# SOCIAL POLICY AND DEVELOPMENT CENTRE

## FINANCIAL STATEMENTS
## FOR THE YEAR ENDED JUNE 30, 2012

***A. F. FERGUSON & CO.***
*Chartered Accountants*
*a member firm of the PwC network*

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Note:

In the case of any discrepancy on the Company’s website, the auditors shall only be responsible in respect of the information contained in the hard copies of the audited financial statements available at the Company’s registered office.

The Board of Directors
Social Policy and Development Centre
Bungalow 15, Block 7 & 8,
Maqbool Co- Operative Housing Society,
Karachi

October 22, 2012

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Dear Sirs

**FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012**

We have completed the fieldwork for the audit of the financial statements of Social Policy and Development Centre for the year ended June 30, 2012 and are pleased to enclose five copies of the draft financial statements prepared by the management, which have been initialed by us only for identification purposes, together with our draft audit report thereon. We shall be pleased to sign our report, in the present or amended form after:

a) the captioned financial statements have been approved by the Board and signed by the Managing Director (Chief Executive) and two of the Directors authorized in this behalf;

b) we have seen the Board's specific approval in respect of:

| | **Rupees** |
|---|---|
| • additions to property, plant and equipment and intangible assets | 4,252,291 |
| • write off of fixed operating assets having a book value of Nil, costing | 634,001 |
| • write off of security deposit | 99,500 |
| • liabilities no longer required written back | 2,724,823 |
| • investments made during the year | 45,234,139 |
| • transfer of funds from restricted to unrestricted | 1,440,141 |
| • all grants received/receivable during the year have been accounted for, aggregating | 60,320,556 |
| • understanding given to us by management as more fully explained in paragraph 3.2 of this letter | |
| • allocation procedures followed for expenses given in Annexure A as more fully explained in paragraph 3.4 of this letter | |
| • approval of accounting policies relating to fund accounting, intangible assets and other new policies incorporated in the enclosed financial statements; and | |

c) we have received a letter of representation from the Company's management in respect of these financial statements.

## 2. RESPONSIBILITIES OF THE AUDITORS AND THE MANAGEMENT IN RELATION TO THE FINANCIAL STATEMENTS

The responsibilities of the independent auditors, in a usual examination of financial statements, are explained in International Standard on Auditing 200 – "Overall Objectives of the Independent Auditor and the Conduct of an Audit in accordance with International Standards on Auditing". While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for the preparation of financial statements is primarily that of the Company's management. The management's responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of assets of the Company and prevention and detection of frauds and irregularities. The audit of the financial statements does not relieve the management of its responsibilities. Accordingly, our examination of the books of account and records should not be relied upon to disclose all the errors or irregularities in relation to the financial statements.

## 3. MATTERS FOR THE ATTENTION OF THE BOARD

We set forth below certain matters noted by us during the course of our audit which, in our view, warrant the attention of the Board.

### 3.1 Islamic Financial Accounting Standard (IFAS) 2, IJARAH

In May 2007, the Securities and Exchange Commission of Pakistan (SECP), vide SRO 431(1)/2007, notified Islamic Financial Accounting Standard (IFAS) 2-Ijarah, which prescribes the accounting treatment to be applied by lessees and lessor in relation to Ijarah.

In 2009 and 2010, the Company entered into Ijarah Agreements with Meezan Bank for lease of motor vehicles. As per IFAS 2 – Ijarah, the Company is required to account such leases as 'operating leases', however, the Company has preferred to treat these in the enclosed financial statements as 'finance lease' on the premise that in substance the transactions are in nature of 'finance lease' .This is because of the fact that the Company through a separate agreement undertakes to purchase the motor vehicles at the end of the term of Ijarah. Such accounting treatment, however, is in line with the International Accounting Standard 17 (IAS 17) "Leases".

### 3.2 Provision for leave encashment

As per Company policy every employee of the Company is eligible for an annual leave of 21 working days in a financial year subject to maximum accumulation of 63 days. This accumulated leave balance is encashable at the time of leaving the Company. In this respect we have observed that management has made an accrual for leave encashment in the enclosed financial statements based on 63 days for each employee i.e the maximum number of leaves which can be accumulated irrespective of the actual leave balance of the employee as at year end which have resulted in an excess liability of Rs. 2,428,711.

We have been given to understand by the management accrual was made in prior years based on the expected leave balance which would have been accumulated by the employees while working for specific projects and as such was allocated thereagainst. Further the excess amount recovered has been retained as abundant caution and will be utilized at the time of settlement of any unutilized grant balances. We would like the Board to confirm the aforementioned understanding given to us by the management.

**3.3 Grants utilized for capital expenditure**

Under the Accounting and Financial Reporting Standard for Medium-Sized Entities (MSEs), funds utilised for the purchase of capital items from grants are shown in the balance sheet as deferred capital grant and a portion of the grant is recognized as income in the income and expenditure account to match the depreciation provided during the year on such items. We have observed that such a practice was not being followed by the Company till last year on the premise that assets purchased from restricted funds were not material. During the year, in view of material additions, the Company has transferred an amount of Rs. 4,975,752 from restricted fund balance to deferred capital grant account representing the aggregate of opening book value of restricted assets and cost of additions during the year. Further an amount of Rs. 776,760 has been transferred from deferred capital grant account to income and expenditure account to match the related depreciation expense for the year. Such a policy has now been incorporated in the enclosed financial statements as disclosed in note 2.2.

