

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

Opinion

We have audited the financial statements of Thardeep Rural Development Programme (the Programme), which comprise the balance sheet as at June 30, 2018 and the income and expenditure account, statement of changes in fund and statement of cash flows 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 Programme as of June 30, 2018, and its financial performance, changes in fund and its cash flows for the year then ended in accordance with the approved accounting and reporting standards as applicable in Pakistan.

Basis for opinion

We conducted our audit in accordance with the 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 Programme 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.

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

The management is 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 management determine(s) 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 Programme'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 Programme or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Programme'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 Programme'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 Programme'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 Programme 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.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Hena Sadiq.

Deloitte Yousuf Adil

Chartered Accountants

Place: Karachi

Date: December 11, 2018

THARDEEP RURAL DEVELOPMENT PROGRAMME
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Non-current assets			
Property and equipment	4	59,009,655	67,933,453
Intangible assets	5	2,506,292	1,831,945
Long term deposits	6	583,000	1,578,000
Long term investment	7	-	-
Long term loan	8	400,000,000	411,000,000
Total non-current assets		462,098,947	482,343,398
Current assets			
Stock	9	5,837,113	6,699,688
Short term investments	10	-	-
Short term loan	11	30,000,000	30,000,000
Advances - net of provisions	12	108,795,324	104,157,729
Interest receivable	13	5,711,884	571,707
Donations receivable	14	17,168,047	17,939,988
Advances, prepayments and other receivables	15	21,921,244	9,511,363
Cash and bank balances	16	1,141,505,035	114,790,175
Total current assets		1,330,938,647	283,670,650
Total assets		1,793,037,594	766,014,048
FUNDS AND LIABILITIES			
Funds		537,299,659	539,446,126
Non-current liabilities			
Deferred income	17	1,114,969,522	85,253,273
Deferred liabilities	18	215,891	215,891
Long term loans - secured	19	134,000,000	134,000,000
Total non-current liabilities		1,249,185,413	219,469,164
Current liabilities			
Accrued and other liabilities	20	6,552,522	7,098,758
Total liabilities		1,255,737,935	226,567,922
Total funds and liabilities		1,793,037,594	766,014,048
Contingencies and commitments	21		

The annexed notes 1 to 32 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER


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**THARDEEP RURAL DEVELOPMENT PROGRAMME
STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
Income			
Donations and grants	22	425,146,627	329,819,217
Income from other activities	23	79,227,209	54,631,929
Total income		504,373,836	384,451,146
Programme expenses			
Programme expenses	24	(452,006,384)	(343,506,386)
Operating expenses	25	(43,513,916)	(70,058,871)
Deficit from discontinued operations	26	-	(99,970,005)
Total expenses		(495,520,300)	(513,535,262)
Surplus / (deficit) for the year before income tax expense		8,853,536	(129,084,116)
Income tax expense	3.14	-	-
Surplus / (deficit) transferred to statement of changes in funds		8,853,536	(129,084,116)

The annexed notes 1 to 32 form an integral part of these financial statements.

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**THARDEEP RURAL DEVELOPMENT PROGRAMME
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**


Particulars	General fund	PWEP * pool fund	Pool for micro credit risk	Pool for Prime Minister interest free loan	Endowment fund	Revolving pool for livestock	Loan Loss Reserve	Total funds
----- Rupees -----								
Balance as at July 01, 2016	354,253,172	11,000,000	32,076,775	2,680,000	290,000,000	5,000,000	80,191,938	775,201,885
Deficit for the year transferred from income and expenditure account	(129,084,116)	-	-	-	-	-	-	(129,084,116)
Transferred to micro credit risk pool	(9,407,060)	-	9,407,060	-	-	-	-	-
Transferred from micro credit risk pool- fund depreciated during	15,004,130	-	(15,004,130)	-	-	-	-	-
Transferred from micro credit risk pool- fund utilized during the year	-	-	(611,555)	-	-	-	-	(611,555)
Amount for endowment fund	(140,000,000)	-	-	-	140,000,000	-	-	-
Transferred from fund (refer note 1.2)	-	-	(25,868,150)	-	-	-	(80,191,938)	(106,060,088)
Balance as at June 30, 2017	90,766,126	11,000,000	-	2,680,000	430,000,000	5,000,000	-	539,446,126
Balance as at July 01, 2017	90,766,126	11,000,000	-	2,680,000	430,000,000	5,000,000	-	539,446,126
Surplus for the year transferred from income and expenditure account	8,853,536	-	-	-	-	-	-	8,853,536
Transferred from PWEP - Pool adjustment	-	(11,000,000)	-	-	-	-	-	(11,000,000)
Balance as at June 30, 2018	99,619,662	-	-	2,680,000	430,000,000	5,000,000	-	537,299,662

* Peoples Women Empowerment Programme

The annexed notes 1 to 32 form an integral part of these financial statements.

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**THARDEEP RURAL DEVELOPMENT PROGRAMME
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year before income tax expense		8,853,536	(129,084,116)
Adjustments for:			
Depreciation on property and equipment	4	13,931,569	11,278,552
Amortisation of intangibles	5	1,113,788	981,173
Gain on disposal of fixed assets		(190,406)	(1,811,000)
Amortisation of deferred income	17	(423,052,386)	(299,227,235)
Loss on spin-off transaction	26	-	150,351,137
Provision for gratuity	18.2	-	3,163,022
Provision against advances	12	1,918,775	4,532,974
Financial charges	25.3	12,240,437	35,441,462
Interest income	23	(60,381,627)	(28,603,969)
Deficit before working capital changes		(445,566,314)	(252,978,000)
Working Capital Changes			
(Increase)/ Decrease in current assets			
Stocks		862,575	2,666,435
Donations receivable		771,941	(17,122,613)
Advances, prepayments and other receivables		(12,409,881)	10,450,634
(Decrease) / Increase in current liabilities			
Accrued and other liabilities		(546,236)	43,045,534
Short term running finance - secured		-	58,222,222
		(11,321,601)	97,262,212
Cash used in operations		(456,887,915)	(155,715,788)
Fund transferred from micro credit risk pool		-	(611,555)
Long term deposits		995,000	(803,000)
Advances against loans - disbursed	12	(181,282,000)	(613,067,000)
Advances against loans - recovered	12	174,725,630	900,967,899
Grant received - net of refunds	19	1,452,768,635	121,505,639
Leaves encashment paid	18.1	-	(20,288,124)
Gratuity paid	18.2	-	(96,357,301)
Interest received during the year		55,241,449	46,513,927
Net cash generated from operating activities		1,045,560,799	182,144,697
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure - net		(5,963,911)	-
Additions to property and equipment		1,146,545	1,811,000
Proceeds from disposal of property and equipment		(1,788,135)	(1,760,312)
Additions of intangibles	5	-	(30,000,000)
Loan to TMF		-	(30,000,000)
Net cash (used in) / generated from investing activities		(6,605,501)	(29,949,312)

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	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans from PPAF	19	-	315,000,000
Loans repayment to PPAF long term loan	19	-	(288,458,332)
Financial charges paid		-	(11,000,000)
Net cash used in financing activities		(12,240,437)	(51,630,658)
Net (decrease) / increase in cash and cash equivalents		1,026,714,860	116,106,395
Cash and cash equivalents at beginning of the year		114,790,175	500,086,144
Cash and cash equivalents transferred to MFP as at October 05,2016		-	(501,402,364)
Cash and cash equivalents at end of the year	16	1,141,505,035	114,790,175

The annexed notes 1 to 32 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

TREASURER

**THARDEEP RURAL DEVELOPMENT PROGRAMME
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. STATUS AND NATURE

- 1.1 Thardeep Rural Development Programme (TRDP) (the Programme) 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 Programme is located near Dargah Hussain Shah Siran, Mithi.

