



FINANCIAL STATEMENTS
OF
LEGAL AID SOCIETY
FOR THE YEAR ENDED
JUNE 30, 2020

BDO Ebrahim & Co. Chartered Accountants

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INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BOARD

Opinion

We have audited the accompanying financial statements of LEGAL AID SOCIETY ("the Society") which comprise the balance sheet as at June 30, 2020, and the statement of income and expenditure, statement of comprehensive income, cash flow statement and statement of changes in funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LEGAL AID SOCIETY ("the Society") as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with 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 ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Society financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KARACHI

DATED: 21 FEB 2021



CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

**LEGAL AID SOCIETY
BALANCE SHEET
AS AT JUNE 30, 2020**

| | Note | 2020 Rupees | 2019 Rupees |
|---|------|--------------------------|--------------------------|
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property and equipment | 4 | 6,346,731 | 5,959,790 |
| Intangible assets | 5 | 853,141 | 1,273,345 |
| | | <u>7,199,872</u> | <u>7,233,135</u> |
| CURRENT ASSETS | | | |
| Short term deposits | 6 | 791,783 | 606,369 |
| Short term investments | 7 | - | 39,000,000 |
| Cash and bank balances | 8 | 63,927,765 | 11,912,541 |
| | | <u>64,719,548</u> | <u>51,518,910</u> |
| TOTAL ASSETS | | <u><u>71,919,420</u></u> | <u><u>58,752,045</u></u> |
| FUNDS AND LIABILITIES | | | |
| General Fund | | 43,123,900 | 30,013,918 |
| NON CURRENT LIABILITIES | | | |
| Deferred capital grant | 9 | 6,374,784 | 6,083,023 |
| Deferred liabilities - Gratuity | | 8,502,962 | 7,813,298 |
| | | <u>14,877,746</u> | <u>13,896,321</u> |
| CURRENT LIABILITIES | | | |
| Deferred credit - unutilized grants | 10 | 13,186,781 | 14,567,847 |
| Accrued and other liabilities | 11 | 730,993 | 273,959 |
| | | <u>13,917,774</u> | <u>14,841,806</u> |
| TOTAL LIABILITIES AND GENERAL FUND | | <u><u>71,919,420</u></u> | <u><u>58,752,045</u></u> |
| CONTINGENCIES AND COMMITMENTS | 12 | | |

The annexed notes from 1 to 22 form an integral part of these financial statements.

M. S. G. S. S.
CHAIRPERSON

[Signature]
CHIEF EXECUTIVE

**LEGAL AID SOCIETY
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2020**

| | Note | 2020 Rupees | 2019 Rupees |
|------------------------------------|------|--------------------------|--------------------------|
| INCOME | | | |
| Donor's grant recognized | 13 | 83,133,624 | 98,232,351 |
| Interest income | 14 | 3,742,170 | 720,090 |
| Other income | | 48,499 | 247,501 |
| | | <u>86,924,293</u> | <u>99,199,942</u> |
| EXPENDITURE | | | |
| Programme and operational expenses | 15 | 66,727,307 | 73,519,894 |
| Administrative expenses | 16 | 7,087,004 | 8,960,045 |
| | | <u>73,814,311</u> | <u>82,479,939</u> |
| Surplus for the year | | <u><u>13,109,982</u></u> | <u><u>16,720,003</u></u> |

The annexed notes from 1 to 22 form an integral part of these financial statements.

Naresh Kumar

CHAIRPERSON

Hardeep
CHIEF EXECUTIVE

**LEGAL AID SOCIETY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020**

| | 2020 | 2019 |
|--|-------------------|-------------------|
| | Rupees | Rupees |
| Surplus for the year | 13,109,982 | 16,720,003 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year transferred to General Fund | <u>13,109,982</u> | <u>16,720,003</u> |

The annexed notes from 1 to 22 form an integral part of these financial statements.