**3.4 Allocation of indirect/common expenses**

We have been given to understand by the management that the Company has opened various cost centers which are used to record revenue and direct and indirect expenses that pertain to a particular project/donor (such as IDRC, GRP, GCC etc). Further in respect of indirect expenses, allocation is based on approved budgets for each project and availability of funds. For the year 2012 a summary of direct and indirect expenses for each project has been given in Annexure A to this letter. We would like the Board to confirm/approve the basis of allocation.

**4.** We would like to inform that unless we have signed the auditor's report on the enclosed financial statements, the same shall remain and be deemed unaudited.

**5.** We shall shortly be issuing a separate Management Letter on the weaknesses in the internal controls and other accounting matters noted by us during the course of our audit of the Company's financial statements.

We would like to place on record our appreciation of the co-operation and courtesy extended to us by the management and concerned staff during the course of the audit.

Yours truly

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SOCIAL POLICY AND DEVELOPMENT CENTRE
YEAR ENDED JUNE 30, 2012

| | Account title | Nature of Expense | Basis of Allocation |
|---|---|---|---|
| 1. | Salaries and benefits | Direct Expense | Budgets/Ratio |
| 2. | Consultancy charges | Direct Expense | Budgets/Ratio |
| 3. | Data collection and survey cost | Direct Expense | Project Specific |
| 4. | Communication | Indirect Expense | Budgets |
| 5. | Insurance | Indirect Expense | Budgets |
| 6. | Printing and stationery | Indirect Expense | Budgets |
| 7. | Conference and seminar | Direct Expense | Project Specific |
| 8. | Rent | Indirect Expense | Budgets/Allocation Summary |
| 9. | Utilities | Indirect Expense | Budgets |
| 10. | Repairs and maintenance | Indirect Expense | Budgets |
| 11. | Security services | Indirect Expense | Budgets |
| 12. | Computer maintenance | Indirect Expense | Budgets |
| 13. | Legal and professional charges | Indirect Expense | Budgets |
| 14. | Auditors' remuneration | Indirect Expense | Budgets |
| 15. | Depreciation | Indirect Expense | Approvals in Minutes |
| 16. | Books and periodicals | Indirect Expense | Budgets |
| 17. | Bank charges | Indirect Expense | Budgets |
| 18. | Staff development | Indirect Expense | Budgets |
| 19. | Others | Indirect Expense | Budgets |

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A. F. FERGUSON & CO.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Social Policy and Development Centre as at June 30, 2012 and the related income and expenditure account, cash flow statement and statement of changes in fund balance together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business, and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, cash flow statement and statement of changes in fund balance together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2012 and of the surplus, its cash flows and changes in fund balance for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements for the year ended June 30, 2011 were audited by another firm of Chartered Accountants who vide their audit report dated October 13, 2011 expressed an unqualified opinion thereon.

Chartered Accountants
Karachi
Date: October 25, 2012

Engagement Partner: Imtiaz A. H. Laliwala

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SOCIAL POLICY AND DEVELOPMENT CENTRE
BALANCE SHEET
AS AT JUNE 30, 2012

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 3 | 6,209,527 | 4,066,609 |
| Intangible assets | 4 | 346,938 | - |
| Long term investments | 5 | 8,118,874 | 19,499,757 |
| Long term deposits | | 97,600 | - |
| | | 14,772,939 | 23,566,366 |
| **Current Assets** | | | |
| Advances, deposits and prepayments | 6 | 1,862,798 | 2,535,007 |
| Short term investments | 7 | 37,499,146 | - |
| Cash and bank balances | 8 | 28,286,565 | 46,826,949 |
| | | 67,648,509 | 49,361,956 |
| | | 82,421,448 | 72,928,322 |
| **EQUITY AND LIABILITIES** | | | |
| Fund balance | | 66,467,001 | 53,257,440 |
| Deferred capital grant | 9 | 4,198,992 | - |
| | | 70,665,993 | 53,257,440 |
| **Non-Current Liabilities** | | | |
| Liabilities against assets subject to finance lease | 10 | 565,248 | 957,686 |
| **Current Liabilities** | | | |
| Current portion of liabilities against assets subject to finance lease | 10 | 392,438 | 328,618 |
| Trade and other payables | 11 | 10,797,769 | 18,384,578 |
| | | 11,190,207 | 18,713,196 |
| **CONTINGENCIES AND COMMITMENTS** | | - | - |
| | | 82,421,448 | 72,928,322 |

The annexed notes 1 to 17 form an integral part of these financial statements.

