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**AUDITORS' REPORT ON FINANCIAL STATEMENTS OF**

**SOCIAL POLICY AND DEVELOPMENT  
CENTRE**

**FOR THE YEAR ENDED 30 JUNE 2017**

EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
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## Auditors' report to the members

We have audited the annexed balance sheet of **Social Policy and Development Centre** (the Company) as at **30 June 2017** and the related income and expenditure account, other comprehensive income, cash flow statement and statement of changes in funds 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and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984.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- a) in our opinion, proper books of account have been kept by the Company as required by the repealed Companies Ordinance, 1984;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sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 3 to the accompanying financial statements with which we concur;
  - 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, other comprehensive income, cash flow statement and statement of changes in funds together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the repealed 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 **30 June 2017** and of the deficit, other comprehensive loss, its cash flows and changes in funds 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).

*EY Ford Rhodes*

Chartered Accountants

Audit Engagement Partner: Tariq Feroz Khan

Date: 23 October 2017

Place: Karachi

**SOCIAL POLICY AND DEVELOPMENT CENTRE  
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)**

**BALANCE SHEET  
AS AT JUNE 30, 2017**

	Note	June 30, 2017	June 30, 2016
<u>ASSETS</u>		-----Rupees-----	
<b>NON CURRENT ASSETS</b>			
Property and equipment	6	2,740,564	3,526,612
Intangible assets	7	147,518	72,267
Long-term investments	8	-	28,194,862
Long-term deposits and prepayments		<u>2,015,500</u>	<u>965,500</u>
		<b>4,903,582</b>	<b>32,759,241</b>
<b>CURRENT ASSETS</b>			
Advances, deposits, prepayments and other receivables	9	<u>11,397,416</u>	<u>8,179,293</u>
Short-term investments	10	<u>29,938,234</u>	<u>4,663,884</u>
Cash and bank balances	11	<u>3,378,017</u>	<u>7,639,711</u>
		<b>44,713,667</b>	<b>20,482,888</b>
		<u><b>49,617,249</b></u>	<u><b>53,242,129</b></u>
<b>FUND AND LIABILITIES</b>			
<b>FUND</b>			
Fund balance		<b>35,390,516</b>	40,113,636
Deferred capital grant	12	<u>1,998,158</u>	<u>2,614,929</u>
		<b>37,388,674</b>	<b>42,728,565</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	<b>12,228,575</b>	10,513,564
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		
		<u><b>49,617,249</b></u>	<u><b>53,242,129</b></u>

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

  
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MANAGING DIRECTOR

  
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DIRECTOR

  
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DIRECTOR

**SOCIAL POLICY AND DEVELOPMENT CENTRE  
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)**

**INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2017**

Note	2017			2016			
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	
----- Rupees -----							
<b>INCOME</b>							
Deferred capital grant utilized	12	-	866,771	866,771	-	1,143,058	1,143,058
Grant utilized		-	41,883,197	41,883,197	-	34,810,519	34,810,519
Other project revenue		9,466,511	-	9,466,511	5,964,249	-	5,964,249
Other income	15	3,495,588	-	3,495,588	4,301,793	209,229	4,511,022
		<u>12,962,099</u>	<u>42,749,968</u>	<u>55,712,067</u>	<u>10,266,042</u>	<u>36,162,806</u>	<u>46,428,848</u>
<b>EXPENDITURE</b>							
Operating cost	16	(16,922,959)	(41,883,197)	(58,806,156)	(14,941,343)	(35,019,748)	(49,961,091)
Depreciation	6.3	(310,474)	(794,504)	(1,104,978)	(299,427)	(1,053,958)	(1,353,385)
Amortization	7	(4,167)	(72,267)	(76,434)	-	(89,100)	(89,100)
		<u>(17,237,600)</u>	<u>(42,749,968)</u>	<u>(59,987,568)</u>	<u>(15,240,770)</u>	<u>(36,162,806)</u>	<u>(51,403,576)</u>
Deficit for the year		<u>(4,275,501)</u>	<u>-</u>	<u>(4,275,501)</u>	<u>(4,974,728)</u>	<u>-</u>	<u>(4,974,728)</u>

