

**SOCIAL POLICY AND DEVELOPMENT
CENTRE (SPDC)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021



Usmani & Co. Chartered Accountants

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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
FOR THE YEAR ENDED JUNE 30, 2021**

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 30 June 2021, and the income and expenditure statement, the statement of total 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 total 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 30 June 2021 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 obtained at the date of this auditor's report is information included in the director's report, but does not include the financial statements of the Company 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, on other information obtained prior to the date of this auditor's report, 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.

Other Matter

The financial statements of the company for the year ended June 30, 2020, were audited by another auditor, who expressed an unmodified opinion on those statements on November 4, 2020.



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 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 is 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.

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 total 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) In our opinion 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 Hina Usmani.


Usmani & Co.
Chartered Accountants
Karachi
Date 06 NOV 2021

**SOCIAL POLICY AND DEVELOPMENT CENTRE
STATEMENT OF FINANCIAL POSITION**

As at June 30, 2021

| | <i>Notes</i> | 2021 <i>Rupees</i> | 2020 <i>Rupees</i> |
|---|--------------|------------------------------|------------------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property and equipment | 4 | 210,821 | 712,660 |
| Long-term deposits and prepayments | | 185,000 | 185,000 |
| | | 395,821 | 897,660 |
| Current Assets | | | |
| Advances, deposits, prepayments and other receivables | 6 | 5,393,368 | 5,528,477 |
| Short-term investments | 7 | 13,000,000 | 9,400,000 |
| Cash and bank balances | 8 | 2,273,457 | 4,931,408 |
| | | 20,666,825 | 19,859,885 |
| TOTAL ASSETS | | <u>21,062,646</u> | <u>20,757,545</u> |
| FUND | | | |
| Accumulated fund | | 18,198,390 | 16,747,785 |
| LIABILITIES | | | |
| Non-Current Liabilities | | | |
| Deferred capital grant | 9 | 19,023 | 135,928 |
| Current Liabilities | | | |
| Trade and other payables | 11 | 2,845,233 | 3,873,832 |
| Contingencies and Commitments | 12 | - | - |
| | | <u>21,062,646</u> | <u>20,757,545</u> |

The annexed notes 1 to 22 form an integral part of these financial statements.

Aijaz H

MANAGING DIRECTOR

Perris Faruq

DIRECTOR

Shahbaz W. Ali

DIRECTOR

**SOCIAL POLICY AND DEVELOPMENT CENTRE
INCOME AND EXPENDITURE STATEMENT**

For the year ended June 30, 2021

| | Notes | 2021 <i>Rupees</i> | 2020 <i>Rupees</i> |
|---------------------------------|--------------|------------------------------|------------------------------|
| Income | | | |
| Deferred capital grant utilised | 9 | 116,905 | 124,810 |
| Grants utilised | | 13,379,142 | 14,728,570 |
| Other project revenue | | 3,991,978 | 10,807,522 |
| Other income | 13 | 7,733,596 | 5,080,315 |
| | | <u>25,221,621</u> | <u>30,741,217</u> |
| Expenditure | | | |
| Research and advocacy cost | 14 | (20,976,698) | (26,864,620) |
| Administrative expenses | 15 | (2,794,317) | (2,894,151) |
| | | (23,771,015) | (29,758,771) |
| Surplus for the year | | <u>1,450,606</u> | <u>982,446</u> |

The annexed notes 1 to 22 form an integral part of these financial statements.

[Signature]

MANAGING DIRECTOR

[Signature]

DIRECTOR

[Signature]


DIRECTOR

**SOCIAL POLICY AND DEVELOPMENT CENTRE
STATEMENT OF TOTAL COMPREHENSIVE INCOME**

For the year ended June 30, 2021

| | <u>2021</u> | <u>2020</u> |
|--|------------------|----------------|
| | <i>Rupees</i> | <i>Rupees</i> |
| Surplus for the year | 1,450,606 | 982,446 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | <u>1,450,606</u> | <u>982,446</u> |

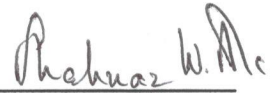
The annexed notes 1 to 22 form an integral part of these financial statements.



MANAGING DIRECTOR



DIRECTOR



DIRECTOR

**SOCIAL POLICY AND DEVELOPMENT CENTRE
STATEMENT OF CHANGES IN FUND**

For the year ended June 30, 2021

| | 2021 <i>Rupees</i> | 2020 <i>Rupees</i> |
|---|---|-----------------------|
| | Accumulated fund (Revenue reserve) | |
| Balance at the beginning of the year | 16,747,785 | 15,765,339 |
| Surplus for the year | 1,450,606 | 982,446 |
| Other comprehensive income for the year | - | - |
| | 1,450,606 | 982,446 |
| Balance as at end of the year | <u>18,198,390</u> | <u>16,747,785</u> |

The annexed notes 1 to 22 form an integral part of these financial statements.