Managing Director

Director

Director

SOCIAL POLICY AND DEVELOPMENT CENTRE
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

| | Note | 2012 Unrestricted | 2012 Restricted | 2012 Total | 2011 Unrestricted | 2011 Restricted | 2011 Total |
|---|---|---|---|---|---|---|---|
| | | Rupees | | | | | |
| Income | | | | | | | |
| Deferred capital grant released | 9 | | 776,760 | 776,760 | - | - | - |
| Grant utilized | | - | 47,704,290 | 47,704,290 | - | 42,154,087 | 42,154,087 |
| Other project revenue | | 2,615,360 | - | 2,615,360 | 8,934,646 | - | 8,934,646 |
| | | 2,615,360 | 48,481,050 | 51,096,410 | 8,934,646 | 42,154,087 | 51,088,733 |
| Other income | 12 | 6,973,857 | 1,384,629 | 8,358,486 | 5,631,800 | 1,644,393 | 7,276,193 |
| **Total income** | | 9,589,217 | 49,865,679 | 59,454,896 | 14,566,446 | 43,798,480 | 58,364,926 |
| **Expenditure** | 13 | (2,866,160) | (49,088,919) | (51,955,079) | (8,424,522) | (43,569,421) | (51,993,943) |
| Depreciation | 3.3 | (985,675) | (745,564) | (1,731,239) | (1,179,515) | (229,059) | (1,408,574) |
| Amortization | 4 | - | (31,196) | (31,196) | - | - | - |
| Other expenses | | (168,335) | - | (168,335) | (428,897) | - | (428,897) |
| **Total expenditure** | | (4,020,170) | (49,865,679) | (53,885,849) | (10,032,934) | (43,798,480) | (53,831,414) |
| Surplus for the year | | 5,569,047 | - | 5,569,047 | 4,533,512 | - | 4,533,512 |

The annexed notes 1 to 17 form an integral part of these financial statements.

**Managing Director** **Director** **Director**

IAL POLICY AND DEVELOPMENT CENTRE
TEMENT OF CHANGES IN FUND BALANCE
THE YEAR ENDED JUNE 30, 2012

| | Unrestricted | Restricted | | | | | |
|---|---|---|---|---|---|---|---|
| | Others | IDRC | CIDA | GRP | GCC | Total | Total |
| | Rupees | | | | | | |
| lance as at June 30, 2010 | 18,172,615 | - | 3,818,284 | 19,378,072 | - | 23,196,356 | 41,368,971 |
| ants received during the year | - | 23,285,434 | - | 27,886,225 | - | 51,171,659 | 51,171,659 |
| ransferred from restricted to unrestricted | 715,528 | - | (715,528) | - | - | (715,528) | - |
| rants utilized | - | (17,998,731) | - | (24,155,356) | - | (42,154,087) | (42,154,087) |
| unds remitted back during the year | - | - | (1,662,615) | - | - | (1,662,615) | (1,662,615) |
| Surplus for the year | 4,533,512 | - | - | - | - | - | 4,533,512 |
| Balance as at June 30, 2011 | 23,421,655 | 5,286,703 | 1,440,141 | 23,108,941 | - | 29,835,785 | 53,257,440 |
| Grants received during the year | - | 22,687,370 | - | 31,358,834 | 6,274,352 | 60,320,556 | 60,320,556 |
| Transferred from restricted to unrestricted | 1,440,141 | - | (1,440,141) | - | - | (1,440,141) | - |
| Grants utilized | - | (21,064,448) | - | (23,523,509) | (3,116,333) | (47,704,290) | (47,704,290) |
| Capital expenditure transferred to deferred capital grants | - | (732,784) | - | (4,116,968) | (126,000) | (4,975,752) | (4,975,752) |
| Surplus for the year | 5,569,047 | - | - | - | - | - | 5,569,047 |
| Balance as at June 30, 2012 | 30,430,843 | 6,176,841 | - | 26,827,298 | 3,032,019 | 36,036,158 | 66,467,001 |

The annexed notes 1 to 17 form an integral part of these financial statements.

Managing Director

Director

Director

SOCIAL POLICY AND DEVELOPMENT CENTRE
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Surplus for the year | | 5,569,047 | 4,533,512 |
| Adjustment for: | | | |
| -Depreciation | | 1,731,239 | 1,408,574 |
| -Amortization | | 31,196 | - |
| -Finance cost | | - | 364,651 |
| -Profit on investments | | (3,473,441) | (2,088,000) |
| Operating cash flows before working capital changes | | 3,858,041 | 4,218,737 |
| Decrease in advances, deposits, prepayments and other receivables | | 672,209 | 828,271 |
| (Decrease) / increase in trade and other payables | | (5,696,120) | 3,281,442 |
| | | (1,165,870) | 8,328,450 |
| Finance cost paid | | - | (15,028) |
| Gratuity paid-net | | (1,890,689) | (8,714,072) |
| Long term deposits | | (97,600) | - |
| **Net cash (utilized in) / generated from operating activities** | | (3,154,159) | (400,650) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Fixed capital expenditure | | (4,252,291) | (1,697,604) |
| Investment made during the year - net | | (12,644,822) | - |
| **Net cash utilized in investing activities** | | (16,897,113) | (1,697,604) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Deferred capital grant released | | (776,760) | - |
| Grants received | | 60,320,556 | 51,171,659 |
| Grants utilized | | (47,704,290) | (42,154,087) |
| Grants refunded | | - | (1,662,615) |
| Lease rentals paid | | (328,618) | (563,499) |
| **Net cash generated from financing activities** | | 11,510,888 | 6,791,458 |
| Net (decrease) / increase in cash and cash equivalents | | (8,540,384) | 4,693,204 |
| Cash and cash equivalents at beginning of the year | | 46,826,949 | 42,133,745 |
| Cash and cash equivalents at end of the year | 14 | 38,286,565 | 46,826,949 |

The annexed notes 1 to 17 form an integral part of these financial statements.

