

Riaz Ahmad & Company

Chartered Accountants

**CIVIL SOCIETY HUMAN AND
INSTITUTIONAL DEVELOPMENT
PROGRAMME**

AUDIT FOR THE YEAR ENDED

30 JUNE 2020

INDEPENDENT AUDITOR'S REPORT

To The Members of Civil Society Human and Institutional Development Programme

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **CIVIL SOCIETY HUMAN AND INSTITUTIONAL DEVELOPMENT PROGRAMME** (the Company), which comprise the statement of financial position as at 30 June 2020, and the income and expenditure statement, the statement of comprehensive income, the statement of changes in funds, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of the surplus, other comprehensive income, the changes in funds and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the matter discussed in note 1.1 to the accompanying financial statements, regarding pending application for renewal of license under section 42 of the Companies Act, 2017. The ultimate outcome of which cannot presently be determined. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the director's report, but does not include the financial statements and our auditor's report thereon.

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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 Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

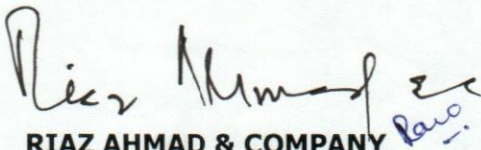
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Raheel Arshad.



RIAZ AHMAD & COMPANY
Chartered Accountants

ISLAMABAD

Date: 28 DEC 2020





CIVIL SOCIETY HUMAN AND INSTITUTIONAL DEVELOPMENT PROGRAMME
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

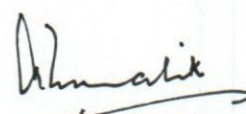
| | NOTE | 2020 Rupees | 2019 Restated Rupees | 2018 Restated Rupees |
|--|------|--------------------|----------------------------|----------------------------|
| ASSETS | | | | |
| NON-CURRENT ASSETS | | | | |
| Property and equipment | 3 | 28,204,123 | 43,927,079 | 47,438,483 |
| Right-of-use assets | 4 | - | - | - |
| Long term security deposits | 5 | 99,900 | 99,900 | 823,900 |
| | | <u>28,304,023</u> | <u>44,026,979</u> | <u>48,262,383</u> |
| CURRENT ASSETS | | | | |
| Advances | 6 | 159,452 | 480,082 | 277,641 |
| Security deposits and prepayments | 7 | 101,785 | 1,113,047 | 174,864 |
| Short term investment | 8 | 14,234,000 | 14,366,622 | 13,671,328 |
| Due from related parties | 9 | 62,750,883 | 1,763,911 | 692,071 |
| Receivable from donor agencies | 18 | 13,091,762 | 6,486,518 | 3,811,593 |
| Other receivables | 10 | 1,978,666 | 505,951 | 721,927 |
| Taxation recoverable - net | 11 | 336,818 | 2,345,769 | 2,521,583 |
| Cash and bank balances | 12 | 15,593,548 | 23,018,385 | 10,505,258 |
| | | <u>108,246,914</u> | <u>50,080,285</u> | <u>32,376,265</u> |
| | | <u>136,550,937</u> | <u>94,107,264</u> | <u>80,638,648</u> |
| TOTAL ASSETS | | | | |
| FUNDS AND LIABILITIES | | | | |
| FUNDS | | | | |
| General fund | | 72,170,574 | 18,785,329 | 21,701,778 |
| Endowment fund | 13 | 34,956,235 | 34,956,235 | 34,956,235 |
| Total funds | | <u>107,126,809</u> | <u>53,741,564</u> | <u>56,658,013</u> |
| LIABILITIES | | | | |
| NON-CURRENT LIABILITIES | | | | |
| Deferred liability - gratuity | 14 | 8,933,217 | 9,001,707 | 7,510,154 |
| Long term security deposit | | - | - | 750,000 |
| Liabilities against assets subject to finance lease | 15 | - | - | 1,312,960 |
| Lease liability | 16 | - | - | - |
| Deferred capital grant | 17 | 1,940,565 | 2,161,438 | 1,401,888 |
| Restricted grants related to projects | 18 | 2,000,000 | 19,029,293 | 8,185,707 |
| | | <u>12,873,782</u> | <u>30,192,438</u> | <u>19,160,709</u> |
| CURRENT LIABILITIES | | | | |
| Current portion of liabilities against assets subject to finance lease | 15 | - | 1,312,960 | 618,465 |
| Accrued and other liabilities | 19 | 16,550,346 | 8,860,302 | 4,201,461 |
| | | <u>16,550,346</u> | <u>10,173,262</u> | <u>4,819,926</u> |
| Total liabilities | | <u>29,424,128</u> | <u>40,365,700</u> | <u>23,980,635</u> |
| CONTINGENCIES AND COMMITMENTS | | | | |
| TOTAL FUNDS AND LIABILITIES | 20 | <u>136,550,937</u> | <u>94,107,264</u> | <u>80,638,648</u> |

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



CHIEF EXECUTIVE OFFICER





DIRECTOR

CIVIL SOCIETY HUMAN AND INSTITUTIONAL DEVELOPMENT PROGRAMME
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

| | 2020 | 2019 |
|--|---------------|------------------------|
| | Rupees | Restated Rupees |
| SURPLUS / (DEFICIT) AFTER TAXATION | 52,074,042 | (3,173,707) |
| OTHER COMPREHENSIVE INCOME | | |
| Items that will not be reclassified to income and expenditure | | |
| Remeasurement of defined benefit plan | 1,311,203 | 257,258 |
| Items that may be reclassified subsequently to income and expenditure | | |
| Other comprehensive income for the year | - | - |
| Total comprehensive income / (loss) for the year | 53,385,245 | (2,916,449) |

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



CHIEF EXECUTIVE OFFICER




DIRECTOR

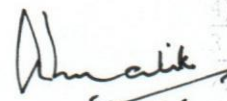
CIVIL SOCIETY HUMAN AND INSTITUTIONAL DEVELOPMENT PROGRAMME
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 30 JUNE 2020

| Description | General fund | Endowment fund | Total |
|---|--------------------|-------------------|--------------------|
| | Rupees | | |
| Balance as at 30 June 2018 - as previously reported | 22,328,742 | 34,956,235 | 57,284,977 |
| Effect of change in policy (Note 2.2) | (626,964) | - | (626,964) |
| Balance as at 30 June 2018 - restated | 21,701,778 | 34,956,235 | 56,658,013 |
| Deficit after taxation | (3,173,707) | - | (3,173,707) |
| Other comprehensive income for the year | 257,258 | - | 257,258 |
| Total comprehensive loss for the year | (2,916,449) | - | (2,916,449) |
| Balance as at 30 June 2019 - restated | 18,785,329 | 34,956,235 | 53,741,564 |
| Surplus after taxation | 52,074,042 | - | 52,074,042 |
| Other comprehensive income for the year | 1,311,203 | - | 1,311,203 |
| Total comprehensive income for the year | 53,385,245 | - | 53,385,245 |
| Balance as at 30 June 2020 | <u>72,170,574</u> | <u>34,956,235</u> | <u>107,126,809</u> |