Aijaz

MANAGING DIRECTOR

Peroj Tari

DIRECTOR


Shahbaz H. Ali

DIRECTOR

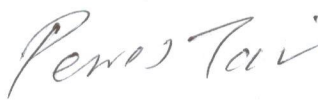
SOCIAL POLICY AND DEVELOPMENT CENTRE
STATEMENT OF CASH FLOWS
For the year ended June 30, 2021

| | <i>Notes</i> | 2021 <i>Rupees</i> | 2020 <i>Rupees</i> |
|---|--------------|------------------------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Surplus for the year | | 1,450,606 | 982,446 |
| Adjustment for non-cash and other items: | | | |
| Depreciation | 4 | 222,196 | 403,173 |
| Amortisation | 5 | - | 47,406 |
| Deferred capital grant utilised | 9 | (116,905) | (124,810) |
| Unutilised grant transferred to unrestricted fund | | - | (2,947,634) |
| Gain on disposal of property and equipment | | (1,201,967) | (514,105) |
| Interest on term deposit receipts | | (879,431) | (685,166) |
| Return on bank deposits | | (66,134) | (188,619) |
| Exchange gains - net | | (5,586,064) | (3,626,870) |
| Working capital changes | | (6,177,699) | (6,654,179) |
| Decrease in advances, deposits, prepayments and other receivables | | 92,430 | 1,255,150 |
| | | 92,430 | 1,255,150 |
| Decrease in trade and other payables | | (1,028,599) | (3,370,267) |
| Net cash utilised in operating activities | | (7,113,868) | (8,769,296) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | | (82,000) | (52,049) |
| Sale proceeds from disposal of property and equipment | | 1,563,610 | 1,384,450 |
| Investments made / encashed during the year - net | | (3,600,000) | (6,400,000) |
| Income received on bank deposits | | 66,134 | 188,619 |
| Income received on term deposit receipts | | 908,159 | 618,458 |
| Net cash (utilised in) investing activities | | (1,144,096) | (4,260,522) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Grants received | | 18,979,156 | 21,070,279 |
| Grants utilised | | (13,379,142) | (14,728,570) |
| Net cash generated from financing activities | | 5,600,014 | 6,341,709 |
| Net (decrease) in cash and cash equivalents | | (2,657,950) | (6,688,109) |
| Net foreign exchange differences | | - | (277,630) |
| Cash and cash equivalents at beginning of the year | | 7,931,408 | 14,897,147 |
| Cash and cash equivalents at end of the year | 19 | 5,273,457 | 7,931,408 |

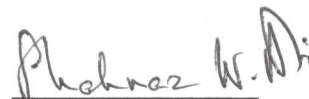
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MANAGING DIRECTOR



DIRECTOR



DIRECTOR

SOCIAL POLICY AND DEVELOPMENT CENTRE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2021

1 CORPORATE AND GENERAL INFORMATION

1.1 LEGAL STATUS AND OPERATIONS

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.

The Company's main objective is to contribute towards national economic and social development policies and programs in order to make them more accountable, pro-poor, engendered and equitable; through research, policy advice and advocacy.

The core activities of the Company are being funded through grants 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 and concluded during the year on December 31, 2020. Meanwhile the Company initiated discussion with UIC to renew the contract till December 2022. Therefore, the "Scope of Work" was submitted to UIC for the period from January 1, 2021 to December 2022 and the same has been approved on September 25, 2020.

1.2 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 authorised for issue.

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.



SOCIAL POLICY AND DEVELOPMENT CENTRE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2021

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 judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments 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 annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on annual

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

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.

SOCIAL POLICY AND DEVELOPMENT CENTRE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2021

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

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.

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SOCIAL POLICY AND DEVELOPMENT CENTRE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2021

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 and 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 recognised 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.

