

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THARDEEP RURAL DEVELOPMENT PROGRAMME****Report on the Audit of the Financial Statements****Opinion**

We have audited the annexed financial statements of **THARDEEP RURAL DEVELOPMENT PROGRAMME** (the Society), which comprise the statement of financial position as at June 30, 2020, and Statement of income and expenditure and other comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at June 30, 2020 and of its financial performance, changes in fund balances and its cash flows for the year ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

**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 Society 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 annual 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.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan and for such internal control as the Directors determine 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, Directors are responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 Society'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 Society'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 Society 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 those charged with governance 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.

**Other matter**

The financial statements of the Society for the year ended June 30, 2019 were audited by another firm of chartered accountants who had expressed an unqualified opinion thereon vide their report dated December 18, 2019.

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer.

**KARACHI**

**DATED: 26 DEC 2020**



**BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS**

**THARDEEP RURAL DEVELOPMENT PROGRAMME  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	4	50,545,002	51,782,390
Intangible assets	5	560,697	1,629,985
Long term deposits	6	743,320	743,320
Long term investment	7	-	-
Long term loan	8	400,000,000	400,000,000
		<u>451,849,019</u>	<u>454,155,695</u>
<b>CURRENT ASSETS</b>			
Stock	9	2,018,362	2,178,726
Short term loan	10	15,000,000	15,000,000
Advances - net of provisions	11	23,093,750	87,075,668
Interest receivable	12	677,214	648,339
Donations receivable	13	43,953,939	10,542,085
Advances, prepayments and other receivables	14	69,685,741	31,961,321
Cash and bank balances	15	1,407,040,320	536,046,547
		<u>1,561,469,326</u>	<u>683,452,686</u>
<b>TOTAL ASSETS</b>		<u><u>2,013,318,345</u></u>	<u><u>1,137,608,381</u></u>
<b>FUNDS AND LIABILITIES</b>			
Funds		664,533,565	586,061,494
<b>NON-CURRENT LIABILITIES</b>			
Deferred income	16	1,223,651,670	412,764,881
Staff gratuity	17	-	-
Long term loans - secured	18	112,605,622	112,605,622
		<u>1,336,257,292</u>	<u>525,370,503</u>
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities	19	12,527,488	26,176,384
		<u>1,348,784,780</u>	<u>551,546,887</u>
<b>TOTAL FUNDS AND LIABILITIES</b>		<u><u>2,013,318,345</u></u>	<u><u>1,137,608,381</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	20		

The annexed notes 1 to 31 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER**

**TREASURER**



**THARDEEP RURAL DEVELOPMENT PROGRAMME  
STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
<b>INCOME</b>			
Donations and grants	21	1,115,881,287	835,617,601
Income from other activities	22	212,613,821	118,395,721
<b>TOTAL INCOME</b>		1,328,495,108	954,013,322
<b>EXPENSES</b>			
Programme expenses	23	(1,189,002,172)	(846,368,930)
Operating expenses	24	(49,045,040)	(46,662,436)
<b>TOTAL EXPENSES</b>		(1,238,047,212)	(893,031,366)
Surplus for the year before taxation		90,447,896	60,981,956
Taxation	26	(11,975,825)	(12,220,124)
Surplus for the year after taxation		78,472,071	48,761,832
Other Comprehensive income		-	-
<b>Total Comprehensive income for the year</b>		<b>78,472,071</b>	<b>48,761,832</b>

The annexed notes 1 to 31 form an integral part of these financial statements.



**CHIEF EXECUTIVE OFFICER**



**TREASURER**

**THARDEEP RURAL DEVELOPMENT PROGRAMME  
STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus for the year before taxation,		78,472,071	48,761,832
Adjustments for:			
Depreciation	4	13,929,248	13,114,114
Amortisation	5	1,069,288	1,988,397
Amortisation of deferred income	16 & 22	(1,089,728,870)	(831,785,715)
Tax expense		11,975,825	12,220,124
Provision against advances	11	10,562,678	6,526,402
Gratuity Written off		-	(215,891)
Financial charges	24.3	4,100,739	3,613,110
Interest income	22	(157,039,107)	(60,648,350)
		<u>(1,126,658,128)</u>	<u>(806,425,977)</u>
Working capital changes			
(Decrease) / increase in current assets:			
Stocks		160,364	3,658,387
Donations receivable		(33,411,854)	6,625,962
Advances, prepayments and other receivables		(37,724,420)	(10,040,077)
		<u>(70,975,910)</u>	<u>244,272</u>
(Decrease) / increase in current liabilities			
Accrued and other liabilities		(13,648,896)	19,623,862
Cash used in operations		<u>(1,211,282,934)</u>	<u>(786,557,843)</u>
Long term deposits		-	(160,320)
Advances against loans - disbursed	11	(38,703,000)	(118,592,000)
Advances against loans - recovered	11	92,122,240	133,785,254
Grant received - net of refunds		1,900,615,659	129,581,074
Tax paid		(11,975,825)	(12,220,124)
Interest received		157,010,232	65,711,898
Net cash generated from / (used in) from operating activities		<u>887,786,372</u>	<u>(588,452,061)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment	5	(12,691,860)	(5,886,849)
Additions of intangibles		-	(1,112,090)
Short term loan		-	15,000,000
Net cash (used in) / generated from investing activities		<u>(12,691,860)</u>	<u>8,001,061</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans from Pakistan Poverty Alleviation Fund		-	(21,394,378)
Financial charges paid		(4,100,739)	(3,613,110)
Net cash used in financing activities		<u>(4,100,739)</u>	<u>(25,007,488)</u>
Net increase / (decrease) in cash and cash equivalents		870,993,773	(605,458,488)
Cash and cash equivalents at beginning of the year		536,046,547	1,141,505,035
Cash and cash equivalents at end of the year	15	<u>1,407,040,320</u>	<u>536,046,547</u>

The annexed notes 1 to 31 form an integral part of these financial statements.



**CHIEF EXECUTIVE OFFICER**



**TREASURER**



**THARDEEP RURAL DEVELOPMENT PROGRAMME  
STATEMENT OF CHANGES IN FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

Particulars	General fund	Pool for Prime Minister interest free loan	Endowment fund	Revolving pool for livestock	Total funds
	----- upees -----				
Balance as at July 01, 2018	99,619,662	2,680,000	430,000,000	5,000,000	537,299,662
Surplus for the year	48,761,832	-	-	-	48,761,832
Balance as at June 30, 2019	148,381,494	2,680,000	430,000,000	5,000,000	586,061,494
Surplus for the year	78,472,071	-	-	-	78,472,071
Balance as at June 30, 2020	<u>226,853,565</u>	<u>2,680,000</u>	<u>430,000,000</u>	<u>5,000,000</u>	<u>664,533,565</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER**

**TREASURER**

**THARDEEP RURAL DEVELOPMENT PROGRAMME  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**1. STATUS AND NATURE**

Thardeep Rural Development Programme (TRDP) (the Society) is an integrated rural development programme. It was initially established as Tharparkar Rural Development Project by Save the Children Fund (UK) in 1987 in response to four years of drought in Thar Desert in Sindh. Swiss Development Cooperation (SDC) and Save the Children Fund (UK) Islamabad entered into an agreement to support and contribute towards the activities of Thardeep Rural Development programme Mithi (Tharparkar). This agreement was signed on May 07, 1995. On July 13, 1998 the Programme was registered under the Societies Act, 1860 with the Provincial Assistant Registrar Joint Stock Companies, Hyderabad region. The registered office of the Society is located near Dargah Hussain Shah Siran, Mithi.