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



CHIEF EXECUTIVE OFFICER

DIRECTOR

CIVIL SOCIETY HUMAN AND INSTITUTIONAL DEVELOPMENT PROGRAMME

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

| | 2020 Rupees | 2019 Restated Rupees |
|---|----------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Surplus / (deficit) before taxation | 54,508,880 | (2,475,688) |
| Adjustments for non-cash charges and other items: | | |
| Depreciation | 3,827,425 | 4,923,881 |
| Depreciation on right-of-use-assets | 294,000 | - |
| Lease liabilities written back | (1,380) | - |
| Other receivables written off | 62,308 | - |
| Provision for gratuity | 2,533,855 | 1,748,811 |
| Finance cost | 71,983 | 271,250 |
| Interest income | (1,417,739) | (804,167) |
| Return on investment | (1,023,715) | (595,079) |
| Gain on sale of property and equipment | (62,406,711) | - |
| Amortization of restricted grants related to projects | (129,545,603) | (144,152,782) |
| Amortization of deferred capital grant | (788,123) | (652,927) |
| | <u>(188,393,700)</u> | <u>(139,261,013)</u> |
| Cash used in operations before working capital changes | <u>(133,884,820)</u> | <u>(141,736,701)</u> |
| Working capital changes: | | |
| Decrease / (increase) in current assets | | |
| Advances | 320,630 | (202,441) |
| Security deposits and prepayments | 423,262 | (938,183) |
| Due from related parties | (60,986,972) | (1,071,840) |
| Other receivables | (1,535,023) | 215,976 |
| Increase in accrued and other liabilities | 7,690,044 | 4,658,841 |
| | <u>(54,088,059)</u> | <u>2,662,353</u> |
| Cash used in operations | <u>(187,972,879)</u> | <u>(139,074,348)</u> |
| Finance cost paid | (71,983) | (271,250) |
| Gratuity paid | (1,291,142) | - |
| Income tax paid | (425,887) | (522,205) |
| | <u>(1,789,012)</u> | <u>(793,455)</u> |
| Net cash used in operating activities | <u>(189,761,891)</u> | <u>(139,867,803)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditure on operating fixed assets | (1,158,478) | (1,412,477) |
| Proceeds from sale of operating fixed assets | 90,033,500 | - |
| Additions in capital work in progress | (14,866,780) | - |
| Security deposits | - | 724,000 |
| Short term investment made | (414,369) | (595,664) |
| Interest received | 2,988,445 | 1,299,616 |
| Net cash from investing activities | 76,582,318 | 15,475 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Deferred capital grant received | 567,250 | 1,412,477 |
| Liabilities against assets subject to finance lease repaid | - | (618,465) |
| Lease liabilities paid | (723,580) | - |
| Security deposit - repaid | - | (750,000) |
| Restricted grants related to projects received - net | 105,911,066 | 152,321,443 |
| Net cash from financing activities | <u>105,754,736</u> | <u>152,365,455</u> |
| Net (decrease) / increase in cash and cash equivalents | <u>(7,424,837)</u> | <u>12,513,127</u> |
| Cash and cash equivalents at the beginning of the year | <u>23,018,385</u> | <u>10,505,258</u> |
| Cash and cash equivalents at the end of the year | <u>15,593,548</u> | <u>23,018,385</u> |

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


CHIEF EXECUTIVE OFFICER




DIRECTOR

CIVIL SOCIETY HUMAN AND INSTITUTIONAL DEVELOPMENT PROGRAMME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1 THE COMPANY AND ITS OBJECTIVES

1.1 Legal status and operations

Civil Society Human and Institutional Development Programme (the Company) was incorporated in Pakistan on 20 October 2004 as a Company limited by guarantee having no share capital, under Section 42 of the repealed Companies Ordinance, 1984 (now the Companies Act, 2017).

The Company's license under section 42 of the Companies Act, 2017, issued by the Securities and Exchange Commission of Pakistan (SECP) expired on 19 October 2009. The Company's application for the renewal of the license, to SECP, submitted in November 2015, is awaiting clearance from the Ministry of Interior (MOI), Government of Pakistan.

SECP vide its letter No. CLD/CCD/CO.42/RN/64/2015-667 dated 07 September 2017 and letter No. CLD/CCD/CO.42/RN/64/2015-8429 dated 24 August 2020 stated that the matter has been forwarded to MOI, Government of Pakistan for obtaining necessary clearance regarding foreign funding / directors before grant of renewal of license under Section 42 of the Companies Act, 2017. The management of the Company is confident that the license will be renewed in due course.

The Company took over all the assets, liabilities and business activities of SDC-CHIP on 01 January 2005. The principal activities of the Company are to focus on human and institutional development while working in the sectors of natural resource management, human rights, health, education, livelihood, water, sanitation, relief and rehabilitation, small enterprises and vocational skills.

The registered office of the Company is situated at CHIP House, Plot No. 5, Fayyaz Market, Street No. 9, G-8/2, Islamabad.

| Sr. No. | Business Unit | Address |
|---------|---------------|--|
| 1. | Head Office | CHIP House, Plot No. 5, Fayyaz Market, Street No. 9, G-8/2, Islamabad. |
| 2. | Field Office | Plot No. 41, Woqla Colony, Near Ghora chowk, Layyah. |

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting standard for Not for Profit organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.



b) Accounting Convention

These financial statements have been prepared under the historical cost convention and on accrual basis of accounting except for the statement of cash flows or as otherwise stated, in the respective policies and notes given hereunder.

The Company has adopted deferral method of accounting for recognition and presentation of restricted/unrestricted grants, endowment fund and its net assets as per Accounting Standard for NPOs.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairment

Estimates with respect to residual values, useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property and equipment, with a corresponding effect on the depreciation charge and impairment.

Income tax

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgment. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

d) Standard, interpretations and amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following standard, interpretations and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2019:

- IFRS 16 'Leases'
- IFRS 9 (Amendments) 'Financial Instruments'
- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement
- IAS 28 (Amendments) 'Investments in Associates and Joint Ventures'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- IASB's Annual Improvements to IFRSs: 2015 - 2017 Cycle

The Company had to change its accounting policies and make certain adjustments without restating prior year results following the adoption of IFRS 16. These are disclosed in note 2.14 to the financial statements. Most of the other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.



e) Standard and amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are other standard and amendments to published standards that are mandatory for accounting period beginning on or after 01 July 2019 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore, not detailed in these financial statements.

f) Amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2020 or later periods:

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing general purpose financial statements in accordance with IFRS.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: re-introduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits—this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 01 January 2020 for preparers that develop an accounting policy based on the Framework.

Interest Rate Benchmark Reform which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.



Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') effective for the annual period beginning on or after 1 January 2022 amends IAS 1 'Presentation of Financial Statements' by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 'Property, Plant and Equipment') effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 'Financial Instruments' – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 'Leases' – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 'Leases' by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

The above amendments and improvements do not have a material impact on the financial statements.

g) Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2020 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore, not detailed in these financial statements.

2.2 Employee benefit

The Company operates an unfunded, unapproved gratuity scheme for all its employees. Previously, the Company was providing for its liability under this scheme, on the basis of one month basic salary for each completed year of service at the reporting date. For any additional service beyond one year the gratuity was prorated if minimum three months have been completed for respective year. From current year, the liability for employees gratuity is based on actuarial valuation carried out as at 30 June 2020 using the Projected Unit Credit method by independent actuary. The charge for the year is based on actuarial valuation. The amounts arising as a result of remeasurements are recognized immediately, with a charge or credit to other comprehensive income in the periods in which they occur. Past-service costs are recognized immediately in income and expenditure statement. This change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.



The effect of change in accounting policy is summarized below:

| | 2019 | | | 2018 | | |
|--|----------------------------------|----------------------|--------------------|----------------------------------|----------------------|--------------------|
| | As previously reported Rupees | Adjustment Rupees | Restated Rupees | As previously reported Rupees | Adjustment Rupees | Restated Rupees |
| Effect on statement of financial position | | | | | | |
| General fund | 18,063,326 | 722,003 | 18,785,329 | 22,328,742 | (626,964) | 21,701,778 |
| Deferred liability - gratuity | 9,723,710 | (722,003) | 9,001,707 | 6,883,190 | 626,964 | 7,510,154 |
| Effect on statement of comprehensive income | | | | | | |
| Other comprehensive income | - | (257,258) | (257,258) | | | |
| Effect on income and expenditure statement | | | | | | |
| Administrative cost | 19,647,079 | (1,091,709) | 18,555,370 | | | |

Effect on statement of comprehensive income

Other comprehensive income - (257,258) (257,258)

Effect on income and expenditure statement

Administrative cost 19,647,079 (1,091,709) 18,555,370

There was no cash flow impact as a result of change in policy.

2.3 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the income and expenditure statement, except to the extent that it relates to items recognized in other comprehensive income or directly in fund. In this case the tax is also recognized in other comprehensive income or directly in fund, respectively.

2.4 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.



2.5 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to income and expenditure statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Pak Rupees at exchange rates prevailing at the date when fair values are determined.

2.6 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

2.7 Property, equipment and depreciation

Property and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. Freehold land and capital work-in-progress are stated at cost less any recognized impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income and expenditure statement during the period in which they are incurred.