3.14 Functional and presentation currency

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



NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2021

4. PROPERTY AND EQUIPMENT

| | Furniture and fixture | Motor vehicles | Office equipment | Computer (Note 4.1) | Books and Publications | Total |
|--|-----------------------|----------------|------------------|---------------------|------------------------|--------------|
| | -----Rupees----- | | | | | |
| Year ended June 30, 2021 | | | | | | |
| Opening net book value | 12,754 | 244,188 | 282,304 | 170,811 | 2,603 | 712,660 |
| Additions | - | - | - | 82,000 | - | 82,000 |
| Disposals | | | | | | |
| - Cost | (175,557) | (605,500) | (344,652) | (567,600) | - | (1,693,309) |
| - Accumulated depreciation | 175,557 | 361,312 | 227,197 | 567,600 | - | 1,331,666 |
| Depreciation for the year | (3,450) | (244,188) | (117,455) | - | - | (361,643) |
| Closing net book value | 9,304 | - | 102,345 | 97,873 | 1,299 | 210,821 |
| As at June 30, 2021 | | | | | | |
| Cost | 51,720 | 596,250 | 474,978 | 1,625,188 | 13,208,021 | 15,956,157 |
| Accumulated depreciation | (42,416) | (596,250) | (372,633) | (1,527,315) | (13,206,722) | (15,745,336) |
| Net book value | 9,304 | - | 102,345 | 97,873 | 1,299 | 210,821 |
| Annual rate of depreciation (%) for 2021 | 10 | 20 | 10 | 35 | 25 | |
| 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 |
| Depreciation for the year | (51,643) | - | (795,808) | (22,894) | - | (870,345) |
| Closing net book value | (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 (%) for 2020 | 10 | 20 | 10 | 35 | 25 | |

- 4.1 Property and equipment include assets costing Rs. 356,600 (2020: Rs. 356,600) having net book value of Rs.19,023 (2020: Rs. 135,928) purchased under various grant agreements.

| | 2021 | 2020 |
|--|--------|--------|
| | Rupees | Rupees |

5. INTANGIBLE ASSETS

Net carrying value

| | | |
|---|---|----------|
| Balance at the beginning of the year | - | 47,406 |
| Less: Amortisation charge during the year | - | (47,406) |
| Balance at the end of the year | - | - |

Gross carrying value

| | | |
|--------------------------------|---|-------------|
| Cost | - | 1,977,682 |
| Less: Accumulated amortisation | - | (1,977,682) |
| Net book value | - | - |

- 5.1 The cost had been amortised over a period of 3 years.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2021

2021
Rupees

2020
Rupees

6. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | | |
|---|------------------|------------------|
| Advances to employees | 242,461 | 470,452 |
| Security deposits | 6,598 | 6,598 |
| Prepayments | 137,439 | 127,626 |
| Accrued interest on term deposit receipts | 37,979 | 66,708 |
| Other receivables (note 6.1) | 4,968,891 | 4,857,093 |
| | <u>5,393,368</u> | <u>5,528,477</u> |

6.1 This includes grants receivable from donors amounting to Rs.4,805,892 (2020: Rs.4,819,842).

7. SHORT-TERM INVESTMENTS

| | | |
|----------------------------------|-------------------|------------------|
| Term deposit receipts (note 7.1) | 13,000,000 | 9,400,000 |
| | <u>13,000,000</u> | <u>9,400,000</u> |

7.1 This represents investments in Term Deposit Receipts maturing at various dates latest by December 2021 and carrying interest at the rate of 6.2% to 7.75% per annum (2020: 6.7% to 10.5% per annum)

8. CASH AND BANK BALANCES

| | | |
|--------------|-------|-------|
| Cash in hand | 9,600 | 2,439 |
|--------------|-------|-------|

Cash at bank in:

- Current accounts

| | | |
|---|-----------|-----------|
| Foreign currency [US\$ - Nil] (2020: US\$ 2,033.73)] | - | 341,768 |
| Local currency | 2,012,185 | 3,894,846 |

- PLS Saving accounts

| | | |
|---|---------|---------|
| Foreign currency [US\$ -Nil] (2020: US\$ 2,837.7)] | - | 476,876 |
| Local currency (note 8.1) | 251,672 | 215,479 |

| | |
|------------------|------------------|
| <u>2,263,857</u> | <u>4,928,969</u> |
| <u>2,273,457</u> | <u>4,931,408</u> |

8.1 These carry profit at the average rate ranging from 3.08% to 5.5% (2020: 6.5% to 7.5%) per annum.

9. DEFERRED CAPITAL GRANT

| | | |
|---|----------------|----------------|
| Balance at the beginning of the year | 135,928 | 260,738 |
| Capital expenditure on operating assets transferred | - | - |
| Transferred to unrestricted assets | - | - |
| | <u>135,928</u> | <u>260,738</u> |
| Depreciation for the year credited to income (note 14 / note 9.1) | (116,905) | (124,810) |
| Balance at the end of the year | <u>19,023</u> | <u>135,928</u> |

9.1 The Company utilises grant received from various donor agencies for purchase of capital assets as per the grant agreement with respective donors. No such purchases of the assets were made during the year except for the utilisation of previous such assets as disclosed above.

