	2020	2019
Balance at the beginning of the year	2,947,635	5,266,547
Add: Grant received / receivable during the year		
- TTI - 2	-	11,764,227
- USAID	-	1,806,163
- UIC	14,728,570	20,869,251
	14,728,570	34,439,641
Less: Grants utilized		
- TTI - 2	-	14,028,924
- USAID	-	1,806,163
- UIC	14,728,570	20,512,650
- Capital expenditure transferred to unrestricted fund	-	410,816
	14,728,570	36,758,553
Less: Unutilized grant transferred to unrestricted fund	2,947,635	-
Balance at the end of the year	-	2,947,635

10.2 Balance at the end of the year comprise of:

- TTI - 2	-	2,947,635
	-	2,947,635

10.3 Contributions received on account of USAID, TTI - 2 and UIC are restricted for the purpose of expenditures as per respective grant agreements.

	2020	2019
	---Rupees---	

11. TRADE AND OTHER PAYABLES

Creditors	174,431	949,541
Accrued liabilities	1,935,427	3,418,456
Consultancy fee payable	824,999	23,999
Honorarium payable	876,851	2,789,979
Withholding tax payable	62,124	62,124
	3,873,832	7,244,099

12. CONTINGENCIES AND COMMITMENTS

12.1 There are no contingencies and commitments as at the reporting date.

	2020	2019
	---Rupees---	

13. OTHER INCOME

From financial assets		
Interest on investment	685,166	842,667
Exchange gain	3,626,870	1,727,113
Return on bank deposits	188,619	580,181
	4,500,655	3,149,961
From other than financial assets		
Liabilities written-back	-	4,316,482
Gain on disposal of fixed assets	514,105	33,000
Others	65,555	53,285
	5,080,315	7,552,728

14. RESEARCH AND ADVOCACY COST

	2020 Unrestricted	2020 Restricted				2020 Total	2019 Unrestricted	2019 Restricted				2019 Total
	Other projects	UIC	TTI-II	USAID	Total		Other projects	UIC	TTI-II	USAID	Total	
						Rupees						
Salaries and benefits (note 14.1)	1,665,934	13,069,635	-	-	13,069,635	14,735,569	4,655,535	15,956,002	7,739,187	354,865	24,050,054	28,705,589
Consultancy charges	6,929,556	-	-	-	-	6,929,556	1,257,167	-	1,557,000	896,313	2,453,313	3,710,480
Data collection and survey cost	-	-	-	-	-	-	125,000	-	-	-	-	125,000
Institutional support	-	382,069	-	-	382,069	382,069	881,360	-	299,868	-	299,868	1,181,228
Communication	258,127	104,011	-	-	104,011	362,138	755,943	4,330	502,986	29,246	536,562	1,292,505
Insurance	144,097	-	-	-	-	144,097	261,921	-	24,104	-	24,104	286,025
Printing, stationary and publications	83,436	293,792	-	-	293,792	377,228	348,799	177,860	68,950	105,000	351,810	700,609
Conference and seminar	673,173	639,063	-	-	639,063	1,312,236	1,596,561	3,169,333	803,297	387,052	4,359,682	5,956,243
Rent	1,852,200	-	-	-	-	1,852,200	3,813,862	-	1,561,500	-	1,561,500	5,375,362
Computer maintenance	95,908	-	-	-	-	95,908	53,150	907	50,025	-	50,932	104,082
Professional fee	443,125	-	-	-	-	443,125	34,100	-	99,685	-	99,685	133,785
Books and periodicals	-	-	-	-	-	-	37,303	-	27,461	-	27,461	64,764
Depreciation (note 9)	124,810	-	-	-	-	124,810	189,524	-	-	-	-	189,524
Amortization (note 5)	47,406	-	-	-	-	47,406	46,475	-	-	-	-	46,475
Bank charges	21,074	-	-	-	-	21,074	3,993	-	18,378	-	18,378	22,371
Receivable written off		-	-	-	-	-	89,890	-	-	-	-	89,890
Others	37,204	-	-	-	-	37,204	487,206	-	17,000	-	17,000	504,206
Total	12,376,050	14,488,570	-	-	14,488,570	26,864,620	14,637,789	19,308,432	12,769,441	1,772,476	33,850,349	48,488,138

14.1 Salaries and benefits include Rs. 565,314 (2019: Rs. 1,361,199) in respect of staff provident fund.

15. ADMINISTRATIVE EXPENSES

	2020 Unrestricted	2020 Restricted				2020 Total	2019 Unrestricted	2019 Restricted				2019 Total
	Other projects	UIC	TTI-II	USAID	Total		Other projects	UIC	TTI-II	USAID	Total	
						Rupees						
Salaries and benefits (note 15.1)	1,342,391	240,000	-	-	240,000	1,582,391	1,091,695	1,204,218	859,910	33,687	2,097,815	3,189,510
Institutional support	-	-	-	-	-	-	97,929	-	33,318	-	33,318	131,247
Rent	51,155	-	-	-	-	51,155	423,763	-	-	-	-	423,763
Repair and maintenance	490,186	-	-	-	-	490,186	680,685	-	231,255	-	231,255	911,940
Security services	88,916	-	-	-	-	88,916	412,488	-	135,000	-	135,000	547,488
Depreciation (note 4)	278,363	-	-	-	-	278,363	690,189	-	-	-	-	690,189
Amortization (note 5)	-	-	-	-	-	-	3,581	-	-	-	-	3,581
Auditors remuneration (note15.2)	403,140	-	-	-	-	403,140	453,528	-	-	-	-	453,528
Total	2,654,151	240,000	-	-	240,000	2,894,151	3,853,858	1,204,218	1,259,483	33,687	2,497,388	6,351,246