Depreciation is charged by applying the straight line method at the rates specified in note 3.1 to the financial statements, which are considered appropriate to write off the cost of the assets over their useful economic lives.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed of. The residual values and useful lives of assets are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

De-recognition

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the income and expenditure statement in the year the asset is de-recognized.

2.8 Endowment fund

Endowment fund is established for the purpose of financial stability of the Company. Surplus fund after taxation is transferred to endowment fund in full or part as per decision of the Board of Directors of the Company on an annual basis.

2.9 General fund

The surplus / (deficit) for the year is accumulated to general fund.



2.10 Investments and other financial assets

a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in income and expenditure statement or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income and expenditure statement.

Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognized in profit or loss. When



the financial asset is de-recognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/ (other expenses) and impairment losses are presented as separate line item in the income and expenditure statement.

Fair value through profit or loss

Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

Fair value through other comprehensive income (FVTOCI)

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Fair value through profit or loss

Changes in the fair value of equity investments at fair value through profit or loss are recognized in other income / (other expenses) in the income and expenditure statement as applicable.

Dividends from such investments continue to be recognized in income and expenditure statement as other income when the Company's right to receive payments is established.

Financial liabilities – classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in income and expenditure statement. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in income and expenditure statement. Any gain or loss on de-recognition is also included in income and expenditure statement.



2.11 Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For receivable from donor agencies and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

2.12 De-recognition of financial assets and liabilities

a) Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

b) Financial liabilities

The Company derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

2.13 Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

2.14 IFRS 16 "Leases"

The Company has adopted IFRS 16 from 01 July 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognized in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognized lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17, as the operating expense is now replaced by interest expense and depreciation in the income and expenditure statement. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

IFRS 16 has been adopted using the modified retrospective approach and as such the comparatives have not been restated. The impacts of adoption as at 01 July 2019 are as follows:



| | Rupees |
|--|---------------|
| Operating fixed assets (leased) decreased by | (2,058,000) |
| Right-of-use-assets increased by | 2,058,000 |
| Liabilities against assets subject to finance lease decreased by | (1,312,960) |
| Lease liability increased by | 1,312,960 |

a) Right-of-use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is charged over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Company has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are charged to income as incurred.

b) Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortized cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of-use asset, or to income and expenditure statement if the carrying amount of the right-of-use asset is fully written down.



2.15 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in the income and expenditure statement. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in the income and expenditure statement.

2.16 Grants:

Deferred capital grant

Deferred capital grant is recognized when operating fixed assets are purchased from donor's funds which is amortized over the useful life of the respective assets based on annual depreciation of respective assets.

Restricted grant

Restricted grant is recognized as income to the extent of expenditure incurred during the year. However unspent amount at year end is carried to "restricted grant".

2.17 Accrued and other liabilities

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

2.18 Revenue from contracts with customers

Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the services promised.

- Grants other than grants for programs are recognized on receipt basis. Grants for programs are recognized to the extent the expenditure is incurred. Balance is represented as restricted grant.

- Accounting and consultancy service charges are recognized on accrual basis.

- Management fee is charged as per budget agreed with the Donor on accrual basis.

- Income from CHIP-Training and Consulting (Private) Limited on account of office rent and utilities is recognized on accrual basis.

- Interest on investment is recognized on accrual basis.

2.19 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.20 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.



3 PROPERTY AND EQUIPMENT

Operating fixed assets
Capital work in progress - civil works
Advance against purchase of operating fixed assets

3.1 Operating fixed assets

| Particulars | Owned | | | | | | | | | | Leased Vehicles | Total | |
|--|---------------|--------------|-------------------------------|------------------------|--------------------------|-------------|------------------|-------------|--------------|-----------|-----------------|-------|--|
| | Freehold land | Building | Electricity and gas equipment | Furniture and fixtures | Computer and accessories | Vehicles | Office equipment | Transformer | Sub total | Rupees | | | |
| As at 30 June 2018 | | | | | | | | | | | | | |
| Cost | 24,000,000 | 36,165,543 | 2,906,913 | 4,476,304 | 4,742,347 | 7,903,936 | 1,574,454 | 2,242,410 | 84,011,907 | 2,940,000 | 86,951,907 | | |
| Accumulated depreciation | - | (22,005,287) | (2,754,315) | (2,780,136) | (4,618,419) | (5,165,974) | (1,358,365) | (242,928) | (38,925,424) | (588,000) | (39,513,424) | | |
| Net book value | 24,000,000 | 14,160,256 | 152,598 | 1,696,168 | 123,928 | 2,737,962 | 216,089 | 1,999,482 | 45,086,483 | 2,352,000 | 47,438,483 | | |
| Year ended 30 June 2019 | | | | | | | | | | | | | |
| Opening net book value | 24,000,000 | 14,160,256 | 152,598 | 1,696,168 | 123,928 | 2,737,962 | 216,089 | 1,999,482 | 45,086,483 | 2,352,000 | 47,438,483 | | |
| Additions (Note 3.3) | - | (2,192,257) | 14,500 | 15,300 | 1,295,467 | - | 87,210 | (24,241) | 1,412,477 | - | 1,412,477 | | |
| Depreciation charge (Note 3.7) | - | 11,967,999 | (29,748) | (333,138) | (517,620) | (1,235,527) | (97,350) | (2,241) | (4,629,881) | (294,000) | (4,923,881) | | |
| Closing net book value | 24,000,000 | 11,967,999 | 137,350 | 1,378,330 | 901,775 | 1,502,435 | 205,949 | 1,775,241 | 41,869,079 | 2,058,000 | 43,927,079 | | |
| As at 30 June 2019 | | | | | | | | | | | | | |
| Cost | 24,000,000 | 36,165,543 | 2,921,413 | 4,491,604 | 6,037,814 | 7,903,936 | 1,661,664 | 2,242,410 | 85,424,384 | 2,940,000 | 88,364,384 | | |
| Accumulated depreciation | - | (24,197,544) | (2,784,063) | (3,113,274) | (5,136,039) | (6,401,501) | (1,455,715) | (467,169) | (43,555,305) | (882,000) | (44,437,305) | | |
| Net book value | 24,000,000 | 11,967,999 | 137,350 | 1,378,330 | 901,775 | 1,502,435 | 205,949 | 1,775,241 | 41,869,079 | 2,058,000 | 43,927,079 | | |
| Year ended 30 June 2020 | | | | | | | | | | | | | |
| Opening net book value | 24,000,000 | 11,967,999 | 137,350 | 1,378,330 | 901,775 | 1,502,435 | 205,949 | 1,775,241 | 41,869,079 | 2,058,000 | 43,927,079 | | |
| Additions (Note 3.3) | - | - | 13,200 | - | 1,038,378 | 73,900 | 33,000 | - | 1,158,478 | - | 1,158,478 | | |
| Transferred to right-of-use assets (Note 4 and 3.6): | - | - | - | - | - | - | - | - | - | - | - | | |
| Cost | - | - | - | - | - | - | - | - | - | - | - | | |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - | - | | |
| Disposals: | | | | | | | | | | | | | |
| Cost | (17,000,000) | (20,813,912) | (185,850) | (302,532) | (331,086) | - | (129,455) | - | (38,762,835) | - | (38,762,835) | | |
| Accumulated depreciation | - | 10,233,507 | 185,850 | 256,148 | 331,086 | - | 129,455 | - | 11,136,046 | - | 11,136,046 | | |
| Net book value | (17,000,000) | (10,580,405) | - | (46,384) | - | - | - | - | (27,626,789) | - | (27,626,789) | | |
| Transferred from right-of-use assets (Note 4): | | | | | | | | | | | | | |
| Cost | - | - | - | - | - | 2,940,000 | - | - | 2,940,000 | - | 2,940,000 | | |
| Accumulated depreciation | - | - | - | - | - | (1,176,000) | - | - | (1,176,000) | - | (1,176,000) | | |
| Net book value | - | - | - | - | - | 1,764,000 | - | - | 1,764,000 | - | 1,764,000 | | |
| Depreciation charge (Note 3.7) | - | (1,387,593) | (22,680) | (245,035) | (691,470) | (1,176,608) | (79,798) | (224,241) | (3,827,425) | - | (3,827,425) | | |
| Closing net book value | 7,000,000 | 1 | 127,870 | 1,086,911 | 1,248,683 | 2,163,727 | 159,151 | 1,551,000 | 13,337,343 | - | 13,337,343 | | |
| As at 30 June 2020 | | | | | | | | | | | | | |
| Cost | 7,000,000 | 15,351,631 | 2,748,763 | 4,189,072 | 6,745,106 | 10,917,836 | 1,565,209 | 2,242,410 | 50,760,027 | - | 50,760,027 | | |
| Accumulated depreciation | - | (15,351,630) | (2,620,893) | (3,102,161) | (5,498,423) | (8,754,109) | (1,406,058) | (691,410) | (37,422,684) | - | (37,422,684) | | |
| Net book value | 7,000,000 | 1 | 127,870 | 1,086,911 | 1,248,683 | 2,163,727 | 159,151 | 1,551,000 | 13,337,343 | - | 13,337,343 | | |
| Depreciation percentage (%) per annum | 10 | 10 | 10 | 10 | 30 | 20 | 20 | 10 | 10 | 10 | 10 | | |

3.2 It represents renovation expenditure incurred on office building by CHIP Training and Consulting (Private) Limited on behalf of the Company.