The geographical area of the Programme is spread over the arid zone of seven districts of Sindh i.e. Tharparkar, Umerkot, Dadu, Mirpurkhas, Badin, Sanghar and Jamshoro. To operate its programme in the area, the Programme has 7 district offices each at Tharparkar, Umerkot, Dadu, Mirpurkhas, Jamshoro, Badin, and Sanghar, and head office at Mithi town. There are 18 field units and 150 credit branch offices in different villages and towns of seven districts to assist the regions. The Programme has established an office in Karachi to coordinate administrative matters of head office.

The Programme's main activities are broadly aimed to:

- a) involve people in the development process (Social Mobilization), develop human resource and to enhance local capacity;
- b) facilitate community in developing sustainable capital formation systems and thereby striving for poverty alleviation;
- c) strive for water security, promote and implement approaches to Natural Resource Management (NRM), health and education; and

- 1.2 General Body of the Programme, in its meeting held on January 03, 2016, decided and approved to spin off the microfinance operation of the Programme and form a separate company to carry out these operations. Accordingly, on October 06, 2017 the Programme has spun off and vested its microfinance operations in Thardeep Microfinance Foundation (TMF) which is limited company incorporated under the Companies Ordinance, 1984 (repealed). Consequently, all the assets and liabilities related to the microfinance operations have been transferred to TMF on that date as disclosed in note 29 to these financial statements.

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 via its Auditing Technical Release-17 which is effective for the accounting periods ending on or after June 30, 2018.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention using accrual basis of accounting except for measurement of investments at fair value through profit or loss and held to maturity investments at amortized cost as disclosed in note 3.10.

2.3 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 balance sheet 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.

2.4 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 depreciable assets
- Impairment on financial assets
- Provisions against doubtful loans.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are consistently applied/adopted for all periods presented in these financial statement.

3.1 Deferred income

Donations received for specific purpose are presented in the balance sheet as deferred income and recognized in income and expenditure account on a systematic basis over the period in which the Programme recognises as expense the related cost for which the donation is intended to compensate.

3.2 Post employment benefit

3.2.1 Gratuity

The Programme 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. On September 17, 2016, the Board has discontinued the gratuity scheme for all employees of the Programme.

3.2.2 Provident fund

The Programme 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 Programme 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 income and expenditure account.

3.3 Fixed assets

3.3.1 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 (refer note 4).

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

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the month preceding the month of disposal.

Maintenance and normal repairs are charged to income and expenditure account as and when incurred. Major repairs and improvements are capitalised.

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

3.3.2 Capital work in progress

Capital work in progress is stated at cost accumulated up to the balance sheet 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 starts operation.

3.3.3 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation 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 (refer note 5).

3.4 Stocks

These are valued at lower of the cost or net realizable value determined on first-in-first-out (FIFO) basis 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 (refer note 9).

3.5 Lending activity

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 outstanding principal amount (refer note 12) and accrued interest based on the contractual interest rate. When a loan becomes non-performing (refer note 3.6) all interest previously accrued on the loan is reversed for financial reporting purposes.

3.6 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:

Advances with overdue principal amount	% of outstanding amount
From 1 to 3 months	10
From 4 to 6 months	30
From 7 to 12 months	60
More than 12 months	100

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and current and deposit account balances with banks.

3.8 Investments

Investment in securities are recognised on a trade-date basis and are initially measured at cost including transaction cost except for financial assets at fair value through income and expenditure account.

(a) Held-to-maturity

These are fixed securities with fixed or determinable payments and fixed maturity where the Programme has the positive intent and ability to hold to maturity. These are measured at amortised cost less any impairment loss recognised to reflect recoverable amounts.

(b) Financial assets at fair value through income and expenditure (Held-for-trading)

These securities are either acquired for generating a profit from short term fluctuation in prices or are securities included in a portfolio in which a pattern of short term profit taking exists. These investments are measured at subsequent reporting dates at fair value and resulting gain and loss is included in the surplus/ (deficit) for the period, as the case may be.

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(c) Available-for-sale

These represent investment that do not fall under "financial assets at fair value through income or expenditure" or "held-to-maturity" categories. These investments are measured at subsequent reporting dates at fair value. Unrealized gains and losses are recognised directly in statement of changes in funds, until the security is disposed off or is determined to be impaired.

3.9 Impairment

The carrying amounts of the Programme's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in income and expenditure account.

3.10 Funds

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

3.10.1 General fund

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

3.10.2 Carried forward funds

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

Fund	Donor	Purpose
Peoples Women Empowerment Programme Pool	Sindh Rural Support Organization (SRSO)	Peoples Women Empowerment Programme for interest free micro credit for destitute women
Pool for micro credit risk	Reserve fund	These funds are set aside under pool for micro credit risk, to meet documentation expenses incurred during sanctioning of loan. This pool is also meant for compensation of outstanding loan amount in case of death of any borrower (refer note 1.2 and 29) . The Programme charges 2% of the loan amount as documentation fee
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
Prime Minister interest free loan fund	Reserve fund	Reserve fund created for amount set aside against bad debts expenses under loans and advances Prime Minister interest free loan programme
Endowment fund	Reserve fund	Funds allocated from the Programme'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 Programme.

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3.11 Revenue recognition

Donations received in cash and without any specific condition attached are recognized as income. Donations received for specific purpose are presented in balance sheet as deferred income and recognized in income and expenditure account on a systematic basis over the period in which the Programme 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.

3.12 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 balance sheet 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.

3.13 Borrowing cost

Borrowing costs primarily comprise interest on the Programme'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.

3.14 Taxation

TRDP is a not-for-profit organization and approved by the income tax authorities as not-for-profit organization under sub section 36 of section 2 of Income Tax Ordinance, 2001. NPOs are entitled of tax relaxation of Section 100C (100% credit of tax liability) subject to compliance of stipulated conditions.

3.15 General

Following acronyms have been used in these financial statements.