CHAIRPERSON


CHIEF EXECUTIVE

**LEGAL AID SOCIETY
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020**

| | 2020 Rupees | 2019 Rupees |
|--|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Surplus for the year | 13,109,982 | 16,720,003 |
| Adjustments for items not involving movement of funds: | | |
| Depreciation | 2,006,311 | 2,440,338 |
| Amortization | 420,204 | 627,169 |
| Gratuity expense | 2,469,623 | 3,318,848 |
| | <u>18,006,120</u> | <u>23,106,358</u> |
| (Increase) / decrease in current assets | | |
| Grant receivable | - | 2,500,173 |
| Short term deposits | (185,414) | 35,414 |
| | <u>(185,414)</u> | <u>2,535,587</u> |
| Increase in current liabilities | | |
| Deferred credit - unutilized grants | (1,381,066) | 8,110,740 |
| Accrued and other liabilities | 457,034 | (235,983) |
| Net cash generated from operations | <u>16,896,674</u> | <u>33,516,702</u> |
| Gratuity paid | (1,779,959) | (431,374) |
| Net cash generated from operating activities | <u>15,116,715</u> | <u>33,085,328</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Term Deposit Receipt | (90,000,000) | (39,000,000) |
| Redemption of Term Deposit Receipt | 129,000,000 | - |
| Purchase of property and equipment | (2,393,252) | (461,901) |
| Net cash generated from / (used in) investing activities | <u>36,606,748</u> | <u>(39,461,901)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Deferred capital grants | 291,760 | (2,199,326) |
| Net increase / (decrease) in cash and cash equivalents | <u>52,015,224</u> | <u>(8,575,899)</u> |
| Cash and cash equivalents at the beginning of the period | 11,912,541 | 20,488,440 |
| Cash and cash equivalents at the end of the period | <u><u>63,927,765</u></u> | <u><u>11,912,541</u></u> |

The annexed notes from 1 to 22 form an integral part of these financial statements.

Mani Kumar Goud
CHAIRPERSON

[Signature]
CHIEF EXECUTIVE

**LEGAL AID SOCIETY
STATEMENT OF CHANGES IN GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

| | Rupees |
|---|---------------|
| Balance as at July 01, 2018 | 13,293,915 |
| Total comprehensive income for the year | |
| Surplus for the year | 16,720,003 |
| Other comprehensive income | - |
| | 16,720,003 |
| Balance as at June 30, 2019 | 30,013,918 |
| Total comprehensive income for the year | |
| Surplus for the year | 13,109,982 |
| Other comprehensive income | - |
| | 13,109,982 |
| Balance as at June 30, 2020 | 43,123,900 |

The annexed notes from 1 to 22 form an integral part of these financial statements.

Masir Ghum Ewal
CHAIRPERSON

[Signature]
CHIEF EXECUTIVE

**LEGAL AID SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

1. LEGAL STATUS AND OPERATIONS

Legal Aid Society ("the Society") was registered on November 19, 2013, under the Societies Registration Act, XXI of 1860. The registered office of the Society is situated at Spanish Homes Apartment, Mezzanine Floor, A-13, DHA, Phase-1, Karachi. The principal objective of the Society is to support vulnerable segments including under-trial prisoners, inmates of the Darul Amaans, women crisis centers and child protection centers; poor women and minorities.

1.1 Following are the details of contracts entered during the current and prior years and are in progress as at balance sheet date;

The Society signed grant contract with Foundation Open Society Institute ("the Institute") for the period effective from November 01, 2019 to October 31, 2020. In lieu of the said contract, the Society will receive the grant amounting to a maximum of Rs.10.563 million for the purpose of arranging the basic literacy program with respect to 100 Juveniles. In addition to this, the Society signed another grant contract with the Institute for the period effective from March 01, 2020 to March 31, 2023. In lieu of the said contract, the Society will receive grant amounting to a maximum of Rs. 26.154 million for the purpose of improving Government of Sindh's response to sexual violence.

The Society signed subcontract agreement with European Union for the period effective from June 22, 2020 to February 28, 2021. In lieu of the said contract, the Society will receive the grant amounting to Rs.16,069,730 under the project titled Huqooq-e-Pakistan (for promotion of human rights in Pakistan). Huqooq-e-Pakistan is a project funded by European Union (EU) for the capacity enhancement and Institutional Reform of Governmental Human Rights departments /organizations in Pakistan. The Federal Ministry of Human Rights (MoHR) has entered into a Memorandum of Understanding with the Sindh Judicial Academy (SJA).The objective of MoU is to provide human right awareness and sensitization training to lower court judges deployed in Sindh.