3.3 It includes assets purchased from deferred capital grant amounting to Rupees 567,250 (2019: Rupees 1,412,477).

3.4 Cost of assets include fully depreciated assets amounting Rupees 1,096,761 (2019: Rupees 1,039,386).

3.5 The half of the lease rentals related to leased vehicles are borne by the Company's employees under the Company's policy. Therefore, leased vehicles are depreciated at rate of 10 % per annum.

3.6 As on 01 July 2019, the Company has adopted IFRS 16, hence, leased assets have been classified as "Right-of-use assets".

3.7 Depreciation charged during the year has been allocated as follows:

| NOTE | 2020 Rupees | 2019 Rupees |
|-------------------------|-------------|-------------|
| Administrative expenses | 3,039,302 | 4,270,954 |
| Deferred capital grant | (788,123) | 652,927 |
| | 2,251,179 | 4,923,881 |



3.8 Detail of operating fixed assets, exceeding book value of Rupees 500,000, disposed of during the year is as follows:

| Description | Cost | Accumulated depreciation | Net book value | Sale proceeds | Gain / (loss) | Particulars of purchaser | Mode of disposal |
|---|-------------------|--------------------------|-------------------|-------------------|-------------------|---|------------------|
| Rupees | | | | | | | |
| Land | 17,000,000 | - | 17,000,000 | 74,880,000 | 57,880,000 | CHIP Training and Consulting (Private) Limited, related party | Negotiation |
| Building | 20,813,912 | (10,233,507) | 10,580,405 | 15,120,000 | 4,539,595 | CHIP Training and Consulting (Private) Limited, related party | Negotiation |
| | <u>37,813,912</u> | <u>(10,233,507)</u> | <u>27,580,405</u> | <u>90,000,000</u> | <u>62,419,595</u> | | |
| Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 500,000 | 948,923 | (902,539) | 46,384 | 33,500 | (12,884) | Employees | Negotiation |
| | <u>38,762,835</u> | <u>(11,136,046)</u> | <u>27,626,789</u> | <u>90,033,500</u> | <u>62,406,711</u> | | |

3.9 Title of land disposed of during the year has not yet been transferred in the name of the buyer.

| | NOTE | 2020 Rupees |
|---|------|--------------------|
| 4 RIGHT-OF-USE ASSETS | | |
| Vehicles | | |
| As at 01 July 2019 | 3.1 | |
| Cost | | 2,940,000 |
| Accumulated depreciation | | (882,000) |
| | | <u>2,058,000</u> |
| Additions during the year | | - |
| Depreciation expense for the year @ 10% | 23 | (294,000) |
| | | <u>1,764,000</u> |
| Transferred to property and equipment: | 3.1 | |
| Cost | | (2,940,000) |
| Accumulated depreciation | | 1,176,000 |
| | | <u>(1,764,000)</u> |
| | | <u>-</u> |

4.1 There is no impairment against right-of-use assets.

| | | 2020 Rupees | 2019 Rupees |
|--|-----|----------------|----------------|
| 5 LONG TERM SECURITY DEPOSITS | | | |
| Amortized cost | | | |
| Security deposits | | 99,900 | 823,900 |
| Current portion shown under current assets | 7 | - | (724,000) |
| | | <u>99,900</u> | <u>99,900</u> |
| 6 ADVANCES | | | |
| Unsecured - considered good | | | |
| Advances to: | | | |
| - Employees | 6.1 | 159,452 | 344,702 |
| - Field offices | | - | 135,380 |
| | | <u>159,452</u> | <u>480,082</u> |

6.1 This includes an amount of Rupees 57,501 (2019: Rupees 107,716) related to life insurance premium of Chief Executive Officer. Maximum aggregate amount outstanding at the end of any month during the year was Rupees 114,921 (2019: Rupees 126,656). The ageing analysis is 1 to 6 months.

| | NOTE | 2020 Rupees | 2019 Rupees |
|--|------|-------------------|-------------------|
| 7 SECURITY DEPOSITS AND PREPAYMENTS | | | |
| Current portion of long term security deposits | 5 | - | 724,000 |
| Security deposits | | - | 225,000 |
| Prepaid insurance | | 59,523 | 137,020 |
| Prepaid expense | | 42,262 | 27,027 |
| | | <u>101,785</u> | <u>1,113,047</u> |
| 8 SHORT TERM INVESTMENT | | | |
| Amortized cost | | | |
| Term deposit receipt (TDR) | 8.1 | 14,234,000 | 13,819,631 |
| Accrued profit | | - | 546,991 |
| | | <u>14,234,000</u> | <u>14,366,622</u> |

8.1 This represents amount invested in term deposit receipt of Habib Bank Limited carrying profit at the rate of 5.61% (2019: 5% to 6.5%) per annum having maturity period of one year.



| | NOTE | 2020 Rupees | 2019 Rupees |
|---|------|---------------------|--------------------|
| 9 DUE FROM RELATED PARTIES | | | |
| Unsecured - Considered good: | | | |
| Related party due to significant influence: | | | |
| CHIP Training and Consulting (Private) Limited | 9.1 | 62,650,883 | 1,763,911 |
| Related party due to common directorship: | | | |
| Ujala Education Foundation | 9.2 | 100,000 | - |
| | | <u>62,750,883</u> | <u>1,763,911</u> |
| 9.1 CHIP Training and Consulting (Private) Limited | | | |
| Balance at the beginning of the year | | 1,763,911 | 692,071 |
| Office rent, utilities and vehicle rent | | 3,272,491 | 4,866,937 |
| Sale of land and building | | 90,000,000 | - |
| Expense incurred on behalf of related party | | 215,261 | - |
| | | <u>95,251,663</u> | <u>5,559,008</u> |
| Less: Receipts during the year | | (17,734,000) | (3,795,097) |
| Less: Adjusted against capital work in progress | 3.2 | (14,866,780) | - |
| | | <u>(32,600,780)</u> | <u>(3,795,097)</u> |
| Balance at end of the year | | <u>62,650,883</u> | <u>1,763,911</u> |

9.1.1 Maximum amount due from CHIP Training and Consulting (Private) Limited, related party, at the end of any month during the year was Rupees 62,650,883 (2019: Rupees 2,635,430).

9.1.2 The ageing analysis of these balances is as follows:

| | 2020 Rupees | 2019 Rupees |
|----------------|-------------------|------------------|
| 1 to 6 months | 61,098,070 | - |
| 7 to 12 months | 1,552,813 | 1,763,911 |
| | <u>62,650,883</u> | <u>1,763,911</u> |

9.2 Ujala Education Foundation

| | | |
|--|----------------|-----------|
| Balance at beginning of the year | - | - |
| Accounting and consultancy services provided | 240,000 | 420,000 |
| Less: Receipts | (140,000) | (420,000) |
| Balance at end of the year | <u>100,000</u> | <u>-</u> |

9.2.1 Maximum aggregate amount due from Ujala Education Foundation, an associated company, at the end of any month during the year was Rupees 100,000. Ageing analysis is 1 to 6 months.