The Society is working with poor segments, particularly women in the most deprived and remote areas of Sindh, partnering with various donors which include Pakistan Poverty Alleviation Fund, European Union, Concern WorldWide and Welthungerhilfe as strategic partners for implementation of various development projects falling under one of our programme themes.

The geographical area of the Society is spread over the arid zone of five districts of Sindh i.e. Tharparkar, Umerkot, Dadu, Tandoallahyar and Jamshoro. To operate its programme in the area, the Society has 5 district offices each at Jamshoro, Tharparkar, Umerkot, Dadu, Tandoallahyar, and head office at Mithi town. There are 14 field units in different villages and towns of five districts to assist the regions. The Society has established an office in Karachi to coordinate administrative matters of head office.

The Society's main activities are broadly aimed to:

- a) Community organization through social mobilization;
- b) Promoting community investment for income generation and sustainable livelihood;
- c) Food security and programme for improved nutrition in Sindh;
- d) Promoting elementary education and child protection through public private partnership; and
- e) promoting social environmental safe guard.

**2. BASIS OF PREPARATION**

**2.1. Statement of compliance**

These financial statements have been prepared in accordance with the International Financial Reporting Standard (IFRSs) for Small and Medium-sized Entities issued by International Accounting Standards Board and the Accounting Standards for Not for Profit Organizations (NPOs) issued and as notified by the Institute of Chartered Accountants of Pakistan.



## **2.2 Basis of preparation**

These financial statements are prepared under historical cost convention without any adjustment for the effect of inflation or current values.

These financial statements have been prepared by following accrual basis of accounting except for cash flows information.

## **2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees, which is the Society's functional and presentation currency.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied unless otherwise stated.

### **3.1 Deferred income**

Grant and donations received for specific purpose are presented in the statement of financial position as deferred income and recognized in the statement of income and expenditure and other comprehensive income on a systematic basis over the period in which the Society recognises as expense the related cost for which the grant and donations is intended to

### **3.2 Post employment benefit**

#### **3.2.1 Gratuity**

The Society operates an unfunded gratuity scheme covering all its employees with two or more years of service with the Programme. Provision for gratuity has been made to cover obligation under the scheme in respect of employees who have completed the minimum qualifying period.

#### **3.2.2 Provident fund**

The Society operates an unapproved provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Programme and employees, to the fund at the rate of 10% of the basic salaries of employees.

### **3.2.3 Compensated absences**

The Society provides a facility to its employees for accumulating their annual earned leaves. Under the unfunded scheme employees are entitled for 30 days privilege leaves for each completed year of service with an accumulating limit of 60 days. Provisions are made to cover the obligation under the scheme and are charged to statement of income and expenditure and other comprehensive income.

### **3.3 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated by applying the straight-line method over the estimated useful life of the assets as disclosed in note 4 of these financial statements.

Depreciation in respect of additions and disposal made during the year is charged from the month of acquisition and up to the month preceding the month of disposal.

Maintenance and normal repairs are charged to statement of income and expenditure and other comprehensive income account as and when incurred. Major repairs and improvements are capitalized.

Gains and losses on disposal of assets are included in income currently.

### **3.4 Capital work in progress**

Capital work in progress is stated at cost accumulated up to statement of financial position date and represents expenditures incurred on property and equipment in the course of construction. These expenditures are transferred to related category of property and equipment as and when asset is available for use.

### **3.5 Intangible assets**

Intangible assets are stated at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded when these assets are available for use using straight line method whereby the cost of an intangible asset is written off over its estimated useful life as disclosed in note 5 of these financial statements.

### **3.6 Stocks**

These are valued at lower of the cost or net realizable value determined except drought and community physical infrastructure materials received as donations in kind which are recorded at fair value at the time of receipt of donations as disclosed in note 9 of these financial statements.



### 3.7 Advances - net of provision

These loans represent actual cash disbursements to borrowers, which require repayment. Loans are accounted for as receivables after funds have been disbursed. They are carried at fair value of outstanding principal amount as disclosed in note 11 and accrued interest based on the contractual interest rate. When a loan becomes non-performing all interest previously accrued on the loan is reversed for financial reporting purposes.

### 3.8 Provision for potential losses against advances

Provision for potential losses against advances are determined by applying percentages to the outstanding balances of principal amount in various categories, as stated below:

<b>Advances with overdue principal amount</b>	<b>Outstanding amount</b>
	(%)
From 1 to 3 months	10
From 4 to 6 months	30
From 7 to 12 months	60
More than 12 months	100

### 3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances in current , deposit and PLS accounts.

### 3.10 Cash and bank balance

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

### 3.11 Financial instruments

#### 3.11.1 Financial assets

The Society classifies its financial assets in the following categories: at fair value through statement of income and expenditure and other comprehensive income, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of The Society as at statement of financial position date are carried as loans and receivables.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the statement of financial position, which are classified as non-current assets. The Society's loans and receivables comprise 'advances - net of provision', 'advances and deposits', 'other receivables' and 'cash and cash equivalents' in the statement of financial position.

### **Investments at fair value through statement of income and expenditure and other comprehensive income**

A non-derivative financial asset is classified at fair value statement of income and expenditure and other comprehensive income if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Society manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in statement of income and expenditure and other comprehensive income when incurred.

Investments at fair value through statement of income and expenditure and other comprehensive income are measured at fair value, and changes therein are recognised in statement of income and expenditure and other comprehensive income.

### **Impairment**

At the end of each reporting period, The Society assesses whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss will be reversed either directly or by adjusting provision account.

#### **3.11.2 Financial liability**

All financial liabilities are recognized at the time when the Society becomes a party to the contractual provisions of the instrument.



### 3.12 Impairment of non- financial assets

The carrying amount of the Society assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indications exist, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss, if any.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group. Impairment losses are recognized as expense in the statement of income and expenditure and other comprehensive income account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Impaired assets are reviewed for possible reversal of the impairment at each reporting date. Reversal of the impairment losses are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment losses had been recognized. A reversal of impairment loss is recognized in the statement of income and expenditure and other comprehensive income account.

### 3.13 Funds

The Society maintains following funds which are classified under the following heads:

#### 3.13.1 General fund

This fund represents surplus of income over expenditures accumulated over the years.

#### 3.13.2 Carried forward funds

These are provided by different partners of the Society with a broad-spectrum to provide funds to assist the Society to meet its objectives. The Society manages these funds through separate bank accounts established for this purpose. Following are the funds:

<b>Fund</b>	<b>Donor</b>	<b>Purpose</b>
Revolving pool for livestock	Jannum network	Financial support of women from poor households devastated by the flood and to build assets of vulnerable families in Umerkot district through disbursement of soft loan for livestock assets.

Fund	Donor	Purpose
Endowment fund	Reserve fund	Funds allocated from the Society's income to be invested in the government schemes / bonds, commercial banks as term deposit receipt to generate income to meet the revenue and capital expenditures of the Society.

### 3.14 Revenue recognition

Donations received in cash and without any specific condition attached are recognized as income. Donations received for specific purpose are presented in statement of financial position as deferred income and recognized in the statement of income and expenditure and other comprehensive income on a systematic basis over the period in which the Society recognizes as expense the related cost for which the donation is intended to compensate. Donations for purchase of property and equipment and donation received in kind are taken to deferred income.

Grant that becomes receivable as compensation for expenses or losses already incurred in conformity with donor agreements is recognized as income in the period in which it becomes receivable.

Income on loan and investments is recognized on accrual basis using effective interest method.

Income on bank deposit, fee for documentation charges and other income is recognized on accrual basis.