The Society signed the grant contract with Oxfam GB for the period effective from February 03, 2020 to August 31, 2020. In lieu of the said contract, the Society will receive the donation amounting to Rs.3,979,200 for the purpose of mapping and identifying gaps for existing support services under creating spaces project.

The Society signed a new contract with International Red Cross and Red Crescent (ICRC) for the period effective from January 01, 2020 to December 31, 2020. In lieu of the said contract, the Society will receive the grant amounting to Rs 18,000,000 for the purpose of assisting the Urban Violence Study Centre.

The Society signed the grant contract with Department For International Development for the period effective from May 01, 2020 to March 31, 2021. In lieu of the said contract, the Society will receive grant amounting to Rs. 51.776 million for strengthening the criminal justice system's response to Sexual Violence in Sindh.

The Law Department and Government of Sindh initiated a Government of Sindh Legal Advisory Call Centre with the budget of Rs. 84,066,097 for three year (July 01, 2019 to June 30, 2021), under a project titled the Legal Empowerment of People Programmed in Sindh (LEPPS). The programme's goal is to improve access to legal advice and information to empower the people of Sindh, particularly poor, disempowered and marginalised. The programme links closely with the primary objectives of Sindh Government of improved governance, improved access to justice and access to information.

Under this project, the Law Department, Government of Sindh (GoS), through a "Grant In Aid" had approved for the Sindh Legal Advisory Call Centre (SLACC), an operational legal call centre, established by the Legal Aid Society (LAS).

1.2 Following are the details of agreement which have been concluded during the year:

The Society signed the Grant agreement with U.S. Department of State for the period effective from September 14, 2016 to September 31, 2019. In lieu of the said contract, the Society received grant amounting to Rs. 168.43 million to encourage the use of Alternative Dispute Resolution (ADR) for resolving disputes through formal mechanism and trained practitioners.

The Society signed the grant contract with Foundation Open Society Institute during the period effective from November 1, 2018, to October 31, 2019. In lieu of the said contract, the society received the grant of Rs. 6.809 million for arranging Basic Literacy Program for 100 Juveniles. Furthermore, the Society signed second grant contract with Foundation Open Society Institute for the period effective from January 1, 2019 to December 31, 2019. In lieu of the said contract, the Society received grant amounting to Rs. 16.819 million for improving Government of Sindh's response to sexual violence.

Grant agreement with the International Red Cross and Red Crescent (ICRC) effective from April 01, 2019 to December 31, 2019, as per which the Society received consultancy fee amounting to a maximum of Rs.1,819,000.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Accounting and reporting standards comprise of Accounting and Financial Reporting Standards for Small-Sized Entities (SSEs) applicable to non-corporate entities issued by the Institute of Chartered Accountants of Pakistan.

2.2 Accounting convention

These financial statement have been prepared following accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

These financials statement are prepared in Pak rupee, which is the functional and presentation currency of Society.

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any.

Depreciation on an asset is charged to income and expenditure account using the diminishing balance method at the rates stated in note 4 to the financial statements. Depreciation on additions is charged from the month in which the asset is put to use and no depreciation is charged in the month of disposal.

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

Assets residual values, useful and depreciation methods are reviewed and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of an asset represented by the difference between sale proceeds and the carrying amount of the asset is recognized in the income and expenditure account.

3.2 Intangible

Expenditure incurred to acquire system software is capitalized as intangible assets and stated at cost less accumulated amortization and accumulated impairment losses if any.

Intangible assets having a finite life are amortized using the diminishing balance method at the rate stated in note 5.1 to the financial statements.

Amortization on additions and deletions of intangible assets during the year is charged in proportion to the period of use. The carrying value of intangible assets are reviewed for impairment at each financial year end when events or changes in circumstances, indicate that the carrying value may not be recoverable.

3.3 Short term investments

The Society accounts for short term investment at amortized cost except for investments in non-convertible and non-puttable preference shares and non-puttable ordinary shares that are publicly traded or whose fair value can other be measured reliably.

Short term investments are recognized initially at the transaction price including transaction cost except for financial instruments that are measured at fair value through profit or loss.

3.3.1 Investments at fair value through profit or loss

At the end of each reporting period, the Company measures its investments in non-convertible preference shares and non-puttable ordinary or preference shares at fair value, if the shares are publicly traded or their fair value can otherwise be measured reliably, with changes in fair value recognised in statement of income and expenditure.