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

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MANAGING DIRECTOR

  
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DIRECTOR

  
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DIRECTOR

**SOCIAL POLICY AND DEVELOPMENT CENTRE  
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)**

**STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2017**

	30 June 2017	30 June 2016
	-----Rupees-----	
Deficit for the year	(4,275,501)	(4,974,728)
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<u>(4,275,501)</u>	<u>(4,974,728)</u>

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

  
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MANAGING DIRECTOR

  
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DIRECTOR

  
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DIRECTOR

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**SOCIAL POLICY AND DEVELOPMENT CENTRE  
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	June 30, 2017	June 30, 2016
		-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Deficit for the year		(4,275,501)	(4,974,728)
<b>Adjustment for non-cash and other items</b>			
Depreciation	6.3	1,104,978	1,353,385
Amortization	7	76,434	89,100
Provision for honorarium		977,026	1,670,258
Provision for consultancy fee charges		3,677,404	5,906,480
Gain on disposal of property, plant and equipment		(245,653)	-
Interest on investments		(3,219,884)	(3,306,286)
		(1,905,196)	738,209
<b>Working capital changes</b>			
Increase in advances, deposits, prepayments and other receivables		(3,218,123)	(5,299,523)
Decrease in trade and other payables		(2,939,420)	(63,471)
		(6,157,543)	(5,362,994)
Decrease in long-term deposits		(1,050,000)	-
<b>Net cash used in operating activities</b>		(9,112,739)	(4,624,785)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(514,250)	(15,695)
Sale proceed from disposal of fixed asset		289,288	-
Investments made during the year – net		-	(3,452,400)
Income received on investments		2,687,997	3,386,979
<b>Net cash generated from / (used in) investing activities</b>		2,463,035	(831,938)
		(6,649,704)	(5,456,723)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Deferred capital grant utilized	12	(866,771)	(1,143,058)
Grants received		41,685,578	37,780,593
Grants utilized		(41,883,197)	(34,810,519)
<b>Net cash used in financing activities</b>		(1,064,390)	(1,827,016)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(7,714,094)	(7,283,739)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		11,092,111	18,375,850
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	17	3,378,017	11,092,111

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

\_\_\_\_\_  
MANAGING DIRECTOR

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DIRECTOR

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DIRECTOR

**SOCIAL POLICY AND DEVELOPMENT CENTRE  
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)**

**STATEMENT OF CHANGES IN FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	Unrestricted	Restricted					Total	Grand Total
	Others	IDRC	GRP	GCC	TTI-II	USAID		
----- Rupees -----								
Balance as at June 30, 2015	36,428,655	725	193,782	(2,117,515)	7,625,193	-	5,702,185	42,130,840
Grant received during the year	-	3,928,649	-	2,360,134	26,576,515	4,915,295	37,780,593	37,780,593
Grants utilized	-	(1,271,982)	-	(664,778)	(27,990,299)	(4,883,460)	(34,810,519)	(34,810,519)
Capital expenditure transferred to deferred capital grants	-	-	-	-	(12,550)	-	(12,550)	(12,550)
Deficit for the year	(4,974,728)	-	-	-	-	-	-	(4,854,599)
Transferred from restricted to unrestricted	(228,377)	-	(193,782)	422,159	-	-	228,377	-
<b>Balance as at June 30, 2016</b>	<b>31,225,550</b>	<b>2,657,392</b>	<b>-</b>	<b>-</b>	<b>6,198,859</b>	<b>31,835</b>	<b>8,888,086</b>	<b>40,113,636</b>
Grant received during the year	-	4,119,738	-	-	22,975,523	14,590,317	41,685,578	41,685,578
Grants utilized	-	(5,132,291)	-	-	(22,128,754)	(14,622,152)	(41,883,197)	(41,883,197)
Capital expenditure transferred to deferred capital grants	-	-	-	-	(250,000)	-	(250,000)	(250,000)
Deficit for the year	(4,275,501)	-	-	-	-	-	-	(4,275,501)
Transferred from restricted to unrestricted	-	-	-	-	-	-	-	-
<b>Balance as at June 30, 2017</b>	<b>26,950,049</b>	<b>1,644,839</b>	<b>-</b>	<b>-</b>	<b>6,795,628</b>	<b>-</b>	<b>8,440,467</b>	<b>35,390,516</b>

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

\_\_\_\_\_ **MANAGING DIRECTOR**

\_\_\_\_\_ **DIRECTOR**

\_\_\_\_\_ **DIRECTOR**

**SOCIAL POLICY AND DEVELOPMENT CENTRE  
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**1. THE COMPANY AND ITS OPERATIONS**

- 1.1 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 repealed Companies Ordinance, 1984 as an organization not for profit. The registered office of the Company is situated at C-99, KDA 1, Karachi.
- 1.2 The main objects of the Company are 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 programmes.

