

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, 2024, 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 material accounting policies information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at June 30, 2024 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.



The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: December 09, 2024

UDIN: AR202410166w21EjM9vU

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

THARDEEP RURAL DEVELOPMENT PROGRAMME
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	105,199,834	52,908,233
Capital work in progress	6	1,499,555	-
Intangible assets	7	-	-
Long term deposits	8	14,141,457	963,320
Long term loan	9	-	400,000,000
		<u>120,840,846</u>	<u>453,871,553</u>
CURRENT ASSETS			
Inventory	10	578,593	578,593
Advances - net of provisions	11	62,979,873	63,234,517
Short term loan	12	400,000,000	-
Short term investment	13	272,017,825	-
Interest receivable	14	67,830,579	12,465,753
Grant receivable	15	59,898,059	24,248,889
Advances, prepayments and other receivables	16	10,719,976	16,738,229
Cash and bank balances	17	423,941,520	919,144,975
		<u>1,297,966,425</u>	<u>1,036,410,956</u>
TOTAL ASSETS		<u>1,418,807,271</u>	<u>1,490,282,509</u>
FUNDS AND LIABILITIES			
Funds		1,197,653,105	882,355,080
NON-CURRENT LIABILITIES			
Deferred income	18	97,652,734	488,113,434
Long term loan	19	-	111,349,442
		97,652,734	599,462,876
CURRENT LIABILITIES			
Accrued and other liabilities	20	12,151,990	8,464,553
Short term loan	21	111,349,442	-
		<u>123,501,432</u>	<u>8,464,553</u>
TOTAL FUNDS AND LIABILITIES		<u>1,418,807,271</u>	<u>1,490,282,509</u>
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes from 1 to 37 form an integral part of these financial statements.

Abhishek

CHIEF EXECUTIVE OFFICER

[Signature]
TREASURER

THARDEEP RURAL DEVELOPMENT PROGRAMME
STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
INCOME			
Grant and donations	23	1,283,343,183	1,516,571,970
Other income	24	219,245,679	148,800,620
Total income		<u>1,502,588,862</u>	<u>1,665,372,590</u>
EXPENSES			
Programme expenses	25	(1,147,321,733)	(1,360,518,101)
Operating expenses	26	(36,591,886)	(33,250,977)
Other expenses	27	(2,080,172)	(2,502,018)
Total expenses		<u>(1,185,993,791)</u>	<u>(1,396,271,096)</u>
Surplus before income tax and levy		316,595,071	269,101,494
Levy	28	(1,297,046)	(17,101,787)
Surplus before income tax		315,298,025	251,999,707
Income tax			
Current	29	-	-
Surplus for the year		315,298,025	251,999,707
Other comprehensive income		-	-
Total Comprehensive income for the year		<u>315,298,025</u>	<u>251,999,707</u>

The annexed notes from 1 to 37 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, 2024**

Particulars	General fund	Pool for interest free loan	Endowment fund	Total funds
----- Rupees -----				
Balance as at July 01, 2022	197,675,373	2,680,000	430,000,000	630,355,373
Surplus for the year	251,999,707	-	-	251,999,707
Balance as at June 30, 2023	<u>449,675,080</u>	<u>2,680,000</u>	<u>430,000,000</u>	<u>882,355,080</u>
Balance as at July 01, 2023	449,675,080	2,680,000	430,000,000	882,355,080
Surplus for the year	315,298,025	-	-	315,298,025
Transfer for the year	(240,000,000)	-	240,000,000	-
Balance as at June 30, 2024	<u>524,973,105</u>	<u>2,680,000</u>	<u>670,000,000</u>	<u>1,197,653,105</u>

The annexed notes from 1 to 37 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, 2024**