10 OTHER RECEIVABLES

| | NOTE | 2020 Rupees | 2019 Rupees |
|-----------------------------------|------|------------------|----------------|
| Brien Holden Vision Institute | | 15,984 | - |
| Receivable from Projects: | | | |
| Light for the world | | 133,880 | 387,389 |
| Federation Handicap International | | 56,254 | 56,254 |
| Sightsavers | | 1,772,548 | - |
| Misereor | | - | 62,308 |
| | | <u>1,962,682</u> | <u>505,951</u> |
| | | <u>1,978,666</u> | <u>505,951</u> |

11 TAXATION RECOVERABLE - NET

| | | | |
|-------------------------------|----|-----------------|------------------|
| Opening balance | | 2,345,769 | 2,521,583 |
| Less: Provision for taxation | 25 | (2,434,838) | (698,019) |
| | | <u>(89,069)</u> | <u>1,823,564</u> |
| Income tax deducted at source | | 425,887 | 522,205 |
| Closing balance | | <u>336,818</u> | <u>2,345,769</u> |



| | NOTE | 2020 Rupees | 2019 Rupees |
|---|------|-------------------------|----------------------------|
| 12 CASH AND BANK BALANCES | | | |
| Cash in hand | | 50,000 | 50,000 |
| Cash at bank: | | | |
| Current accounts: | | | |
| - Local currency | | 16,129 | 402,871 |
| - Foreign currency - Euro 13,107.37 (2019: Euro 13,107.37) | | 2,479,915 | 2,442,820 |
| | | 2,496,044 | 2,845,691 |
| Savings accounts: | | | |
| - Local currency | | 7,663,930 | 14,755,927 |
| - Foreign currency - GBP 25,921.20 (2019: GBP 25,827.84) | | 5,383,574 | 5,366,767 |
| | 12.1 | 13,047,504 | 20,122,694 |
| | | <u>15,593,548</u> | <u>23,018,385</u> |
| 12.1 Savings accounts carry mark up rates ranging from 10.28% to 11.88% per annum (2019: 4.025% to 8.90%) per annum. | | | |
| 13 ENDOWMENT FUND | | | |
| Endowment fund was established for the purpose of financial stability of the Company during the year ended 30 June 2005 as per decision of Board of Directors of the Company. | | | |
| | | 2020 Rupees | 2019 Restated Rupees |
| 14 DEFERRED LIABILITY - GRATUITY | | | |
| 14.1 Movement in liability recognized in the statement of financial position | | 2020 Rupees | 2019 Restated Rupees |
| Balance as at 01 July - as previously reported | | 9,001,707 | 6,883,190 |
| Effect of change in policy (Note 2.2) | | - | 626,964 |
| Balance as at 01 July - as restated | | 9,001,707 | 7,510,154 |
| Current service cost | | 1,343,106 | 1,072,897 |
| Interest cost | | 1,190,749 | 675,914 |
| Remeasurements recognized in other comprehensive income | | (1,311,203) | (257,258) |
| Benefits paid | | (1,291,142) | - |
| Balance as at 30 June | | <u>8,933,217</u> | <u>9,001,707</u> |
| 14.2 Amounts recognized in income and expenditure statement | | | |
| Current service cost | | 1,343,106 | 1,072,897 |
| Interest cost for the year | | 1,190,749 | 675,914 |
| | | <u>2,533,855</u> | <u>1,748,811</u> |
| 14.3 Amount recognized in statement of comprehensive income | | | |
| Actuarial (gains) / losses from changes in financial assumptions | | (35,980) | 33,269 |
| Experience adjustments | | (1,275,223) | (290,527) |
| | | <u>(1,311,203)</u> | <u>(257,258)</u> |
| 14.4 Significant actuarial assumptions | | | |
| Discount rate used for interest cost | | 14.25% | 9.00% |
| Discount rate used for year end obligation | | 8.50% | 14.25% |
| Expected rate of increase in salary | | | |
| Salary increase FY 2020 | | N/A | 13.25% |
| Salary increase FY 2021 | | 7.50% | 13.25% |
| Salary increase FY 2022 | | 7.50% | 13.25% |
| Salary increase FY 2023 | | 7.50% | 13.25% |
| Salary increase FY 2024 | | 7.50% | 13.25% |
| Salary increase FY 2025 | | 7.50% | 13.25% |
| Salary increase FY 2026 onward | | 7.50% | 13.25% |
| Next salary is increased at | | 01 January 2021 | 01 January 2020 |
| Expected mortality rate | | SLIC(2001-2005) | SLIC(2001-2005) |
| Withdrawal rates | | Setback 1 year | Setback 1 year |
| Retirement assumption | | Age - based 60 years | Age - based 60 years |



| 14.5 Attained age | | 2020 | |
|-------------------|----|-----------|------------|
| | | Mortality | Withdrawal |
| | 20 | 0.094% | 51% |
| | 25 | 0.103% | 34% |
| | 30 | 0.119% | 24% |
| | 35 | 0.149% | 15.212% |
| | 40 | 0.208% | 7.6% |
| | 45 | 0.322% | 3.812% |
| | 50 | 0.538% | 2.182% |
| | 55 | 0.915% | 1.658% |
| | 60 | 0.000% | 0.000% |

| 14.6 Sensitivity analysis | | 2020 | 2019 |
|---------------------------|--------------------------|-----------|-----------------|
| | | Rupees | Restated Rupees |
| | Discount rate + 1 % | 8,265,600 | 8,353,512 |
| | Discount rate - 1 % | 9,682,802 | 9,730,125 |
| | Salary growth rate + 1 % | 9,682,802 | 9,730,125 |
| | Salary growth rate - 1 % | 8,253,772 | 8,342,621 |

The expected gratuity expense for next financial year is Rupees 1.532 million.

| 14.7 Expected benefit payment for the next 10 years and beyond | 2020 Rupees |
|--|-------------|
| FY 2021 | 519,783 |
| FY 2022 | 508,502 |
| FY 2023 | 516,448 |
| FY 2024 | 525,443 |
| FY 2025 | 531,065 |
| FY 2026 | 544,932 |
| FY 2027 | 1,061,503 |
| FY 2028 | 604,334 |
| FY 2029 | 11,857,977 |
| FY 2030 | 307,105 |
| FY 2031 onward | 22,110,169 |

14.8 Risks associated with the gratuity scheme

Through its defined gratuity benefit plan, the Company is exposed to a number of risks, the most significant of which are detailed below:

14.9 Discount rate risk

The risk of change in discount rate, since discount rate is based on corporate / government bond, any decrease in bond yields will increase plan liabilities.

14.10 Salary increase / inflation risk

The risk that actual salary increase is higher than expected salary increase, where benefits are linked with final salary at the time of cessation of service, is likely to have an impact on liability

14.11 Mortality risk

The risk that the actual mortality experience is lighter than that of expected i.e. the actual life expectancy is longer than assumed.

14.12 Withdrawal risk

The risk of actual withdrawals experience may be different from that assumed in the calculation.

| 15 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE | 2020 Rupees | 2019 Rupees |
|--|-------------|-------------|
| Future minimum lease payments | - | 1,377,360 |
| Less: unamortized financial charges | - | (64,400) |
| Present value of future minimum lease payments | - | 1,312,960 |
| Less: current portion shown under current liabilities | - | (1,312,960) |
| | - | - |



15.1 Future minimum lease payments have been discounted at implicit interest rate of 16% (2019: 16%) per annum to arrive at their present value. The lease rentals are payable in monthly installments. Taxes, repairs, replacements and insurance costs are to be borne by the Company. There are no financial restrictions in lease agreements.

15.2 Future minimum lease payments and their present values are regrouped as under:

| | 2019 | |
|--|---|--|
| | Future minimum lease payments Rupees | Present value of future minimum lease payments Rupees |
| Due not later than one year | 1,377,360 | 1,312,960 |
| Due later than one but not later than five years | - | - |
| | <u>1,377,360</u> | <u>1,312,960</u> |

15.3 As on 01 July 2019, the Company has adopted IFRS 16, hence, liabilities against assets subject to finance lease have been classified as lease liabilities, note 16 to these financial statements.

