

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, 2023, The statement of income and expenditure and other comprehensive income, the statement of changes in fund, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at June 30, 2023 and of its financial performance, and its cash flows for the year ended in accordance with 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Director's 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 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.

KARACHI

DATED: 15 DEC 2023

UDIN: AR202310166vegoL4fGn


CHARTERED ACCOUNTANTS
Engagement Partner: Tariq Feroz Khan

**THARDEEP RURAL DEVELOPMENT PROGRAMME
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023**

	Note	2023 Rupees	2022 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	52,908,233	29,439,181
Capital work in progress	6	-	16,250,000
Intangible assets	7	-	-
Long term deposits	8	963,320	813,320
Long term loan	9	400,000,000	400,000,000
		<u>453,871,553</u>	<u>446,502,501</u>
CURRENT ASSETS			
Inventory	10	578,593	753,388
Advances - net of provisions	11	63,234,517	97,262,525
Short term investment	12	-	78,400,000
Interest receivable	13	12,465,753	15,592,978
Grant receivable	14	24,248,889	19,868,595
Advances, prepayments and other receivables	15	16,738,229	7,249,962
Cash and bank balances	16	919,144,975	337,474,367
		<u>1,036,410,956</u>	<u>556,601,815</u>
TOTAL ASSETS		<u>1,490,282,509</u>	<u>1,003,104,316</u>
FUNDS AND LIABILITIES			
Funds		877,042,286	630,355,373
NON-CURRENT LIABILITIES			
Deferred income	17	493,426,225	253,194,337
Long term loans - secured	18	111,349,442	112,605,622
		604,775,667	365,799,959
CURRENT LIABILITIES			
Accrued and other liabilities	19	8,464,556	6,948,983
TOTAL FUNDS AND LIABILITIES		<u>1,490,282,509</u>	<u>1,003,104,315</u>
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes from 1 to 33 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, 2023**

	Note	2023 Rupees	2022 Rupees
INCOME			
Grant and donations	21	1,511,259,179	1,404,992,083
Income from other activities	22	148,800,620	118,825,396
Total income		<u>1,660,059,799</u>	<u>1,523,817,479</u>
EXPENSES			
Programme expenses	23	(1,360,518,104)	(1,454,598,506)
Operating expenses	24	(33,250,977)	(49,807,968)
Financial charges	25	(2,502,018)	(4,948,928)
Total expenses		<u>(1,396,271,099)</u>	<u>(1,509,355,402)</u>
Surplus before taxation		263,788,700	14,462,077
Taxation	26	(17,101,787)	(79,653,298)
Surplus / (deficit) for the year		<u>246,686,913</u>	<u>(65,191,221)</u>
Other comprehensive income		-	-
Total Comprehensive income / (loss) for the year		<u><u>246,686,913</u></u>	<u><u>(65,191,221)</u></u>

The annexed notes from 1 to 33 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


TREASURER

**THARDEEP RURAL DEVELOPMENT PROGRAMME
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

	Note	2023 Rupees	2022 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus before taxation		246,686,913	(66,971,754)
Adjustments for non-cash items:			
Depreciation	5	7,842,137	11,426,871
Disposal of assets		18	640,284
Reversal of provision against advances	11	(2,110,930)	(983,599)
Amortisation of deferred income	17	(1,488,208,498)	(1,397,948,107)
Tax expense		17,101,787	79,653,298
Written-off against advances		-	3,469,074
Interest income	22	(69,483,938)	(62,399,641)
Financial charges	25	2,502,018	4,948,928
		(1,285,670,493)	(1,428,164,646)
(Increase) / decrease in current assets			
Inventory		174,795	783,837
Long term deposit		(150,000)	(70,000)
Donations receivable		(4,380,294)	25,912,309
Advances, prepayments and other receivables		(9,488,267)	15,936,646
		(13,843,766)	42,562,792
Increase / (decrease) in current liabilities			
Accrued and other liabilities		1,515,573	(15,722,449)
Net cash used in operations		(1,297,998,686)	(1,401,324,303)
Advances against loans - disbursed	11	(101,540,000)	(135,620,000)
Advances against loans - recovered	11	137,678,938	106,512,433
Grant received - net of refunds		1,728,440,385	1,231,472,812
Long term loans		(1,256,180)	-
Tax paid		(17,101,787)	(79,653,298)
Financial charges paid		(2,502,018)	(4,948,925)
Interest received		72,611,163	57,679,263
Net cash flows from / (used in) operating activities		518,331,815	(225,882,018)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(15,061,207)	(17,269,864)
Short term investments matured		78,400,000	(78,400,000)
Net cash flows from / (used in) investing activities		63,338,793	(95,669,864)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase / (decrease) in cash and cash equivalents during the year		581,670,608	(321,551,882)
Cash and cash equivalents at beginning of the year		337,474,367	659,026,248
Cash and cash equivalents at end of the year	16	919,144,975	337,474,367

The annexed notes from 1 to 33 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, 2023**

Particulars	General fund	Pool for interest free loan	Endowment fund	Revolving pool for livestock	Total funds
Balance as at July 01, 2021	259,647,127	2,680,000	430,000,000	5,000,000	697,327,127
Deficit for the year	(66,971,754)	-	-	-	(66,971,754)
Transferred from livestock pool	5,000,000	-	-	(5,000,000)	-
Balance as at June 30, 2022	197,675,373	2,680,000	430,000,000	-	630,355,373
Balance as at July 01, 2022	197,675,373	2,680,000	430,000,000	-	630,355,373
Surplus for the year	246,686,913	-	-	-	246,686,913
Balance as at June 30, 2023	444,362,286	2,680,000	430,000,000	-	877,042,286

----- Rupees -----

The annexed notes from 1 to 33 form an integral part of these financial statements. *bc*

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CHIEF EXECUTIVE OFFICER

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TREASURER

**THARDEEP RURAL DEVELOPMENT PROGRAMME
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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 at North Colony Mithi, Mithi-69230, District Tharparkar-Sindh.