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2021

2021
Rupees

2020
Rupees

10. DEFERRED INCOME

10.1 Movement in deferred income balance is as follows:

| | | |
|---|------------|------------|
| Balance at the beginning of the year | - | 2,947,635 |
| Add: Grant received / receivable during the year | | |
| - USAID | - | - |
| - UIC | 13,379,142 | 14,728,570 |
| | 13,379,142 | 14,728,570 |
| Less: Grants utilised | | |
| - USAID | - | - |
| - UIC | 13,379,142 | 14,728,570 |
| - Capital expenditure transferred to unrestricted fund | - | - |
| | 13,379,142 | 14,728,570 |
| Less: Unutilised grant transferred to unrestricted fund | - | 2,947,635 |
| Balance at the end of the year | - | - |

10.2 Contributions received on account UIC are restricted for the purpose of expenditures as per respective grant agreements.

11. TRADE AND OTHER PAYABLES

| | | |
|-------------------------|------------------|------------------|
| Creditors | 232,234 | 174,431 |
| Accrued liabilities | 1,583,870 | 1,935,427 |
| Consultancy fee payable | 22,221 | 824,999 |
| Honorarium payable | 944,784 | 876,851 |
| Withholding tax payable | 62,124 | 62,124 |
| | <u>2,845,233</u> | <u>3,873,832</u> |

12. CONTINGENCIES AND COMMITMENTS

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

13. OTHER INCOME

From financial assets

| | | |
|-----------------------------------|------------------|------------------|
| Interest on short-term investment | 879,431 | 685,166 |
| Exchange gain | 5,586,064 | 3,626,870 |
| Return on bank deposits | 66,134 | 188,619 |
| | <u>6,531,629</u> | <u>4,500,655</u> |

From other than financial assets

| | | |
|--|------------------|------------------|
| Gain on disposal of property and equipment | 1,201,967 | 514,105 |
| Others | - | 65,555 |
| | <u>7,733,596</u> | <u>5,080,315</u> |

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14. RESEARCH AND ADVOCACY COST

| | 2021 | | | 2020 | | |
|---------------------------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Unrestricted | Restricted | Total | Unrestricted | Restricted | Total |
| | Other projects | UIC | Total | Other projects | UIC | Total |
| Salaries and benefits (note 14.1) | 2,972,935 | 12,733,574 | 15,706,509 | 1,665,934 | 13,069,635 | 14,735,569 |
| Consultancy charges | 3,486,155 | - | 3,486,155 | 6,929,556 | - | 6,929,556 |
| Institutional support | - | - | - | - | 382,069 | 382,069 |
| Communication | 300,528 | 76,800 | 377,328 | 258,127 | 104,011 | 362,138 |
| Insurance | 135,466 | - | 135,466 | 144,097 | - | 144,097 |
| Printing, stationary and publications | 152,413 | 174,517 | 326,930 | 83,436 | 293,792 | 377,228 |
| Conference and seminar | 64,297 | 394,211 | 458,508 | 673,173 | 639,063 | 1,312,236 |
| Rent (note 15.2) | - | - | - | 1,852,200 | - | 1,852,200 |
| Computer maintenance | 48,955 | - | 48,955 | 95,908 | - | 95,908 |
| Legal and professional fee | 269,425 | - | 269,425 | 443,125 | - | 443,125 |
| Depreciation (note 9) | 77,769 | - | 77,769 | 124,810 | - | 124,810 |
| Amortisation (note 5) | - | - | - | 47,406 | - | 47,406 |
| Bank charges | 20,615 | - | 20,615 | 21,074 | - | 21,074 |
| Others | 68,998 | 40 | 69,038 | 37,204 | - | 37,204 |
| Total | 7,597,556 | 13,379,142 | 20,976,698 | 12,376,050 | 14,488,570 | 26,864,620 |