Managing Director | Director | Director

## 1. LEGAL STATUS AND OPERATIONS

Social Policy and Development Centre (the Company) was incorporated in Pakistan in May, 1995 as a public company limited by guarantee not having share capital. The Company has been granted license under Section 42 of the Companies Ordinance, 1984 as a non-profit company. The registered office of the Company is situated at 15, Maqbool Co-operative Housing Society, Block 7 & 8, Karachi.

The main objects of the Company is to support the process of meeting basic human needs consistent with national goals of social development and to develop the capacity of public and private sector institutions and non-governmental organizations to plan, design, finance and execute social sector programme.

The core activities of the Company are currently being funded though grant received from International Development Research Centre (IDRC) as a result of Grant Agreement entered into on August 1, 2010 with a term of four years ending on August 31, 2014.

In addition to above the Company is engaged in specific projects which include the Gender Research Programme (GRP) and Global Climate Change (GCC) which have been funded through grants received from Norwegian Ministry of Foreign Affairs and IDRC.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

2.1.1 These financial statements have been prepared under the historical cost convention.

2.1.2 These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standard for Medium-Sized Entities (MSEs) issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.1.3 The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The Company makes estimates and assumptions concerning the future, based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will by definition seldom equal the related actual results. The matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are related to residual values and useful lives of property, plant and equipment (note 2.3).

## 2.2 Fund accounting

The financial statements 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 the activities specified by the donor. In the financial statements, two main groups of funds are distinguished – unrestricted and restricted funds.

### 2.2.1 Unrestricted funds

Revenue generated by the organization through contract research receipts and other sources such as sale of annual review are classified as unrestricted. Accordingly, any expenses incurred with respect to normal operation and which cannot be charged to restricted funds are taken to income and expenditure account.

### 2.2.2 Restricted funds

Funds received directly as grants for specific purpose, are classified as restricted funds. Funds utilized for the purchase of capital items from grants are shown in the balance sheet as deferred capital grant and a portion of the grant is recognized as income in the income and expenditure account to match the depreciation provided during the year on the capital items. Grants utilized for operations are taken to income and expenditure account to the extent of actual operating deficit excluding expenses related to non-cash items. Committed grant is accrued in cases where it is probable that the economic benefits of such grant will flow to the Company.

### 2.3 Property, plant and equipment

**Owned**

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

Depreciation on an asset is charged to income applying the straight-line method whereby the cost of an asset is written off over its estimated useful life at the rates stated in note 3.1 and note 3.2 to the financial statements. Depreciation on additions is charged from the month of addition, whereas no depreciation is charged in month of disposal.

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

Assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

**Leased**

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are appropriated between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Depreciation is charged using the same basis and rates used for similar owned assets or over the lease periods as appropriate as mentioned in note 3.1 and note 3.2 to the financial statements.

2.4 **Intangible assets - Computer software**

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can also be measured reliably.

Generally, costs associated with maintaining computer software programmes are recognized as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognized as an intangible asset. Direct costs include the purchase cost of software and related employee and other overhead cost.

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Computer software cost treated as intangible assets are amortized from the year the software is put to use on straight-line basis over a period of 3 years. The carrying amount of the intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount in income and expenditure account. Reversal of impairment losses are also recognized in income and expenditure account.

2.5 **Investments**

Regular way purchases and sales of investments are accounted for at trade date, i.e., the date at which the Company commits itself to purchase or sell the investment.

Investments are classified as current assets where the intention is to hold the same for less than twelve months from the balance sheet date. Otherwise investments are classified as long term assets.

### 2.5.1 Investments at fair value through profit or loss

An instrument is classified as 'fair value through profit or loss' if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognized in the income and expenditure account. Investments at fair value through profit or loss are measured at fair value at each balance sheet date and changes therein are recognized in the income and expenditure account.

### 2.5.2 Held to maturity investments

Held to maturity investments are non derivative financial instruments with fixed or determinable payments and fixed maturity with a positive intention and ability to hold till maturity. Held to maturity investments are measured at amortized cost using the effective interest method.

### 2.6 Foreign currency transactions

Transactions in foreign currencies are translated into Pakistan rupees using exchange rates prevailing at the dates of transactions. Foreign exchange gains or losses resulting from settlement of transactions and from translation at year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the income and expenditure account.

### 2.7 Advances and other receivables

Advances are stated initially at cost and subsequently measured at amortized cost using the effective interest rate method less provision for impairment, if any. Provision for impairment is based on a review of outstanding amounts at the balance sheet date. Advances are written off when considered irrecoverable.

### 2.8 Trade and other payables

These are stated initially at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company and are subsequently measured at amortized cost using the effective interest method.

### 2.9 Provident fund

The Company operates an approved provident fund for all its eligible employees. Equal contribution is made by both the Company and the employees at the rate of 8.33% of gross salary.

### 2.10 Provisions

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

### 2.11 Taxation

The Company is a non-profit organization and thus exempt from tax under Clause (58) of Part 1 of the Second Schedule to the Income Tax Ordinance 2001. The Company has filed its return of income upto tax year 2011. The return so filed is deemed to be a assessment order issued by the Taxation Authorities on the date the complete return is filed.