The geographical area of the Society is spread over the arid zone of 11 districts of Sindh i.e. Tharparkar, Umerkot, Hyderabad, Jamshoro, Dadu, Tandoallahyar, Mirpurkhas, Matiari, Jacobabad, Sanghar, Shaheed Benazirabad. To operate its programme in the area, the Society has 10 district offices each at Tharparkar, Umerkot, Dadu, Tandoallahyar, Shaheed Benazirbad, Jacobabad, Hyderabad, Jamshoro, Matiari and Sanghar and head office at Mithi town. There are 15 field units in different villages and towns of 11 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 accounting and reporting standards as applicable in Pakistan. Accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and Accounting Standards for Not-for-Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP).

2.2 Basis of preparation

These financial statements have been prepared under historical cost basis except otherwise stated.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupee ('Rupees' or 'Rs'), which is the Society's functional and presentation currency.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Society's operations or did not have significant impact on these financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 3 'Business Combinations' Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' Onerous Contracts Cost of fulfilling a contract	January 01, 2022

Certain annual improvements have also been made to a number of IFRSs.

3.2 **New accounting standards, amendments and interpretations that are not yet effective**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Society's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 7 'Financial Instruments: Disclosures' Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' Classification of liabilities as current or noncurrent	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' Disclosure of Accounting Policies	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' Noncurrent liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' Supplier finance arrangements	January 01, 2024
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' Definition of Accounting Estimates	January 01, 2024
Amendments to IAS 12 'Income Taxes' Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2024
Amendments to IAS 12 'Income Taxes' Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

4. 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.

4.1 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 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 the 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 the statement of income and expenditure currently.

4.2 Capital work in progress

Capital work in progress is stated at cost and consists of expenditure incurred and advances made in respect of tangible assets in the course of their construction. Transfers are made to the relevant asset category as and when assets are available for intended use.

4.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. 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.

4.4 Inventory

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.

4.5 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. These are carried at fair value of outstanding principal amount as disclosed in note 11 and accrued interest based on the contractual interest rate. A loan becomes non-performing when it is due more than 30 days. All non-performing loans are written off after these become due for more than 365 days and the society has no reasonable expectations of recovery and has ceased any further enforcement activities.

4.6 Provision for potential losses against advances

Provision for potential losses against advances are determined based on the approved policy by the Board of Directors of the Society which is as follows:

Advance 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

4.7 Financial instruments

4.7.1 Financial assets

i. Classification and measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Society may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Society may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

ii. Subsequent measurement of financial assets

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in statement of income and expenditure.
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Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to statement of income and expenditure.
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ii. **Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

12month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.

Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Society's financial assets include mainly trade debts, deposits, short term investments, advances, other receivables and bank balances.

The Society's trade receivables do not contain a significant financing component (as determined in terms of the requirements of IFRS 15 "Revenue from Contracts with Customers"), therefore, the Society is using simplified approach, that does not require the Society to track the changes in credit risk, but, instead, requires to recognise a loss allowance based on lifetime ECLs at each reporting date.

The Society applies the simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on the Society's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forwardlooking information on macroeconomic factors affecting the Society's customers. The Society has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors.

4.7.2 Financial liabilities

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

4.7.2.1 Recognition and measurement

All financial liabilities are initially measured at cost which is the fair value of the consideration received and subsequently measured at amortised cost. These financial liabilities are recognized at the time when the Society becomes a party to the contractual provisions of the instrument, and derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities are recognized in the unconsolidated statement of profit or loss.

4.7.2.2 Derecognition of financial liabilities

The financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain / loss on the recognition and derecognition of the liabilities is included in the unconsolidated statement of profit or loss for the period in which it arises.

4.7.3 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

4.8 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. 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.

4.9 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are carried at amortized cost.

4.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances in current and saving accounts.

4.11 Cash and bank balance

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

4.12 Funds

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

4.12.1 General fund

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

4.12.2 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:

Fund	Donor	Purpose
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.
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.
Pool for interest free loan	Pakistan Poverty Alleviation Fund	Aims to graduating the poorest households out of poverty and setting them on the course of social and economic prosperity.

4.13 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 compensate.

4.14 Accrual and other liabilities

Liabilities for accrued and other liabilities payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services received, whether billed or not.

4.15 Revenue recognition

Donations received in cash (in and without any specific condition attached are recognized as income. 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 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, investments and bank deposits are recognized on accrual basis using effective interest method.

Fee for documentation charges and other income is recognized on accrual basis.

4.16 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.

4.17 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. Any tax deducted on bank profit and interest income beyond exemption period is recognized as tax expense currently.

4.18 Transactions with related parties

Transactions with related parties are executed at agreed terms as approved by the Board of Directors

4.19 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting 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
- Provisions against doubtful advances
- Impairment on financial assets

5. PROPERTY AND EQUIPMENT

Particulars	2023						Total
	Free hold land	Building on free hold land	Furniture and fixtures	Office equipment	Computer	Vehicles	
Net carrying value basis							
Opening net book value	1,272,925	15,938,681	3,860,151	3,009,349	1,699,374	3,658,701	29,439,181
Additions	-	26,884,222	909,599	2,846,386	671,000	-	31,311,207
Disposals	-	-	-	-	-	(18)	(18)
Depreciation charge	-	(2,233,737)	(998,944)	(1,591,075)	(1,144,443)	(1,873,938)	(7,842,137)
Closing net book value	1,272,925	40,589,166	3,770,806	4,264,660	1,225,931	1,784,745	52,908,233
Gross carrying value basis							
Cost	1,272,925	55,876,505	12,200,836	14,608,339	20,086,267	71,264,486	175,309,358
Accumulated depreciation	-	(15,287,339)	(8,430,030)	(10,343,679)	(18,860,336)	(69,479,741)	(122,401,125)
Net book value	1,272,925	40,589,166	3,770,806	4,264,660	1,225,931	1,784,745	52,908,233
Rate of depreciation (%)	-	5	10	20	33.33	20	