	Note	2024 Rupees	2023 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus before taxation		315,298,025	251,999,707
Adjustments for non-cash items:			
Depreciation	5	8,480,656	7,842,137
Gain on disposal of property and equipment		(15,613,684)	(21,571,759)
Reversal of provision against advances	11	(814,132)	(2,110,930)
Amortisation of deferred income	18	(951,116,016)	(1,493,521,288)
Interest income	24	(87,523,468)	(69,483,938)
Financial charges	27	2,074,094	2,502,018
		<u>(729,214,525)</u>	<u>(1,324,344,053)</u>
(Increase) in current assets			
Inventory		-	174,795
Long term deposit		(13,178,137)	(150,000)
Donations receivable		(35,649,170)	(4,380,294)
Advances, prepayments and other receivables		6,018,253	(9,488,267)
		<u>(42,809,054)</u>	<u>(13,843,766)</u>
Increase in current liabilities			
Accrued and other liabilities		3,687,436	1,515,569
Net cash used in operations		<u>(768,336,143)</u>	<u>(1,336,672,251)</u>
Advances against loans - disbursed	11	(105,456,000)	(101,540,000)
Advances against loans - recovered	11	106,524,776	137,678,938
Grant received - net of refunds		560,655,316	1,727,184,205
Financial charges paid		(2,074,093)	(2,502,017)
Interest received		32,158,642	72,611,163
Net cash (used in) / generated from operating activities		<u>(176,527,502)</u>	<u>496,760,038</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(63,974,519)	(15,061,207)
Proceeds from sale of fixed assets		17,316,391	21,571,777
Short term investments matured		(272,017,825)	78,400,000
Net cash (used in) / generated from investing activities		<u>(318,675,953)</u>	<u>84,910,570</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (decrease) / increase in cash and cash equivalents		<u>(495,203,455)</u>	<u>581,670,608</u>
Cash and cash equivalents at beginning of the year		919,144,975	337,474,367
Cash and cash equivalents at end of the year	17	<u>423,941,520</u>	<u>919,144,975</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


TREASURER

**THARDEEP RURAL DEVELOPMENT PROGRAMME
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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 14 districts of Sindh i.e. Tharparkar, Umerkot, Hyderabad, Jamshoro, Dadu, Tandoallahyar, Mirpurkhas, Matiari, Jacobabad, Sanghar, Shaheed Benazirabad, Badin, Thatta, and Khairpur Mir's. To operate its programme in the area, the Society has 5 district offices each at Tharparkar, Umerkot, Dadu, Hyderabad, and Mirpurkhas; regional office at Hyderabad and head office at Mithi town. There are 23 field units in different villages and towns of 14 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, 2024

The following standards, amendments and interpretations are effective for the year ended June 30, 2024. These standards, amendments and interpretations are either not relevant to the Society's operations or did not have significant impact on the financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 Making Materiality Judgements- Disclosure of Accounting Policies.	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023

The Society adopted the narrow-scope amendments to the International Accounting Standard (IAS) 1, Presentation of Financial Statements which have been effective for annual reporting periods beginning on or after 1 January 2023. Although the amendments did not result in any changes to accounting policy themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting the Company to provide useful entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and updates to the information disclosed in Note 4 Material accounting policies (2023: Summary of significant accounting policies) in line with the amendments and concluded that all its accounting policies are material for disclosure.

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 Society'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 7 'Financial Instruments: Disclosures' - Amendments regarding the classification and measurement of financial instruments	January 01, 2026
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding the classification and measurement of financial instruments	January 01, 2026
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 non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability	January 01, 2025
IFRS 17 Insurance Contracts	January 01, 2026

IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been issued by IASB effective from July 01, 2009. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP).

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023. However SECP has notified the timeframe for the adoption of IFRS - 17 which will be adopted by January 01, 2026.

IFRS 18 'Presentation and Disclosures in Financial Statements' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by SECP.

IFRS 19 'Subsidiaries without Public Accountability: Disclosures' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by SECP.

4 MATERIAL ACCOUNTING POLICY INFORMATION

The material 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 5 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 6 of these financial statements.

4.4 Inventory

These are valued at lower of the cost or net realizable value.

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 10 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
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

- a) 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.
- b) 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.
- c) Income on loan, investments and bank deposits are recognized on accrual basis using effective interest method.
- d) 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 - income tax and levy

4.17.1 Income tax

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. The management has confirmed that the Society fulfills all the conditions and therefore no provision for taxation has been recorded.

4.17.2 Levy

In accordance with the Income Tax Ordinance, 2001, computation of final taxes is not based on taxable income. Therefore, as per IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes issued by the ICAP, these fall within the scope of IFRIC 21 / IAS 37 and accordingly have been classified as levy in these financial statements.