All other investments for which it is impracticable to measure fair value reliably without undue cost or effort are measured at cost less impairment.

3.3.2 Held-to-maturity investments

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortized cost using the effective interest method. Gains and losses are recognised in income and expenditure account when the investments are derecognised or impaired, as well as through the amortisation process.

3.4 Revenue recognition

Grants received for revenue expenditure are treated as "Grant Income". Expenditures not approved by donor are reversed in the year intimation is received and amounts are treated as expenditure incurred by the Society from its own funds.

Income on investment is recognized on accrual basis.

3.5 Allocation of expenses

Program related expenses are incurred in respect of services distributed to beneficiaries in accordance with the program objective and activities. The project overhead expenses are allocated to projects based on agreements with donor.

3.6 Taxation

The charge for the current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

The Society being a non-profit organization under section 2(36) of the Income Tax Ordinance is entitled to claim tax credit equal to one hundred per cent of the tax payable under section 100 (c) of Income Tax Ordinance, 2001, including minimum tax and final taxes payable. Therefore, no provision for taxation has been recorded in these financial statements.

3.7 Impairment

3.7.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired, if objective evidence indicates that one or more events have had negative effect on the estimated future cash flows of that asset.

3.7.2 Non - financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the assets' recoverable amount is estimated. An impairment loss is recognized, as an expense in statement of income and expenditure, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.8 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Society becomes a party to the contractual provisions of the instrument. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to income and expenditure account currently.

3.9 Foreign currency translation

Grants

Grants are translated into rupees at rates applicable on the transaction date.

Other than grants

Transactions other than grants are translated into rupees at rates applicable on the transaction date. Monetary assets and liabilities are revalued at the applicable exchange rate prevailing at the balance sheet date. Exchange differences on translation during the year are recognized in income and expenditure account currently.

3.10 Cash and bank balances

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

3.11 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalent consists of cash in hand and balances with banks net of borrowings not considered to be in the nature of financing activities.

3.12 Fund

The accounts of the Society are maintained substantially in accordance with the principles of fund accounting. Under these principles, resources are classified for accounting and reporting purposes, into funds that are in accordance with activities specified by donor.

3.13 Accrued and other liabilities

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

3.14 Gratuity

The Society provide to its employees a gratuity scheme where the employees are entitled to one month gross salary, served by the employee. The benefit is accrued in line with the project budget and the benefit is ceased when the employee is released from the project.

3.15 Provisions

Provision are recognized when the Society has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the outflow can be made. Provision are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.16 Offsetting of financial assets and financial liabilities

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

3.17 Transactions with related parties

Transactions with related parties are carried out at arm's length prices.

3.18 Significant accounting judgments and critical accounting estimates / assumptions

The preparation of financial statements in conformity with approved accounting standard requires the management to:-

- exercise its judgment in process of applying the Society's accounting policies.
- use of certain critical accounting estimates and assumptions concerning the future.

The areas involving critical accounting estimates and significant assumptions concerning the future are discussed below:

Property and equipment

Management has made estimates of residual values, useful lives and recoverable amounts of certain items of property and equipment. Any change in these estimates in future years might affect the carrying amounts of the respective items of property and equipment with corresponding effect on the depreciation charge and impairment loss.

Impairment

Management has determined that investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Society evaluates among other factors, the normal volatility in prices. In addition the impairment may be appropriate when there is an evidence of deterioration in the financial health of the invested industry and sector performance, change in technology and operational financial cash flows.