The core activities of the Company are currently being funded through 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 September 30, 2014 which was renewed on October 01, 2014 in respect of Think-Tank Initiative-II (TTI-II) upto March 31, 2019.

In addition to the above, the Company is engaged in specific projects which include the Gender Research Programme (GRP), concluded on July 31, 2014 and Global Change (GCC), concluded on August 31, 2015. These projects have been funded through grants received from Norwegian Ministry of Foreign Affairs and IDRC.

In 2015, a contract with USAID has been signed on August 6, 2015 for providing technical assistance and to support Sindh Basic Education Programme (SBEP). This contract will conclude on December 31, 2017.

**2. BASIS OF PREPARATION**

**2.1 Statement of Compliance**

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 17 of 2017 dated July 20, 2017 communicated that the Commission has decided that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), Accounting Standard for Not for Profit Organizations (NPOs) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

**2.2 Basis of Measurement**

These financial statements have been prepared on the basis of historical cost convention except for the investments held for trading.

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### 3. STANDARDS, INTERPRETATIONS AND AMENDMENTS APPLICABLE TO FINANCIAL STATEMENTS

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except that the Company has adopted the following accounting standards which became effective for the current year:

- IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)
- IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)
- IAS 1 Presentation of Financial Statements - Disclosure Initiative (Amendment)
- IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
- IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)
- IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB in September 2014

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures - Servicing contracts
- IFRS 7 Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
- IAS 19 Employee Benefits - Discount rate: regional market issue
- IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any material effect on the financial statements.

#### **Standards, interpretations and amendments to approved accounting standards that are not yet effective**

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

<b>Standard or interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 2 Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)	01 January 2017
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

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In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan. The Company is currently evaluating the impact on the financial statements.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018
IFRS 16 – Leases	01 January 2019
IFRS 17 – Insurance Contracts	01 January 2021

#### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognised prospectively.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- determining the residual values and useful lives of property, plant and equipment (Note 5.1);
- recognition of provident fund (Note 5.9);
- impairment of assets (Note 5.3); and
- contingencies and commitments (Note 14).

#### 5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

##### 5.1 Property and equipment

###### Owned

Property and equipment 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 4.1 and note 4.2 to the financial statements. Depreciation on additions is charged from the month of addition, whereas no depreciation is charged in the month of disposal.

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 recognised in income and expenditure account.

Repairs and maintenance are charged to income and expenditure account as and when incurred.

The 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.

##### 5.2 Intangible assets

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

Generally, costs associated with maintaining computer software are recognised 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 recognised 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 recognised as a capital improvement and added to the original cost of the software.

Computer software cost treated as intangible asset is amortized from the month 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 asset's carrying amount exceeds its recoverable amount in income and expenditure account. Reversal of impairment losses are also recognised in income and expenditure account.

### 5.3 Impairment

#### Financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Any impairment losses on financial assets including financial assets carried at amortised cost are recognised in profit and loss account.

#### Non-financial assets

The carrying value of non-financial assets other than inventories is assessed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs to sell of the asset. In determining fair value less costs to sell, the recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other fair value indicators.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss account.

### 5.4 Investment

#### Held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. These investments are initially recognised at fair value plus transaction costs and subsequently measured at amortized cost.

### 5.5 Advances, deposits, prepayments and other receivables

These are recognised at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is an indication that assets may be impaired. If such indication exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amount

**5.6 Cash and cash equivalents**

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

**5.7 Funds****a. Unrestricted funds**

Funds received for ongoing operations, without any restrictions on utilization, are classified as unrestricted funds. These funds are recognised as income when received. The expenses incurred against such funds are recognised in the income and expenditure account as and when incurred.