15.1 Salaries and benefits include Rs. 226,910 (2019: Rs. 340,300) in respect of staff provident fund.

		2020	2019
		----Rupees----	
15.2	**Auditors' remuneration**		
	Audit fee	375,000	375,000
	Out of pocket expenses	28,140	78,528
		403,140	453,528

16. REMUNERATION OF MANAGING DIRECTOR , DIRECTORS AND EXECUTIVES

The aggregate charge for the year in respect of remuneration and benefits to the Managing Director and Executives are as follows:

	2020		2019	
	Managing Director	**Executives**	**Managing Director**	**Executives**
Managerial remuneration	2,490,192	3,099,996	3,469,488	5,460,841
Medical, housing and utilities	768,043	1,159,999	963,898	1,879,668
Reimbursable expenses	43,244	-	44,000	48,332
Retirement benefits	271,520	355,000	369,449	611,709
Honorarium	1,167,534	1,623,250	554,432	2,224,166
Other benefits	-	-	-	540,623
	4,740,533	6,238,245	5,401,266	10,765,339
Number, including those who worked part of the year	1	2	1	3

16.1 No remuneration has been paid to any of the 9 (2019: 8) Directors of the Company during the year.

17. TRANSACTIONS WITH RELATED PARTIES

17.1 Following are the associated companies, associated undertakings and related parties with whom the Company had entered into transactions or had agreements and / or arrangements in place during the year.

Name of party	**Shareholding in the Company**	**Relationship**
Muhammad Asif Iqbal	N/A	Key management personnel
Provident fund	N/A	Post Employment Benefit
K-Electric Limited	N/A	Common Directorship

17.2 Details of transactions with the related parties during the year other than those disclosed elsewhere in the financial statements are as under:

		2020	2019
		----Rupees----	
Relationship	**Nature of transactions**		
Retirement benefit fund			
Provident fund	Contribution	792,224	1,701,499

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17.3 There are no transactions with key management personnel (Managing Director) other than under the terms of employment as disclosed in note 16.

18. PROVIDENT FUND RELATED DISCLOSURES

18.1 The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

	2020	2019
	------Rupees------	
19. CASH AND CASH EQUIVALENTS		
Cash and bank balances (note 8)	4,931,408	14,897,147
Term Deposit Receipts	3,000,000	-
	7,931,408	14,897,147

20. FINANCIAL INSTRUMENTS BY CATEGORY

20.1 **Financial assets - at amortized cost**

	2020	2019
Short term investment	9,466,708	-
Advances and other receivables	5,327,545	7,514,514
Cash and bank balances	4,931,408	14,897,147
Deposits	191,598	1,602,898
	19,917,259	24,014,559

20.2 **Financial liabilities - at amortized cost**

	2020	2019
Trade and other payables	3,811,708	7,181,975

20.3 **Fair values of financial assets and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

21.1 **Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Risk management is carried out by the Company's management under policies approved by the Board of Directors.

a) **Market risk**

i) **Currency risk**

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

At June 30, 2020, if the Pakistan Rupee had weakened / strengthened by 5% against the US Dollar with all other variables held constant, the surplus / (deficit) for the year would have been lower / higher by Rs.281,924 (2019: Rs. 559,140).

ii) Interest rate risk

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from bank saving accounts and investments. These are benchmarked to variable rates which exposes the Company to cash flow interest rate risk only.

	2020	2019
	----Rupees----	
Variable rate instruments		
- Saving accounts	692,355	13,782,101

Cash flow sensitivity analysis for variable rate instrument

A change of 100 basis points in interest rates at the year end would have increased or decreased the surplus / (deficit) for the year and accumulated fund balance by Rs.6,924 (2019: Rs. 137,821). This analysis assumes that all other variables remain constant.

Fixed rate instruments		
- Investment in term deposit receipts	9,400,000	-

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect surplus of the Company.

iii) Other price risk

Price risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk as currently the Company has no investment in equity securities.

b) Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral.

Company's credit risk arises from deposits, receivable from employees and cash and bank balances. The credit risk on liquid fund is limited because the counter parties are banks with reasonably high credit rating. Carrying value of financial assets which are neither past due nor impaired are as follows:

	2020	2019
	----Rupees----	
Short term investment	9,466,708	-
Advances and other receivables	5,327,545	7,514,514
Deposits	191,598	1,602,898
Bank balances	4,928,969	14,874,897
	19,914,820	23,992,309

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Banks / Investments	Rating Agency	2020	
		Short term	Long term
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Khushhali Microfinance Bank Limited	JCR-VIS	A-1	A+

c) Liquidity risk management

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities. The Company's liquidity management involves projecting cash flows and consider the level of liquid funds necessary to meet these. These objectives are achieved by maintaining sufficient cash and readily marketable securities.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2020			2019		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	---Rupees---					
Trade and other payables	3,811,708	-	3,811,708	7,181,975	-	7,181,975

In respect of above there were no liabilities with contractual maturity of more than three months.

	2020	2019
22. NUMBER OF EMPLOYEES		
Number of employees as at June 30, 2020	7	8
Average number of employees during the year	7	23

23. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

On March 11, 2020, the World Health Organization declared COVID-19 (the virus) a 'pandemic'. In Pakistan, the Federal Government and Provincial Governments have provided various directions and are taking measures to respond to the virus. The management continues to monitor the developing situation and would proactively manage any risk arising thereof. The management based on their current assessment has concluded that there are no material implications of COVID-19 on the Company's operations, financial position and results at the date these financial statements were approved and authorized for issue.

24. DATE OF AUTHORIZATION

These financial statements were authorised for issue on 26 OCT 2020 by the Board of Directors of the Company.

MANAGING DIRECTOR

DIRECTOR

DIRECTOR