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

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4. PROPERTY AND EQUIPMENT

Particulars	2018						
	Owned						
	Free hold land	Building on free hold land	Furniture and fixtures	Office equipment	Computer	Vehicles	Total
----- Rupees -----							
As at July 1, 2017							
Cost	1,272,925	31,425,357	15,882,200	28,920,597	28,036,598	90,663,607	196,201,284
Accumulated depreciation	-	(7,132,723)	(9,441,142)	(22,992,096)	(18,935,379)	(69,766,491)	(128,267,831)
Net book amount	1,272,925	24,292,634	6,441,058	5,928,501	9,101,219	20,897,116	67,933,453
Year Ended June 30, 2018							
Opening net book amount	1,272,925	24,292,634	6,441,058	5,928,501	9,101,219	20,897,116	67,933,453
Additions	-	-	732,036	1,470,765	2,046,610	1,714,500	5,963,911
Disposals							
Cost	-	-	(1,859,124)	(4,902,538)	(5,779,632)	(2,801,031)	(15,342,325)
Accumulated depreciation	-	-	1,277,515	4,705,500	5,602,181	2,800,989	14,386,185
Disposals - net	-	-	(581,609)	(197,038)	(177,451)	(42)	(956,140)
Depreciation charge	-	(1,571,268)	(1,121,099)	(2,271,931)	(4,376,088)	(4,591,183)	(13,931,569)
Closing net book amount	1,272,925	22,721,366	5,470,386	4,930,297	6,594,290	18,020,391	59,009,655
As at June 30, 2018							
Cost	1,272,925	31,425,357	14,755,112	25,488,824	24,303,576	89,577,076	186,822,870
Accumulated depreciation	-	(8,703,991)	(9,284,726)	(20,558,527)	(17,709,286)	(71,556,685)	(127,813,215)
Net book amount	1,272,925	22,721,366	5,470,386	4,930,297	6,594,290	18,020,391	59,009,655
Rate of depreciation (%)	-	5	10	20	33.33	20	

Particulars	2017						
	Owned						
	Free hold land	Building on free hold land	Furniture and fixtures	Office equipment	Computer	Vehicles	Total
----- Rupees -----							
As at July 1, 2016							
Cost	2,375,825	30,449,112	21,000,775	33,774,416	31,011,034	104,704,375	223,315,537
Accumulated depreciation	-	(5,565,537)	(11,372,046)	(23,647,093)	(21,273,879)	(102,600,587)	(164,459,142)
Net book amount	2,375,825	24,883,575	9,628,729	10,127,323	9,737,155	2,103,788	58,856,395
Year ended June 2017							
Opening net book amount	2,375,825	24,883,575	9,628,729	10,127,323	9,737,155	2,103,788	58,856,395
Additions	-	976,245	1,889,686	2,407,700	7,011,968	21,670,000	33,955,599
Transferred to TMF during the year							
Cost	(1,102,900)	-	(7,008,261)	(7,261,519)	(9,986,404)	(30,346,380)	(55,705,464)
Accumulated depreciation	-	-	3,277,153	3,317,324	6,350,390	29,160,608	42,105,475
Transfer - net	(1,102,900)	-	(3,731,108)	(3,944,195)	(3,636,014)	(1,185,772)	(13,599,989)
Disposals							
Cost	-	-	-	-	-	(5,364,388)	(5,364,388)
Accumulated depreciation	-	-	-	-	-	5,364,388	5,364,388
Disposals - net	-	-	-	-	-	-	-
Depreciation charge	-	(1,567,186)	(1,346,249)	(2,662,327)	(4,011,890)	(1,690,900)	(11,278,552)
Closing net book amount	1,272,925	24,292,634	6,441,058	5,928,501	9,101,219	20,897,116	67,933,453
As at June 30, 2017							
Cost	1,272,925	31,425,357	15,882,200	28,920,597	28,036,598	90,663,607	196,201,284
Accumulated depreciation	-	(7,132,723)	(9,441,142)	(22,992,096)	(18,935,379)	(69,766,491)	(128,267,831)
Net book amount	1,272,925	24,292,634	6,441,058	5,928,501	9,101,219	20,897,116	67,933,453
Rate of depreciation (%)	-	5	10	20	33.33	20	

4.1 The above include fully depreciated assets costing Rs.102,347,118 (2017: Rs. 141,728,186).

R/A

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

	Note	2018 Rupees	2017 Rupees
Programme expenses			
Community physical infrastructure expenses	24.1	1,674,899	1,193,214
Disaster and preparedness management unit expenses	24.2	1,674,899	1,193,212
Social mobilization programme expenses	24.3	3,882,177	2,765,697
Monitoring and evaluation expenses	24.4	1,674,899	1,193,212
Social services sector expenses	24.5	1,674,899	1,193,212
Micro credit and enterprise development		-	1,353,580
		10,581,773	8,892,127
Operating expenses			
Administration expenses	25.1	3,349,797	2,386,425
		13,931,570	11,278,552

5. INTANGIBLE ASSETS

Net carrying value

Net book value at July 01		1,831,945	1,052,806
Additions at cost		1,788,135	1,760,312
Amortisation charge for the year	25.1	(1,113,788)	(981,173)
Net book amount at June 30		2,506,292	1,831,945

Gross carrying value

Cost		6,243,722	4,455,587
Accumulated amortization		(3,737,430)	(2,623,642)
Balance at June 30		2,506,292	1,831,945

Rate of amortisation (%)		33	33
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5.1 Intangibles comprise of Financial Information System (FIS) for accounting and financial reporting.

6. LONG TERM DEPOSITS

	Note	2018 Rupees	2017 Rupees
- Government of Sindh	6.1	530,000	1,525,000
- Vehicle to district court		50,000	50,000
- Other		3,000	3,000
		583,000	1,578,000

6.1 This includes security deposit paid to Government of Sindh against Nangarparkar Tourism Complex amounting to Rs. 500,000

BA

	Note	2018 Rupees	2017 Rupees
7. LONG TERM INVESTMENT			
Investment in subsidiary - at cost	7.1	23,800,000	23,800,000
Impairment on investment		(23,800,000)	(23,800,000)
		-	-
		-	-

7.1 This represent 2,380,000 (2017: 2,380,000) ordinary shares of Rs. 10 each constituting 59.59% (2017: 59.59%) holding in Micro Drip (Private) Limited. This investment was impaired as Micro Drip (Private) Limited is no longer operational.

8. This represents consideration against net assets of microfinance segment of the Programme which were transferred last year to a newly formed company named Thardeep Microfinance Foundation. The repayment of the loan will commence after 4 years. The interest rate is 6 months KIBOR plus 3% per annum.

	Note	2018 Rupees	2017 Rupees
9. STOCK			
Carpets and handicrafts		5,600,513	6,265,088
Vaccine		15,600	213,600
Solar lights	9.1	221,000	221,000
		5,837,113	6,699,688
		5,837,113	6,699,688

9.1 It contain solar lights received as donation in kind in following panel sizes.

	-----Quantity-----	
Small	16	16
large	33	33
Chargers	8	8

	2018 Rupees	2017 Rupees
10. SHORT TERM INVESTMENTS		
Held-to-Maturity		
<i>Term deposit receipt</i>		
Balance at July 01	-	200,000,000
Transferred to TMF during last year	-	(200,000,000)
Balance at June 30	-	-
	-	-

11. The loan was provided to TMF and was repayable on April 10, 2019. The interest rate on the loan is 6 months KIBOR plus 3% per annum.