2022

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

----- Rupees -----

Net carrying value basis							
Opening net book value	1,272,925	18,007,562	4,862,587	3,987,699	3,004,946	9,350,753	40,486,472
Additions	-	-	-	704,387	315,477	-	1,019,864
Disposals	-	(619,267)	(1,794)	(18,992)	(218)	(13)	(640,284)
Depreciation charge	(1,449,614)	(1,000,642)	(1,663,745)	(1,663,745)	(1,620,831)	(5,692,039)	(11,426,871)
Closing net book value	1,272,925	15,938,681	3,860,151	3,009,349	1,699,374	3,658,701	29,439,181

Gross carrying value basis

Cost	1,272,925	28,992,283	11,291,237	11,761,953	19,415,267	94,799,159	167,532,824
Accumulated depreciation	-	(13,053,602)	(7,431,086)	(8,752,604)	(17,715,893)	(91,140,458)	(138,093,643)
Net book value	1,272,925	15,938,681	3,860,151	3,009,349	1,699,374	3,658,701	29,439,181

Rate of depreciation (%)

	-	5	10	20	33.33	20	
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5.1 The above include fully depreciated assets costing Rs. 87,315,911 (2022: Rs. 25,441,665).

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

	Note	2023 Rupees	2022 Rupees
Programme expenses			
Community physical infrastructure	23.1	942,807	1,373,776
Disaster and preparedness management unit	23.2	942,806	1,373,776
Social mobilization programme	23.3	2,185,293	3,184,217
Monitoring and evaluation	23.4	942,807	1,373,776
Social services sector	23.5	942,807	1,373,776
		5,956,520	8,679,321
Operating expenses			
Administration expenses	24.1	1,885,615	2,747,550
		<u>7,842,135</u>	<u>11,426,871</u>

6. CAPITAL WORK IN PROGRESS

Balance as at July 01	16,250,000	-
Additions during the year	10,634,222	16,250,000
Transferred to operating fixed assets	(26,884,222)	-
Balance as at June 30	<u>-</u>	<u>16,250,000</u>

7. INTANGIBLE ASSETS

Net carrying value

Balance as at July 01	-	-
Additions at cost	-	-
Amortisation charge for the year	-	-
Balance as at June 30	<u>-</u>	<u>-</u>

Gross carrying value

Cost	7,355,812	7,355,812
Accumulated amortization	(7,355,812)	(7,355,812)
Balance as at June 30	<u>-</u>	<u>-</u>

Rate of amortisation (%)	<u>33</u>	<u>33</u>
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7.1 Intangible assets comprise of Financial Information System (FIS) for accounting and financial reporting.

	Note	2023 Rupees	2022 Rupees
8. LONG TERM DEPOSITS - UNSECURED			
Government of Sindh	8.1	500,000	500,000
Pakistan State Oil		313,320	263,320
Vehicle to district court		50,000	50,000
Building Rent deposits		100,000	-
		<u>963,320</u>	<u>813,320</u>

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

9. LONG TERM LOANS

Thardeep Microfinance Foundation	9.1	<u>400,000,000</u>	<u>400,000,000</u>
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9.1 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.

The amount of Rs. 400,000,000 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 extended for a period of 3 years till October 05, 2024 through agreement dated June 19, 2021. The interest rate on loan is fixed at the rate of 12.5% per annum.

10. INVENTORY

Carpets and handicrafts		<u>578,593</u>	<u>753,388</u>
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11. ADVANCES - NET OF PROVISION

	2023		
	Rupees		
	Interest Free loan	Jannum advances	Total
Advances - gross	64,235,559	-	64,235,559
Provisions for doubtful advances	(1,001,042)	-	(1,001,042)
Advances - net of provision	<u>63,234,517</u>	-	<u>63,234,517</u>
Movement of advances gross as follows:			
Balance as at July 01,	109,874,554	-	109,874,554
Disbursement during the year	101,540,000	-	101,540,000
Writte-off advances	(9,500,057)	-	(9,500,057)
Recovery during the year	(137,678,938)	-	(137,678,938)
Balance as at June 30,	<u>64,235,559</u>	-	<u>64,235,559</u>
11.1 Movement of provision is as follows:			
Balance at July 01,	12,612,029	-	12,612,029
Reversal in provision	(2,110,930)	-	(2,110,930)
Writte-off advances	(9,500,057)	-	(9,500,057)
Provision during the year	-	-	-
Balance as at June 30,	<u>1,001,042</u>	-	<u>1,001,042</u>
11.2 These advances are interest free.			
	2022		
	Rupees		
	Interest Free loan	Jannam advances	Total
Advances - gross	109,874,554	-	109,874,554
Provisions for doubtful advances	(12,612,029)	-	(12,612,029)
Advances - net of provision	<u>97,262,525</u>	-	<u>97,262,525</u>
Movement of advances gross as follows:			
Balance as at July 01,	80,641,627	4,961,786	85,603,413
Disbursement during the year	135,620,000	-	135,620,000
Writte-off advances	-	(4,836,426)	(4,836,426)
Recovery during the year	(106,387,073)	(125,360)	(106,512,433)
Balance as at June 30,	<u>109,874,554</u>	-	<u>109,874,554</u>
11.3 Movement of provision is as follows:			
Balance as at July 01,	13,595,628	1,367,352	14,962,980
Reversal in provision	(983,599)	-	(983,599)
Provision during the year	-	(1,367,352)	(1,367,352)
Balance as at June 30,	<u>12,612,029</u>	-	<u>12,612,029</u>
11.4 These advances are interest free.			