### 2.12 Cash and cash equivalents

Cash and cash equivalents in the cash flow statement include cash in hand, balances with banks and short-term highly liquid investments with original maturity of three months or less.

### 2.13 Functional and presentation currency .

These financial statements are presented in Pakistan Rupees, which is the Company functional and presentation currency.

### 2.14 Offsetting of financial assets and liabilities

A financial asset and a financial liability are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 2.15 Revenue recognition

Revenue from other projects is recognized when services are rendered.

Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

| | 2012 | 2011 |
|---|---|---|
| | (Rupees) | |
| **3. PROPERTY, PLANT AND EQUIPMENT** | | |
| Unrestricted - note 3.1 | 2,357,473 | 3,085,713 |
| Restricted - note 3.2 | 3,852,054 | 980,896 |
| | 6,209,527 | 4,066,609 |

## 3.1 Unrestricted

| | Office equipment | Office furniture | Computer and EDP equipment | Books and publications | Motor Vehicles | | Total |
|---|---|---|---|---|---|---|---|
| | | | | | Owned | Leased | |
| | Rupees | | | | | | |
| **As at June 30, 2010** | | | | | | | |
| Cost | 3,379,279 | 1,640,268 | 6,454,054 | 11,524,590 | 2,949,122 | 1,389,000 | 27,336,313 |
| Accumulated depreciation | (3,019,628) | (1,540,608) | (6,255,707) | (10,535,873) | (2,949,122) | (347,250) | (24,648,188) |
| Net book value | 359,651 | 99,660 | 198,347 | 988,717 | - | 1,041,750 | 2,688,125 |
| **Year ended June 30, 2011** | | | | | | | |
| Opening net book value | 359,651 | 99,660 | 198,347 | 988,717 | - | 1,041,750 | 2,688,125 |
| Additions | 180,680 | - | 34,500 | 36,923 | - | 1,325,000 | 1,577,103 |
| Disposals / Write-off | | | | | | | |
| Cost | - | - | - | - | 2,315,121 | - | 2,315,121 |
| Depreciation | - | - | - | - | (2,315,121) | - | (2,315,121) |
| | - | - | - | - | - | - | - |
| Depreciation charge | (73,600) | (19,597) | (232,847) | (376,921) | - | (476,550) | (1,179,515) |
| | 466,731 | 80,063 | - | 648,719 | - | 1,890,200 | 3,085,713 |
| **As at June 30, 2011** | | | | | | | |
| Cost | 3,559,959 | 1,640,268 | 6,488,554 | 11,561,513 | 2,949,122 | 2,714,000 | 26,598,295 |
| Accumulated depreciation | (3,093,228) | (1,560,205) | (6,488,554) | (10,912,794) | (2,949,122) | (823,800) | (23,512,582) |
| Net book value | 466,731 | 80,063 | - | 648,719 | - | 1,890,200 | 3,085,713 |
| **Year ended June 30, 2012** | | | | | | | |
| Opening net book value | 466,731 | 80,063 | - | 648,719 | - | 1,890,200 | 3,085,713 |
| Additions | 196,150 | - | 11,282 | 50,003 | - | - | 257,435 |
| Disposals / Write-off | | | | | | | |
| Cost | - | - | - | - | 634,001 | - | 634,001 |
| Depreciation | - | - | - | - | (634,001) | - | (634,001) |
| | - | - | - | - | - | - | - |
| Depreciation charge | (75,949) | (14,720) | (11,282) | (340,924) | - | (542,800) | (985,675) |
| | 586,932 | 65,343 | - | 357,798 | - | 1,347,400 | 2,357,473 |
| **As at June 30, 2012** | | | | | | | |
| Cost | 3,756,109 | 1,640,268 | 6,499,836 | 11,611,516 | 2,315,121 | 2,714,000 | 26,221,729 |
| Accumulated depreciation | (3,169,177) | (1,574,925) | (6,499,836) | (11,253,718) | (2,315,121) | (1,366,600) | (23,864,256) |
| Net book value | 586,932 | 65,343 | - | 357,798 | - | 1,347,400 | 2,357,473 |
| Annual rate of depreciation (%) | 10 | 10 | 35 | 25 | 20 | 20 | |

## 3.2 Restricted

| | Office equipment | Computer and EDP equipment | Books and publication | Total |
|---|---|---|---|---|
| | Rupees | | | |
| **As at June 30, 2010** | | | | |
| Cost | - | 434,937 | 5,427 | 440,364 |
| Accumulated depreciation | - | (78,313) | (1,347) | (79,660) |
| Net book value | - | 356,624 | 4,080 | 360,704 |
| **Year ended June 30, 2011** | | | | |
| Opening net book value | - | 356,624 | 4,080 | 360,704 |
| Additions | 145,000 | 378,016 | 326,235 | 849,251 |
| Disposals / Write-off | | | | |
| Cost | - | - | - | - |
| Depreciation | - | - | - | - |
| | - | - | - | - |
| Depreciation charge | (3,625) | (199,301) | (26,133) | (229,059) |
| | 141,375 | 535,339 | 304,182 | 980,896 |
| **As at June 30, 2011** | | | | |
| Cost | 145,000 | 812,953 | 331,662 | 1,289,615 |
| Accumulated depreciation | (3,625) | (277,614) | (27,480) | (308,719) |
| Net book value | 141,375 | 535,339 | 304,182 | 980,896 |
| **Year ended June 30, 2012** | | | | |
| Opening net book value | 141,375 | 535,339 | 304,182 | 980,896 |
| Additions | 2,458,460 | 705,600 | 452,662 | 3,616,722 |
| Disposals / Write-off | | | | |
| Cost | - | - | - | - |
| Depreciation | - | - | - | - |
| | - | - | - | - |
| Depreciation charge | (135,369) | (493,620) | (116,575) | (745,564) |
| | 2,464,466 | 747,319 | 640,269 | 3,852,054 |
| **As at June 30, 2012** | | | | |
| Cost | 2,603,460 | 1,518,553 | 784,324 | 4,906,337 |
| Accumulated depreciation | (138,994) | (771,234) | (144,055) | (1,054,283) |
| Net book value | 2,464,466 | 747,319 | 640,269 | 3,852,054 |
| Annual rate of depreciation (%) | 10 | 35 | 25 | |