4 PROPERTY AND EQUIPMENT

| Particulars | C | | As at June 30, 2020 | Rate % | D | | As at June 30, 2020 | Written down value as at June 30, 2020 |
|----------------------------|---------------------|------------------|---------------------|--------|---------------------|------------------|---------------------|--|
| | As at July 01, 2019 | Addition | | | As at July 01, 2019 | For the year | | |
| | Rupees | | | | Rupees | | | |
| Improvements | 5,591,299 | - | 5,591,299 | 33 | 4,811,515 | 257,330 | 5,068,845 | 522,454 |
| Office equipments | 4,989,954 | 490,500 | 5,480,454 | 33 | 3,857,646 | 423,359 | 4,281,005 | 1,199,449 |
| Furniture and fixture | 1,080,633 | 228,390 | 1,309,023 | 33 | 692,837 | 159,376 | 852,213 | 456,810 |
| Computers and accessories | 9,754,190 | 1,674,362 | 11,428,552 | 33 | 7,719,408 | 841,222 | 8,560,630 | 2,867,922 |
| Motor Vehicle | 2,303,000 | - | 2,303,000 | 20 | 677,880 | 325,024 | 1,002,904 | 1,300,096 |
| Total Rupees - 2020 | 23,719,076 | 2,393,252 | 26,112,328 | | 17,759,286 | 2,006,311 | 19,765,597 | 6,346,731 |
| Total Rupees - 2019 | 23,257,176 | 461,900 | 23,719,076 | | 15,318,948 | 2,440,338 | 17,759,286 | 5,959,790 |

4.1 Depreciation for the year is allocated as follows:

| | 2020 | | 2019 | |
|------------------------------------|------|------------------|--------|------------------|
| | Note | Rupees | Rupees | Rupees |
| Programme and operational expenses | | 1,805,680 | | 2,196,304 |
| Administrative expenses | | 200,631 | | 244,034 |
| | | 2,006,311 | | 2,440,338 |

| | Note | 2020 Rupees | 2019 Rupees |
|--|-------|--------------------|--------------------|
| 5 INTANGIBLE ASSETS | | | |
| Opening net book value | | 1,273,345 | 1,900,514 |
| Less: Amortization during the year | | (420,204) | (627,169) |
| Closing net book value | | <u>853,141</u> | <u>1,273,345</u> |
| 5.1 Amortization rate for intangible assets is 33%. | | | |
| 6 SHORT TERM DEPOSITS | | | |
| Deposits | | <u>791,783</u> | <u>606,369</u> |
| 7 SHORT TERM INVESTMENT | | | |
| At amortized cost | | | |
| Term deposits receipts | 7.1 | <u>-</u> | <u>39,000,000</u> |
| 7.1 It represents Term Deposit Receipts which has been matured as at Balance Sheet date and its effective interest rate ranged from 11.75% to 12.10%, (2019 : 11.5% to 11.75%). | | | |
| 8 CASH AND BANK BALANCES | | | |
| Cash in hand | | - | 161 |
| Cash at bank: | | | |
| In current accounts | | 13,429,426 | 6,511,813 |
| In savings account | 8.1 | <u>50,498,339</u> | <u>5,400,567</u> |
| | | <u>63,927,765</u> | <u>11,912,541</u> |
| 8.1 It carries profit at the rates ranging from 3% to 8% (2019: 2.82% to 7%) per annum. | | | |
| 9 DEFERRED CAPITAL GRANT | | | |
| Deferred grant for property and equipment and intangible assets | 9.1 | <u>6,374,784</u> | <u>6,083,023</u> |
| 9.1 Deferred grant for property and equipment and intangible assets | | | |
| Opening balance | | 6,083,023 | 8,282,350 |
| Grant received for property and equipment | 9.1.1 | <u>2,393,252</u> | <u>461,900</u> |
| | | 8,476,275 | 8,744,250 |
| Less: Transfer to income and expenditure account | | <u>(2,101,491)</u> | <u>(2,661,227)</u> |
| | | <u>6,374,784</u> | <u>6,083,023</u> |

9.1.1 This amount represent purchase of office equipment, furniture and fixture, computers and accessories and intangible assets.