	Note	2023 Rupees	2022 Rupees
12. SHORT TERM INVESTMENT			
Held to maturity			
Term Deposit Receipts (TDRs)	12.1	-	78,400,000
12.1 This represents TDRs placed with Soneri Bank Limited and United Bank Limited having maturity of 3 months and 12 months respectively, and carry mark up of 7.5% per annum (2022: 8% to 12% per annum).			
13. INTEREST RECEIVABLE			
Interest receivable on account of:			
Term deposit receipts		-	5,620,375
Thardeep Microfinance Foundation	13.1	12,465,753	9,972,603
		<u>12,465,753</u>	<u>15,592,978</u>
13.1 This represents interest receivable from Thardeep Microfinance Foundation at the rate of 12.5% per annum (2022: 6 months KIBOR plus 3% at the cap of 10% per annum).			
14. GRANT RECEIVABLE			
Balance as at July 01,		19,868,595	45,780,904
Receivable during the year		22,690,275	6,693,977
Received during the year		(18,309,981)	(32,606,286)
Balance as at June 30,	14.1	<u>24,248,889</u>	<u>19,868,595</u>
14.1 This represents amount spent by the Society on behalf of the donors and is yet to be received as at June 30, 2023.			
15. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances			
Employees		3,877,585	2,360,946
Suppliers		1,984,980	2,494,567
Prepayments		2,038,698	1,605,444
Other receivable		8,836,966	789,005
		<u>16,738,229</u>	<u>7,249,962</u>

	Note	2023 Rupees	2022 Rupees
16. CASH AND BANK BALANCES			
Cash in hand			
Local currency		130,161	102,668
Balances with banks			
Current accounts		55,649,595	19,034,853
Foreign currency account		184,724	137,948
Saving accounts	16.1	862,332,776	288,198,898
Deposit account	16.2	847,719	30,000,000
		<u>919,144,975</u>	<u>337,474,367</u>

16.1 These carry interest rate ranging between 12.25% to 19.50% per annum (2022: 6.25% to 12.25% per annum).

16.2 This carries interest rate at 8% per annum (2022: 8% per annum).

Donors	Grant related to income					Grant related to assets					Net deferred income	
	Balance as at July 01,	Received during the year	Transferred to statements of income and expenditure	Refund/ Transfer	Balance as at June 30,	Balance as at July 01,	Transfer from grant related to income	Balance as at June 30,	Gross deferred income	Charged during the year		Balance as at June 30,
European Union (EU)	32,355,870	50,184,328	(39,334,784)	(30,335,870)	92,280,553	50,335,548	-	10,549,438	50,335,548	(11,697,014)	(41,421,181)	7,333,497
World Bank (WB)	2,924,043	14,100,256	(25,844,967)	(5,507,011)	13,281,615	10,549,438	-	10,549,438	10,549,438	(11,697,014)	(1,421,250)	9,594,001
Government of South, Planning and Development Department (OSDP/SP)	18,811,654	174,144,323	(129,142,858)	(6,076,611)	61,995,495	11,275,235	-	11,275,235	11,275,235	(11,172)	(13,428,613)	205,652
Road Support Programme Network (RSPN)	13,842,949	18,949,495	(34,941,657)	(7,742,958)	35,711,423	35,711,423	-	35,711,423	35,711,423	-	(55,714,295)	64,250,075
Public Works Allocation Fund (PWAF)	18,739,844	39,192,284	(18,941,657)	(1,833,453)	37,057,017	4,377,333	(94,240)	4,377,333	4,377,333	-	(4,377,333)	270,257,315
NSRF	-	210,000,000	(12,943,698)	-	11,956,302	356,352	-	356,352	356,352	(222,014)	(7,979,992)	2,638,511
OSDPAM Network Organisation for International Development Co-operation (OSDAMI)	-	1,199,134	-	-	1,199,134	747,000	-	747,000	747,000	-	-	12,652,366
Government World Wide	-	17,339,358	(3,792,324)	-	13,547,034	13,547,034	-	13,547,034	13,547,034	-	-	1,199,134
International Finance Committee (IFC)	-	23,815,833	(22,919,843)	-	895,990	136,995	-	136,995	136,995	(12,599)	(12,516)	59,475
UNEP	-	6,411,956	-	-	6,411,956	8,431,855	-	8,431,855	8,431,855	-	(8,431,855)	-
UNESCO	-	-	-	-	-	239,160	-	239,160	239,160	-	(239,160)	-
Car International Pakistan (CIP)	-	-	-	-	-	159,500	-	159,500	159,500	-	(159,500)	-
OSDPAM Network Organisation for International Development Co-operation (OSDAMI)	-	-	-	-	-	55,000	-	55,000	55,000	-	(55,000)	-
World Health Organization (WHO)	-	81,181,569	(45,753,593)	(3,001,260)	34,816,644	113,729	-	113,729	113,729	-	(113,729)	31,816,644
World Health Organization (WHO)	-	-	-	-	-	1,698,342	-	1,698,342	1,698,342	-	(1,698,342)	-
World Health Organization (WHO)	-	-	-	-	-	169,732	-	169,732	169,732	-	(169,732)	-
Ministry of Women Development (MWD)	-	-	-	-	-	2,799,216	-	2,799,216	2,799,216	-	(2,799,216)	-
Health and Nutrition Development Society (HNDS)	-	-	-	-	-	159,500	-	159,500	159,500	-	(159,500)	-
International Labour Organization (ILO)	-	-	-	-	-	183,000	-	183,000	183,000	-	(183,000)	-
South South A. Archaic Field Program	-	-	-	-	-	183,700	-	183,700	183,700	-	(183,700)	-
OSDPAM OB	-	230,512,91	(313,197,500)	-	3,315,391	3,315,391	-	3,315,391	3,315,391	-	(3,315,391)	3,315,391
Government of South, Planning and Development Department	1,704,443	-	-	(116,428)	1,588,015	183,700	-	183,700	183,700	-	(183,700)	3,315,391
Profit from bank deposits	29,103,373	1,779,465,770	(1,344,455,343)	(49,809,833)	482,344,991	169,473,555	49,809,833	169,473,555	169,473,555	(3,315,391)	(1,506,657)	49,809,833