| | | 2012 Rupees | 2011 Rupees |
|---|---|---|---|
| 3.3 | Depreciation charge has been allocated to Funds as follows: | | |
| | **Unrestricted - Other projects** | 985,675 | 1,179,515 |
| | **Restricted** | | |
| | - IDRC | 285,455 | - |
| | - GRP | 449,084 | 229,059 |
| | - GCC | 11,025 | - |
| | | 745,564 | 229,059 |
| | | 1,731,239 | 1,408,574 |

## 4. INTANGIBLE ASSETS – Computer software (Restricted)

| | 2012 Rupees | 2011 Rupees |
|---|---|---|
| Balance at beginning of the year | - | - |
| Add: Additions | 378,134 | - |
| Less: Amortization charge for the year | 31,196 | - |
| Balance at end of the year | 346,938 | - |

## 5. LONG TERM INVESTMENTS

| | 2012 Rupees | 2011 Rupees |
|---|---|---|
| **Held to maturity** | | |
| Special Saving Certificates - note 5.1 | - | 14,500,000 |
| Pakistan Investment Bonds - note 5.2 | 7,992,839 | - |
| Accrued interest | 126,035 | 4,999,757 |
| | 8,118,874 | 19,499,757 |

5.1 This represents Special Saving Certificates (SSCs) issued in 2009, having a term of three (3) years carrying mark-up of 14.4% and 15.2% payable semi-annually, matured during the year.

5.2 This represents investment in Pakistan Investment Bonds (PIBs) having a term of three (3) years, carrying mark-up of 11.25% per annum.

| | 2012 Rupees | 2011 Rupees |
|---|---|---|

## 6. ADVANCES, DEPOSITS AND PREPAYMENTS

**Advances - unsecured**

| | 2012 Rupees | 2011 Rupees |
|---|---|---|
| Considered good | | |
| - Employees | 934,640 | 1,267,962 |
| - Contractors | 706,158 | 977,545 |
| | 1,640,798 | 2,245,507 |
| Considered doubtful | 482,925 | 482,925 |
| | 2,123,723 | 2,728,432 |
| Less: Provision for doubtful advances to employees and contractors | 482,925 | 482,925 |
| | 1,640,798 | 2,245,507 |
| **Deposits and prepayments** | | |
| Security deposits | 190,000 | 289,500 |
| Prepayments | 32,000 | 35,079 |
| Less: Provision for doubtful prepayments | - | 35,079 |
| | 32,000 | - |
| | 1,862,798 | 2,535,007 |

## 7. SHORT TERM INVESTMENTS

| | 2012 Rupees | 2011 Rupees |
|---|---|---|
| **Held to maturity** | | |
| Treasury bills - note 7.1 | 12,741,300 | - |
| Term deposit receipts - note 7.2 | 24,500,000 | - |
| Accrued interest | 257,846 | - |
| | 37,499,146 | - |

7.1 These carry yield to maturity of 11.02 % per annum having maturity dates in December 2012.

7.2 This represents placements with Standard Chartered Bank for 3 to 6 months carrying mark-up of 10.1% to 10.8% per annum.

| | 2012 Rupees | 2011 Rupees |
|---|---|---|
| **8. CASH AND BANK BALANCES** | | |
| Cash at bank on: | | |
| - Foreign currency saving accounts [US$ 229,293 (2011:US$ 201,147)] | 21,347,204 | 17,107,570 |
| - Local currency saving accounts - note 8.1 | 6,382,475 | 21,897,707 |
| - Foreign currency current accounts [US$ 2,439 (2011:US$ 3,723)] | 224,487 | 316,620 |
| - Local currency current account | 318,316 | 7,492,709 |
| | 28,272,482 | 46,814,606 |
| Cash in hand | 14,083 | 12,343 |
| | 28,286,565 | 46,826,949 |

8.1 These carry profit at the rate of 5 % (2011: 5 %) per annum.

9. **DEFERRED CAPITAL GRANT**

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Unrestricted | Restricted | Total | Unrestricted | Restricted | Total |
| | Rupees | | | | | |
| Balance at beginning of the year | - | - | - | - | - | - |
| Net capital expenditure on operating assets transferred from fund balance | - | 4,597,618 | 4,597,618 | - | - | - |
| Net capital expenditure on intangible assets transferred from fund balance | - | 378,134 | 378,134 | - | - | - |
| Depreciation for the year credited to income - note 3.3 | - | (745,564) | (745,564) | - | - | - |
| Amortisation for the year credited to income - note 4 | - | (31,196) | (31,196) | - | - | - |
| Balance at end of the year | - | 4,198,992 | 4,198,992 | - | - | - |