### 3.15 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pak rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies as at the statement of financial position date are expressed in rupees at the rates of exchange prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Exchange gains and losses are included in income currently.

### 3.16 Borrowing cost

Borrowing costs primarily comprise interest on the Society's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets are capitalized during the period of time that is necessary to complete and prepare the assets for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in financial charges.



### **3.17 Taxation**

The Society is registered with the income tax authorities as not for profit organisation under section 2(36) (c) of the Income Tax Ordinance, 2001 read with Rule 212 and 220 of the Income Tax Rules, 2002. The Society does not account for taxation, as not for profit organisations are allowed a tax credit equal to one hundred percent (100%) of the tax payable including minimum tax and final tax payable, under section 100C of the Income Tax Ordinance, 2001.

### **3.18 Use of critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, industry trends, legal and technical pronouncements and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily evident from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. The assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year. Significant areas requiring the use of management estimates in these financial statements relate to following;

- Useful lives of property and equipment
- Impairment on financial assets
- Provisions against doubtful loans

### **3.19 General**

Following acronyms have been used in these financial statements.

<b>PLS</b>	Profit and Loss Saving Accounts
<b>SRSO</b>	Sindh Rural Support Organization
<b>PPAF</b>	Pakistan Poverty Alleviation Fund
<b>PMN</b>	Pakistan Microfinance Network
<b>FIS</b>	Financial Information System
<b>SAFCO</b>	Sustainable Actions to Access Financial Capital Opportunity
<b>PWEP</b>	Peoples Women Empowerment Programme
<b>LSO</b>	Local Support Organization
<b>TMF</b>	Thardeep Microfinance Foundation

4. PROPERTY AND EQUIPMENT

Particulars	2020					Total
	Free hold land	Building on free hold land	Furniture and fixtures	Office equipment	Computer	
	----- Rupees -----					
<b>Year Ended June 30, 2020</b>						
Opening net book amount	1,272,925	21,150,098	4,999,429	5,162,253	3,710,193	15,487,492
Additions	-	-	1,735,900	2,747,890	1,076,170	7,131,900
Depreciation charge	-	(1,571,268)	(1,025,528)	(2,158,459)	(2,370,430)	(6,803,563)
<b>Closing net book amount</b>	<b>1,272,925</b>	<b>19,578,830</b>	<b>5,709,801</b>	<b>5,751,684</b>	<b>2,415,933</b>	<b>15,815,829</b>
<b>As at June 30, 2020</b>						
Cost	1,272,925	31,425,357	17,042,770	30,452,198	26,690,371	98,517,958
Accumulated depreciation	-	(11,846,527)	(11,332,969)	(24,700,514)	(24,274,438)	(82,702,129)
Net book amount	<b>1,272,925</b>	<b>19,578,830</b>	<b>5,709,801</b>	<b>5,751,684</b>	<b>2,415,933</b>	<b>15,815,829</b>
<b>Rate of depreciation (%)</b>	-	5	10	20	33.33	20



Particulars	2019					Total
	Free hold land	Building on free hold land	Furniture and fixtures	Owned		
				Office equipment	Computer	

Year Ended June 30, 2019						
Opening net book amount	1,272,925	22,721,366	5,470,386	4,930,297	6,594,290	18,020,391
Additions	-	-	551,758	2,215,484	1,310,625	1,808,982
Depreciation charge	-	(1,571,268)	(1,022,715)	(1,983,528)	(4,194,722)	(4,341,881)
<b>Closing net book amount</b>	<b>1,272,925</b>	<b>21,150,098</b>	<b>4,999,429</b>	<b>5,162,253</b>	<b>3,710,193</b>	<b>15,487,492</b>

As at June 30, 2019						
Cost	1,272,925	31,425,357	15,306,870	27,704,308	25,614,201	91,386,058
Accumulated depreciation	-	(10,275,259)	(10,307,441)	(22,542,055)	(21,904,008)	(75,898,566)
<b>Net book amount</b>	<b>1,272,925</b>	<b>21,150,098</b>	<b>4,999,429</b>	<b>5,162,253</b>	<b>3,710,193</b>	<b>15,487,492</b>

Rate of depreciation (%)	5	10	20	20
			33.33	

4.1 The above include fully depreciated assets costing Rs. 102,733,524 (2018: Rs. 102,347,118).

4.2 The depreciation charge for the year has been allocated as follows:

	Note	2020 Rupees	2019 Rupees
<b>Programme expenses</b>			
Community physical infrastructure expenses	23.1	1,674,620	1,576,620
Disaster and preparedness management unit expenses	23.2	1,674,620	1,576,622
Social mobilization programme expenses	23.3	3,881,530	3,654,385
Monitoring and evaluation expenses	23.4	1,674,620	1,576,622
Social services sector expenses	23.5	1,674,620	1,576,622
		10,580,010	9,960,871
<b>Operating expenses</b>			
Administration expenses	24.1	3,349,239	3,153,243
		<u>13,929,249</u>	<u>13,114,114</u>
<b>5. INTANGIBLE ASSETS</b>			
<b>Net carrying value</b>			
Net book value at July 01		1,629,985	2,506,292
Additions at cost		-	1,112,090
Amortisation charge for the year	24.1	(1,069,288)	(1,988,397)
Net book amount at June 30		<u>560,697</u>	<u>1,629,985</u>
<b>Gross carrying value</b>			
Cost		7,355,812	7,355,812
Accumulated amortization		(6,795,115)	(5,725,827)
Balance at June 30		<u>560,697</u>	<u>1,629,985</u>
Rate of amortisation (%)		<u>33</u>	<u>33</u>
5.1 Intangible assets comprise of Financial Information System (FIS) for accounting and financial reporting.			
<b>6. LONG TERM DEPOSITS</b>			
Government of Sindh	6.1	500,000	530,000
Pakistan State Oil		163,320	163,320
Vehicle to district court		50,000	50,000
Other		30,000	-
		<u>743,320</u>	<u>743,320</u>

6.1 This includes security deposit paid to Government of Sindh against Nangarparkar Tourism Complex.



	Note	2020 Rupees	2019 Rupees
<b>7. LONG TERM INVESTMENT</b>			
Investment in subsidiary - at cost	7.1	23,800,000	23,800,000
Impairment on investment		<u>(23,800,000)</u>	<u>(23,800,000)</u>
		<u>-</u>	<u>-</u>

7.1 This represent 2,380,000 (2019: 2,380,000) ordinary shares of Rs. 10 each constituting 59.59% (2019: 59.59%) holding in Micro Drip (Private) Limited. This investment was impaired as Micro Drip (Private) Limited is no longer operational.

## 8. LONG TERM LOANS

Thardeep Microfinance Foundation	8.1	<u>400,000,000</u>	<u>400,000,000</u>
8.1 This represents consideration against net assets of microfinance segment of the Programme which were transferred in 2017 to a newly formed Company named Thardeep Microfinance Foundation. The loan is not yet due as of June 30, 2020. The interest rate is 6 months KIBOR plus 3% per annum.			

General Body of the Society, in its meeting held on January 03, 2016, decided and approved to spin off the microfinance operation of the Society and form a separate company to carry out these operations. Accordingly, on October 06, 2017 the Society spun off and vested its microfinance operations in Thardeep Microfinance Foundation (TMF) which is a company limited by guarantee and not having share capital.