Donors	Grant related to income					Grant related to assets					Net deferred income	
	Balance as at July 01,	Received during the year	Transferred to statements of income and expenditure	Refund	Balance as at June 30,	Balance as at July 01,	Transfer from grant related to income	Balance as at June 30,	Gross deferred income	Charged during the year		Balance as at June 30,
European Union (EU)	144,185,184	68,314,661	(812,379,014)	-	30,335,870	30,335,870	-	10,549,438	30,335,870	(1,312,233)	(41,421,181)	39,191,231
World Bank (WB)	18,811,654	174,144,323	(129,142,858)	-	61,995,495	10,651,900	-	10,651,900	10,651,900	-	(13,428,613)	34,457,148
Government of South, Planning and Development Department (OSDP/SP)	79,633,249	2,671,941,921	(2,433,972,116)	-	1,811,054	13,428,613	-	13,428,613	13,428,613	(3)	(13,428,613)	19,148,277
Road Support Programme Network (RSPN)	12,842,949	18,949,495	(34,941,657)	(1,348,389)	15,633,798	35,711,423	-	35,711,423	35,711,423	(130,925)	(55,714,295)	159,638,793
Public Works Allocation Fund (PWAF)	18,739,844	39,192,284	(18,941,657)	(1,833,453)	37,057,017	4,377,333	-	4,377,333	4,377,333	-	-	-
NSRF	-	210,000,000	(12,943,698)	-	11,956,302	356,352	-	356,352	356,352	-	-	-
OSDPAM Network Organisation for International Development Co-operation (OSDAMI)	-	1,199,134	-	-	1,199,134	747,000	-	747,000	747,000	-	-	39,493
Government World Wide	-	17,339,358	(3,792,324)	-	13,547,034	13,547,034	-	13,547,034	13,547,034	-	-	1,199,134
International Finance Committee (IFC)	-	23,815,833	(22,919,843)	-	895,990	136,995	-	136,995	136,995	(12,599)	(12,516)	6,566,834
UNEP	-	6,411,956	-	-	6,411,956	8,431,855	-	8,431,855	8,431,855	-	(8,431,855)	-
UNESCO	-	-	-	-	-	239,160	-	239,160	239,160	-	(239,160)	-
Car International Pakistan (CIP)	-	-	-	-	-	159,500	-	159,500	159,500	-	(159,500)	-
OSDPAM Network Organisation for International Development Co-operation (OSDAMI)	-	-	-	-	-	55,000	-	55,000	55,000	-	(55,000)	-
World Health Organization (WHO)	-	81,181,569	(45,753,593)	(3,001,260)	34,816,644	113,729	-	113,729	113,729	-	(113,729)	-
World Health Organization (WHO)	-	-	-	-	-	1,698,342	-	1,698,342	1,698,342	-	(1,698,342)	-
World Health Organization (WHO)	-	-	-	-	-	169,732	-	169,732	169,732	-	(169,732)	-
Ministry of Women Development (MWD)	-	-	-	-	-	2,799,216	-	2,799,216	2,799,216	-	(2,799,216)	-
Health and Nutrition Development Society (HNDS)	-	-	-	-	-	159,500	-	159,500	159,500	-	(159,500)	-
International Labour Organization (ILO)	-	-	-	-	-	183,000	-	183,000	183,000	-	(183,000)	-
South South A. Archaic Field Program	-	-	-	-	-	183,700	-	183,700	183,700	-	(183,700)	-
OSDPAM OB	-	230,512,91	(313,197,500)	-	3,315,391	3,315,391	-	3,315,391	3,315,391	-	(3,315,391)	3,315,391
Government of South, Planning and Development Department	1,704,443	-	-	(116,428)	1,588,015	183,700	-	183,700	183,700	-	(183,700)	3,315,391
Profit from bank deposits	29,103,373	1,779,465,770	(1,344,455,343)	(49,809,833)	482,344,991	169,473,555	49,809,833	169,473,555	169,473,555	(3,315,391)	(1,506,657)	49,809,833

	Note	2023 Rupees	2022 Rupees
18. LONG TERM LOANS - SECURED			
Pakistan Poverty Alleviation Fund	18.1	<u>111,349,442</u>	<u>112,605,622</u>
18.1	This represents interests free loan from Pakistan Poverty Alleviation Fund, which is repayable on or after July 01, 2024. This is secured against microcredit sub loans financed from such amounts.		
19. ACCRUED AND OTHER LIABILITIES			
Accrued expenses		1,434,913	1,468,718
Other payable		7,029,643	5,480,265
		<u>8,464,556</u>	<u>6,948,983</u>
20. CONTINGENCIES AND COMMITMENTS			
20.1	There are no contingencies and commitments as at June 30, 2023 (2022: Nil).		
21. GRANT AND DONATIONS			
Grant income / general donation	21.1	1,511,259,179	1,332,385,973
Disaster and preparedness management unit	21.1	-	72,606,110
		<u>1,511,259,179</u>	<u>1,404,992,083</u>