4.18 Transactions with related parties

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

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

4.20 Change in Accounting Policy

During the year the Institute of Chartered Accountant of Pakistan has issued the guidance for accounting of minimum and final taxes through circular No. 7/2024 dated May 15, 2024 and defined following two approaches:

Approach 1: Designate the amount calculated as tax on gross amount of revenue or other basis as a levy within the scope of IFRIC 21/IAS 37 and recognize it as an operating expense. Any excess over the amount designated as a levy is then recognized as current income tax expense falling under the scope of IAS 12.

Approach 2: Designate the amount of tax calculated on taxable income using the notified tax rate as an income tax within the scope of IAS 12 'Income Taxes' and recognize it as current income tax expense. Any excess over the amount designated as income tax, is then recognized as a levy falling under the scope of IFRIC 21/IAS 37.

During the year ended June 30, 2024, the Society has revised its accounting policy under International Accounting Standard - 8 'Accounting policies, Changes in Accounting Estimates and Errors', and the tax deducted has been reclassified from Taxation to Levy in the statement of income and expenditure and other comprehensive income.

PROPERTY AND EQUIPMENT

Particulars	2024						Total
	Lease hold land	Building on free hold land	Furniture and fixtures	Office equipment	Computer	Vehicles	
	Rupees						
Net carrying value basis							
Opening net book value	1,272,925	40,589,166	3,770,806	4,264,660	1,225,931	1,784,745	52,908,233
Additions	47,968,920	-	547,931	1,251,243	2,324,370	10,382,500	62,474,964
Disposals	-	-	(293,651)	(67,594)	-	(1,341,462)	(1,702,707)
Depreciation charge	-	(2,793,825)	(981,007)	(1,502,950)	(1,210,445)	(1,992,429)	(8,480,656)
Closing net book value	49,241,845	37,795,341	3,044,079	3,945,359	2,339,856	8,833,354	105,199,834
Gross carrying value basis							
Cost	49,241,845	55,876,505	10,038,701	13,498,103	13,238,865	69,400,431	211,294,450
Accumulated depreciation	-	(18,081,164)	(6,994,622)	(9,552,744)	(10,899,009)	(60,567,077)	(106,094,616)
Net book value	49,241,845	37,795,341	3,044,079	3,945,359	2,339,856	8,833,354	105,199,834
Rate of depreciation (%)							
	-	5	10	20	33.33	20	

2023

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	15,938,681	3,860,151	3,009,349	1,699,374	3,658,701
Additions	-	26,884,222	909,599	2,846,386	671,000	-
Disposals	-	-	-	-	-	(18)
Depreciation charge	-	(2,233,737)	(998,944)	(1,591,075)	(1,144,443)	(1,873,938)
Closing net book value	1,272,925	40,589,166	3,770,806	4,264,660	1,225,931	1,784,745
Gross carrying value basis						
Cost	1,272,925	55,876,505	12,200,836	14,608,339	20,086,267	71,264,486
Accumulated depreciation	-	(15,287,339)	(8,430,030)	(10,343,679)	(18,860,336)	(69,479,741)
Net book value	1,272,925	40,589,166	3,770,806	4,264,660	1,225,931	1,784,745
Rate of depreciation (%)	-	5	10	20	33.33	20

5.1 The above include fully depreciated assets costing Rs. 83,013,826 (2023: Rs. 87,315,911).

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

	Note	2024 Rupees	2023 Rupees
Programme expenses			
Community physical infrastructure	25.1	1,019,572	942,807
Disaster and preparedness management unit	25.2	1,019,572	942,806
Social mobilization programme	25.3	2,363,223	2,185,293
Monitoring and evaluation	25.4	1,019,572	942,807
Social services sector	25.5	1,019,572	942,807
		6,441,511	5,956,520
Operating expenses			
Administration expenses	26	2,039,144	1,885,615
		<u>8,480,655</u>	<u>7,842,135</u>
6 CAPITAL WORK IN PROGRESS			
Balance as at July 01		-	16,250,000
Additions during the year		1,499,555	10,634,222
Transferred to operating fixed assets		-	(26,884,222)
Balance as at June 30		<u>1,499,555</u>	<u>-</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 amortisation		(7,355,812)	(7,355,812)
Balance as at June 30		<u>-</u>	<u>-</u>
Rate of amortisation (%)		<u>33</u>	<u>33</u>

7.1 Intangible assets comprise of Financial Information System (FIS) for accounting and financial reporting which are fully amortised.