| | Note | 2020 Rupees | 2019 Rupees |
|---|------|---------------------|---------------------|
| 10 DEFERRED CREDIT - UNUTILIZED GRANTS | | | |
| Deferred credit - unutilized grants | 10.1 | <u>13,186,781</u> | <u>14,567,847</u> |
| 10.1 Deferred credit - unutilized grants | | | |
| Opening balance | | 14,567,847 | 6,457,107 |
| Grant received for operational expenditure | | <u>79,651,067</u> | <u>103,681,864</u> |
| | | 94,218,914 | 110,138,971 |
| Less: Transfer to income and expenditure account | | <u>(81,032,133)</u> | <u>(95,571,124)</u> |
| | | <u>13,186,781</u> | <u>14,567,847</u> |
| 11 ACCRUED AND OTHER LIABILITIES | | | |
| Auditors' remuneration | | 307,678 | 256,980 |
| Other payables | | <u>423,315</u> | <u>16,979</u> |
| | | <u>730,993</u> | <u>273,959</u> |
| 12 CONTINGENCIES AND COMMITMENTS | | | |
| There were no contingencies and commitments as of the balance sheet date. (2019 : Nil). | | | |
| 13 DONOR'S GRANT RECOGNIZED | | | |
| Transfer to income and expenditure account from: | | | |
| Deferred credit - utilized grants | | 81,032,133 | 95,571,124 |
| Deferred capital grant for property and equipment and intangible assets | | <u>2,101,491</u> | <u>2,661,227</u> |
| | | <u>83,133,624</u> | <u>98,232,351</u> |
| 14 INTEREST INCOME | | | |
| Savings Accounts | | 383,101 | 202,526 |
| Term Deposits Receipts | | <u>3,359,069</u> | <u>517,563</u> |
| | | <u>3,742,170</u> | <u>720,090</u> |

| | Note | 2020 Rupees | 2019 Rupees |
|--|------|-------------------|-------------------|
| 15 PROGRAMME AND OPERATIONAL EXPENSES | | | |
| Salaries and other benefits | 15.1 | 34,215,711 | 27,230,741 |
| Depreciation | 4.1 | 1,805,680 | 2,196,304 |
| Call center setup and running expenses | | 7,107,141 | 7,524,193 |
| Training and related expenses | | 9,318,036 | 19,000,457 |
| Advertisement and promotional expenses | | 6,405,364 | 6,580,146 |
| Projects support cost | | 6,663,657 | 9,342,160 |
| Auditor's remuneration | 15.2 | 907,678 | 817,980 |
| Professional charges | | 129,000 | 601,602 |
| Others | | 175,040 | 226,311 |
| | | <u>66,727,307</u> | <u>73,519,894</u> |
| 15.1 Salaries and other benefits | | | |
| Employees' salaries | | 30,922,972 | 24,671,971 |
| Employees' retirement benefits | | 3,292,739 | 2,558,770 |
| | | <u>34,215,711</u> | <u>27,230,741</u> |
| 15.2 Auditor's remuneration | | | |
| Audit fee | | 810,064 | 727,542 |
| Out of pocket expense | | 25,000 | 25,000 |
| Sindh sales tax | | 72,614 | 65,438 |
| | | <u>907,678</u> | <u>817,980</u> |
| 16 ADMINISTRATIVE EXPENSES | | | |
| Salaries and other benefits | 16.1 | 6,466,169 | 8,088,842 |
| Depreciation | 4.1 | 200,631 | 244,034 |
| Amortization | 5 | 420,204 | 627,169 |
| | | <u>7,087,004</u> | <u>8,960,045</u> |
| 16.1 Salaries and other benefits | | | |
| Employees' salaries | | 5,843,899 | 7,328,764 |
| Employees' retirement benefits | | 622,270 | 760,078 |
| | | <u>6,466,169</u> | <u>8,088,842</u> |
| 17 RELATED PARTY TRANSACTIONS | | | |

Related parties include the Board of Directors (the Board), associated undertakings in which the Board hold common directorship, key management personnel and close members of the family of all the aforementioned related parties. The aggregate amount charged in the financial statements for remuneration, including all benefits to Chief Executive, Directors and Executives of the Company is as follows:

| | 2020 | | | | 2019 | | | |
|---------------------------|----------------------|---------------------|------------|------------|-----------------|-------------|------------|------------|
| | Chief Executive | Chief Legal Advisor | Executives | Total | Chief Executive | Chief Legal | Executives | Total |
| | (Rupees in Thousand) | | | | | | | |
| Managerial remuneration | 4,260,900 | 1,320,000 | 17,216,474 | 22,797,374 | 2,930,300 | 1,599,332 | 9,692,884 | 14,222,516 |
| Staff retirement benefits | 1,523,981 | 384,548 | 3,922,039 | 5,830,568 | 1,009,025 | 249,315 | 3,225,821 | 4,484,161 |
| Total | 5,784,881 | 1,704,548 | 21,138,513 | 28,627,942 | 3,939,325 | 1,848,647 | 12,918,705 | 18,706,677 |
| Number of persons | 1 | 1 | 29 | 31 | 1 | 1 | 10 | 12 |

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

18.1 Risk management policies

The Society's objective in managing risks is the creation and protection of members interest. Risk is inherent in the Society's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Society's continuous sustainable financial position. The Society is exposed to credit risk, liquidity risk and interest rate risk arising from the financial instruments it holds.