9.1 The Company utilizes grants received from various donor agencies for purchase of capital assets. Such assets where previously capitalized without recognizing the corresponding deferred capital grant as required by the approved accounting standards, since the related amounts were not material to the financial statements. However, during the year, the Company in accordance with the requirements of approved accounting standards has recorded deferred capital grant by adjusting the restricted fund balance by the book value of related assets.

| | 2012 Rupees | 2011 Rupees |
|---|---|---|

## 10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

| | 2012 Rupees | 2011 Rupees |
|---|---|---|
| Balance at July 1 | 1,286,304 | 624,259 |
| Recognised during the year | - | 728,750 |
| | 1,286,304 | 1,353,009 |
| Less: Repayments during the year | 328,618 | 66,705 |
| Present value of minimum lease payments | 957,686 | 1,286,304 |
| Less: Current portion shown under current liabilities | 392,438 | 328,618 |
| | 565,248 | 957,686 |

10.1 The future minimum lease payments and their present value, to which the Company is committed under lease agreements, are as follows:

| | As at June 30, 2012 | | | As at June 30, 2011 | | |
|---|---|---|---|---|---|---|
| Year | Minimum lease payment | Financial charges | Present value of minimum lease payment | Minimum lease payment | Financial charges | Present value of minimum lease payment |
| | Rupees | | | | | |
| 2011-12 | - | - | - | 681,768 | 353,150 | 328,618 |
| 2012-13 | 681,768 | 289,330 | 392,438 | 681,768 | 289,352 | 392,416 |
| 2013-14 | 650,903 | 205,533 | 445,370 | 650,904 | 205,549 | 445,355 |
| 2014-15 | 155,694 | 35,816 | 119,878 | 155,694 | 35,779 | 119,915 |
| | 1,488,365 | 530,679 | 957,686 | 2,170,134 | 883,830 | 1,286,304 |

The company has entered into lease arrangements in respect of vehicles. The liabilities under the lease agreements are payable on monthly basis by year 2014 and are subject to finance charge at the rate of 18.72% and 16.87% per annum, which has been used as the discount factor. The Company intends to exercise its option to purchase the leased vehicles upon completion of the lease periods under the agreement.

| | | 2012 Rupees | 2011 Rupees |
|---|---|---|---|
| 11 | **TRADE AND OTHER PAYABLES** | | |
| | Sundry creditors | 1,119,166 | 957,193 |
| | Accrued expenses | 6,681,419 | 7,776,234 |
| | Consultancy fee payable | 680,766 | 1,193,979 |
| | Honorarium payable | 1,610,795 | 2,971,575 |
| | Staff provident fund | 409,018 | 2,914,142 |
| | Gratuity payable - note 11.1 | 296,605 | 2,187,294 |
| | Other liabilities | - | 384,161 |
| | | 10,797,769 | 18,384,578 |

11.1 The Company had operated an unfunded gratuity scheme upto the year ended June 30, 2010 covering all its employees in accordance with service rules of the Company. Last year the Company substituted unfunded gratuity scheme with the provident fund scheme for all its eligible employees as defined in note 2.9. However, pending approval by the Authorities which was received during the year, the contributions were kept by the Company in its own bank account. During the year, the Company, on behalf of the Fund, invested an amount of Rs. 6,113,000.

| | | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|---|
| | | Unrestricted | Restricted | Total | Unrestricted | Restricted | Total |
| | | Rupees | | | | | |
| 12 | **OTHER INCOME** | | | | | | |
| | Interest on investment in SSCs | 2,614,413 | - | 2,614,413 | 2,088,000 | - | 2,088,000 |
| | Liabilities no longer payable written back | 2,724,823 | - | 2,724,823 | 2,100,801 | - | 2,100,801 |
| | Exchange gain | 981,850 | 866,620 | 1,848,470 | 453,527 | - | 453,527 |
| | Interest on investment | 390,751 | 468,547 | 859,298 | - | - | - |
| | Return on bank deposits | 262,020 | 49,462 | 311,482 | 989,472 | 1,644,393 | 2,633,865 |
| | | 6,973,857 | 1,384,629 | 8,358,486 | 5,631,800 | 1,644,393 | 7,276,193 |