7/1A

12. ADVANCES - Net of provision

2018						
Rupees						
	Micro credit pool	PPAF loan	LSO advances*	PMIF loan*	Jannam advances	Total
Advances - gross	-	-	-	107,055,724	5,572,154	112,627,878
Provisions for doubtful advances against	-	-	-	(3,592,023)	(240,531)	(3,832,554)
Advances - net of provision	-	-	-	103,463,701	5,331,623	108,795,324
Movement of advance:						
Balance at July 01	-	-	-	100,816,751	5,254,757	106,071,508
Disbursement during the year	-	-	-	177,982,000	3,300,000	181,282,000
Recovery during the year	-	-	-	(171,743,027)	(2,982,603)	(174,725,630)
Balance at June 30	-	-	-	107,055,724	5,572,154	112,627,878
Movement of provision:						
Balance at July 01	-	-	-	1,739,560	174,219	1,913,779
Provision during the year	-	-	-	1,852,463	66,312	1,918,775
Balance at June 30	-	-	-	3,592,023	240,531	3,832,554

* These advances are interest free.

12.1 These advances carry mark-up at the rate of 8% (2017: 8%) per annum except loan from PWEP, PMIFL, and LSO advances which is interest free.

2017						
Rupees						
	Micro credit pool	PPAF loan	LSO advances	PMIF loan	Jannam advances	Total
Advances- gross	-	-	-	100,816,751	5,254,757	106,071,508
Less: Provisions for doubtful advances against	-	-	-	(1,739,560)	(174,219)	(1,913,779)
Advances - net of provision	-	-	-	99,077,191	5,080,538	104,157,729
	535,609,660					
Movement of advance:						
Balance at July 01	408,524,972	1,186,188,785	9,125,004	77,611,761	4,771,716	1,686,222,238
Adjustment for markup	-	-	-	-	1,157,643	1,157,643
Disbursement during the year	69,446,000	400,907,000	-	140,614,000	2,100,000	613,067,000
	477,970,972	1,587,095,785	9,125,004	218,225,761	8,029,359	2,300,446,881
Recovery during the year	(167,556,940)	(611,627,347)	(1,600,000)	(117,409,010)	(2,774,602)	(900,967,899)
Transferred to TMF during the year	(310,414,032)	(975,468,438)	(7,525,004)	-	-	(1,293,407,474)
Balance at June 30	-	-	-	100,816,751	5,254,757	106,071,508
Movement of provision:						
Balance at July 01	1,147,567	7,429,966	-	-	-	8,577,533
Charge during the year	491,842	1,777,353	350,000	1,739,560	174,219	4,532,974
Loan written off	(1,639,409)	(9,207,319)	(350,000)	-	-	(11,196,728)
Balance at June 30	-	-	-	1,739,560	174,219	1,913,779

13.	INTEREST RECEIVABLE	Note	2018 Rupees	2017 Rupees
	Interest receivable from			
	-Advances		657,833	51,725,723
	-Loan		5,054,051	-
	-PLS/TDR accounts		-	5,271,232
	Transferred to TMF		-	(56,425,248)
			<u>5,711,884</u>	<u>571,707</u>
14.	DONATIONS RECEIVABLE			
	Balance at July 01		17,939,988	11,751,850
	Receivable during the year		12,268,905	35,599,598
	Received during the year		(13,040,846)	(18,476,985)
	Transferred to TMF		-	(10,934,475)
	Balance at June 30	14.1	<u>17,168,047</u>	<u>17,939,988</u>
14.1	This represents amount spent by the Programme on behalf of the donors and is yet to be received as at June 30, 2018.			
15.	ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	Note	2018 Rupees	2017 Rupees
	Advances to employees		2,069,549	2,330,053
	Advances to suppliers		14,251,146	3,986,862
	Advance to Micro Drip (Private) Limited (Subsidiary)		10,202,229	10,202,229
	Prepayments		2,182,845	5,857,859
	Receivable from sale of stock		1,222,585	1,222,581
	Receivable from board of directors		80,819	80,411
	Other receivable		2,114,300	3,250,650
			<u>32,123,473</u>	<u>26,930,645</u>
	Provision against receivable from Micro Drip		(10,202,229)	(10,202,229)
	Transferred to TMF	15.1	-	(7,217,053)
			<u>21,921,244</u>	<u>9,511,363</u>
15.1	This amount comprises the following:			
	Advances to employees		-	843,245
	Advances to suppliers		-	2,366,563
	Prepayments		-	4,007,245
			<u>-</u>	<u>7,217,053</u>
16.	CASH AND BANK BALANCES			
	Cash in hand			
	- Foreign currency		-	8,724
	- Local currency		278,902	363,531
	Balances with banks:			
	- Current accounts		2,323,929	253,956,646
	- Foreign currency		814,443,798	105,214
	- PLS accounts	16.1	19,928,979	55,414,925
	- Deposit accounts	16.2	304,529,427	306,343,499
	Transferred to TMF		-	(501,402,364)
			<u>1,141,505,035</u>	<u>114,790,175</u>

16.1 PLS accounts carry interest at the rate of 3.75% to 4.5% (2017: 4% to 6%) per annum.

16.2 Deposit accounts carry interest rate ranging between 4.5% to 5% (2017: 4.5% to 7%) per annum.

17. DEFERRED INCOME

Donors	2018														
	Grant related to income				Grant related to assets					Gross deferred income	Amortization related to assets				Net deferred income
	Balance as at July 01,	Received during the year	Transferred to income	Refund	Balance as at June 30,	Balance as at July 01,	Received during the year	Transferred	Balance as at June 30,		Balance as at July 01,	Charged during the year	Transferred	Balance as at June 30,	
	Rupees														
European Unions (EU)	15,288,246	1,309,644,372	(350,855,521)	-	974,077,097	40,666,750	4,894,212	-	45,560,962	1,019,638,059	4,929,052	10,319,124	-	15,248,176	1,004,389,883
WHH Islamabad	17,629,840	12,245,178	(27,050,216)	-	2,824,802	1,421,307	-	-	1,421,307	4,246,109	1,138,882	80,065	-	1,218,947	3,027,162
Government of Sindh, Planning and Development	7,011,944	-	(7,006,952)	-	4,992	13,428,615	-	-	13,428,615	13,433,607	13,428,562	-	-	13,428,562	5,045
Rural Support Programme Network (RSPN)	2,546,088	107,270,899	(8,032,615)	-	101,784,372	10,833,265	-	-	10,833,265	112,617,637	9,085,381	294,678	-	9,380,059	103,237,578
Pakistan Poverty Alleviation Fund (PPAF)	1,695,171	14,300,000	(15,995,172)	-	(1)	55,714,293	-	-	55,714,293	55,714,292	54,257,323	364,262	-	54,621,585	1,092,707
Sindh Education Foundation	1,440,000	2,723,974	(2,874,000)	-	1,289,974	-	-	-	-	1,289,974	-	-	-	-	1,289,974
OXFAM Netherlands Organization for International Development Co-operation (NOVIB)	-	-	-	-	-	4,377,325	-	-	4,377,325	4,377,325	4,186,458	47,616	-	4,234,074	143,251
Server 4 Sale	-	1,690,000	-	-	1,690,000	-	-	-	-	1,690,000	-	-	-	-	1,690,000
United World Wide (UWW)	-	-	-	-	-	747,000	-	-	747,000	747,000	638,847	61,800	-	700,647	46,353
Save the Children	-	-	-	-	-	8,431,855	-	-	8,431,855	8,431,855	8,369,951	24,843	-	8,394,794	37,061
Open Society Institute (OSI)	-	-	-	-	-	229,160	-	-	229,160	229,160	206,226	5,836	-	212,062	17,098
United Nations Development Fund for Women (UN-Women)	-	-	-	-	-	169,500	-	-	169,500	169,500	154,699	14,800	-	169,499	1
United Nations Children Emergency Fund (UNICEF)	-	-	-	-	-	95,000	-	-	95,000	95,000	95,000	-	-	95,000	-
United Nation Development Programme (UNDP)	-	-	-	-	-	113,720	-	-	113,720	113,720	113,720	-	-	113,720	-
Ministry of Women Development (MOWD)	-	-	-	-	-	1,098,382	-	-	1,098,382	1,098,382	1,092,971	8,113	-	1,101,084	(2,702)
Health and Nutrition Development Society (HANDS)	-	-	-	-	-	169,732	-	-	169,732	169,732	165,278	6,673	-	171,951	(2,219)
International Labour Organization (ILO)	-	-	-	-	-	2,799,216	-	-	2,799,216	2,799,216	2,799,209	-	-	2,799,209	7
Small Grants & Ambassador Fund Program	-	-	-	-	-	159,500	-	-	159,500	159,500	151,082	10,100	-	161,182	(1,682)
OXFAM GB	-	-	-	-	-	185,000	-	-	185,000	185,000	185,000	-	-	185,000	-
Government of Sindh, Planning and Development Department (LLH)	-	-	-	-	-	183,700	-	-	183,700	183,700	183,695	-	-	183,695	5
	45,611,289	1,447,874,423	(411,814,476)	-	1,081,671,236	140,823,320	4,894,212	-	145,717,532	1,227,388,768	101,181,336	11,237,910	-	112,419,246	1,114,969,522