**b. Restricted funds**

Funds received as grant for specific purposes are classified as restricted fund. For this purpose:

- i. When grants received are in excess of their outlay, these are recognised as income to the extent of related expenses incurred. The excess balance is carried forward to deferred income as a restricted fund balance; and
- ii. In case of grants received are less than related expenditure incurred, the balance to the extent of commitment is recognized as receivable, if there is a strong probability of recovery of the contractual receivable from the respective donors.

**5.8 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.

**5.9 Provident Fund – approved contribution 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 (Note 19).

**5.10 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 at each balance sheet date and adjusted to reflect current best estimates.

**5.11 Ijarah contracts**

Leases under Shariah compliant Ijarah contracts, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as Ijarah. Rentals under these arrangements are charged to income and expenditure account on straight line basis over the lease term.

**5.12 Revenue Recognition****a. Grants**

Revenue from projects is recognised when services are rendered.

**b. Interest on investment**

Interest on term deposits and saving accounts with bank is proportionately accrued up to the balance sheet date.

**5.13 Taxation**

Under section 100(C) of Income Tax Ordinance, 2001, the Company is allowed a tax credit equal to one hundred percent of the tax payable including minimum tax and final taxes payable under any of the provisions thereof.

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5.14 Foreign currency transactions

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to income and expenditure account currently.

5.15 Functional and presentation currency

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

	Note	June 30, 2017	June 30, 2016
-----Rupees-----			
<b>6. PROPERTY AND EQUIPMENT</b>			
Unrestricted	6.1	772,574	989,569
Restricted	6.2	1,967,990	2,537,043
		<u>2,740,564</u>	<u>3,526,612</u>

6.1 Unrestricted

	COST		ACCUMULATED DEPRECIATION			BOOK VALUE	Rate %
	As at July 01, 2016	As at June 30, 2017	As at July 01, 2016	For the year / (on disposal)	As at June 30, 2017	As at June 30, 2017	
2017	(Rupees)						
Furniture and fixtures	1,640,268	775,089	1,617,622	6,840	759,703	15,386	10%
		(865,179)		(864,759)			
Motor vehicles	1,082,400	1,082,400	381,438	216,480	597,918	484,482	20%
Office equipments	2,673,307	349,134	2,410,164	64,647	149,804	199,330	10%
		(2,002,474)		(1,983,808)			
Computer	3,306,529	796,131	3,306,529	21,715	724,781	71,350	35%
		(2,603,463)		(2,603,463)			
Books and publications	11,614,661	11,614,661	11,611,843	792	11,612,635	2,026	25%
	<u>20,317,165</u>	<u>14,617,415</u>	<u>19,327,596</u>	<u>310,474</u>	<u>13,844,841</u>	<u>772,574</u>	
		(5,471,116)		(5,452,030)			

	COST		ACCUMULATED DEPRECIATION			BOOK VALUE	Rate %
	As at July 01, 2015	As at June 30, 2016	As at July 01, 2015	For the year	As at June 30, 2016	As at June 30, 2016	
2016	(Rupees)						
Furniture and fixtures	1,640,268	1,640,268	1,610,482	7,140	1,617,622	22,646	10%
Motor vehicles	1,082,400	1,082,400	164,958	216,480	381,438	700,962	20%
Office equipments	2,673,307	2,673,307	2,342,896	67,268	2,410,164	263,143	10%
Computers	3,306,529	3,306,529	3,306,529	-	3,306,529	-	35%
Books and publications	11,611,516	11,614,661	11,603,304	8,539	11,611,843	2,818	25%
	<u>20,314,020</u>	<u>20,317,165</u>	<u>19,028,169</u>	<u>299,427</u>	<u>19,327,596</u>	<u>989,569</u>	

6.2 Restricted

	COST		ACCUMULATED DEPRECIATION			BOOK VALUE	Rate %
	As at July 01, 2016	As at June 30, 2017	As at July 01, 2016	For the year / (on disposal)	As at June 30, 2017	As at June 30, 2017	
2017	(Rupees)						
Furniture and fixtures	222,197	185,828	63,517	22,220	73,917	111,911	10%
		(36,369)		(11,820)			
Office equipments	3,327,658	3,327,658	1,374,020	332,766	1,706,786	1,620,872	10%
Computers	3,220,731	3,470,731	3,003,986	273,130	3,277,116	193,615	35%
Books and publications	1,588,144	1,588,144	1,380,164	166,388	1,546,552	41,592	25%
	<u>8,358,730</u>	<u>8,572,361</u>	<u>5,821,687</u>	<u>794,504</u>	<u>6,604,371</u>	<u>1,967,990</u>	
		(36,369)		(11,820)			