21.1 Following is the detail of grant / donations realised:

Donations	2023			2022		
	Disaster and preparedness unit	Grant	Total	Disaster and preparedness unit	Grant	Total
Grant realized as income:						
Pakistan Poverty Alleviation Fund (PPAF)	-	133,673,144	133,673,144	-	17,671,500	17,671,500
European Unions (EU)	-	-	-	-	812,579,014	812,579,014
Philanthropists	-	250,000	250,000	-	350,000	350,000
Welthungerhilfe	-	294,284,783	294,284,783	72,606,110	-	72,606,110
Rural Support Programme Network (RSPN)	-	45,793,175	45,793,175	-	270,266,093	270,266,093
United Nations Educational, Scientific and Cultural Organization	-	23,792,324	23,792,324	-	5,598,489	5,598,489
Concern World Wide	-	357,412,504	357,412,504	-	16,143,614	16,143,614
International Rescue Committee (IRC)	-	12,343,694	12,343,694	-	-	-
SPHF Govt. of Sindh	-	215,197,500	215,197,500	-	205,014,740	205,014,740
SSGC	-	110,408	110,408	-	1,705,777	1,705,777
Care International Pakistan (CIP)	-	22,944,206	22,944,206	-	-	-
United Nations Children Emergency Fund (UNICEF)	-	46,763,596	46,763,596	-	-	-
NPGP Govt. of Pakistan	-	354,941,687	354,941,687	-	111,000	111,000
Grant related to assets	-	3,752,158	3,752,158	-	2,945,746	2,945,746
Total grant realised as income	-	1,511,259,179	1,511,259,179	72,606,110	1,332,385,973	1,404,992,083
21.2 Breakup of grant / donation realized						
Transferred from deferred income (refer note 16)	-	1,488,208,498	1,488,208,498	72,606,110	1,325,341,996	1,397,948,106
Transferred from grant receivables (refer note 13)	-	22,690,275	22,690,275	-	6,693,977	6,693,977
Donation received in cash	-	360,406	360,406	-	350,000	350,000
	-	1,511,259,179	1,511,259,179	72,606,110	1,332,385,973	1,404,992,083

22. INCOME FROM OTHER ACTIVITIES	Note	2023 Rupees	2022 Rupees
From financial assets			
Loan to Thardeep Microfinance Foundation	9	50,000,000	40,000,001
Services income			
- saving accounts		69,483,938	62,399,641
- transportation		2,327,792	1,868,706
- guest houses		3,075,833	2,644,492
- natural resource management		-	4,160
		74,887,563	66,916,999
From non-financial assets			
Proceeds from sale of carpets		141,395	190,000
Gain on disposal of property and equipment		21,571,759	5,100,716
Reversal of provision against advances		2,110,930	983,599
Other income		88,973	5,634,082
		23,913,057	11,908,396
		<u>148,800,620</u>	<u>118,825,396</u>
23. PROGRAMME EXPENSES			
Programme specific			
Community physical infrastructure expenses	23.1	16,809,156	205,445,706
Disaster and preparedness management unit expenses	23.2	672,393,351	50,822,285
Social mobilization programme expenses	23.3	93,158,480	565,590,806
Monitoring and evaluation expenses	23.4	23,488,529	29,035,356
Social services sector expenses	23.5	554,668,587	603,704,353
		<u>1,360,518,104</u>	<u>1,454,598,506</u>
23.1 Community physical infrastructure expenses			
Salaries		12,593,292	18,849,553
Transportation		1,872,747	6,703,244
Depreciation	5.2	942,807	1,373,776
Office rent		453,079	868,347
Utilities		413,909	669,031

	Note	2023 Rupees	2022 Rupees
Consumable		194,254	323,468
Travel and accommodation		101,565	155,875
Stationery		77,495	179,649
Communication		75,815	228,715
Repair and maintenance		30,011	43,648
Entertainment and miscellaneous expenses		27,697	330,335
Per diem and allowances		26,485	176,871
Infrastructure projects		-	173,854,391
Solar lights for homes		-	1,686,600
Publication		-	2,203
		<u>16,809,156</u>	<u>205,445,706</u>
23.2 Disaster and preparedness management unit expenses			
Salaries		75,559,752	3,534,291
Emergency Relief Assisatance to 2022 Flood Affected Population		413,263,534	-
Multipurpose Cash Assistance to Flood Affected Families		108,537,844	-
Climate change adaptation and enhancing resilience regarding food and nutrition security of smallholders		60,811,814	39,584,454
Humanitarian aid for drought affected household			
Floods Response Programme (Shelter, WASH and FSL)		7,954,586	-
		2,503,241	-
Transportation		936,373	3,351,622
Depreciation	5.2	942,807	1,373,776
Office rent		906,157	868,347
Utilities		413,909	669,031
Consumable		194,254	323,468
Travel and accommodation		101,565	155,875
Stationery		77,495	179,649
Communication		75,815	228,715
Per diem and allowances		26,485	176,871
Publication		-	2,203
Repair and maintenance		60,022	43,648
Entertainment and miscellaneous expenses		27,696	330,335
		<u>672,393,350</u>	<u>50,822,285</u>