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Donors	2017														
	Grant related to income				Grant related to assets				Gross deferred income	Amortization related to assets				Net deferred income	
	Balance as at July 01,	Received during the year	Transferred to income	Refund	Balance as at June 30,	Balance as at July 01,	Received during the year	Transferred		Balance as at June 30,	Balance as at July 01,	Charged during the year	Transferred		Balance as at June 30,
	Rupees														
European Unions (EU)	200,427,374	-	(146,842,752)	(38,296,376)	15,288,246	6,650,992	34,015,758	-	40,666,750	55,954,996	268,008	4,661,044	-	4,929,052	51,025,944
WHH Islamabad	1,241,089	77,508,444	(60,950,925)	(168,768)	17,629,840	1,421,307	-	-	1,421,307	19,051,147	899,300	239,582	-	1,138,882	17,912,265
Government of Sindh, Planning and Development Department (UCBPRP)	7,011,944	-	-	-	7,011,944	13,428,615	-	-	13,428,615	20,440,559	13,249,084	179,478	-	13,428,562	7,011,997
Rural Support Programme Network (RSPN)	5,013,047	73,707,461	(76,114,520)	(59,900)	2,546,088	10,773,365	59,900	-	10,833,265	13,379,353	8,760,688	324,693	-	9,085,381	4,293,972
Pakistan Poverty Alleviation Fund (PPAF)	2,767,165	6,400,000	(6,677,807)	(794,187)	1,695,171	79,818,538	-	(24,104,245)	55,714,293	57,409,464	73,258,508	1,129,165	#####	54,257,323	3,152,141
Sindh Education Foundation	-	1,440,000	-	-	1,440,000	-	-	-	-	1,440,000	-	-	-	-	1,440,000
OXFAM Netherlands Organization for International Development Co-operation (NOVIB)	-	-	-	-	-	4,377,325	-	-	4,377,325	4,377,325	4,109,394	77,064	-	4,186,458	190,867
United World Wide (UWW)	-	-	-	-	-	747,000	-	-	747,000	747,000	467,548	171,299	-	638,847	108,153
Save the Children	-	-	-	-	-	8,431,855	-	-	8,431,855	8,431,855	8,330,862	39,089	-	8,369,951	61,904
Open Society Institute (OSI)	-	-	-	-	-	229,160	-	-	229,160	229,160	199,060	7,166	-	206,226	22,934
United Nations Development Fund for Women (UN-Women)	-	-	-	-	-	169,500	-	-	169,500	169,500	135,899	18,800	-	154,699	14,801
United Nations Children Emergency Fund (UNICEF)	-	1,784,000	(1,768,965)	(15,035)	-	95,000	-	-	95,000	95,000	95,000	-	-	95,000	-
United Nation Development Programme (UNDP)	-	-	-	-	-	113,720	-	-	113,720	113,720	113,720	-	-	113,720	-
Ministry of Women Development (MOWD)	-	-	-	-	-	1,098,382	-	-	1,098,382	1,098,382	1,084,858	8,113	-	1,092,971	5,411
Health and Nutrition Development Society (HANDS)	-	-	-	-	-	169,732	-	-	169,732	169,732	158,605	6,673	-	165,278	4,454
International Labour Organization (ILO)	-	-	-	-	-	2,799,216	-	-	2,799,216	2,799,216	2,799,209	-	-	2,799,209	7
Small Grants & Ambassador Fund Program	-	-	-	-	-	159,500	-	-	159,500	159,500	140,982	10,100	-	151,082	8,418
OXFAM GB	-	-	-	-	-	185,000	-	-	185,000	185,000	185,000	-	-	185,000	-
Government of Sindh, Planning and Development Department (LLH)	-	-	-	-	-	183,700	-	-	183,700	183,700	183,695	-	-	183,695	5
	216,460,619	160,839,905	(292,354,969)	(39,334,266)	45,611,289	130,851,907	34,075,658	(24,104,245)	140,823,320	186,434,609	114,439,420	6,872,266	#####	101,181,336	85,253,273

	Note	2018 Rupees	2017 Rupees
18. DEFERRED LIABILITIES			
Provision for compensated absences	18.1	-	-
Provision for staff gratuity	18.2	215,891	215,891
		<u>215,891</u>	<u>215,891</u>
18.1 Provision for compensated absences			
Balance at July 01		-	20,288,124
Paid during the year		-	(20,288,124)
Balance at June 30		-	-
		<u>-</u>	<u>-</u>
18.2 Provision for staff gratuity			
Balance at July 01		215,891	96,573,192
Provision for the year	28	-	3,163,022
Paid during the year		-	(96,357,301)
Transferred to TMF		-	(3,163,022)
Balance at June 30		215,891	215,891
		<u>215,891</u>	<u>215,891</u>

18.3 In FY 2017, the management had paid the accumulated provision for gratuity and compensated absences to staff as per approval of board in its 70th meeting dated September 17, 2016 for discontinuation of gratuity scheme. The remaining amount of gratuity is still unclaimed by the staff.

	Note	2018 Rupees	2017 Rupees
19. LONG TERM LOANS - SECURED			
Balance at July 01			
Received during the year from PPAF		134,000,000	1,199,375,000
		-	315,000,000
Repaid during the year		134,000,000	1,514,375,000
Transferred to TMF		-	(288,458,332)
Balance at year end		134,000,000	(1,091,916,668)
		<u>134,000,000</u>	<u>134,000,000</u>
Non-current portion	19.1	134,000,000	134,000,000
		<u>134,000,000</u>	<u>134,000,000</u>

19.1 This represent interest free loans from PPAF, which are repayable after June 2020. These are secured against microcredit sub loans financed from such amounts.