16 LEASE LIABILITY

Total lease liability
Less: Current portion shown under current liabilities

2020
Rupees

-

-

-

16.1 Reconciliation of lease liabilities

Opening balance
Add: Adjustment on adoption of IFRS 16 on 01 July 2019
Add: Interest accrued on lease liabilities
Less: Payments during the year

-

1,312,960

-

(723,580)

589,380

Less: Security deposit adjusted against lease liability

(588,000)

Lease liabilities written back

21

1,380

(1,380)

-

16.2 Implicit rate against lease liabilities is 16.00% per annum.

17 DEFERRED CAPITAL GRANT

Opening balance
Grant from donors for capital expenditure

Less: Amortization during the year
Closing balance

| NOTE | 2020 Rupees | 2019 Rupees |
|------|------------------|------------------|
| | 2,161,438 | 1,401,888 |
| 3.3 | 567,250 | 1,412,477 |
| | <u>2,728,688</u> | <u>2,814,365</u> |
| 3.7 | (788,123) | (652,927) |
| 17.1 | <u>1,940,565</u> | <u>2,161,438</u> |

17.1 Deferred capital grant is amortized over the useful life of the donated operating fixed assets.



18 RESTRICTED GRANTS RELATED TO PROJECTS / (RECEIVABLE FROM DONOR AGENCIES) (CONTINUED)

| Donor | Sightsavers | Brien Holden Vision Institute | Light for the World | Misereor | Caritas Austria | | | Catholic Relief Services code | Sub total |
|---|-------------|-------------------------------|---------------------|--------------|-----------------|-----------|-------------|-------------------------------|-----------|
| Projects | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | |
| Opening Balance as at 01 July 2018 | - | 1,246,864 | 3,173,219 | (1,564,500) | (627,550) | 188,946 | 60,323 | 2,477,302 | |
| Grant received during year | - | - | 14,048,524 | 10,975,150 | - | - | - | 26,488,974 | |
| Interest income | - | - | - | 120,387 | - | - | - | 120,387 | |
| Amount transferred to / (from) other projects | - | - | - | 2,115,774 | - | - | - | 2,115,774 | |
| Less: Utilization during the year transferred to income and expenditure statement (Note 22) | - | - | (11,649,527) | (15,539,371) | - | - | (1,440,371) | (28,782,249) | |
| Transferred to grant related to assets | - | - | (229,600) | - | - | - | - | (229,600) | |
| Closing balance as at 30 June 2019 | - | 1,246,864 | 5,342,616 | (3,892,560) | (627,550) | 188,946 | 60,323 | 2,190,588 | |
| Break-up of closing balance: | | | | | | | | | |
| Restricted grants related to projects | - | 1,246,864 | 5,342,616 | - | - | 188,946 | 60,323 | 6,863,678 | |
| Receivable from donor agencies | - | - | (152,980) | (3,892,560) | (627,550) | - | - | (4,673,090) | |
| Opening Balance as at 01 July 2019 | - | 1,246,864 | 5,342,616 | (3,892,560) | (627,550) | 188,946 | 60,323 | 2,190,588 | |
| Grant received during year | 2,000,000 | - | 572,354 | 26,998,900 | - | - | - | 29,571,254 | |
| Interest income | - | - | - | 332,408 | - | - | - | 332,408 | |
| Amount transferred to / (from) other projects | - | (1,246,864) | - | - | 627,550 | (188,946) | (60,323) | (893,512) | |
| Less: Utilization during the year transferred to income and expenditure statement (Note 22) | - | - | (5,342,616) | (25,219,713) | - | - | - | (30,981,703) | |
| Transferred to grant related to assets | - | - | - | (157,300) | - | - | - | (157,300) | |
| Closing balance as at 30 June 2020 | 2,000,000 | - | - | (1,938,265) | - | - | - | 61,735 | |
| Break-up of closing balance: | | | | | | | | | |
| Restricted grants related to projects | 2,000,000 | - | - | - | - | - | - | 2,000,000 | |
| Receivable from donor agencies | - | - | - | (1,938,265) | - | - | - | (1,938,265) | |



RESTRICTED GRANTS RELATED TO PROJECTS / RECEIVABLE FROM DONOR AGENCIES)

| Donors | Balance brought forward | Individual Philanthropists | UNICEF | Federation Handicap International | GAVI | Technical Assistance Plan (Bridge Funding) | UK Islamic Mission | Grand total |
|---|-------------------------|----------------------------|------------------|-----------------------------------|------------------|--|--------------------|---------------------|
| Projects | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees |
| Opening Balance as at 01 July 2018 | 2,477,302 | 984,738 | 2,531,617 | (1,619,543) | - | - | - | 4,374,114 |
| Grant received during year | 26,488,974 | 1,423,600 | 52,574,624 | 52,683,081 | 19,510,841 | - | 910,656 | 153,591,776 |
| Interest income | 120,387 | 21,757 | - | - | - | - | - | 142,144 |
| Amount transferred to / (from) other projects | 2,115,774 | (2,115,774) | - | - | - | - | - | - |
| Less: Utilization during the year transferred to income and expenditure statement (Note 22) | (28,782,249) | (1,658,850) | (47,128,690) | (51,438,387) | (14,233,950) | - | (910,656) | (144,152,782) |
| Transferred to grant related to assets | (229,600) | - | (1,088,827) | (94,050) | - | - | - | (1,412,477) |
| Closing balance as at 30 June 2019 | <u>2,190,588</u> | <u>(1,344,529)</u> | <u>6,888,724</u> | <u>(468,899)</u> | <u>5,276,891</u> | <u>-</u> | <u>-</u> | <u>12,542,775</u> |
| Break-up of closing balance: | | | | | | | | |
| Restricted grants related to projects | 6,863,678 | - | 6,888,724 | - | 5,276,891 | - | - | 19,029,293 |
| Receivable from donor agencies | <u>(4,673,090)</u> | <u>(1,344,529)</u> | <u>(468,899)</u> | <u>(468,899)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(6,486,518)</u> |
| | <u>2,190,588</u> | <u>(1,344,529)</u> | <u>6,888,724</u> | <u>(468,899)</u> | <u>5,276,891</u> | <u>-</u> | <u>-</u> | <u>12,542,775</u> |
| Opening Balance as at 01 July 2019 | 2,190,588 | (1,344,529) | 6,888,724 | (468,899) | 5,276,891 | - | - | 12,542,775 |
| Grant received during year | 29,571,254 | 480,000 | 12,585,289 | 54,798,615 | 8,685,849 | - | - | 106,121,007 |
| Interest income | 332,408 | 24,901 | - | - | - | - | - | 357,309 |
| Amount transferred to / (from) other projects | (893,512) | 1,051,745 | - | - | (158,233) | - | - | - |
| Less: Utilization during the year transferred to income and expenditure statement (Note 22) | (30,981,703) | (1,502,322) | (19,507,965) | (58,457,725) | (13,804,507) | (5,291,381) | - | (129,545,603) |
| Transferred to grant related to assets | (157,300) | - | (364,850) | (45,100) | - | - | - | (567,250) |
| Closing balance as at 30 June 2020 | <u>61,735</u> | <u>(1,290,205)</u> | <u>(398,802)</u> | <u>(4,173,109)</u> | <u>-</u> | <u>(5,291,381)</u> | <u>-</u> | <u>(11,091,762)</u> |
| Break-up of closing balance: | | | | | | | | |
| Restricted grants related to projects | 2,000,000 | - | - | - | - | - | - | 2,000,000 |
| Receivable from donor agencies | <u>(1,938,265)</u> | <u>(1,290,205)</u> | <u>(398,802)</u> | <u>(4,173,109)</u> | <u>-</u> | <u>(5,291,381)</u> | <u>-</u> | <u>(13,091,762)</u> |
| | <u>61,735</u> | <u>(1,290,205)</u> | <u>(398,802)</u> | <u>(4,173,109)</u> | <u>-</u> | <u>(5,291,381)</u> | <u>-</u> | <u>(11,091,762)</u> |



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| | NOTE | 2020 Rupees | 2019 Rupees |
|---|------|-------------------|------------------|
| 19 ACCRUED AND OTHER LIABILITIES | | | |
| Accrued liabilities | | 5,236,769 | 3,783,395 |
| Advance rent received | | 150,000 | - |
| Interest payable to UNICEF | | 227,873 | 343,334 |
| Security deposits | | 100,000 | 39,941 |
| Payable to suppliers and consultants | | 8,538,452 | 2,455,029 |
| Employee contribution - leases | 19.1 | 1,897,562 | 1,535,772 |
| Income tax withheld | | 399,690 | 702,831 |
| | | <u>16,550,346</u> | <u>8,860,302</u> |