## 13. EXPENDITURE

| | 2012 | | | | | | 2011 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Unrestricted | Restricted | | | | | Unrestricted | Restricted | | | | |
| | Other Projects | IDRC | GRP | GCC | Total | Total | Other Projects | IDRC | GRP | GCC | Total | Total |
| | Rupees | | | | | | | | | | | |
| **Salaries and benefits** | 1,209,404 | 12,372,253 | 12,545,574 | 1,515,633 | 26,433,460 | 27,642,864 | 2,503,708 | 9,948,018 | 13,342,381 | - | 23,290,399 | 25,794,107 |
| **Support and administrative expenses** | | | | | | | | | | | | |
| Consultancy charges | - | 2,738,626 | 3,575,795 | 512,875 | 6,827,296 | 6,827,296 | 382,767 | 2,017,291 | 3,877,916 | - | 5,895,207 | 6,277,974 |
| Data collection and survey cost | 329,690 | - | 2,628,708 | - | 2,628,708 | 2,958,398 | 2,799,664 | - | 2,982,651 | - | 2,982,651 | 5,782,315 |
| Institutional support | - | 4,572,879 | 2,225,222 | 743,225 | 7,541,326 | 7,541,326 | - | 3,460,839 | 2,564,036 | - | 6,024,875 | 6,024,875 |
| Communication | 82,990 | 194,993 | 522,645 | 33,000 | 750,638 | 833,628 | 477,028 | 164,998 | 469,790 | - | 634,788 | 1,111,816 |
| Insurance | 43,575 | - | - | - | - | 43,575 | 259,282 | - | - | - | - | 259,282 |
| Printing and stationery | 2,380 | 10,250 | 115,233 | - | 125,483 | 127,863 | 143,774 | 1,521 | 83,273 | - | 84,794 | 228,568 |
| Conference and seminar | 132,764 | 152,921 | 218,999 | 262,941 | 634,861 | 767,625 | 215,830 | 691,691 | 201,456 | - | 893,147 | 1,108,977 |
| Rent | 114,000 | 1,800,000 | 1,980,000 | 66,000 | 3,846,000 | 3,960,000 | 195,000 | 1,650,000 | 1,845,000 | - | 3,495,000 | 3,690,000 |
| Utilities | - | - | - | - | - | - | 26,589 | - | - | - | - | 26,589 |
| Repairs and maintenance | 4,587 | - | - | - | - | 4,587 | 637,515 | - | - | - | - | 637,515 |
| Security services | 169,195 | - | - | - | - | 169,195 | 135,134 | - | - | - | - | 135,134 |
| Computer maintenance | - | 22,062 | 119,002 | 33,000 | 174,064 | 174,064 | 36,040 | - | 118,560 | - | 118,560 | 154,600 |
| Legal and professional charges | 30,000 | 60,000 | 60,000 | - | 120,000 | 150,000 | 75,380 | - | 150,000 | - | 150,000 | 225,380 |
| Auditors' remuneration - note 13.1 | 375,000 | - | - | - | - | 375,000 | 325,000 | - | - | - | - | 325,000 |
| Books and periodicals | 66,530 | - | - | - | - | 66,530 | 16,122 | - | - | - | - | 16,122 |
| Bank charges | 7,819 | 7,083 | - | - | 7,083 | 14,902 | 15,028 | - | - | - | - | 15,028 |
| Staff development | - | - | - | - | - | - | 1,500 | - | - | - | - | 1,500 |
| Write off of security deposit | 99,500 | - | - | - | - | 99,500 | - | - | - | - | - | - |
| Others | 198,726 | - | - | - | - | 198,726 | 179,161 | - | - | - | - | 179,161 |
| | 1,656,756 | 9,558,814 | 11,445,604 | 1,651,041 | 22,655,459 | 24,312,215 | 5,920,814 | 7,986,340 | 12,292,682 | - | 20,279,022 | 26,199,836 |
| | 2,866,160 | 21,931,067 | 23,991,178 | 3,166,674 | 49,088,919 | 51,955,079 | 8,424,522 | 17,934,358 | 25,635,063 | - | 43,569,421 | 51,993,943 |

| | 2012 Rupees | 2011 Rupees |
|---|---|---|
| **13.1 Auditors' remuneration** | | |
| Audit fee | 325,000 | 300,000 |
| Out of pocket expenses | 50,000 | 25,000 |
| | 375,000 | 325,000 |

## 14. CASH AND CASH EQUIVALENTS

| | 2012 | 2011 |
|---|---|---|
| Cash and bank balances | 28,286,565 | 46,826,949 |
| Short term investements | 10,000,000 | - |
| | 38,286,565 | 46,826,949 |

## 15. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise retirement benefit funds and key management personnel. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

| Nature of relationship | Nature of transactions | 2012 Rupees | 2011 Rupees |
|---|---|---|---|
| **Retirement benefit funds** | | | |
| - Provident fund | Contributions | 1,688,457 | 1,414,088 |
| **Key management personnel - note 15.1** | | | |
| - Managerial Remuneration | | 3,811,606 | 3,465,096 |
| - Honorarium | | 1,191,138 | 903,780 |
| - Others | | 195,597 | - |
| | | 5,198,341 | 4,368,876 |

15.1 Key management personnel represents Managing Director of the Company. No remuneration has been paid to the Directors of the Company.

16. **CORRESPONDING FIGURES**

During the year, the Company for better presentation has made the following major reclassifications:

| Description | Head of account of the financial statements for the year ended December 31, 2011 | Head of account of the financial statements for the year ended December 31, 2012 | Rupees |
|---|---|---|---|
| Liability against asset subject to fiance lease | Security deposit | Liability against asset subject to fiance lease | 1,082,400 |
| Property, plant and equipment | Property, plant and equipment | Property, plant and equipment - restricted | 980,896 |
| | | Property, plant and equipment - unrestricted | 3,085,713 |

16.1 The effect of other reclassifications is not material.

17. **DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue by the Board of Directors of the Company on 25 OCT 2012.

**Managing Director** **Director** **Director**