	Note	2024 Rupees	2023 Rupees
8 LONG TERM DEPOSITS			
Security deposits			
Government of Sindh	8.1	12,609,804	500,000
Pakistan State Oil		263,320	313,320
Vehicle to district court		50,000	50,000
Building rent deposits		590,000	100,000
Others		628,333	-
		<u>14,141,457</u>	<u>963,320</u>
8.1 This represents security deposit paid to Government of Sindh against Sindh Flood Emergency Rehabilitation Program (SFERP) of Rs. 12.109 million (2023: Nil) and Nangarparkar Tourism Complex and Rs. 0.5 million (Rs. 0.5 million).			
9 LONG TERM LOAN			
During the year, the loan has been reclassified to short term loan (note 12) as it is receivable by October 5, 2024.			
10 INVENTORY			
Carpets and handicrafts		<u>578,593</u>	<u>578,593</u>
11 ADVANCES - NET OF PROVISION			
Advances - gross		63,166,783	64,235,559
Less: Provisions for doubtful advances		(186,910)	(1,001,042)
Advances - net of provision		<u>62,979,873</u>	<u>63,234,517</u>
Movement of advances - gross is as follows:			
Balance as at July 01		64,235,559	109,874,554
Disbursement during the year		105,456,000	101,540,000
Advances written-off		-	(9,500,057)
Recovery during the year		(106,524,776)	(137,678,938)
Balance as at June 30		<u>63,166,783</u>	<u>64,235,559</u>
11.1 Movement of provision is as follows:			
Balance at July 01		1,001,042	12,612,029
Reversal in provision		(814,132)	(2,110,930)
Writte-off advances		-	(9,500,057)
Balance as at June 30		<u>186,910</u>	<u>1,001,042</u>
11.2 These advances are interest free.			

15.1 This represents amount spent by the Society on behalf of the donors and is yet to be received.

	Note	2024 Rupees	2023 Rupees
16			
ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances			
Employees		3,522,433	3,877,585
Suppliers		2,051,647	1,984,980
Prepayments		1,757,631	2,038,698
Other receivable		3,388,265	8,836,966
		<u>10,719,976</u>	<u>16,738,229</u>

17 CASH AND BANK BALANCES

Cash in hand		120,775	130,161
Balances with banks			
Current accounts		113,423,411	55,649,595
Foreign currency account		178,640	184,724
Saving accounts	17.1	137,599,132	862,332,776
Deposit accounts	17.2	172,619,562	847,719
		<u>423,820,745</u>	<u>919,014,814</u>
		<u>423,941,520</u>	<u>919,144,975</u>

17.1 These carry interest rate at 20.50% per annum (2023: 12.25% to 19.50% per annum).

17.2 This carries interest rate at 20.5% per annum (2023: 8% per annum).

	Note	2024 Rupees	2023 Rupees
19	LONG TERM LOAN		
	During the year, the loan has been reclassified to short term loan (note 21) as it is payable by June 30, 2025.		
20	ACCRUED AND OTHER LIABILITIES		
		3,331,092	1,434,910
		3,926,132	746,980
		4,894,766	6,282,663
		<u>12,151,990</u>	<u>8,464,553</u>
21	SHORT TERM LOAN		
	Pakistan Poverty Alleviation Fund- secured	21.1 <u>111,349,442</u>	<u>-</u>
21.1	This represents interest free loan from Pakistan Poverty Alleviation Fund, which is payable by June 30, 2025. This is secured against microcredit sub loans financed from such amounts.		
22	CONTINGENCIES AND COMMITMENTS		
22.1	There are no contingencies and commitments as at June 30, 2024 (2023: Nil).		
23	GRANT AND DONATIONS		
	Grant income / general donation	23.1 <u>1,283,343,183</u>	<u>1,516,571,970</u>