	Note	2023 Rupees	2022 Rupees
23.3 Social mobilization programme expenses			
Salaries		15,741,615	131,946,871
SPHF Cost		34,983,443	-
Transportation		11,236,479	40,219,461
Sindh Union Council and Community Economic Strengthening Support		10,415,810	170,534,127
Office rent		5,890,023	11,288,512
Utilities		4,966,909	8,028,367
Consumable		2,331,051	3,881,612
Depreciation	5.2	2,185,293	3,184,217
Travel and accommodation		1,218,777	1,870,496
Local support organization		1,107,509	7,868,873
Stationery		929,938	2,155,784
Communication		909,784	2,744,577
Repair and maintenance		390,147	567,421
Entertainment and miscellaneous expenses		332,369	3,964,020
Per diem and allowances		317,820	2,122,456
Community training		201,513	692,231
Adolescent and adult learning		-	148,591,739
National Socio Economic Registry Update Survey		-	18,771,989
Written-off loans		-	7,131,617
Publication		-	26,436
		<u>93,158,480</u>	<u>565,590,806</u>
23.4 Monitoring and evaluation expenses			
Salaries		7,870,808	11,780,971
Networking		6,799,245	1,484,359
Monthly review		2,335,289	3,914,590
Video documentary / exhibition		1,938,940	3,426,127
Directors meeting cost / sub committee		1,260,049	725,769
Depreciation	5.2	942,807	1,373,776
Transportation		936,373	3,351,622
Office rent		453,079	868,347
Utilities		413,909	669,031
Consumable		194,254	323,468
Travel and accommodation		101,565	155,875
Stationery		77,495	179,649

	Note	2023 Rupees	2022 Rupees
Communication		75,815	228,715
Repair and maintenance		30,011	43,648
Entertainment and miscellaneous expenses		27,697	330,335
Per diem and allowances		26,485	176,871
Publication		4,708	2,203
		<u>23,488,529</u>	<u>29,035,356</u>

23.5 Social services sector expenses

Salaries		31,483,230	45,945,785
Income generating grants		285,851,251	310,297,905
Growth for Advancement and Sustainable Progress-GRASP		64,208,229	319,222
CSOs Building Resilience through Improved Delivery, Governance and Empowerment Program		47,133,976	13,624,665
Education		44,826,296	10,481,952
Girls' Lower Secondary Education Programme (GLSEP) in Tharparkar		28,493,932	-
National Poverty Graduation Programme		25,015,626	14,885,834
Programme for Improved Nutrition in Sindh (PINS)		21,627,970	195,838,147
Transportation		1,872,747	6,703,244
Education Early Response and Recovery for Emergency in Sindh		1,222,307	-
Depreciation	5.2	942,807	1,373,776
Natural resource management expense		589,906	608,513
Office rent		453,079	868,347
Utilities		413,909	669,031
Consumable		194,254	323,468
Travel and accommodation		101,565	155,875
Stationery		77,495	179,649
Communication		75,815	228,715
Repair and maintenance		30,011	43,648
Entertainment and miscellaneous expenses		27,697	330,335
Per diem and allowances		26,485	176,871
Health activities /MCH activities		-	211,790
Publication		-	2,203
COVID-19 Emergency Response		-	435,378
		<u>554,668,587</u>	<u>603,704,353</u>

	Note	2023 Rupees	2022 Rupees
24. OPERATING EXPENSES			
Administration expenses	24.1	33,250,977	46,417,254
Marketing expenses	24.2	-	3,390,714
		<u>33,250,977</u>	<u>49,807,968</u>
24.1 Administration expenses			
Salaries		14,167,454	21,205,747
Legal fee		5,101,482	523,855
Guest house expense		2,801,022	2,524,646
Auditors' remuneration	24.1.1	2,650,552	1,434,191
Depreciation	5.2	1,885,615	2,747,550
Transportation		1,872,747	6,703,242
Utilities		1,655,636	2,676,120
Office rent		906,157	1,736,694
Consumable		777,017	1,293,869
Travel and accommodation		406,259	623,497
Stationery		309,979	718,593
Communication		303,261	914,858
Cost of carpets		137,041	-
Entertainment and miscellaneous expenses		110,793	1,321,340
Per diem and allowances		105,940	707,486
Repair and maintenance		60,022	87,294
Stock written off		-	1,189,460
Publication		-	8,812
		<u>33,250,977</u>	<u>46,417,254</u>
24.1.1 Statutory audit			
Statutory audit		965,457	696,674
Audit fee of the project		1,447,495	621,517
Out of pocket expenses		237,600	116,000
		<u>2,650,552</u>	<u>1,434,191</u>
24.2 Marketing expenses			
Salaries		-	2,356,194
Office rent		-	868,347
Cost of carpets		-	122,525
Repair and maintenance		-	43,648
		<u>-</u>	<u>3,390,714</u>

	Note	2023 Rupees	2022 Rupees
25. FINANCIAL CHARGES			
Bank charges		<u>2,502,018</u>	<u>4,948,928</u>
26. TAXATION			
Current	26.1	17,101,787	15,295,143
Prior	26.2	-	64,358,155
		<u>17,101,787</u>	<u>79,653,298</u>

26.1 This includes advance tax deducted on the bank profits, interest on loan and grant received.

26.2 With respect to tax year 2014 and 2015, Federal Board of Revenue (FBR) issued demand order under section 122(5A) of the Income Tax Ordinance, 2001 amounting to Rs. 45.321 million and Rs. 26.187 million to the Society in December 2020 and March 2021, respectively. The orders stated that provision to sub-clause 1 of clause 58 part 1 of the second schedule to the Income Tax Ordinance, 2001 clearly states that business income is not totally exempt in the case of Non-Profit Organisation (NPO). The Society filed application for stay against demand made under section 122(5A) of the Income Tax Ordinance, 2001, by the Additional Commissioner Inland Revenue.

FBR issued a notice to withdraw the status of NPO on dated January 29, 2021. The Society submitted the response to the FBR dated February 16, 2021 along with the supporting documents. FBR issued the order stating that previous NPO approval dated December 19, 2018 never existed and as a result, the taxpayer's case enjoys no concessions of section 100C of the ordinance and would be assessed under the normal law and under all applicable provisions of law thereof. The Society via tax advisor had filed an appeal to Commissioner Inland revenue against the order.