## 9. STOCK

Carpets and handicrafts		<u>2,018,362</u>	<u>2,178,726</u>
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## 10. SHORT TERM LOAN

Thardeep Microfinance Foundation	10.1	<u>15,000,000</u>	<u>15,000,000</u>
10.1 This represents unsecured loan at the rate of 6 month KIBOR+3% with the floor of 9.5% per annum (2019: 6 months KIBOR+3% with the floor of 9.5% per annum) to Thardeep Microfinance Foundation, a related party. The interest payment will be made on monthly basis. The loan is receivable within 12 months period, however, the repayment term can further be extended with the mutual consent of both parties. The loan has subsequently been repaid in July 2020.			

## 11. ADVANCES - NET OF PROVISION

	<b>2020</b>		
	<b>PMIF loan*</b>	<b>Jannam advances</b>	<b>Total</b>
	-----Rupees-----		
Advances - gross	38,893,595	5,121,789	44,015,384
Provisions for doubtful advances	(20,658,526)	(263,108)	(20,921,634)
Advances - net of provision	<u>18,235,069</u>	<u>4,858,681</u>	<u>23,093,750</u>
Movement of advance as follows:			
Balance at July 01,	91,938,720	5,495,904	97,434,624
Disbursement during the year	38,303,000	400,000	38,703,000
Recovery during the year	(91,348,125)	(774,115)	(92,122,240)
Balance at June 30,	<u>38,893,595</u>	<u>5,121,789</u>	<u>44,015,384</u>
Movement of provision as follows:			
Balance at July 01,	9,986,210	372,746	10,358,956
Reversal in provision	-	(372,746)	(372,746)
Provision during the year	10,672,316	263,108	10,935,424
Balance at June 30,	<u>20,658,526</u>	<u>263,108</u>	<u>20,921,634</u>

\* These advances are interest free.

	<b>2019</b>		
	<b>PMIF loan</b>	<b>Jannam advances</b>	<b>Total</b>
	-----Rupees-----		
Advances- gross	91,938,720	5,495,904	97,434,624
Less: Provisions for doubtful advances against	(9,986,210)	(372,746)	(10,358,956)
Advances - net of provision	<u>81,952,510</u>	<u>5,123,158</u>	<u>87,075,668</u>
Movement of advance as follows:			
Balance at July 01,	107,055,724	5,572,154	112,627,878
Disbursement during the year	117,092,000	1,500,000	118,592,000
Recovery during the year	(132,209,004)	(1,576,250)	(133,785,254)
Balance at June 30,	<u>91,938,720</u>	<u>5,495,904</u>	<u>97,434,624</u>
Movement of provision as follows:			
Balance at July 01,	3,592,023	240,531	3,832,554
Charge during the year	6,394,187	132,215	6,526,402
Balance at June 30,	<u>9,986,210</u>	<u>372,746</u>	<u>10,358,956</u>

	Note	2020 Rupees	2019 Rupees
<b>12. INTEREST RECEIVABLE</b>			
Interest receivable from			
Loans		648,339	648,339
Bank deposits		28,875	-
		<u>677,214</u>	<u>648,339</u>
<b>13. DONATIONS RECEIVABLE</b>			
Balance at July 01		10,542,085	17,168,047
Receivable during the year		38,766,430	13,436,463
Received during the year		(5,354,576)	(20,062,425)
Balance at June 30	13.1	<u>43,953,939</u>	<u>10,542,085</u>
13.1 This represents amount spent by the Society on behalf of the donors and is yet to be received as at June 30, 2020.			
<b>14. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances to employees		2,656,998	2,718,532
Advances to suppliers		32,874,753	12,796,000
Advance to Micro Drip (Private) Limited (Subsidiary)		10,202,229	10,202,229
Prepayments		2,551,680	2,300,800
Receivable from sale of stock		1,189,460	1,222,585
Other receivable		30,412,850	12,923,404
		79,887,970	42,163,550
Provision against Advance to Micro Drip (Private) Limited		(10,202,229)	(10,202,229)
		<u>69,685,741</u>	<u>31,961,321</u>
<b>15. CASH AND BANK BALANCES</b>			
<b>Cash in hand</b>			
Local currency		272,246	199,902
<b>Balances with banks:</b>			
Current accounts		45,226,207	6,761,806
Foreign currency		140,219	140,218
Profit and loss accounts	15.1	111,759,185	33,217,128
Deposit accounts	15.2	1,249,642,463	495,727,493
		<u>1,407,040,320</u>	<u>536,046,547</u>