19.1 This represents employee share under employee car provision and ownership program, deducted from their salaries.

20 CONTINGENCIES AND COMMITMENTS

20.1 **Contingencies** Nil Nil

20.2 Commitments in respect of:

Contract for capital expenditure amounting to Rupees 5,103,743 (2019: Rupees Nil).

| | NOTE | 2020 Rupees | 2019 Rupees |
|--|------|-------------------|-------------------|
| 21 OTHER INCOME | | | |
| Income from financial assets: | | | |
| Exchange gain | | 35,027 | 1,864,865 |
| Interest income | | 1,417,739 | 804,167 |
| Return on investment | | 1,023,715 | 595,079 |
| Lease liabilities written back | 16.1 | <u>1,380</u> | - |
| | | 2,477,861 | 3,264,111 |
| Income from non-financial assets: | | | |
| Building rent | 21.1 | 2,047,200 | 4,653,458 |
| Services (utilities, vehicles, generator etc.) | 21.2 | 2,676,063 | 3,725,277 |
| Project monitoring fee | 21.3 | 4,096,042 | 4,046,586 |
| Gain on sale of property and equipment | 3.8 | 62,406,711 | - |
| Accounting and consultancy service charges | 21.4 | 240,000 | 420,000 |
| Miscellaneous | | 325,964 | 241,500 |
| | | <u>71,791,980</u> | <u>13,086,821</u> |
| | | <u>74,269,841</u> | <u>16,350,932</u> |

21.1 It includes an amount of Rupees 1,597,200 (2019: Rupees 2,359,500) charged to CHIP Training and Consulting (Private) Limited, on account of office rent. The building was sold to CHIP Training and Consulting (Private) Limited in February 2020.

21.2 It includes an amount of Rupees 1,675,291 (2019: Rupees 2,507,437) charged to CHIP Training and Consulting (Private) Limited, on account of services provided.

21.3 This represents income charged to donors on account of follow up cost, monitoring and evaluation of various projects. The fee has been charged at the rates ranging from 2% to 15% of the actual expenditure on specific projects.

21.4 This represents accounting and consultancy services provided to Ujala Education Foundation (UEF), an associated company.



| | NOTE | 2020 Rupees | 2019 Rupees |
|--|------|--------------------|--------------------|
| 22 PROGRAMME COST | | | |
| Emergency and Humanitarian Fund | 22.1 | 1,502,322 | 1,658,850 |
| Rehabilitation and Inclusion of Persons with Disabilities | 22.2 | 5,342,616 | 11,649,527 |
| Purchase of Livestock | | - | 1,440,371 |
| Inclusive Community Development Through Local Human and Institutional Development | 22.3 | 25,219,713 | 15,539,371 |
| Growing Together | 22.4 | 58,457,725 | 51,438,387 |
| Profiling and Evidence Generation to Accelerate Routine Immunization (RI) Activities in Urban and Peri Urban Slums of Major Cities of Pakistan | 22.5 | 19,507,965 | 47,128,690 |
| Vaccine Alliance | 22.6 | 13,804,507 | 14,233,950 |
| Distribution of Ramadan Packages | | - | 910,656 |
| Impact Evaluation of Rehabilitation and inclusion in Skardu | 22.7 | 419,374 | 152,980 |
| Technical Assistance Plan | 22.8 | 5,291,381 | - |
| | | <u>129,545,603</u> | <u>144,152,782</u> |

- 22.1 This represents expenses incurred on emergency and humanitarian activities. Donations from individual philanthropists are used to carry on these activities.
- 22.2 This project is funded by Light for the World and implemented by the Company in District Ghanche of Gilgit and Baltistan Province. The purpose of the project was to rehabilitate the people with disabilities and to facilitate their social inclusion in community development and mainstream society.
- 22.3 This project is funded by Misereor. It is being implemented to improve the social and economic condition of marginalized population groups in rural areas of District Layyah.
- 22.4 Federation Handicap International funded this project. Purpose of the project is to enable children with disabilities or chronic illnesses, children at risk of development delays and psychological distress (0-12 years old), to develop their full potential on an equal basis with other children and acquire fundamental educational and social skills through games, sport, cultural arts, early year's education and complementary learning in displacement settings and host communities in Pakistan.
- 22.5 UNICEF funded this project. The Project objective is profiling of slums in 10 major cities of Pakistan and evidence generation to accelerate Routine Immunization in Urban Slums.
- 22.6 GAVI funded this project. This activity has been undertaken to improve the engagement between Federal / Provincial Expanded Programme on Immunization cells and Civil Society Organizations in order to increase coverage of routine immunization, particularly for hard to reach areas and urban slums.
- 22.7 Light for the World funded this project. This activity concerns with Impact Evaluation of Rehabilitation and Inclusion in Skardu.
- 22.8 This activity has been undertaken for GAVI to improve the engagement between Federal and Provincial Expanded Programme on Immunization and Civil Society Organizations for Strengthening Routine Immunization Technical Assistance Plan.



| | NOTE | 2020 Rupees | 2019 Restated Rupees |
|--|------|-------------------|----------------------------|
| 23 ADMINISTRATIVE COST | | | |
| Staff salaries and benefits | 23.1 | 12,047,130 | 9,167,982 |
| Staff life insurance | | 26,500 | 26,500 |
| Staff travelling, boarding and lodging | | 190,559 | 51,335 |
| Staff accommodation | | 81,872 | - |
| Staff capacity building | | - | 29,900 |
| Telephone and communications | | 239,301 | 291,896 |
| Internet and postage | | 209,659 | 389,242 |
| Utilities | | 1,094,741 | 1,280,948 |
| Generator fuel and repairing | | 108,447 | 107,819 |
| Stationery | | 54,779 | 64,121 |
| Publication and advertisement | | - | 5,250 |
| Supplies | | 143,022 | 128,548 |
| Repair and maintenance | | 404,290 | 732,009 |
| Subscription charges | | - | 370,500 |
| Insurance | | 196,747 | 248,444 |
| Security services | | 508,639 | 554,457 |
| Depreciation | 3.7 | 3,039,302 | 4,270,954 |
| Depreciation on right-of-use assets | 4 | 294,000 | - |
| Property tax | | 36,119 | 31,272 |
| Auditor's remuneration | | 155,000 | 155,000 |
| Legal and professional fee | | 621,770 | 503,400 |
| Other receivables written off | | 62,308 | - |
| Miscellaneous | | 174,793 | 145,793 |
| | | <u>19,688,978</u> | <u>18,555,370</u> |

23.1 This includes employees' retirement benefits of Rupees 2,533,855 (2019: Rupees 1,748,811).

24 FINANCE COST

| | | | |
|---|--|---------------|----------------|
| Mark-up on: | | | |
| Liabilities against assets subject to finance lease | | - | 170,895 |
| Bank charges | | 71,983 | 100,355 |
| | | <u>71,983</u> | <u>271,250</u> |

25 TAXATION

| | | | |
|---------------------|--|------------------|----------------|
| Taxation - current: | | | |
| Current year | | 2,053,255 | 698,019 |
| Prior year | | 381,583 | - |
| | | <u>2,434,838</u> | <u>698,019</u> |

25.1 Deferred tax on available tax losses of Rupees 7,173,038 has not been recognized in these financial statements as the temporary differences are not expected to reverse in foreseeable future because taxable profits will not be probably available against which the temporary differences can be utilized.

The relationship between tax expense and accounting surplus has not been presented in these financial statements as taxable income and tax liability are based on minimum tax payable on turnover for the year.

26 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year in respect of remuneration including benefits given to the chief executive officer, directors and executives of the Company is as follows:

| | Chief Executive Officer | | Executives | |
|-------------------------|-------------------------|------------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| |Rupees..... | | | |
| Managerial remuneration | 5,846,148 | 5,846,148 | 4,188,000 | 3,924,000 |
| Allowances | 724,056 | 724,056 | 495,192 | 464,400 |
| | <u>6,570,204</u> | <u>6,570,204</u> | <u>4,683,192</u> | <u>4,388,400</u> |
| Number of persons | 1 | 1 | 2 | 2 |

In addition, the Chief Executive has also been provided with Company maintained vehicle. No remuneration and benefits are paid to any of the directors of the Company.



RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

| 2020 | | | | | |
|---|------------------------|---|---|-----------|---------------|
| Liabilities from financing activities | | | | | |
| Restricted grants related to projects | Deferred capital grant | Liabilities against assets subject to finance lease | Lease liability | Total | |
| ----- RUPEES ----- | | | | | |
| Balance as at 01 July 2019 | 12,542,775 | 2,161,438 | 1,312,960 | - | 16,017,173 |
| Restricted grants related to projects received - net | 105,911,066 | - | - | - | 105,911,066 |
| Deferred capital grant received | - | 567,250 | - | - | 567,250 |
| Utilization during the year transferred to income and expenditure statement | (129,545,603) | (788,123) | - | - | (130,333,726) |
| Liabilities against assets subject to finance lease repaid | - | - | (1,312,960) | 1,312,960 | - |
| Lease liabilities paid | - | - | - | (723,580) | (723,580) |
| Security deposit adjusted against lease liabilities | - | - | - | (588,000) | (588,000) |
| Lease liabilities written back | - | - | - | (1,380) | (1,380) |
| Balance as at 30 June 2020 | (11,091,762) | 1,940,565 | - | - | (9,151,197) |
| ----- | | | | | |
| 2019 | | | | | |
| Liabilities from financing activities | | | | | |
| Restricted grants related to projects | Deferred capital grant | Security deposit | Liabilities against assets subject to finance lease | Total | |
| ----- RUPEES ----- | | | | | |
| Balance as at 01 July 2018 | 4,374,114 | 1,401,888 | 750,000 | 1,931,425 | 8,457,427 |
| Restricted grants related to projects received - net | 152,321,443 | - | - | - | 152,321,443 |
| Deferred capital grant received | - | 1,412,477 | - | - | 1,412,477 |
| Utilization during the year transferred to income and expenditure statement | (144,152,782) | (652,927) | - | - | (144,805,709) |
| Repayment of liabilities against assets subject to finance lease | - | - | - | (618,465) | (618,465) |
| Security deposit - repaid | - | - | (750,000) | - | (750,000) |
| Balance as at 30 June 2019 | 12,542,775 | 2,161,438 | - | 1,312,960 | 16,017,173 |



28 FINANCIAL RISK MANAGEMENT

28.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from Euro and GBP exposure only. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

| | 2020 | 2019 |
|----------------|-----------|-----------|
| Cash at bank : | | |
| Euro | 13,107.37 | 13,107.37 |
| GBP | 25,921.20 | 25,827.84 |

The following significant exchange rates were applied during the year:

| | | |
|------------------------|--------|--------|
| Rupees per Euro | | |
| Average rate | 187.79 | 157.07 |
| Reporting date rate | 189.20 | 186.37 |
| Rupees per GBP | | |
| Average rate | 207.74 | 175.93 |
| Reporting date rate | 207.69 | 207.79 |

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the Euro and GBP with all other variables held constant, the impact on surplus before taxation for the year would have been Rupees 123,996 (2019: Rupees 122,141) and Rupees 269,179 (2019: Rupees 268,338) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest bearing instruments. The Company's interest rate risk arises from short term investments and bank balances in saving accounts.

At the statement of financial position the interest rate profile of the Company's interest bearing financial instruments was:

| | 2020 Rupees | 2019 Rupees |
|----------------------------------|----------------|----------------|
| Floating rate instruments | | |
| Financial assets | | |
| Bank balances - saving accounts | 13,047,504 | 20,122,694 |

Cash flow sensitivity analysis for variable rate instruments

If interest rate at the year end date, fluctuates by 1% higher / lower with all other variables held constant, surplus before taxation for the year would have been Rupees 130,475 (2019: Rupees 201,227) lower / higher, mainly as a result of higher / lower interest on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at reporting date were outstanding for the whole year.



(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

| | 2020 Rupees | 2019 Rupees |
|--------------------------------|--------------------|-------------------|
| Long term security deposits | 99,900 | 99,900 |
| Short term investment | 14,234,000 | 14,366,622 |
| Due from related parties | 57,647,140 | 1,763,911 |
| Receivable from donor agencies | 13,091,762 | 6,486,518 |
| Other receivables | 1,978,666 | 505,951 |
| Bank balances | 15,543,548 | 22,968,385 |
| | <u>102,595,016</u> | <u>46,191,287</u> |

The management considers Company's exposure to credit risk and impairment losses related to receivables to be low at the reporting date.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

| | Rating | | | 2020 | 2019 |
|---|------------|-----------|---------|-------------------|-------------------|
| | Short Term | Long term | Agency | RUPEES | |
| Banks | | | | | |
| Habib Bank Limited | A-1+ | AAA | JCR-VIS | <u>15,543,548</u> | <u>22,968,385</u> |
| Short term investment | | | | | |
| Term deposit receipt - Habib Bank Limited | A-1+ | AAA | JCR-VIS | <u>14,234,000</u> | <u>14,366,622</u> |

Due to the Company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and bank balances . At 30 June 2020, the Company had Rupees 15,593,548 (2019: Rupees 23,018,385) cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2020

| | Carrying amount | Contractual cash flow | 6 month or less | 6-12 month |
|---|-----------------|-----------------------|-----------------|------------|
| Non-derivative financial liabilities : | | | | |
| Accrued and other liabilities | 14,103,094 | 14,103,094 | 14,103,094 | - |

Contractual maturities of financial liabilities as at 30 June 2019

| | Carrying amount | Contractual cash flow | 6 month or less | 6-12 month |
|---|------------------|-----------------------|------------------|----------------|
| Non-derivative financial liabilities : | | | | |
| Liabilities against assets subject to finance lease | 1,312,960 | 1,377,360 | 394,680 | 982,680 |
| Accrued and other liabilities | 6,621,699 | 6,621,699 | 6,621,699 | - |
| | <u>7,934,659</u> | <u>7,999,059</u> | <u>7,016,379</u> | <u>982,680</u> |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark-up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 15 and 16 to these financial statements.

Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.



28.2 **Financial instruments by categories**

Assets as per statement of financial position

Long term security deposits
Short term investment
Due from related parties
Receivable from donor agencies
Other receivables
Cash and bank balances

| At amortized cost | |
|--------------------|-------------------|
| 2020 | 2019 |
| Rupees | Rupees |
| 99,900 | 99,900 |
| 14,234,000 | 14,366,622 |
| 57,647,140 | 1,763,911 |
| 13,091,762 | 6,486,518 |
| 1,978,666 | 505,951 |
| 15,593,548 | 23,018,385 |
| <u>102,645,016</u> | <u>46,241,287</u> |

Liabilities as per statement of financial position

Liabilities against assets subject to finance lease
Accrued and other liabilities

| Financial liabilities at amortized cost | |
|---|------------------|
| 2020 | 2019 |
| Rupees | Rupees |
| - | 1,312,960 |
| 14,103,094 | 6,621,699 |
| <u>14,103,094</u> | <u>7,934,659</u> |

28.3 **Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to externally imposed capital requirement.

29 RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into the following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

30 STAFF STRENGTH

Total number of employees as at 30 June
Average number of employees during the period

| 2020 | 2019 |
|------|------|
| 18 | 48 |
| 37 | 39 |

31 IMPACT OF COVID-19 (CORONA VIRUS)

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. Despite the temporary lock down announced by Government of Pakistan, the Company continued its operations virtually.

After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company henceforth shifted to physical operations and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity. The management has assessed the accounting implications of COVID-19 on these financial statements, including but not limited to the following areas;

- Expected credit losses under International Financial Reporting Standard 9, 'Financial Instruments;
- The impairment of tangible assets under International Accounting Standard 36, 'Impairment of assets; and
- Going concern assumption used for the preparation of these financial statements.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements.



32 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, directors of the Company, their close relatives and key management personnel. Detail of transactions with related parties have been specifically disclosed in relevant notes to the financial statements.

33 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 28 DEC 2020 by the Board of Directors of the Company.

34 CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant reclassification / rearrangement of corresponding figures has been made.

35 GENERAL

Figures have been rounded off to the nearest Rupee.


CHIEF EXECUTIVE OFFICER




DIRECTOR