The Society finances its operations through grant proceeds and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

18.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted. All financial assets except cash in hand are subject to credit risk.

Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. The carrying amounts of financial assets exposed to credit risk at the reporting date are as under:

| | 2020 Rupees | 2019 Rupees |
|------------------------|-------------------|-------------------|
| Short term deposits | 791,783 | 606,369 |
| Short term investments | - | 39,000,000 |
| Bank balances | 63,927,765 | 11,912,380 |
| | <u>64,719,548</u> | <u>51,518,749</u> |

The exposure to bank is managed by monitoring exposure limits on continuous basis.

18.3 Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting its financial obligations as they fall due. The Society's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Society's reputation.

18.4 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates. At the balance sheet date the Society has no variable interest rate liability.

| | Interest / markup bearing | | | Non - interest bearing | | | Total |
|------------------------------------|---------------------------|-------------------------|-------------------|------------------------|-------------------------|-------------------|-------------------|
| | Maturity upto one year | Maturity after one year | Sub total | Maturity upto one year | Maturity after one year | Sub total | |
| Rupees | | | | | | | |
| Financial assets | | | | | | | |
| Short term deposits | - | - | - | 791,783 | - | 791,783 | 791,783 |
| Short term investments | - | - | - | - | - | - | - |
| Cash and bank balances | 50,498,339 | - | 50,498,339 | 13,429,426 | - | 13,429,426 | 63,927,765 |
| | 50,498,339 | - | 50,498,339 | 14,221,209 | - | 14,221,209 | 64,719,548 |
| Financial liabilities | | | | | | | |
| Accrued and other liabilities | - | - | - | (730,993) | - | (730,993) | (730,993) |
| | - | - | - | (730,993) | - | (730,993) | (730,993) |
| Net financial assets – 2020 | 50,498,339 | - | 50,498,339 | 13,490,216 | - | 13,490,216 | 65,450,541 |

| | Interest / markup bearing | | | Non - interest bearing | | | Total |
|------------------------------------|---------------------------|-------------------------|-------------------|------------------------|-------------------------|------------------|-------------------|
| | Maturity upto one year | Maturity after one year | Sub total | Maturity upto one year | Maturity after one year | Sub total | |
| Rupees | | | | | | | |
| Financial assets | | | | | | | |
| Short term deposits | - | - | - | 606,369 | - | 606,369 | 606,369 |
| Short term investments | 39,000,000 | - | 39,000,000 | - | - | - | 39,000,000 |
| Cash and bank balances | 5,400,567 | - | 5,400,567 | 6,511,813 | - | 6,511,813 | 11,912,380 |
| | 44,400,567 | - | 44,400,567 | 7,118,182 | - | 7,118,182 | 51,518,749 |
| Financial liabilities | | | | | | | |
| Accrued and other liabilities | - | - | - | (273,959) | - | (273,959) | (273,959) |
| | - | - | - | (273,959) | - | (273,959) | (273,959) |
| Net financial assets – 2019 | 39,000,000 | - | 44,400,567 | 6,844,223 | - | 6,844,223 | 51,244,790 |

18.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

19 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Society for the year ended June 30, 2020 due to overall slowdown in economic activity and continuity of society's operations. However, to reduce the impact on the performance of the government have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

The management of the Society is closely monitoring the situation, and in response to the developments, taking all possible precaution and measures to safeguard health and safety of employees and other stakeholders. The management has evaluated and concluded that there is no material implication of COVID-19 on assets, liabilities, income and expenses of the Society.

| | 2020 | 2019 |
|---|------|------|
| 20 NUMBER OF EMPLOYEES | | |
| Number of employees as at year end | 89 | 58 |
| Average number of employees during the year | 49 | 50 |

21 DATE FOR AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 21 FEB 2021 by the governing body of the Society.

22 GENERAL

Figures have been rounded off to the nearest rupee, unless otherwise stated.


CHAIRPERSON


CHIEF EXECUTIVE