15.1 PLS accounts carry interest at the rate of 4% to 11% (2019: 4% to 11%) per annum.

15.2 Deposit accounts carry interest rate ranging between 4.3% to 12.1% (2019: 4.3% to 12.1%) per annum.



16. DEFERRED INCOME

Donors	Grant related to income					Grant related to assets					Amortization related to assets					Net deferred income
	Balance as at July 01,	Received during the year	Transferred to statement of income and expenditure and other comprehensive	Refund	Balance as at June 30,	Balance as at July 01,	Received during the year	Balance as at June 30,	Gross deferred income	Charged during the year	Balance as at July 01,	Charged during the year	Balance as at June 30,	Net deferred income		
															2020	
European Union (EU)	384,416,744	953,246,002	(607,468,100)	-	712,904,646	45,666,003	2,710,825	88,276,848	707,781,494	(8,028,510)	(23,789,327)	(8,028,510)	(33,817,837)	726,963,657		
WHH Islamabad	1,374,092	182,379,633	(140,997,503)	-	42,956,162	10,051,900	8,602,393	18,276,443	31,008,062	(1,250,443)	(1,250,443)	(1,250,443)	(2,644,249)	30,364,813		
Government of Sindh, Planning and Development Department (UCBPRP)	11,052,446	341,731,940	(128,663,400)	(410,716)	223,710,216	13,428,613	-	13,428,613	13,428,613	(13,428,613)	(13,428,613)	(13,428,613)	(13,428,613)	53		
Rural Support Programme Network (RSPN)	8,488,576	364,280,706	(128,251,857)	-	214,517,425	10,885,515	55,714,252	466,710	234,575,733	(9,863,190)	(466,710)	(9,863,190)	(10,329,900)	223,245,833		
Pakistan Poverty Alleviation Fund (PPAF)	148,393	2,053,396	(1,797,874)	-	403,915	55,714,252	55,714,252	-	270,233,418	(53,101,199)	(141,105)	(53,101,199)	(53,451,304)	214,780,414		
South Education Foundation	-	-	-	-	403,915	-	-	-	403,915	-	-	-	-	403,915		
OXFAM Netherlands Organization for International Development Co-operation (NOVIB)	-	22,347,646	(19,233,309)	-	2,614,337	4,377,325	4,377,325	-	2,614,337	(4,377,325)	(4,377,325)	(4,377,325)	(4,377,325)	48,019		
HELPAE	-	301,100	(301,100)	-	-	-	-	-	-	-	-	-	-	2,614,337		
Food Fertilization Programme	3,295,903	3,274,000	(3,274,000)	-	1,159,134	747,000	747,000	-	1,159,134	-	-	-	-	1,159,134		
UNFPA	-	7,056,421	(8,387,675)	(603,515)	-	8,431,855	8,431,855	-	747,000	(746,977)	(746,977)	(746,977)	(746,977)	16,895		
United Way World Wide	-	-	-	-	-	229,140	229,140	-	229,140	(217,898)	(217,898)	(217,898)	(217,898)	11,242		
Save the Children	-	-	-	-	-	169,340	169,340	-	169,340	(169,340)	(169,340)	(169,340)	(169,340)	8,426		
United Water Institute (OSI)	-	-	-	-	-	95,000	95,000	-	95,000	(95,000)	(95,000)	(95,000)	(95,000)	-		
United Water Institute (USI)	-	-	-	-	-	113,720	113,720	-	113,720	(113,720)	(113,720)	(113,720)	(113,720)	-		
United Nations Children's Fund (UNICEF)	-	-	-	-	-	1,098,382	1,098,382	-	1,098,382	(1,098,382)	(1,098,382)	(1,098,382)	(1,098,382)	-		
United Nations Development Programme (UNDP)	-	-	-	-	-	169,732	169,732	-	169,732	(169,732)	(169,732)	(169,732)	(169,732)	-		
Ministry of Women Development (MOWD)	-	-	-	-	-	2,799,216	2,799,216	-	2,799,216	(2,799,216)	(2,799,216)	(2,799,216)	(2,799,216)	-		
Health and Nutrition Development Society (HANDS)	-	-	-	-	-	185,000	185,000	-	185,000	(185,000)	(185,000)	(185,000)	(185,000)	-		
International Labour Organization (ILO)	-	-	-	-	-	183,700	183,700	-	183,700	(183,700)	(183,700)	(183,700)	(183,700)	-		
Small Grants & Ambassador Fund Program	1,306,596	9,351,654	(10,538,250)	-	3,031,137	183,700	183,700	-	183,700	(183,700)	(183,700)	(183,700)	(183,700)	3,031,137		
OXFAM GB	674,198	2,532,934	-	-	-	183,700	183,700	-	183,700	(183,700)	(183,700)	(183,700)	(183,700)	-		
Government of Sindh, Planning and Development Department	391,156,648	1,890,390,472	(1,079,633,188)	(1,016,321)	1,300,708,601	145,874,853	1,341,418	137,216,371	1,338,934,272	(124,266,930)	(10,095,683)	(134,362,609)	(134,362,609)	1,233,651,670		
Profit from banks deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2020																
2019																
European Union (EU)	974,077,097	3,029,782	(612,490,135)	-	344,616,744	45,560,962	105,961	45,666,923	410,882,767	(10,541,151)	(10,541,151)	(10,541,151)	(23,789,327)	384,402,440		
WHH Islamabad	2,844,802	6,496,825	(7,747,235)	-	1,579,092	1,421,307	1,421,307	-	2,995,399	(31,496)	(31,496)	(31,496)	(1,250,443)	1,744,956		
Government of Sindh, Planning and Development Department (UCBPRP)	4,992	-	(4,992)	-	-	13,428,613	13,428,613	-	13,428,613	(13,428,613)	(13,428,613)	(13,428,613)	(13,428,613)	53		
Rural Support Programme Network (RSPN)	161,784,371	81,232,601	(176,092,630)	(1,864,896)	11,052,446	10,885,515	32,260	10,885,525	21,937,971	(9,380,059)	(483,131)	(9,863,190)	(10,329,900)	12,074,781		
Pakistan Poverty Alleviation Fund (PPAF)	1,289,974	2,004,800	(1,241,624)	-	8,488,576	55,714,253	55,714,253	-	64,202,869	(54,628,188)	(682,011)	(55,310,199)	(55,310,199)	8,892,670		
South Education Foundation	1,690,000	1,194,298	(2,235,879)	-	148,393	-	-	-	148,393	-	-	-	-	148,393		
OXFAM Netherlands Organization for International Development Co-operation (NOVIB)	-	300,000	(1,890,000)	-	4,377,323	4,377,323	4,377,323	-	4,377,323	(4,377,323)	(4,377,323)	(4,377,323)	(4,377,323)	95,635		
HELPAE	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Food Fertilization Programme	-	4,114,815	(2,634,218)	(1,279,897)	3,295,903	747,000	747,000	-	3,295,903	-	-	-	-	3,295,903		
UNFPA	-	6,372,000	(1,051,007)	-	-	8,431,855	8,431,855	-	747,000	(746,977)	(746,977)	(746,977)	(746,977)	16,895		
United Way World Wide	-	-	-	-	-	229,140	229,140	-	229,140	(217,898)	(217,898)	(217,898)	(217,898)	11,242		
Save the Children	-	-	-	-	-	169,340	169,340	-	169,340	(169,340)	(169,340)	(169,340)	(169,340)	8,426		
United Water Institute (OSI)	-	-	-	-	-	95,000	95,000	-	95,000	(95,000)	(95,000)	(95,000)	(95,000)	-		
United Water Institute (USI)	-	-	-	-	-	113,720	113,720	-	113,720	(113,720)	(113,720)	(113,720)	(113,720)	-		
United Nations Children's Fund (UNICEF)	-	-	-	-	-	1,098,382	1,098,382	-	1,098,382	(1,098,382)	(1,098,382)	(1,098,382)	(1,098,382)	-		
United Nations Development Programme (UNDP)	-	-	-	-	-	169,732	169,732	-	169,732	(169,732)	(169,732)	(169,732)	(169,732)	-		
Ministry of Women Development (MOWD)	-	-	-	-	-	2,799,216	2,799,216	-	2,799,216	(2,799,216)	(2,799,216)	(2,799,216)	(2,799,216)	-		
Health and Nutrition Development Society (HANDS)	-	-	-	-	-	185,000	185,000	-	185,000	(185,000)	(185,000)	(185,000)	(185,000)	-		
International Labour Organization (ILO)	-	-	-	-	-	183,700	183,700	-	183,700	(183,700)	(183,700)	(183,700)	(183,700)	-		
Small Grants & Ambassador Fund Program	-	6,905,160	(5,598,544)	-	1,306,596	183,700	183,700	-	183,700	(183,700)	(183,700)	(183,700)	(183,700)	674,198		
OXFAM GB	-	674,198	-	-	-	183,700	183,700	-	183,700	(183,700)	(183,700)	(183,700)	(183,700)	-		
Government of Sindh, Planning and Development Department	1,081,671,236	132,668,546	(819,938,041)	(3,244,793)	391,156,948	145,874,853	157,321	145,874,853	577,031,801	(112,419,346)	(11,847,674)	(134,266,920)	(134,266,920)	412,764,881		
Profit from banks deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

	<b>2020</b>	<b>2019</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>17. STAFF GRATUITY</b>		
Balance as at July 01,	-	215,891
Reversal during the year	-	(215,891)
Balance as at June 30,	<u>-</u>	<u>-</u>
<b>18. LONG TERM LOANS - SECURED</b>		
Balance at July 01	112,605,622	134,000,000
Adjusted during the year	-	(21,394,378)
Balance as at June 30,	<u>112,605,622</u>	<u>112,605,622</u>
18.1 This represent interest free loans from Pakistan Poverty Alleviation Fund, which are repayable after June 2022. These are secured against microcredit sub loans financed from such amounts.		
<b>19. ACCRUED AND OTHER LIABILITIES</b>		
Accrued expenses	10,789,998	26,007,215
Other payable	1,737,490	169,169
	<u>12,527,488</u>	<u>26,176,384</u>
<b>20. CONTINGENCIES AND COMMITMENTS</b>		
There is no contingency and commitment as at June 30, 2020 (2019: Nil).		
<b>21. DONATIONS AND GRANTS</b>		
General donation	1,093,503,031	834,887,601
Disaster and preparedness management unit	22,378,256	730,000
	<u>1,115,881,287</u>	<u>835,617,601</u>