23.1 Following is the detail of grant / donations realised:

Donations	Grant	Grant
	2024	2023
Grant realized as income:		
Pakistan Poverty Alleviation Fund (PPAF)	133,682,026	133,673,144
Welthungerhilfe	198,892,108	294,284,783
SPHF Govt. of Sindh	243,598,412	220,510,291
NPGP Govt. of Pakistan	380,084,332	354,941,687
United Nations Children Emergency Fund (UNICEF)	108,015,069	46,763,596
Care International Pakistan (CIP)	70,293,115	22,944,206
NRSP	48,449,297	-
International Rescue Committee (IRC)	55,254,775	12,343,694
Concern World Wide	21,074,082	357,412,504
Rural Support Programme Network (RSPN)	20,613,932	45,793,175
Grant related to assets	3,386,035	3,752,158
United Nations Educational, Scientific and Cultural Organization	-	23,792,324
Philanthropists	-	250,000
SSGC	-	110,408
Total grant realised as income.	<u>1,283,343,183</u>	<u>1,516,571,970</u>

23.2 Breakup of grant / donation realized

Transferred from deferred income (refer note 18)	951,116,016	1,273,010,998
Transferred from grant receivables (refer note 15)	40,179,458	22,690,275
Grants received	292,047,709	220,510,291
Donation received in cash	-	360,406
	<u>1,283,343,183</u>	<u>1,516,571,970</u>

	Note	2024 Rupees	2023 Rupees
24 OTHER INCOME			
From financial assets			
Short term loan	12	50,000,000	50,000,000
Interest income on:			
Saving accounts		87,523,468	69,483,938
Term deposit receipts		62,672,108	-
		<u>200,195,576</u>	<u>119,483,938</u>
From non-financial assets			
Proceeds from sale of carpets		-	141,395
Gain on disposal of property and equipment		15,613,684	21,571,759
Reversal of provision against advances		814,132	2,110,930
Other income	24.1	2,622,287	5,492,598
		<u>19,050,103</u>	<u>29,316,682</u>
		<u>219,245,679</u>	<u>148,800,620</u>

24.1 This includes income from rent of guest house amounting to Rs. 2.218 million (2023: Rs. 3.075 million) and from transportation amounting to Rs. 0.0165 million (2023: 2.327 million).

25 PROGRAMME EXPENSES

Programme specific

Community physical infrastructure expenses	25.1	13,053,238	16,809,156
Disaster and preparedness management unit expenses	25.2	212,800,104	672,393,349
Social mobilization programme expenses	25.3	247,146,364	93,158,480
Monitoring and evaluation expenses	25.4	13,413,796	23,488,529
Social services sector expenses	25.5	660,908,231	554,668,587
		<u>1,147,321,733</u>	<u>1,360,518,101</u>

25.1 Community physical infrastructure expenses

Salaries		9,354,620	12,593,292
Transportation		1,327,382	1,872,747
Depreciation	5.2	1,019,572	942,807
Office rent		392,335	453,079
Utilities		351,611	413,909

	Note	2024 Rupees	2023 Rupees
Consumable		214,067	194,254
Travel and accommodation		177,446	101,565
Stationery		80,779	77,495
Communication		68,798	75,815
Repair and maintenance		3,804	30,011
Entertainment and miscellaneous expenses		40,216	27,697
Per diem and allowances		22,608	26,485
		<u>13,053,238</u>	<u>16,809,156</u>

25.2 Disaster and preparedness management unit expenses

Salaries		1,753,991	75,559,752
Emergency Relief Assisatance to 2022 Flood Affected Population		28,317,285	413,263,534
Multipurpose Cash Assistance to Flood Affected Families		134,110,211	108,537,844
Climate change adaptation and enhancing resilience regarding food and nutrition security of smallholders		-	60,811,814
Humanitarian aid for drought affected household		-	7,954,586
Floods Response Programme (Shelter, WASH and FSL)		30,260,194	2,503,241
Building Disaster Resilience and Responding to Emergencies (BDRE)		15,319,692	-
Transportation		663,691	936,373
Depreciation	5.2	1,019,572	942,807
Office rent		392,335	906,157
Utilities		351,611	413,909
Consumable		214,067	194,254
Travel and accommodation		177,446	101,565
Stationery		80,779	77,495
Communication		68,798	75,815
Per diem and allowances		22,608	26,485
Repair and maintenance		7,608	60,022
Entertainment and miscellaneous expenses		40,216	27,696
		<u>212,800,104</u>	<u>672,393,349</u>