R/A

	Note	2018 Rupees	2017 Rupees
20. ACCRUED AND OTHER LIABILITIES			
Accrued mark-up on PPAF loan		-	448,767
Accrued mark-up on HBL loan		-	3,217,863
Accrued expenses		5,851,329	9,616,918
Insurance payable		-	5,462,317
Other payable		2,391,192	11,631,468
Transferred to TMF	20.1	-	(23,278,575)
		<u>8,242,521</u>	<u>7,098,758</u>

20.1 This amount consist of the following

Accrued mark-up on PPAF loan	-	448,767
Accrued mark-up on HBL loan	-	3,217,863
Accrued expenses	-	4,286,983
Insurance payable	-	5,462,317
Other payable	-	9,862,645
	-	<u>23,278,575</u>

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

There is no contingency at the year ended June 30, 2018 (2017: Nil)

21.2 Commitments

There is no commitment at the year ended June 30, 2018 (2017: Nil)

22. DONATIONS AND GRANTS

	2018 Rupees	2017 Rupees
- General donation	395,343,166	267,003,642
- Disaster and preparedness management unit	28,113,462	62,815,575
	<u>423,456,628</u>	<u>329,819,217</u>

P/A

22.1 Following is the detail of donations realised:

<i>Donations</i>	2018			2017		
	Disaster and preparedness unit	General donation	Total	Disaster and preparedness unit	General donation	Total
<i>Donations realized in cash from:</i>						
- Pakistan Poverty Alleviation Fund (PPAF)	-	17,233,095	17,233,095	-	20,228,338	20,228,338
- European Unions (EU)	-	350,855,521	350,855,521	-	148,376,463	148,376,463
- Philanthropists	1,063,246	-	1,063,246	1,864,650	-	1,864,650
- WHH	27,050,216	-	27,050,216	60,950,925	-	60,950,925
- Rural Support Programme Network (RSPN)	-	19,063,597	19,063,597	-	96,629,877	96,629,877
- United Nations International Children's Emergency Fund (UNICEF)	-	-	-	-	1,768,964	1,768,964
-Sindh education fund (SEF)	-	2,874,000	2,874,000	-	-	-
- Government of Sindh, Planning and Development Department (UCBPRP)	-	7,006,952	7,006,952	-	-	-
Total donations realised in cash	28,113,462	397,033,165	425,146,627	62,815,575	267,003,642	329,819,217

22.2 Breakup of donations realized in cash

Transferred from deferred income (refer note 17)	27,050,216	384,764,260	411,814,476	60,950,925	231,404,044	292,354,969
Transferred from donation receivables (refer note 14)	-	12,268,905	12,268,905	-	35,599,598	35,599,598
Income directly recognized	1,063,246	-	1,063,246	1,864,650	-	1,864,650
	28,113,462	397,033,165	425,146,627	62,815,575	267,003,642	329,819,217

2/1A

23. INCOME FROM OTHER ACTIVITIES	Note	2018 Rupees	2017 Rupees
Income on loans			
Interest income of Jannum advances		-	1,157,643
Income from loan to TMF		40,842,491	27,446,326
		40,842,491	28,603,969
Services income			
Training and human resource development activities		32,290	45,200
Income from:			
- transportation		473,847	909,640
- guest houses		4,521,965	2,796,502
- natural resource management		21,005	35,535
		5,049,107	3,786,877
Other income			
Sale of carpets	23.1	1,228,900	1,876,785
Amortisation of deferred income	17.	11,237,910	6,872,266
Income on deposit accounts		17,564,649	9,486,938
Income from PLS accounts		1,974,487	906,366
Other Income		1,139,259	1,287,728
Gain on disposal of assets		190,406	1,811,000
		33,335,611	22,241,083
		79,227,209	54,631,929

23.1 This represents income from sale of carpets.

24. PROGRAMME EXPENSES

Programme specific

Community physical infrastructure expenses	24.1	36,807,403	20,018,002
Disaster and preparedness management unit expenses	24.2	36,650,904	85,320,011
Social mobilization programme expenses	24.3	325,717,054	175,414,436
Monitoring and evaluation expenses	24.4	16,846,245	16,102,893
Social services sector expenses	24.5	35,984,778	46,651,044
Total expenses		452,006,384	343,506,386

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	Note	2018 Rupees	2017 Rupees
24.1			
Community physical infrastructure expenses			
Salaries		11,452,080	12,083,352
Per diem and allowances		73,212	53,758
Transportation		2,464,042	3,043,629
Depreciation	4.2	1,674,899	1,193,214
Solar lights for homes		-	736,000
Hand pumps installed		-	703,020
Office rent		616,137	634,602
Solar pumps		13,000	599,100
Utilities		331,575	368,597
Consumable		155,874	147,609
Communication		144,539	134,266
Stationery		163,583	116,596
Entertainment and miscellaneous expenses		33,418	77,260
Travel and accommodation		107,144	72,215
Insurance		40,253	28,142
Equipment maintenance		32,996	17,649
Repair and maintenance		22,780	8,993
Village Improvement Program		19,481,871	-
		36,807,403	20,018,002

	Note	2018 Rupees	2017 Rupees
24.2			
Disaster and preparedness management unit expenses			
Integrated multi-sector support to nutrition at risk communities		20,330,368	52,491,468
Community Based Disaster Risk Management (CBDRM)		67,720	15,884,535
Emergency/Support to draught hit areas of Tharparkar		4,421,581	10,112,031
Salaries		2,147,265	2,265,629
Transportation		1,232,021	1,521,814
Depreciation	4.2	1,674,899	1,193,212
Office rent		616,137	634,602
Utilities		331,575	368,597
Consumable		155,874	147,609
Communication		144,539	134,266
Stationery		163,583	116,596
Relief & rehabilitation expense		4,988,669	96,640
Addressing Food & Nutrition Crises in Tharparkar		30,670	94,995
Entertainment and miscellaneous expenses		33,418	77,260
Travel and accommodation		107,144	72,215
Per diem and allowances		73,212	53,758
Insurance		40,253	28,142
Equipment maintenance		32,996	17,649
Repair and maintenance		22,780	8,993
Humanitarian aid for drought affected household		36,200	-
		36,650,904	85,320,011