21.1 Following is the detail of donations realised:

Donations	2020			2019		
	Disaster and preparedness unit	General donation	Total	Disaster and preparedness unit	General donation	Total
<b>Donations realized in cash from:</b>						
- Pakistan Poverty Alleviation Fund (PPAF)	22,278,256	137,681,640	159,959,896	-	15,310,602	15,310,602
- European Unions (EU)	-	607,468,100	607,468,100	-	612,490,135	612,490,135
- Philanthropists	100,000	-	100,000	730,000	-	730,000
- WHH	-	149,716,584	149,716,584	-	7,747,535	7,747,535
- Rural Support Programme Network (RSPN)	-	154,086,383	154,086,383	-	176,031,442	176,031,442
-Green Light	-	-	-	-	239,475	239,475
-Concern World Wide	-	19,733,309	19,733,309	-	3,778,335	3,778,335
-HELP Age International	-	301,100	301,100	301,100	-	301,100
-UNFPA	-	8,587,675	8,587,675	-	3,968,967	3,968,967
-F F P	-	3,274,000	3,274,000	-	1,679,200	1,679,200
-Plan International	-	-	-	-	2,634,918	2,634,918
-Server 4 Sale	-	1,797,874	1,797,874	-	1,690,000	1,690,000
-Sindh education fund (SEF)	-	-	-	-	2,335,879	2,335,879
- Government of Sindh, Planning and	-	10,856,366	10,856,366	-	5,603,556	5,603,556
<b>Total donations realised in cash</b>	<b>22,378,256</b>	<b>1,093,503,031</b>	<b>1,115,881,287</b>	<b>1,031,100</b>	<b>833,510,044</b>	<b>834,541,144</b>
<b>Donations realized in kind from:</b>						
-Plan International	-	-	-	-	1,076,457	1,076,457
<b>Total donations realised in Kind</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,076,457</b>	<b>1,076,457</b>
<b>Total donations realised in cash &amp; kind</b>	<b>22,378,256</b>	<b>1,093,503,031</b>	<b>1,115,881,287</b>	<b>1,031,100</b>	<b>834,586,501</b>	<b>835,617,601</b>
<b>21.2 Breakup of donations realized in cash</b>						
Transferred from deferred income (refer note 17)	22,278,256	1,056,917,150	1,079,195,406	-	819,938,041	819,938,041
Transferred from donation receivables (refer note 13)	-	36,148,099	36,148,099	-	13,436,463	13,436,463
Income recognized from Bank profit	-	437,782	437,782	-	135,540	135,540
Income directly recognized	100,000	-	100,000	730,000	1,377,557	2,107,557
<b>Total</b>	<b>22,378,256</b>	<b>1,093,503,031</b>	<b>1,115,881,287</b>	<b>730,000</b>	<b>834,887,601</b>	<b>835,617,601</b>



	Note	2020 Rupees	2019 Rupees
<b>22. INCOME FROM OTHER ACTIVITIES</b>			
<b>Income on loans</b>			
Income from loan to Thardeep Microfinance Foundation		39,881,302	40,804,805
<b>Services income</b>			
Training and human resource development activities		63,770	17,410
Income from:			
- transportation		2,095,506	1,981,625
- guest houses		2,253,598	1,375,634
- natural resource management		13,000	166,960
		4,425,874	3,541,629
<b>Other income</b>			
Proceeds from sale of carpets		644,900	355,710
Amortisation of deferred income	16	10,095,682	11,847,674
Income on deposit accounts		16,218,672	8,567,425
Income from PLS accounts		140,820,435	52,080,925
Other Income		526,956	1,197,553
		168,306,645	74,049,287
		<u>212,613,821</u>	<u>118,395,721</u>
<b>23. PROGRAMME EXPENSES</b>			
<b>Programme specific</b>			
Community physical infrastructure expenses	23.1	26,316,553	82,675,886
Disaster and preparedness management unit expenses	23.2	133,071,468	11,146,512
Social mobilization programme expenses	23.3	846,452,317	678,013,477
Monitoring and evaluation expenses	23.4	20,510,585	20,311,646
Social services sector expenses	23.5	162,651,249	54,221,409
Total expenses		<u>1,189,002,172</u>	<u>846,368,930</u>
<b>23.1 Community physical infrastructure expenses</b>			
Salaries		16,965,934	15,629,733
Transportation		4,946,870	5,003,728
Depreciation	4.2	1,674,620	1,576,620
Hand pumps installed		171,095	1,380,900
Office rent		721,549	667,034
Utilities		480,634	416,227
Consumable		325,447	280,540
Stationery		159,266	270,050
Travel and accommodation		366,817	203,791
Communication		213,680	202,684
Per diem and allowances		110,891	159,142

	Note	2020 Rupees	2019 Rupees
Insurance		37,953	47,922
Publication		9,203	39,589
Repair and maintenance		86,614	35,506
Entertainment and miscellaneous expenses		45,980	8,604
Village Improvement Program		-	55,039,771
Rain water harvesting pond		-	653,000
Dug well project		-	600,000
Equipment maintenance		-	46,045
Drinking water supply scheme		-	415,000
		<u>26,316,553</u>	<u>82,675,886</u>
<b>23.2 Disaster and preparedness management unit expenses</b>			
Salaries		3,181,113	2,930,575
Transportation		2,473,435	2,501,864
Depreciation	4.2	1,674,620	1,576,622
Office rent		721,549	667,034
Utilities		480,634	416,227
Humanitarian aid for drought affected household		11,415	293,938
Consumable		325,443	280,540
Stationery		159,266	270,050
Travel and accommodation		366,817	203,791
Communication		213,680	202,684
Per diem and allowances		110,891	159,142
Insurance		37,953	47,922
Publication		9,203	39,589
Repair and maintenance		86,614	35,506
Entertainment and miscellaneous expenses		45,980	8,602
Relief & rehabilitation expense		-	24,581
Integrated multi-sector support to nutrition at risk communities		-	4,700
Multisector humanitarian assistance to drought affected malnourished communities		123,049,855	-
Building Resilience on DDR and Climate Change Adaption		123,000	-
Addressing food & nutrition crises in Tharparkar		-	1,437,100
Equipment maintenance		-	46,045
		<u>133,071,468</u>	<u>11,146,512</u>
<b>23.3 Social mobilization programme expenses</b>			
Community investment fund		225,210,122	308,691,300
Salaries		118,761,537	109,408,134
Sindh Union Council and Community Economic		229,106,326	65,191,142
Community training		124,903	57,129,249
Transportation		29,681,217	30,022,368

	Note	2020 Rupees	2019 Rupees
Livelihood enhancement protection		161,640,387	25,498,141
National Socio Economic Registry Update Survey		22,711,991	25,201,322
Office rent		9,380,132	8,671,446
Utilities		5,767,604	4,994,726
Local Support Organization		9,937,889	4,758,138
Depreciation	4.2	3,881,530	3,654,385
Consumable		3,905,359	3,366,476
Stationery		1,911,193	3,240,600
Travel and accommodation		4,401,800	2,445,495
Communication		2,564,163	2,432,213
Per diem and allowances		1,330,690	1,909,698
Insurance		455,441	575,060
Staff development		397,363	569,704
Publication		110,431	475,066
Repair and maintenance		1,125,982	461,578
Bad debt expense against advances - net		10,935,424	6,526,402
Community Re-engagement through CRPs/Pos		2,559,068	124,805
Entertainment and miscellaneous expenses		551,765	103,225
Cartage		-	38,900
Tax paid other than income tax		-	7,437,955
Stock Written Off		-	3,402,832
Multisector humanitarian assistance in Umerkot		-	604,442
Equipment maintenance		-	552,534
Adolescent and adult learning		-	526,141
		<u>846,452,317</u>	<u>678,013,477</u>
<b>23.4 Monitoring and evaluation expenses</b>			
Salaries		10,603,709	9,768,583
Transportation		2,473,435	2,501,864
Monthly review		1,653,745	2,234,441
Depreciation	4.2	1,674,620	1,576,622
Networking		66,041	710,985
Office rent		721,549	667,034
Directors meeting cost / Sub Committee		1,481,001	589,929
Utilities		480,634	416,227
Consumable		325,447	280,540
Stationery		159,266	270,050
Travel and accommodation		366,817	203,791
Communication		213,680	202,684
Per diem and allowances		110,891	159,142
Insurance		37,953	47,922
Publication		9,203	39,589
Repair and maintenance		86,614	35,506
Entertainment and miscellaneous expenses		45,980	8,602
Gender , advocacy & networking		-	552,090
Equipment maintenance		-	46,045
		<u>20,510,585</u>	<u>20,311,646</u>