	Note	2024 Rupees	2023 Rupees
25.3 Social mobilization programme expenses			
Salaries		65,482,338	15,741,615
SPHF cost		136,788,571	34,983,443
Transportation		7,964,290	11,236,479
Sindh Union Council and Community Economic Strengthening Support		-	10,415,810
Office rent		5,100,352	5,890,023
Utilities		4,219,329	4,966,909
Consumable		2,568,801	2,331,051
Depreciation	5.2	2,363,223	2,185,293
Travel and accommodation		2,129,350	1,218,777
Local support organization		-	1,107,509
Stationery		969,350	929,938
Communication		825,573	909,784
Repair and maintenance		49,451	390,147
Entertainment and miscellaneous expenses		482,588	332,369
Per diem and allowances		271,296	317,820
Community training		-	201,513
SM for Livelihood and Cash for Work		17,931,852	-
		<u>247,146,364</u>	<u>93,158,480</u>
25.4 Monitoring and evaluation expenses			
Salaries		5,846,637	7,870,808
Networking		-	6,799,245
Monthly review		1,250,218	2,335,289
Video documentary / exhibition		152,168	1,938,940
Directors meeting cost		2,722,211	1,260,049
Depreciation	5.2	1,019,572	942,807
Transportation		663,691	936,373
Office rent		784,670	453,079
Utilities		351,611	413,909
Consumable		214,067	194,254
Travel and accommodation		177,446	101,565
Stationery		80,779	77,495
Communication		68,798	75,815
Repair and maintenance		3,804	30,011
Entertainment and miscellaneous expenses		40,216	27,697
Per diem and allowances		22,608	26,485
Publication		15,300	4,708
		<u>13,413,796</u>	<u>23,488,529</u>

	Note	2024 Rupees	2023 Rupees
25.5 Social services sector expenses			
Salaries		22,801,886	31,483,230
Growth for Advancement and Sustainable Progress-GRASP		99,681,882	64,208,229
CSOs Building Resilience through Improved Delivery, Governance and Empowerment Program Education		43,430,853	47,133,976
Girls' Lower Secondary Education Programme (GLSEP) in Tharparkar		-	28,493,932
National Poverty Graduation Programme		361,759,005	310,866,877
Programme for Improved Nutrition in Sindh (PINS)		-	21,627,970
Transportation		1,327,382	1,872,747
Education Early Response and Recovery for Emergency in Sindh		108,010,644	1,222,307
Depreciation	5.2	1,019,572	942,807
Natural resource management expense		167,368	589,906
Office rent		392,335	453,079
Utilities		351,611	413,909
Consumable		214,067	194,254
Travel and accommodation		177,446	101,565
Stationery		80,779	77,495
Communication		68,798	75,815
Repair and maintenance		3,804	30,011
Entertainment and miscellaneous expenses		40,216	27,697
Per diem and allowances		22,608	26,485
Health activities /MCH activities		10,151,153	-
Building Healthy Families Activity		10,271,427	-
COVID-19 Emergency Response		935,395	-
		<u>660,908,231</u>	<u>554,668,587</u>

26 OPERATING EXPENSES

Salaries		11,693,275	14,167,454
Legal fee		12,066,287	5,101,482
Guest house expense		2,869,205	2,801,022
Auditors' remuneration	26.1	1,555,266	2,650,552
Depreciation	5.2	2,039,144	1,885,615
Transportation		1,327,382	1,872,747
Utilities		1,406,443	1,655,636
Office rent		784,670	906,157
Consumable		856,267	777,017
Travel and accommodation		709,783	406,259