14.1 Salaries and benefits include Rs. 535,191 (2020: Rs. 565,314) in respect of staff provident fund.

15. ADMINISTRATIVE EXPENSES

| | 2021 | | | 2020 | | |
|------------------------------------|------------------|------------|------------------|------------------|----------------|------------------|
| | Unrestricted | Restricted | Total | Unrestricted | Restricted | Total |
| | Other projects | UIC | Total | Other projects | UIC | Total |
| Salaries and benefits (note 15.1) | 1,507,404 | - | 1,507,404 | 1,342,391 | 240,000 | 1,582,391 |
| Rent (note 15.2) | - | - | - | 51,155 | - | 51,155 |
| Repair and maintenance | 516,296 | - | 516,296 | 490,186 | - | 490,186 |
| Security services | - | - | - | 88,916 | - | 88,916 |
| Depreciation (note 4) | 144,427 | - | 144,427 | 278,363 | - | 278,363 |
| Auditor's remuneration (note 15.3) | 626,190 | - | 626,190 | 403,140 | - | 403,140 |
| Total | 2,794,317 | - | 2,794,317 | 2,654,151 | 240,000 | 2,894,151 |

15.1 Salaries and benefits include Rs. 246,243 (2020: Rs. 226,910) in respect of staff provident fund.

15.2 The registered office of the Company, used as current business unit, has been provided by the Institute of Business Administration (IBA) under the 'Letter of Co-operation' for which no consideration was charged during the year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2021

2021
Rupees

2020
Rupees

15.3 **Auditor's remuneration**

| | | |
|--|----------------|----------------|
| Audit fee | 375,000 | 375,000 |
| Reimbursable expenses - Audit 2021 | 37,500 | 28,140 |
| Sales tax 8% (2020: 8%) | 33,000 | - |
| | 445,500 | 403,140 |
| Fee for other certifications | 148,500 | - |
| Out of pocket expense - (Previous auditors for Audit 2020) | 32,190 | - |
| | <u>626,190</u> | <u>403,140</u> |

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:

| | 2021 | | 2020 | |
|---|-------------------|------------------|-------------------|------------------|
| | Managing Director | Executives | Managing Director | Executives |
| Managerial remuneration | 2,490,192 | 3,099,996 | 2,490,192 | 3,099,996 |
| Medical, housing and utilities | 768,043 | 1,159,999 | 768,043 | 1,159,999 |
| Reimbursable expenses | 67,924 | 30,000 | 43,244 | - |
| Retirement benefits | 271,520 | 355,000 | 271,520 | 355,000 |
| Honorarium | 1,181,112 | 1,609,500 | 1,167,534 | 1,623,250 |
| | <u>4,778,791</u> | <u>6,254,495</u> | <u>4,740,533</u> | <u>6,238,245</u> |
| Number, including those who worked part of the year | <u>1</u> | <u>2</u> | <u>1</u> | <u>2</u> |

16.1 No remuneration has been paid to any of the 7 (2020: 9) Directors of the Company during the year.

17. **TRANSACTIONS WITH RELATED PARTIES**

17.1 Following are the 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 |

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

| Relationship | Nature of transactions | | |
|--------------------------------|------------------------|----------------|----------------|
| Retirement benefit fund | | | |
| Provident fund | Contribution | <u>781,434</u> | <u>792,224</u> |

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2021

2021
Rupees

2020
Rupees

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.

19. CASH AND CASH EQUIVALENTS

| | | |
|---------------------------------|------------------|------------------|
| Cash and bank balances (note 8) | 2,273,457 | 4,931,408 |
| Term Deposit Receipts | 3,000,000 | 3,000,000 |
| | <u>5,273,457</u> | <u>7,931,408</u> |

20. FINANCIAL INSTRUMENTS BY CATEGORY

20.1 Financial assets - at amortised cost

| | | |
|---|-------------------|-------------------|
| Short-term investment | 13,000,000 | 9,400,000 |
| Accrued interest on term deposit receipts | 37,979 | 66,708 |
| Advances and other receivables | 5,211,352 | 5,327,545 |
| Cash and bank balances | 2,273,457 | 4,931,408 |
| Deposits | 191,598 | 191,598 |
| | <u>20,714,386</u> | <u>19,917,259</u> |

20.2 Financial liabilities - at amortised cost

| | | |
|--------------------------|------------------|------------------|
| Trade and other payables | <u>2,783,109</u> | <u>3,811,708</u> |
|--------------------------|------------------|------------------|

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. NUMBER OF EMPLOYEES

| | | |
|---|----------|----------|
| Number of employees as at June 30 | <u>7</u> | <u>7</u> |
| Average number of employees during the year | <u>7</u> | <u>7</u> |

22. DATE OF AUTHORISATION

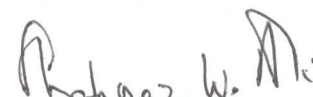
These financial statements were authorised for issue on 06 NOV 2021 by the Board of Directors of the Company.



MANAGING DIRECTOR



DIRECTOR



DIRECTOR