	Note	2020 Rupees	2019 Rupees
<b>23.5 Social services sector expenses</b>			
Salaries		41,354,464	38,097,475
Health activities /MCH activities		1,607,721	5,644,866
Transportation		4,946,870	5,003,728
Depreciation	4.2	1,674,620	1,576,622
Education		265,034	1,521,586
Office rent		721,549	667,034
Utilities		480,634	416,227
Consumable		325,447	280,540
Stationery		159,266	270,050
Travel and accommodation		366,817	203,791
Communication		213,680	202,684
Per diem and allowances		110,891	159,142
Insurance		37,953	47,922
Publication		9,203	39,589
Repair and maintenance		86,614	35,506
Entertainment and miscellaneous expenses		45,980	8,602
Equipment maintenance		-	46,045
Service Delivery Program MCHIP		21,212,152	-
Natural resource management expense		7,252,358	-
Programme for Improved Nutrition in Sindh (PINS)		81,779,996	-
		<u>162,651,249</u>	<u>54,221,409</u>
<b>24. OPERATING EXPENSES</b>			
Administration expenses	24.1	41,493,512	40,020,634
Marketing expenses	24.2	3,450,789	3,028,692
Financial charges	24.3	4,100,739	3,613,110
		<u>49,045,040</u>	<u>46,662,436</u>
<b>24.1 Administration expenses</b>			
Salaries		19,086,676	17,583,450
Transportation		4,946,870	5,003,728
Depreciation	4.2	3,349,239	3,153,243
Amortization of intangibles	5	1,069,288	1,988,397
Guest house expense		1,685,564	1,829,326
Auditors' remuneration		1,750,456	1,726,835
Utilities		1,922,535	1,664,909
Office rent		1,443,097	1,334,069
Consumable		1,301,786	1,122,159
Stationery		637,064	1,080,200
Travel and accommodation		1,467,267	815,165
Communication		854,721	810,738
Per diem and allowances		443,563	636,566
Legal fee		989,612	593,309
Insurance		151,814	191,687

	2020 Rupees	2019 Rupees
Publication	36,810	158,355
Repair and maintenance	173,228	71,012
Entertainment and miscellaneous expenses	183,922	34,408
Equipment maintenance	-	184,178
Cartage	-	38,900
	<u>41,493,512</u>	<u>40,020,634</u>
<b>24.2 Marketing expenses</b>		
Salaries	2,120,742	1,953,717
Office rent	721,549	667,034
Cost of carpets	521,884	318,215
Repair and maintenance	86,614	35,506
Revival of Traditional Crafts in Tharparkar	-	-
Video documentary / Exhibition	-	54,220
	<u>3,450,789</u>	<u>3,028,692</u>
<b>24.3 Financial charges</b>		
Bank charges	<u>4,100,739</u>	<u>3,613,110</u>
<b>25. STATEMENT OF CONSOLIDATED EXPENDITURES</b>		
Community investment fund	225,210,122	308,691,300
Salaries	212,074,175	195,371,667
Sindh Union Council and Community Economic Strengthening Support	229,106,326	65,191,142
Community training	124,903	57,129,249
Transportation	49,468,697	50,037,280
Livelihood enhancement protection	161,640,387	25,498,141
National Socio Economic Registry Update Survey	22,711,991	25,201,322
Office rent	14,430,974	13,340,685
Depreciation	13,929,248	13,114,114
Utilities	9,612,675	8,324,543
Bank charges	4,100,739	3,613,110
Health activities /MCH activities	1,607,721	5,644,866
Consumable	6,508,929	5,610,795
Stationery	3,185,321	5,401,000
Local Support Organization	9,937,889	4,758,138
Travel and accommodation	7,336,335	4,075,824
Communication	4,273,604	4,053,687
Per diem and allowances	2,217,817	3,182,832
Monthly review	1,653,745	2,234,441
Amortization of intangibles	1,069,288	1,988,397
Guest house expense	1,685,564	1,829,326

	Note	2020 Rupees	2019 Rupees
Auditors' remuneration	25.1	1,750,456	1,726,835
Education		265,034	1,521,586
Hand pumps installed		171,095	1,380,900
Insurance		759,067	958,435
Publication		184,053	791,777
Networking		66,041	710,985
Repair and maintenance		1,732,280	710,120
Legal fee		989,612	593,309
Directors meeting cost / Sub Committee		1,481,001	589,929
Staff development		397,363	569,704
Cost of carpets		521,884	318,215
Humanitarian aid for drought affected household		11,415	293,938
Entertainment and miscellaneous expenses		919,607	172,043
Bad debt expense against advances.net		10,935,424	6,526,402
Community Re-engagement through CRPs/Pos		2,559,068	124,805
Cartage		-	77,800
Video documentary / Exhibition		-	54,220
Relief & rehabilitation expense		-	24,581
Integrated multi-sector support to nutrition at risk communities		-	4,700
Service Delivery Program MCHIP		21,212,152	-
Natural resource management expense		7,252,358	-
Village Improvement Program		-	55,039,771
Tax paid other than income tax		-	7,437,955
Stock Written Off		-	3,402,832
Equipment maintenance		-	920,892
Rain water harvesting pond		-	653,000
Multisector humanitarian assistance in Umerkot		-	604,442
Dug well project		-	600,000
Gender , advocacy & networking		-	552,090
Adolescent and adult learning		-	526,141
Drinking water supply scheme		-	415,000
Addressing Food & Nutrition Crises in Tharparkar		-	1,437,100
		<u>1,033,094,360</u>	<u>893,031,366</u>
25.1 Statutory audit		975,000	975,000
Audit fee of the project		550,725	550,725
Out of pocket expenses		224,731	201,110
		<u>1,750,456</u>	<u>1,726,835</u>
<b>26 TAXATION</b>			
Taxation	26.1	<u>11,975,825</u>	<u>12,220,124</u>
26.1	This represents the advance tax deducted on the bank profits and cash withdrawals during the year ended June 30, 2020. As the exemption certificate was expired, this is charged of in these financial statements.		



27. **NUMBER OF EMPLOYEES**

Number of employees as at June 30, 2020 were 397 (June 30, 2019 : 438).

28. **TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise of subsidiaries, associated undertakings, key management personnel, Directors and companies with common or a directors.