	Note	2024 Rupees	2023 Rupees
Stationery		323,117	309,979
Communication		275,191	303,261
Cost of carpets		-	137,041
Entertainment and miscellaneous expenses		160,863	110,793
Per diem and allowances		90,432	105,940
Repair and maintenance		7,608	60,022
Vehicle Insurance		160,056	-
Equipment maintenance		266,897	-
		<u>36,591,886</u>	<u>33,250,977</u>
26.1 Auditors' remuneration			
Statutory audit		1,062,003	965,457
Audit fee of the project		-	1,447,495
Out of pocket expenses		493,263	237,600
		<u>1,555,266</u>	<u>2,650,552</u>
27 OTHER EXPENSES			
Bank charges		2,074,094	2,502,018
Exchange loss	27.1	6,078	-
		<u>2,080,172</u>	<u>2,502,018</u>

27.1 This represents unrealised exchange loss on remeasurement of foreign currency account.

28 LEVY

This represents amount paid under section 151 of the Ordinance, representing levy in terms of requirements of IFRIC 21/IAS 37.

29 TAXATION

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 filed an appeal with Appellate Tribunal Inland Revenue (ATIR), Karachi against the order and the same is pending for hearing. Based on the opinion of tax adviser, it is likelihood that the Society may win the case in tribunal and the amounts involved will be refunded.

30 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

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

	Chief Executive		Directors	
	2024	2023	2024	2023
	Rupees			
Basic salary	12,513,982	10,400,894	-	-
House rent allowance	4,379,894	3,965,837	-	-
Utilities	1,251,400	1,040,086	-	-
Vehicle allowance	1,251,400	1,040,086	-	-
Retirement benefits/Medical Allowance	1,251,400	714,566	-	-
	<u>20,648,076</u>	<u>17,161,469</u>	-	-
Number of person(s)	1	1	14	14

- 30.1 The Chief Executive Officer is also provided with free use of Society owned and maintained cars in accordance with their terms of employment.
- 30.2 The non-executive directors of the Society are only provided conveyance for attending meetings of the Board and sub-committees as disclosed in note 25.4 to the financial statements.

31 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:

31.1 Transactions during the year

Name of related parties	Nature of transaction	Relation with the company	2024 Rupees	2023 Rupees
Rural Support Program Network	Expenses incurred	Associated undertaking	20,613,932	29,844,907
Rural Support Program Network	Donation received	Associated undertaking	22,102,347	14,110,466
Thardeep Microfinance Foundation	Interest income	Associated undertaking	50,000,000	50,000,000
Thardeep Microfinance Foundation	Interest received	Associated undertaking	47,506,850	47,506,850
Mr. Allah Nawaz Samoo	Executive remuneration	Key Management Personnel	20,648,076	17,161,469

31.2 Year end balances	2024 Rupees	2023 Rupees
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Thardeep Microfinance Foundation (TMF) -
Associated Undertaking

Long term loan	-	400,000,000
Short term loan	400,000,000	-
Interest receivable	12,465,753	12,465,753

	2024 Rupees	2023 Rupees
32 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES		
32.1 Financial instruments by category		
Financial assets as per statement of financial position		
Long term deposits	14,141,457	963,320
Short term investment	272,017,825	-
Long term loan	-	400,000,000
Short term loan	400,000,000	-
Advances - net of provisions	62,979,873	63,234,517
Accrued interest	67,830,579	12,465,753
Grant receivable	59,898,059	24,248,889
Advances and other receivables	6,910,698	12,714,551
Cash and bank balances	423,941,520	919,144,975
	<u>1,307,720,011</u>	<u>1,432,772,005</u>
Financial liabilities as per statement of financial position		
Long term loan	-	111,349,442
Short term loan	111,349,442	-
Accrued and other liabilities	12,151,990	8,464,556
	<u>123,501,432</u>	<u>119,813,998</u>

32.2 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

32.2.1 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:

	2024 Rupees	2023 Rupees
Long term deposits	14,141,457	963,320
Long term loan	-	400,000,000
Short term loan	400,000,000	-
Short term Investment	272,017,825	-
Advances - net of provisions	62,979,873	63,234,517
Interest receivable	67,830,579	12,465,753
Donations receivable	59,898,059	24,248,889
Advances and other receivables	6,910,698	12,714,551
Bank balances	423,820,745	919,014,814
	<u>1,307,599,236</u>	<u>1,432,641,844</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, 2024 is as follows:

Ageing Tenure	Overdue of IFL	Total Overdue Advances
	----- Rupees -----	
From 0-12 months	-	-
From 13-24 months	-	-
From 25-36 months	-	-
More than 36 months	186,910	186,910
	<u>186,910</u>	<u>186,910</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.