En

	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	Rate
	As at July 01, 2015	Additions	As at June 30, 2016	As at July 01, 2015	For the year	As at June 30, 2016	As at June 30, 2016	
2016	(Rupees)							%
Furniture and fixtures	222,197	-	222,197	41,298	22,220	63,517	158,680	10%
Office equipments	3,318,208	9,450	3,327,658	1,042,142	331,878	1,374,020	1,953,638	10%
Computer	3,220,731	-	3,220,731	2,585,715	418,271	3,003,986	216,745	35%
Books and publications	1,585,044	3,100	1,588,144	1,098,574	281,590	1,380,164	207,981	25%
	<u>8,346,180</u>	<u>12,550</u>	<u>8,358,730</u>	<u>4,767,729</u>	<u>1,053,958</u>	<u>5,821,687</u>	<u>2,537,043</u>	

6.3 Depreciation charge has been allocated to Funds as follows:

	June 30, 2017	June 30, 2016
	-----Rupees-----	
<b>Unrestricted</b>	<b>310,474</b>	299,427
<b>Restricted</b>		
IDRC	96,619	105,305
GRP	634,332	941,401
GCC	4,445	6,130
TTI-II	59,108	1,122
	<b>794,504</b>	1,053,958
	<b>1,104,978</b>	1,353,385

7. INTANGIBLE ASSETS

	COST			ACCUMULATED AMORTIZATION			BOOK VALUE	Rate
	As at July 01, 2016	Additions	As at June 30, 2017	As at July 01, 2016	For the year	As at June 30, 2017	As at June 30, 2017	
2017	(Rupees)							%
Computer software								
Restricted	626,315	-	626,315	554,048	72,267	626,315	-	33%
Unrestricted	1,199,682	151,685	1,351,367	1,199,682	4,167	1,203,849	147,518	33%
	<u>1,825,997</u>	<u>151,685</u>	<u>1,977,682</u>	<u>1,753,730</u>	<u>76,434</u>	<u>1,830,164</u>	<u>147,518</u>	

	COST			ACCUMULATED AMORTIZATION			BOOK VALUE	Rate
	As at July 01, 2015	Additions	As at June 30, 2016	As at July 01, 2015	For the year	As at June 30, 2016	As at June 30, 2016	
2016	(Rupees)							%
Computer software								
Restricted	626,315	-	626,315	464,948	89,100	554,048	72,267	33%
Unrestricted	1,199,682	-	1,199,682	1,199,682	-	1,199,682	-	33%
	<u>1,825,997</u>	<u>-</u>	<u>1,825,997</u>	<u>1,664,630</u>	<u>89,100</u>	<u>1,753,730</u>	<u>72,267</u>	

8. LONG-TERM INVESTMENTS – held to maturity

	June 30, 2017	June 30, 2016
	-----Rupees-----	
Pakistan Investment Bonds – at cost	27,723,730	27,723,730
Discount Amortisation	761,949	471,132
	<b>28,485,679</b>	28,194,862
Current maturity	10 (28,485,679)	-
	<b>-</b>	28,194,862

3.1 These represent investment in Pakistan Investment Bonds (PIBs) having a term of three years, maturing on July 17, 2017 and carry a markup at the rate of 11.25% per annum. Considering the maturity of these PIBs, the same are re-classified under short-term investments as at the year end.

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	Note	June 30, 2017	June 30, 2016
<b>9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES – considered good</b>			
<b>Advances</b>			
Employees		525,885	1,410,552
Contractors		33,000	1,423,250
		<u>558,885</u>	<u>2,833,802</u>
<b>Deposits, prepayments and other receivables</b>			
Security deposits		230,998	200,998
Prepayments		1,052,680	205,020
Other receivables	9.1	9,554,853	4,939,473
		<u>10,838,531</u>	<u>5,345,491</u>
		<u>11,397,416</u>	<u>8,179,293</u>