B/A

	Note	2018 Rupees	2017 Rupees
24.3 Social mobilization programme expenses			
Salaries		80,164,557	84,583,464
Sindh Union Council and Community Economic Strengthening Support		73,731,921	47,213,396
Transportation		14,784,249	18,261,773
Office rent		8,009,782	8,249,828
Utilities		3,978,902	4,423,166
Depreciation	4.2	3,882,177	2,765,697
Consumable		1,870,486	1,771,306
Communication		1,734,464	1,611,194
Stationery		1,963,000	1,399,151
Community training		21,629,177	1,057,944
Livelihood enhancement protection		-	936,320
Entertainment and miscellaneous expenses		401,018	927,123
Travel and accommodation		1,285,730	866,581
Per diem and allowances		878,548	645,101
Insurance		483,038	337,699
Equipment maintenance		395,953	211,784
Repair and maintenance		296,137	116,903
Adolescent and adult learning		932,659	-
Cartage		12,985	5,006
Bad debt expense against advances - net		1,918,775	-
Staff development		450,496	31,000
Community investment fund		106,913,000	-
		<u>325,717,054</u>	<u>175,414,436</u>
24.4 Monitoring and evaluation expenses			
Salaries		7,157,550	7,552,095
Monthly review		2,197,419	2,078,283
Transportation		1,232,021	1,521,814
Depreciation	4.2	1,674,899	1,193,212
Directors meeting cost / sub committee		676,177	982,903
Office rent		616,137	634,602
Networking		830,622	545,755
Documentation of the programme		941,889	485,580
Utilities		331,575	368,597
Consumable		155,874	147,609
Communication		144,539	134,266
Stationery		163,583	116,596
Gender , advocacy & networking		414,157	83,564
Entertainment and miscellaneous expenses		33,418	77,260
Travel and accommodation		107,144	72,215
Per diem and allowances		73,212	53,758
Insurance		40,253	28,142
Equipment maintenance		32,996	17,649
Repair and maintenance		22,780	8,993
		<u>16,846,245</u>	<u>16,102,893</u>

D/A

	Note	2018 Rupees	2017 Rupees
24.5 Social services sector expenses			
Salaries		27,914,444	29,453,171
Service Delivery Program MCHIP		581,995	8,300,927
Transportation		2,464,042	3,043,629
Health activities /MCH activities		374,705	2,675,406
Depreciation	4.2	1,674,899	1,193,212
Office rent		616,137	634,602
Utilities		331,575	368,597
Natural resource management expense		1,243,779	325,012
Consumable		155,874	147,609
Communication		144,539	134,266
Stationery		163,583	116,596
Entertainment and miscellaneous expenses		33,418	77,260
Travel and accommodation		107,144	72,215
Per diem and allowances		73,212	53,758
Insurance		40,253	28,142
Equipment maintenance		32,996	17,649
Repair and maintenance		22,780	8,993
Education		9,403	-
		<u>35,984,778</u>	<u>46,651,044</u>
25. OPERATING EXPENSES			
Administration expenses	25.1	28,455,418	30,865,118
Marketing expenses	25.2	2,818,061	3,752,291
Financial charges	25.3	12,240,437	35,441,462
		<u>43,513,916</u>	<u>70,058,871</u>
25.1 Administration expenses			
Salaries		12,883,590	13,593,771
Transportation		2,464,042	3,043,629
Depreciation	4.2	3,349,797	2,386,425
Auditors' remuneration	28.1	824,431	1,998,850
Bad debt expense against advances - net		-	1,913,779
Utilities		1,326,301	1,474,389
Office rent		1,232,274	1,269,204
Guest house expense		2,140,101	1,216,840
Amortization of intangibles	5	1,113,788	981,173
Consumable		623,495	590,435
Communication		578,155	537,065
Stationery		654,333	466,384
Legal fee		58,470	374,087
Entertainment and miscellaneous expenses		133,673	309,041
Travel and accommodation		428,577	288,860
Per diem and allowances		292,849	215,034
Insurance		161,013	112,566
Equipment maintenance		131,984	70,595
Repair and maintenance		45,560	17,985
Cartage		12,985	5,006
		<u>28,455,418</u>	<u>30,865,118</u>

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	2018 Rupees	2017 Rupees
25.2 Marketing expenses		
Cost of carpets	664,575	1,553,137
Salaries	1,431,510	1,510,419
Office rent	616,137	634,602
Video documentary / Exhibition	11,179	45,140
Repair and maintenance	22,780	8,993
Revival of traditional crafts in Tharparkar	71,880	-
	<u>2,818,061</u>	<u>3,752,291</u>
25.3 Financial charges		
Interest on loan from PPAF and other	-	24,052,901
Bank charges	12,240,437	11,388,561
	<u>12,240,437</u>	<u>35,441,462</u>

26 DISCONTINUED OPERATIONS

On October 05, 2016, the Programme spun off its microfinance operations to Thardeep Microfinance Foundation (TMF) which is limited company incorporated under the Companies Ordinance, 1984 (repealed). All the assets and liabilities of the microfinance operations have been transferred to TMF on October 06, 2016 at book value amounting to Rs. 550.35 million for a deferred consideration of Rs. 400 million, hence incurred a loss of Rs.150.351 million on disposal of these operations.

Details of the assets and liabilities disposed of, and the calculation of the loss on disposal are disclosed in note 28 and 29 of the financial statement for the year ended June 30, 2017.

27 CONSIDERATION RECEIVED- DEFFERRED

This consideration of Rs 400 million is treated as a subordinated loan to TMF and has a maturity of at least five years and cannot be claimed for repayment before expiry date of grant of the loan. The loan is subject to markup at the rate of 6 months KIBOR + 3% maximum with a cap of 10% per annum whereas markup will be paid on monthly basis.

FIA

28.	STATEMENT OF CONSOLIDATED EXPENDITURES	Note	2018 Rupees	2017 Rupees
	Salaries		143,150,995	198,892,629
	Integrated multi-sector support to nutrition at risk communities		20,330,368	52,491,468
	Sindh Union Council and Community Economic Strengthening Support		73,731,921	47,213,396
	Transportation		24,640,415	32,356,331
	Interest on loan from PPAF and other		-	24,052,901
	Community Based Disaster Risk Management (CBDRM)		67,720	15,884,535
	Office rent		12,322,742	15,693,038
	Bank charges		12,240,437	11,388,558
	Depreciation		13,931,569	11,278,552
	Emergency/Support to draught hit areas of Tharparkar		4,421,581	10,112,031
	Service Delivery Program MCHIP		581,995	8,300,927
	Utilities		6,631,504	8,062,632
	Consumable		3,117,477	4,637,642
	Communication		2,890,773	4,101,758
	Provision for gratuity	18.2	-	3,163,022
	Stationery		3,271,666	2,781,963
	Health activities /MCH activities		374,705	2,675,406
	Auditors' remuneration	28.1	824,431	2,405,530
	Monthly review		2,197,419	2,078,283
	Provision against PPAF advance	12	-	1,777,353
	Travel and accommodation		2,142,883	1,675,013
	Cost of carpets		664,575	1,553,137
	Entertainment and miscellaneous expenses		668,364	1,545,205
	Insurance		805,063	1,543,866
	Staff development		450,496	1,459,707
	Community training		21,629,177	1,312,470
	Per diem and allowances		1,464,247	1,311,060
	Guest house expense		2,140,101	1,216,840
	Directors meeting cost / Sub Committee		676,177	987,373
	Amortization of intangibles		1,113,788	981,173
	Livelihood enhancement protection		-	936,320
	Provision against TRDP advance		-	841,842
	Solar lights for homes		-	736,000
	Hand pumps installed		-	703,020
	Solar pumps		13,000	599,100
	Networking		830,622	545,755
	Equipment maintenance		659,921	517,017
	Documentation of the programme		941,889	485,580
	Legal fee		58,470	416,187
	Repair and maintenance		455,595	416,094
	Natural resource management expense		1,243,779	325,012
	CIB Credit Information Bureau		-	105,539
	Relief & rehabilitation expense		4,988,669	96,640
	Addressing Food & Nutrition Crises in Tharparkar		30,670	94,995
	Gender , advocacy & networking		414,157	83,564
	Video documentary / Exhibition		11,179	45,140
	Publication		-	41,987
	Cartage		25,970	10,011
	Humanitarian aid for drought affected household		36,200	-
	Village Improvement Program		19,481,871	-
	Community investment fund		106,913,000	-
	Bad debt expense against advances - net		1,918,775	-
	Education		9,403	-
	Adolescent and adult learning		932,659	-
	Revival of Traditional Crafts in Tharparkar		71,882	-
			495,520,300	479,933,602

DP

	2018 Rupees	2017 Rupees
28.1		
Statutory audit	624,000	460,606
Audit of Micro Credit and Enterprise Development Unit	-	406,680
Audit fee of the project	-	1,338,244
Out of pocket expenses	200,431	100,000
Entertainment expenses	-	100,000
	<u>824,431</u>	<u>2,405,530</u>

29. NUMBER OF EMPLOYEES

Number of employees as at June 30, 2018 were 380 (June 30, 2017 : 357).