32.2.2 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.

32.2.3 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.

32.2.3.1 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:

	2024 Rupees	2023 Rupees
Fixed rate instruments		
Financial assets		
- Bank balances	<u>310,218,694</u>	<u>863,180,495</u>
	<u>310,218,694</u>	<u>863,180,495</u>

	2024 Rupees	2023 Rupees
Variable rate instruments		
Financial assets		
- Long term loan	-	400,000,000
- Short term loan	400,000,000	-
	<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. 4.24 million (2023: Rs. 9.191 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.

32.3 Liquidity profile of the financial instruments

Note	Effective Interest rate	2024				2023			
		Interest/mark-up bearing		Sub Total	Non-interest bearing		Sub Total	Total	
		Maturity upto one year	Maturity after one year		Maturity within one year	Maturity after one year			
Rupees									
8	-	-	-	-	-	14,141,457	14,141,457	-	14,141,457
9	21% to 22.06%	272,017,825	-	272,017,825	-	-	-	-	272,017,825
9	12.5% per annum	400,000,000	-	400,000,000	-	-	-	-	400,000,000
11	-	-	-	-	62,979,873	-	62,979,873	-	62,979,873
14	-	-	-	-	67,830,579	-	67,830,579	-	67,830,579
15	-	-	-	-	59,898,059	-	59,898,059	-	59,898,059
16	-	-	-	-	6,910,698	-	6,910,698	-	6,910,698
17	20.5% per annum	310,218,694	-	310,218,694	113,722,826	-	113,722,826	-	423,941,520
		982,236,519	-	982,236,519	311,342,035	14,141,457	325,483,492	-	1,307,720,011
Financial assets									
Long term deposits									
Short term investment									
Short term loan									
Advances - net of provisions									
Interest receivable									
Grant receivable									
Advances and other receivables									
Cash and bank balances									
Financial liabilities									
Long term loan									
Accrued and other liabilities									

Note	Effective Interest rate	2023				2022			
		Interest/mark-up bearing		Sub Total	Non-interest bearing		Sub Total	Total	
		Maturity upto one year	Maturity after one year		Maturity within one year	Maturity after one year			
Rupees									
8	-	-	-	-	-	963,320	963,320	-	963,320
9	6 months KIBOR plus 3% per annum	-	400,000,000	400,000,000	-	-	-	-	400,000,000
11	-	-	-	-	63,234,517	-	63,234,517	-	63,234,517
14	-	-	-	-	12,465,753	-	12,465,753	-	12,465,753
15	-	-	-	-	24,248,889	-	24,248,889	-	24,248,889
16	-	-	-	-	12,714,551	-	12,714,551	-	12,714,551
17	6.5% - 12.25%	863,180,495	-	863,180,495	55,964,480	-	55,964,480	-	919,144,975
		863,180,495	400,000,000	1,263,180,495	168,628,190	963,320	169,591,510	-	1,432,772,005
Financial assets									
Long term deposits									
Long term loan									
Advances - net of provisions									
Interest receivable									
Donations receivable									
Advances and other receivables									
Cash and bank balances									
Financial liabilities									
Long term loan									
Accrued and other liabilities									

33 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 liability.

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

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)

As of reporting date, the Society has no assets carried at fair value. The carrying amount of all financial assets and financial liabilities in the financial statements approximate to their carrying values.

34 CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, wherever necessary, for the purpose of comparison and better presentation. However, there were no material reclassifications to report during the year except for:

	From Taxation	To Levy
Levy	<u>17,101,787</u>	<u>17,101,787</u>

	2024 Rupees	2023 Rupees
35 NUMBER OF EMPLOYEES		
Number of employees as at June 30, 2024	227	264
Average number of employees during the year	<u>240</u>	<u>250</u>

36 DATE OF AUTHORISATION

These financial statements were authorised for issue on October 26, 2024 by the Board of Directors of the Society.

37 GENERAL

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

h
CHIEF EXECUTIVE OFFICER

h
TREASURER