9.1 The balance contains grants receivable from various donars amounting to Rs.9,445,233 (2016: Rs.4,864,173)

	Note	June 30, 2017	June 30, 2016
<b>10. SHORT-TERM INVESTMENTS – held to maturity</b>			
Pakistan Investment Bonds	8	28,485,679	-
Treasury bills	10.1	-	3,452,400
		<u>28,485,679</u>	<u>3,452,400</u>
<b>Accrued interest on:</b>			
Pakistan Investment Bonds		1,452,555	1,191,084
Treasury bills		-	20,400
		<u>1,452,555</u>	<u>1,211,484</u>
		<u>29,938,234</u>	<u>4,663,884</u>

10.1 This represents placement with Standard Chartered Bank for three months, matured during the year, carrying interest at the rate of 5.99% per annum.

	Note	June 30, 2017	June 30, 2016
<b>11. CASH AND BANK BALANCES</b>			
<b>Cash in hand</b>		38,546	24,450
<b>Cash at bank in:</b>			
<b>Current accounts</b>			
Foreign currency [US\$ 1,598 (2016: US\$ 11,072)]		167,340	1,157,959
Local currency		131,688	1,471,264
<b>Deposit accounts</b>			
Foreign currency [US\$ 28,751 (2016: US\$ 45,409)]		3,007,333	4,748,905
Local currency	11.1	33,110	237,133
		<u>3,339,471</u>	<u>7,615,261</u>
	17	<u>3,378,017</u>	<u>7,639,711</u>

11.1 These carry profit at the rate of 3.75% (2016: 4%) per annum

ETA

		June 30, 2017	June 30, 2016
	Note	-----Rupees-----	
<b>12. DEFERRED CAPITAL GRANT – restricted</b>			
Balance at the beginning of the year		2,614,929	3,745,437
Capital expenditure on operating assets transferred	6.2	250,000	12,550
		<u>2,864,929</u>	<u>3,757,987</u>
Depreciation for the year credited to income		(794,504)	(1,053,958)
Amortization for the year credited to income		(72,267)	(89,100)
		<u>(866,771)</u>	<u>(1,143,058)</u>
		<u>1,998,158</u>	<u>2,614,929</u>

- 12.1 The Company utilizes grant received from various donor agencies for purchase of capital assets as per the grant agreement with respective donors.

		June 30, 2017	June 30, 2016
		-----Rupees-----	
<b>13. TRADE AND OTHER PAYABLES</b>			
Sundry creditors		347,792	326,470
Accrued liabilities		6,890,976	7,306,698
Consultancy fee payable		3,677,404	1,501,100
Honorarium payable		1,015,798	1,082,691
Gratuity payable – Senior Economist		296,605	296,605
		<u>12,228,575</u>	<u>10,513,564</u>

#### 14. CONTINGENCIES AND COMMITMENTS

- 14.1 There are no contingencies as at the balance sheet date.

#### 14.2 Ijarah

Commitment for ijarah payments under an Ijarah agreement in respect of Motor Vehicles is as follows:

	June 30, 2017	June 30, 2016
	-----Rupees-----	
Not later than one year	39,228	235,368
Later than one year and not later than five years	-	39,228
	<u>39,228</u>	<u>274,596</u>

#### 15. OTHER INCOME

	2017			2016		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	----- Rupees -----					
<b>From financial assets</b>						
Interest on investment	3,219,884	-	3,219,884	3,306,286	-	3,306,286
Exchange gain	8,169	-	8,169	334,977	209,229	544,206
Return on bank deposits	21,882	-	21,882	27,266	-	27,266
Gain on disposal of fixed assets	245,653	-	245,653	-	-	-
Others	-	-	-	77,764	-	77,764
	<u>3,495,588</u>	<u>-</u>	<u>3,495,588</u>	<u>3,746,293</u>	<u>209,229</u>	<u>3,955,522</u>
<b>From other than financial assets</b>						
Liabilities written back	-	-	-	555,500	-	555,500
	<u>3,495,588</u>	<u>-</u>	<u>3,495,588</u>	<u>4,301,793</u>	<u>209,229</u>	<u>4,511,022</u>