30. 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:

	2018 Rupees	2017 Rupees
30.1		
Rural Support Program Network (RSPN) (common directorship)		
Expenses reported to RSPN	19,063,597	96,629,877
Donation through RSPN	107,270,899	73,707,461
30.2		
Key Management Personnel		
Managerial remuneration	4,750,200	4,688,405
Number of person	1	1
30.3		
Other related party transactions:		
Other receivable from Board of Directors	80,819	80,411

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

31.1 Financial instruments by category

Financial assets as per balance sheet

	2018 Rupees	2017 Rupees
Long term deposits	583,000	1,578,000
Long term loan	400,000,000	411,000,000
Short term loan	30,000,000	30,000,000
Advances - net of provisions	108,795,324	125,931,981
Accrued interest	5,711,884	571,707
Donations receivable	17,168,047	24,128,126
Advances and other receivables	5,487,253	6,040,450
Cash and bank balances	1,141,505,035	114,790,175
	<u>1,709,250,543</u>	<u>714,040,439</u>

Financial liabilities as per balance sheet

Long term loan	134,000,000	134,000,000
Accrued and other liabilities	8,242,521	7,098,758
	<u>142,242,521</u>	<u>141,098,758</u>

F/A

31.2 Financial risk management

The objective of the Programme's overall financial risk management is to minimize earnings volatility and provide maximum return from reinvestment in the operations of the Programme. 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

31.2.1 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 Programme has a strong financial support from PPAF 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 Programme to take timely decisions based on the future requirements.

31.2.2 Credit risk

Credit risk is the risk of financial loss to the Programme 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:

	2018 Rupees	2017 Rupees
Long term deposits	583,000	1,578,000
Long term loan	400,000,000	411,000,000
Short term loan	30,000,000	30,000,000
Advances - net of provisions	108,795,324	104,157,729
Accrued interest	5,711,884	571,707
Donations receivable	17,168,047	17,939,988
Advances and other receivables	5,487,253	7,660,749
Cash and bank balances	1,141,505,035	114,790,175
	<u>1,709,250,543</u>	<u>687,698,348</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 Programme 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 programme's 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, 2018 is as follows:

P/A

Ageing Tenure	Overdue of Janum	Overdue of PMIFL	Total Overdue Advances
From 1-3 months	314,391	852,515	1,166,906
From 4-6 months	269,110	698,653	967,763
From 7-12 months	213,931	1,083,039	1,296,970
More than 12 months	-	2,647,352	2,647,352
	<u>797,432</u>	<u>5,281,559</u>	<u>6,078,991</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.

31.2.3 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 programme 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 programme to interest rate risks and its management is explained below:

31.2.3.1 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 balance sheet date the interest rate profile of the Programme's interest-bearing financial instruments were as follows:

	2018 Rupees	2017 Rupees
Fixed rate instruments		
Financial assets		
- Advances	5,331,623	5,080,538
- Cash and bank balances	1,141,226,133	114,417,920
	<u>1,146,557,756</u>	<u>119,498,458</u>
Variable rate instruments		
Financial assets		
- Long term loan	400,000,000	411,000,000
- Short term loan	30,000,000	30,000,000
	<u>430,000,000</u>	<u>441,000,000</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. 4.30 million (2017: 4.41million). This analysis assumes that all other variables remain constant.

Fair value sensitivity analysis for fixed rate instruments

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

DA

31.3 LIQUIDITY PROFILE OF THE FINANCIAL INSTRUMENTS

		2018								
Note	Effective Interest rate	Interest/mark-up bearing			Non-interest bearing			Total		
		Maturity upto one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total			
		Rupees								
Financial liabilities										
	Long term loan	19	-	-	-	-	134,000,000	134,000,000	134,000,000	
	Accrued and other liabilities	20	-	-	-	6,552,522	-	6,552,522	6,552,522	
			-	-	-	6,552,522	134,000,000	140,552,522	140,552,522	
Financial assets										
	Long term deposits	6	-	-	-	-	583,000	583,000	583,000	
	Long term loan	8	-	400,000,000	400,000,000	-	-	-	400,000,000	
	Short term loan	11	-	-	-	-	-	-	30,000,000	
	Advances - net of provisions	12	8%	5,331,623	-	5,331,623	103,463,701	-	108,795,324	
	Accrued interest	13	-	-	-	-	5,711,884	-	5,711,884	
	Donations receivable	14	-	-	-	-	17,168,047	-	17,168,047	
	Advances and other receivables		-	-	-	-	5,487,253	-	5,487,253	
	Cash and bank balances	16	4% - 5%	1,141,226,133	-	1,141,226,133	278,902	-	1,141,505,035	
				1,176,557,756	400,000,000	1,576,557,756	132,109,787	583,000	132,692,787	1,709,250,543

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

		2017								
Note	Effective Interest rate	Interest/mark-up bearing			Non-interest bearing			Total		
		Maturity upto one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total			
		Rupees								
Financial liabilities										
	Long term loan	19	-	-	-	-	(931,375,000)	(931,375,000)	(931,375,000)	
	Accrued and other liabilities	20	-	-	-	7,098,758	-	7,098,758	7,098,758	
			-	-	-	7,098,758	(931,375,000)	(924,276,242)	(924,276,242)	
Financial assets										
	Long term deposits	6	-	-	-	-	1,578,000	1,578,000	1,578,000	
	Long term loan	8	-	411,000,000	411,000,000	-	-	-	411,000,000	
	Short term loan	11	-	-	-	-	-	-	30,000,000	
	Advances - net of provisions	12	8%	5,080,538	-	5,080,538	99,077,191	-	104,157,729	
	Accrued interest	13	-	-	-	-	571,707	-	571,707	
	Donations receivable	14	-	-	-	-	17,939,988	-	17,939,988	
	Advances and other receivables		-	-	-	-	6,040,450	-	6,040,450	
	Cash and bank balances	16	4% - 5%	114,417,920	-	114,417,920	372,255	-	114,790,175	
				149,498,458	411,000,000	560,498,458	124,001,591	1,578,000	125,579,591	686,078,049

R/A

32. DATE OF AUTHORISATION

16 NOV 2018

These financial statements were authorised on _____, by the board of directors of the Programme.

PA

CHIEF EXECUTIVE OFFICER

TREASURER