Aggregate transactions and balances with related parties and associated undertakings which are not disclosed in notes are as follows:

	<b>2020</b>	<b>2019</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>28.1 Rural Support Program Network (RSPN) (common directorship)</b>		
Expenses reported to RSPN	154,086,383	176,031,442
Donation through RSPN	341,731,940	81,225,601
<b>28.2 Key Management Personnel</b>		
Managerial remuneration (Rupees)	11,004,264	8,220,400
Number of person (Number)	1	1
<b>28.3 Thardeep Microfinance Foundation (TMF) (common directorship)</b>		
Long term and short term loan	415,000,000	415,000,000
Income from loan to Thardeep Microfinance Foundation	<u>39,881,302</u>	<u>40,804,805</u>

29. **FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

29.1 **Financial instruments by category**

**Financial assets as per statement of financial position**

Long term deposits	743,320	743,320
Long term loan	400,000,000	400,000,000
Short term loan	15,000,000	15,000,000
Advances - net of provisions	23,093,750	87,075,668
Accrued interest	677,214	648,339
Donations receivable	43,953,939	10,542,085
Advances and other receivables	34,259,308	16,864,521
Cash and bank balances	1,407,040,320	536,046,547
	<u>1,924,767,851</u>	<u>1,066,920,480</u>

	2020 Rupees	2019 Rupees
<b>Financial liabilities as per statement of financial position</b>		
Long term loan	112,605,622	112,605,622
Accrued and other liabilities	12,527,488	26,176,384
	<u>125,133,110</u>	<u>138,782,006</u>

## 29.2 Financial risk management

The objective of the Society's overall financial risk management is to minimize earnings volatility and provide maximum return from reinvestment in the operations of the Society. The Board of Directors of the Programme has overall responsibility for the establishment and oversight of the Programme's risk management framework and policies.

The Programme has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### 29.2.1 Liquidity risk

Liquidity risk is the risk that an organization is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Society has a strong financial support from Prime Minister Alleviation Fund and has balances with banks for maintaining sufficient liquidity and to meet anticipated funding requirements. Change in the government monetary policy and market expectations of interest rate are all important factors that can adversely affect Programme's key funding sources. Efficient and accurate planning plays a critical role in liquidity management. Management performs a critical review of expected cash inflows / outflows which allow Society to take timely decisions based on the future requirements.

### 29.2.2 Credit risk

Credit risk is the risk of financial loss to the Society if a customer or counterparty to a financial asset fails to meet its contractual obligations. The carrying amount of financial assets represents the maximum credit exposure. Credit risk of the Programme arises principally from deposits, advances, loans, donations receivable, other receivables and bank balance. The maximum exposure to credit risk at the reporting date is as follows:

Long term deposits	743,320	743,320
Long term loan	400,000,000	400,000,000
Short term loan	15,000,000	15,000,000
Advances - net of provisions	23,093,750	87,075,668
Interest receivable	677,214	648,339
Donations receivable	43,953,939	10,542,085
Advances and other receivables	34,259,308	16,864,521
Bank balances	1,406,768,074	535,846,645
	<u>1,924,495,605</u>	<u>1,066,720,578</u>

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The Programme has provided long term security deposits as per the contractual terms with counter parties as security and does not expect material loss against those deposits.

The Society monitors the loan disbursement and their recovery which allows it to evaluate borrower's credit worthiness and identify potential problem loans. Further as per credit policy the programme does not disburse a new loan to a borrower unless the previous loan is fully paid off. The Society has established a provisioning policy as disclosed in note 3.8 and the provision held is considered to be adequate to cover any anticipated loss that may arise due to the default of borrowers. The ageing of overdue loans as at June 30, 2020 is as follows:

Ageing Tenure	Overdue of Janum	Overdue of PMIFL	Total Overdue Advances
	----- Rupees -----		
From 1-3 months	-	2,173,741	2,173,741
From 4-6 months	87,968	820,638	908,606
From 7-12 months	104,516	2,825,821	2,930,337
More than 12 months	174,008	18,499,468	18,673,476
	366,492	<u>24,319,668</u>	<u>24,686,160</u>

Donations are receivable from various donor which include large foreign and local NGOs including various social development programmes of the Government of Pakistan. Based on past experience with these donors the management does not expect any material loss against donations receivable.

### 29.2.3 Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risk. The Society is not exposed to equity price risk and currency risk as it does not hold any equity instruments and foreign currencies. The exposure of the Society to interest rate risks and its management is explained below:

#### 29.2.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the statement of financial position date the interest rate profile of the Society's interest-bearing financial instruments were as follows:

	2020 Rupees	2019 Rupees
<b>Fixed rate instruments</b>		
Financial assets		
- Advances	4,858,681	5,123,158
- Bank balances	45,498,453	6,961,708
	<u>50,357,134</u>	<u>12,084,866</u>
<b>Variable rate instruments</b>		
Financial assets		
- Long term loan	400,000,000	400,000,000
- Short term loan	15,000,000	15,000,000
	<u>415,000,000</u>	<u>415,000,000</u>



**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the year end would have increased or decreased the programmes's deficit / surplus for the year by Rs. 4.15 million (2019: 4.30 million). This analysis assumes that all other variables remain constant.

**Fair value sensitivity analysis for fixed rate instruments**

The Society does not account for any fixed rate financial assets at fair value through statement of income and expenditure and other comprehensive income. Therefore, a change in interest rates at the reporting date would not affect income and expenditure account and the fund of the Society.

29.3 LIQUIDITY PROFILE OF THE FINANCIAL INSTRUMENTS

Note	Effective Interest rate	2020						Total
		Interest/mark-up bearing			Non-interest bearing			
		Maturity upto one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total	
18	-	-	-	-	-	-	112,605,622	112,605,622
19	-	-	-	-	12,527,488	-	12,527,488	12,527,488
					12,527,488	-	12,527,488	125,133,110
6	6 months KIBOR plus 3% per annum	-	-	-	-	743,320	743,320	743,320
8	6 months KIBOR plus 3% per annum	15,000,000	400,000,000	400,000,000	-	-	-	400,000,000
10	6 months KIBOR plus 3% per annum	15,000,000	-	15,000,000	-	-	-	15,000,000
11	8%	4,858,681	-	4,858,681	18,235,069	-	18,235,069	23,093,750
12	-	-	-	-	677,214	-	677,214	677,214
13	-	-	-	-	43,953,939	-	43,953,939	43,953,939
14	-	-	-	-	34,259,308	-	34,259,308	34,259,308
15	4% - 12.1%	45,498,453	-	45,498,453	1,361,541,867	-	1,361,541,867	1,407,040,320
		65,357,134	400,000,000	465,357,134	1,458,667,397	743,320	1,459,410,717	1,924,767,851

- The carrying values of all financial assets and liabilities reflected in the financial statements are approximate to their fair values.

Note	Effective Interest rate	2019						Total
		Interest/mark-up bearing			Non-interest bearing			
		Maturity upto one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total	
18	-	-	-	-	-	-	112,605,622	112,605,622
19	-	-	-	-	26,176,384	-	26,176,384	26,176,384
					26,176,384	-	26,176,384	138,782,006
6	6 months KIBOR plus 3% per annum	-	-	-	-	743,320	743,320	743,320
8	6 months KIBOR plus 3% per annum	15,000,000	400,000,000	400,000,000	-	-	-	400,000,000
10	6 months KIBOR plus 3% per annum	15,000,000	-	15,000,000	-	-	-	15,000,000
11	8%	5,123,158	-	5,123,158	81,952,510	-	81,952,510	87,075,668
12	-	-	-	-	648,339	-	648,339	648,339
13	-	-	-	-	10,542,085	-	10,542,085	10,542,085
15	4% - 5%	6,961,708	-	6,961,708	16,864,521	-	16,864,521	16,864,521
		27,084,866	400,000,000	427,084,866	639,092,294	743,320	639,835,614	1,066,920,480

**30. DATE OF AUTHORISATION**

These financial statements were authorised on 26 DEC 2020 by the board of directors of the Society.

**31 GENERAL**

Figures have been rounded off to the nearest Rupee.



**CHIEF EXECUTIVE OFFICER**



**TREASURER**