16. OPERATING COST

	2017						2016							
	Unrestricted			Restricted			Unrestricted			Restricted				
	Other Projects	IDRC	GRP	GCC	TTI-II	USAID	Total	Other Projects (Restated)	IDRC	GRP	GCC	TTI-II	USAID	Total
Salaries and benefits	3,096,661	3,721,726	-	-	12,587,170	7,978,936	24,287,832	6,307,100	518,682	-	-	16,282,437	3,476,511	20,257,630
Support and Administrative expenses:														
Consultancy charges	1,295,454	1,050,000	-	-	2,319,315	6,243,578	9,612,893	10,908,347	750,000	-	-	1,931,697	1,115,000	3,796,697
Data collection and survey cost	2,970,140	248,847	-	-	974,104	-	1,222,951	4,193,091	-	-	556,699	1,925,555	18,660	2,500,914
Institutional support	835,732	-	-	-	1,113,166	-	1,113,166	1,949,898	-	-	49,994	1,289,598	17,420	1,336,952
Communication	833,357	105,000	-	-	357,672	180,979	643,651	1,477,008	-	-	-	512,430	148,200	660,630
Insurance	176,668	-	-	-	195,112	-	195,112	371,780	-	-	-	225,200	-	228,500
Printing, stationary and publications	21,777	-	-	-	232,130	-	232,130	253,907	3,300	-	5,390	667,120	-	707,090
Conference and seminar	72,881	6,718	-	-	45,941	1,395	54,054	126,935	-	-	470	1,325,789	23,575	1,349,834
Rent	3,204,368	-	-	-	2,992,800	-	2,992,800	6,197,168	-	-	-	2,992,500	-	2,992,500
Repair and maintenance	54,123	-	-	-	676,854	217,264	894,118	948,241	-	-	14,266	762,725	83,889	860,880
Security services	282,346	-	-	-	420,000	-	420,000	712,346	-	-	6,019	315,000	-	321,019
Computer maintenance	255,380	-	-	-	-	-	-	255,380	-	-	6,000	-	-	135,280
Professional fee	225,750	-	-	-	-	-	-	225,750	-	-	-	4,500	-	4,500
Auditors remuneration	432,000	-	-	-	-	-	-	432,000	-	-	-	-	-	435,000
Books and periodicals	54,688	-	-	-	2,380	-	2,380	57,068	-	-	-	4,952	-	4,952
Bank charges	33,177	-	-	-	-	-	-	33,177	-	-	-	-	-	230
Receivable written off	1,128,890	-	-	-	-	-	-	1,128,890	-	-	-	-	-	-
Others	1,938,567	-	-	-	-	-	-	2,150,677	-	-	-	-	-	26,000
<b>Total</b>	<b>13,826,298</b>	<b>1,410,565</b>	<b>-</b>	<b>-</b>	<b>9,541,584</b>	<b>6,643,216</b>	<b>17,595,365</b>	<b>31,421,663</b>	<b>753,300</b>	<b>-</b>	<b>664,778</b>	<b>11,937,091</b>	<b>1,406,949</b>	<b>14,762,118</b>
	16,922,969	5,132,291	-	-	22,128,754	14,622,152	41,883,197	58,805,156	14,941,343	1,271,982	-	664,778	28,199,528	4,883,460

16.1 Salaries and benefits include Rs. 1.76 million (2016: Rs. 1.79 million) in respect of staff provident fund.

	June 30, 2017	June 30, 2016
Audit fee	375,000	375,000
Out of pocket expenses	57,000	60,000
<b>Total</b>	<b>432,000</b>	<b>435,000</b>

	Note	June 30, 2017	June 30, 2016
		-----Rupees-----	
<b>17. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	11	3,378,017	7,639,711
Short-term Investments		-	3,452,400
		<u>3,378,017</u>	<u>11,092,111</u>

**18. TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise staff provident fund 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:

Relationship	Nature of transactions	June 30, 2017	June 30, 2016
		-----Rupees-----	
<b>Retirement benefit funds</b>			
Provident fund	Contributions	<u>1,766,428</u>	<u>1,795,107</u>
<b>Key management personnel – note 18.1</b>			
Managerial remuneration		4,433,376	4,433,376
Honorarium		606,583	309,590
Others		97,808	199,551
		<u>5,137,767</u>	<u>4,942,517</u>

18.1 Key management personnel represent Managing Director of the Company. No remuneration is paid to the Directors of the Company.