During the year 2022, after due hearing, the FBR issued order no. 448 dated April 28, 2022 with respect to tax year 2014 and 2015 under section 122 (5A) of the Income Tax Ordinance 2001, and raised tax demand of Rs. 45.321 million and Rs. 26.187 million respectively, for the above tax years. The said amount has been recovered from the Society and has been recorded as tax expense. The Society has filed an appeal with Appellate Tribunal Inland Revenue (ATIR), Karachi against the order and the same is pending for hearing. However, management based on the opinion of the tax advisor, is confident that that the outcome of the case will be in favor of the Society.

27. **REMUNERATION OF CHIEF EXECUTIVE AND NON-EXECUTIVE DIRECTORS**

The aggregate amounts charged in these financial statements for the year are as follows:

	Chief Executive		Directors	
	2023	2022	2023	2022
	Rupees			
Basic salary	10,400,894	8,486,306	-	-
House rent allowance	3,965,837	3,818,840	-	-
Utilities	1,040,086	848,632	-	-
Vehicle allowance	1,040,086	848,632	-	-
Retirement benefits / medical allowance	714,566	-	-	-
Meeting fees	-	-	-	-
	17,161,469	14,002,410	-	-
Number of person(s)	1	1	14	15

27.1 The Chief Executive Officer is also provided with free use of Society owned and maintained cars in accordance with their terms of employment.

28. **TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

The related parties comprise of associated undertakings, key management personnel, directors and companies with common directors. The name of related parties nature and basis of relationship are:

Name of related parties	Nature of relationship	Basis of Relationship
Rural Support Program Network	Associated Undertaking	Common Directorship
Thardeep Microfinance Foundation	Associated Undertaking	Common Directorship
Mr. Allah Nawaz Samoo	Key management personnel	Executive employee

Aggregate transactions and balances with related parties and associated undertakings which are not disclosed else where in the financial statements are as follows:

28.1 Transactions during the year

Name of related parties	Nature of transaction	Relation with the company	2023 Rupees	2022 Rupees
Rural Support Program Network	Expenses incurred	Associated undertaking	29,844,907	263,572,116
Rural Support Program Network	Donation received	Associated undertaking	14,110,466	202,714,921
Thardeep Microfinance Foundation	Interest income	Associated undertaking	50,000,000	40,000,001
Thardeep Microfinance Foundation	Interest received	Associated undertaking	47,506,850	30,027,398
Mr. Allah Nawaz Samoo	Executive remuneration	Key Management Personnel	17,960,628	14,012,910

	2023 Rupees	2022 Rupees
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28.2 Year end balances

Thardeep Microfinance Foundation (TMF)- Associated Undertaking

Long term loan	400,000,000	400,000,000
Interest receivable	12,465,753	15,592,978

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

29.1 Financial instruments by category

Financial assets as per statement of financial position

Long term deposits	963,320	813,320
Long term loan	400,000,000	400,000,000
Advances - net of provisions	63,234,517	97,262,525
Accrued interest	12,465,753	9,972,603
Donations receivable	24,248,889	19,868,595
Advances and other receivables	12,714,551	3,149,951
Cash and bank balances	919,144,975	337,474,367
	<u>1,432,772,005</u>	<u>868,541,361</u>

Financial liabilities as per statement of financial position

Long term loan	111,349,442	112,605,622
Accrued and other liabilities	8,464,556	6,948,983
	<u>119,813,998</u>	<u>119,554,605</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 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:

	2023 Rupees	2022 Rupees
Long term deposits	963,320	813,320
Long term loan	400,000,000	400,000,000
Advances - net of provisions	63,234,517	97,262,525
Interest receivable	12,465,753	9,972,603
Donations receivable	24,248,889	19,868,595
Advances and other receivables	12,714,551	3,149,951
Bank balances	919,014,814	337,371,698
	<u>1,432,641,844</u>	<u>868,438,692</u>

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

The Society has provided long term 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 4.6 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, 2023 is as follows:

Ageing Tenure	Overdue of IFL	Total Overdue Advances
	----- Rupees -----	
From 0-12 months	1,001,042	1,001,042
From 13-24 months	-	-
From 25-36 months	-	-
More than 36 months	-	-
	<u>1,001,042</u>	<u>1,001,042</u>

Donations are receivable from various donors 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.

29.2.2 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 Pakistan Poverty Alleviation Fund (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 Society to take timely decisions based on the future requirements. Based on the given support, the society is not exposed to liquidity risk.

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.

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:

	2023 Rupees	2022 Rupees
Fixed rate instruments		
Financial assets		
- Bank balances	863,180,495	318,198,898
	<u>863,180,495</u>	<u>318,198,898</u>
Variable rate instruments		
Financial assets	400,000,000	400,000,000
- Long term loan	<u>400,000,000</u>	<u>400,000,000</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. 9.191 million (2022: Rs. 4 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.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Society uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted market price

Level 2: Valuation techniques (market observable)

Level 3: Valuation techniques (non-market observables)

The Company had the following financial instruments measured at fair value:

No transfers were made during the year within the fair value hierarchy.

As of reporting date, the Society has no assets carried at fair value.

31. NUMBER OF EMPLOYEES

2023

2022

Number of employees as at June 30, 2023
Average number of employees during the year

264	395
<u>250</u>	<u>400</u>

32. DATE OF AUTHORISATION

These financial statements were authorised for issue on 15 DEC 2023, by the Board of Directors of the Society.

33. GENERAL

Figures have been rounded off to the nearest Rupee. *Bu*



CHIEF EXECUTIVE OFFICER



TREASURER