**19. PROVIDENT FUND RELATED DISCLOSURES**

The following information is based on latest financial statements of the Fund:

	June 30, 2017	June 30, 2016
		-----Rupees-----
	Un-Audited	Audited
Size of the fund – total assets	<u>18,137,344</u>	<u>20,120,878</u>
Cost of investments made	<u>16,372,357</u>	<u>18,484,143</u>
Percentage of investments made	<u>100%</u>	<u>100%</u>
Fair value of investments	<u>17,979,105</u>	<u>20,032,344</u>

19.1 The break-up of fair value of investments is as follows:

	2017		2016	
	Rupees	%	Rupees	%
Special savings certificates	16,543,748	92%	18,814,201	94%
Bank balances	1,435,357	8%	1,218,143	6%
	<u>17,979,105</u>	<u>100%</u>	<u>20,032,344</u>	<u>100%</u>

19.2 The investment out of provident fund have been made in accordance with the provisions of Section 227 of the repealed Companies Ordinance, 1984 and the rules formulated for this purpose.

## 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The managing committee of the Company review and agree policies for managing each of the risks which are summarised below:

## 20.1 Market risk management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of currency risk and interest rate risk.

## 20.1.1 Currency risk

Foreign 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. The Company's exposure to foreign currency risk is as follows:

	June 30, 2017	June 30, 2016
	-----Rupees-----	
Bank balances	<u>3,174,673</u>	<u>5,906,864</u>
	June 30, 2017	June 30, 2016

The following significant exchange rates have been applied at the reporting dates:

Exchange rates (PKR / USD)	<u>104.72</u>	<u>104.50</u>
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The foreign currency exposure is partly covered as the majority of the Company's billing is determined in dollars which is converted into rupees at the exchange rate prevailing at the transaction date.

## Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax.

	Change in US Dollar Rate (%)	Effect on (Deficit) Rupees
June 30, 2017	+10	<u>(317,467)</u>
	-10	<u>317,467</u>
June 30, 2016	+10	<u>(590,686)</u>
	-10	<u>590,686</u>

## 20.1.2 Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. As of the balance sheet date, the Company is exposed to such risk in respect of bank balances. The following table demonstrates management's best estimate of the sensitivity of the accumulated fund and net surplus for the year to a reasonably possible change in interest rates, with all other variables held constant. In practice, actual results may differ from the sensitivity analysis and the difference could be material.

	Effect on deficit 2017	Effect on deficit 2016
	----- Rupees -----	
Increase / (decrease) in basis points		
100	(30,404)	(392,870)
(100)	30,404	392,870
	<i>EIA</i>	

**20.2 Credit risk management**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As of the balance sheet date, the Company is exposed to credit risk on the following assets:

	2017	2016
	----- Rupees -----	
Long-term deposits and prepayments	2,015,500	965,500
Deposits and other receivables	9,785,851	5,140,471
Bank balances	3,339,471	7,615,261
	<u>15,140,822</u>	<u>13,721,232</u>

The Company credit risk is primarily attributable to its bank balances. The credit risk on bank balances is limited because the counter parties are banks with reasonably high credit ratings. The credit quality of cash at bank as per credit rating agencies are as follows:

Rating	Rating	2017	2016
	short-term	----- Rupees -----	
Standard Chartered	A1+	<u>3,339,471</u>	<u>7,615,261</u>

**20.3 Liquidity risk management**

Liquidity risk represents the risk that a Company will encounter difficulties in meeting obligations with the financial liabilities. The Company's objective is to maintain a balance in working capital management. The Company's financial liabilities are all current and due within one year. These will be settled at amounts as disclosed in the balance sheet.

**20.4 Fair value of the financial instruments**

The carrying values of the financial assets and financial liabilities approximate their fair values. 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.

**Fair value hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted market price

Level 2: Valuation techniques (market observable); and

Level 3: Valuation techniques (non-market observables)

As of the balance sheet date, the Company does not have any financial assets carried at fair value that required categorization in Level 1, Level 2 and Level 3.

**21. NUMBER OF EMPLOYEES**

The number of employees as at year end was 26 (2016: 27) and average number of employees during the period were 27 (2016: 27).

**22. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on 23 OCT 2017 by the Company Members.



MANAGING DIRECTOR



DIRECTOR



DIRECTOR