INDEPENDENT AUDITOR'S REPORT

To the members of Social Policy and Development Centre

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Social Policy and Development Centre (the Company), which comprise the statement of financial position as at June 30, 2018, and the income and expenditure statement, the statement of comprehensive income, the statement of changes in fund, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, income and expenditure statement, statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the deficit and other comprehensive income, the changes in fund, and its cash flows for the year then ended.

Basis for Opinion

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

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

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

(a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

Other Matter

The financial statements of the Company for the year ended June 30, 2017, were audited by EY Ford Rhodes - Chartered Accountants, who expressed an unmodified opinion on those financial statements on October 23, 2017.

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

Chartered Accountants
Karachi

Date: October 12, 2018

SOCIAL POLICY AND DEVELOPMENT CENTRE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018	2017
		Rupees	
ASSETS			
Non-Current Assets			
Property and equipment	5	2,403,026	2,740,564
Intangible assets	6	97,462	147,518
Long term investments	7	-	-
Long-term deposits and prepayments		1,712,678	2,015,500
		4,213,166	4,903,582
Current Assets			
Advances, deposits, prepayments and other receivables	8	18,353,174	11,397,416
Short term investments	9	21,182,247	29,938,234
Cash and bank balances	10	6,094,032	3,378,017
		45,629,453	44,713,667
TOTAL ASSETS		49,842,619	49,617,249
FUND			
Accumulated fund		21,491,255	26,950,049
LIABILITIES			
Non-Current Liabilities			
Deferred capital grant	11	213,956	1,998,158
		213,956	1,998,158
Current Liabilities			
Deferred income	12	5,266,547	8,440,467
Trade and other payables	13	22,870,861	12,228,575
		28,137,408	20,669,042
Contingencies And Commitments	14		
		49,842,619	49,617,249

The annexed notes 1 to 25 form an integral part of these financial statements.

MANAGING DIRECTOR　　　　DIRECTOR　　　　DIRECTOR

SOCIAL POLICY AND DEVELOPMENT CENTRE
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		---Rupees---	
Income			
Deferred capital grant utilized	11	1,784,202	866,771
Grants utilized		52,149,870	41,883,197
Other project revenue		5,967,313	9,466,511
Other income	15	3,708,074	3,495,588
		63,609,459	55,712,067
Expenditure			
Research and advocacy cost	16	(62,630,120)	(53,408,099)
Administrative expenses	17	(6,438,133)	(6,579,469)
		(69,068,253)	(59,987,568)
Deficit for the year		(5,458,794)	(4,275,501)

The annexed notes 1 to 25 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR** **DIRECTOR**

SOCIAL POLICY AND DEVELOPMENT CENTRE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	Rupees	
Deficit for the year	(5,458,794)	(4,275,501)
Other comprehensive income	-	-
Total comprehensive loss for the year	(5,458,794)	(4,275,501)

The annexed notes 1 to 25 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR** **DIRECTOR**

SOCIAL POLICY AND DEVELOPMENT CENTRE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		---Rupees---	
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the year		(5,458,794)	(4,275,501)
Adjustment for non-cash and other items:			
· Depreciation	5	921,274	1,104,978
· Amortization	6	50,056	76,434
· Deferred capital grant utilized		(1,784,202)	(866,771)
· Gain on disposal of plant and equipment		(812,658)	(245,653)
· Interest on investments		(1,550,623)	(3,219,884)
Working capital changes		(8,634,947)	(7,426,397)
Decrease in advances, deposits, prepayments and other receivable		14,500	1,362,927
Decrease / (Increase) in long term deposits		302,822	(1,050,000)
		317,322	312,927
Decrease in trade and other payables		10,642,286	1,715,010
Net cash generated from / (used in) operating activities		2,324,661	(5,398,460)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(729,299)	(514,250)
Sale proceed from disposal of fixed assets		958,221	289,288
Investments encashed / (made) during the year - net		8,500,000	-
Income received on investments		1,806,610	2,687,997
Net cash generated from investing activities		10,535,532	2,463,035
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants received		42,005,692	37,104,528
Grants utilized		(52,149,870)	(41,883,197)
Net cash utilized in financing activities		(10,144,178)	(4,778,669)
Net increase / (decrease) in cash and cash equivalents		2,716,015	(7,714,094)
Cash and cash equivalents at beginning of the year		3,378,017	11,092,111
Cash and cash equivalents at end of the year		6,094,032	3,378,017

The annexed notes 1 to 25 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR** **DIRECTOR**

SOCIAL POLICY AND DEVELOPMENT CENTRE
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	-----------------Rupees-----------------	
	Accumulated fund (Revenue reserve)	
Balance at the begininning of the year	26,950,049	31,225,550
Deficit for the year	(5,458,794)	(4,275,501)
Other comprehensive income for the year	-	-
	(5,458,794)	(4,275,501)
Balance as at end of the year	21,491,255	26,950,049

The annexed notes 1 to 25 form an integral part of these financial statements.

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MANAGING DIRECTOR **DIRECTOR** **DIRECTOR**

SOCIAL POLICY AND DEVELOPMENT CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND 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 (now the Companies Act, 2017) as non-profit Company. 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 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 1, 2014 in respect of Think-Tank Initiative-II (TTI-II) upto March 31, 2019.

Further, a contract with USAID was signed on August 6, 2015 for providing technical assistance and to support Sindh Basic Education Programme (SBEP). This contract was to be concluded on December 31, 2017 however it has been renewed till August 5, 2018.

On February 1, 2018, the Company entered into an contract with University of Illinois, Chicago (UIC) for tobacco tax research and dissemination of research findings to the public and the policy makers in Pakistan. The contract will conclude on December 31, 2018.

1 3 The business units of the Company include the following:

Business Units	Geographical Location
Head Office	C-99, KDA 1, Karachi.
Islamabad office	209, 2nd Floor, Emirates Tower, F-7 Markaz, Islamabad.

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

As mentioned in note 1.2, the Company entered into a contract with University of Illinois, Chicago (UIC) with a value of USD 211,271 to examine macroeconomics impact of tobacco use in Pakistan. As a result, grant of Rs. 5,214,201 has been recognised in these financial statements.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017;

- Provision of and directives issued under the Companies Act, 2017; and

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

3.2 Basis of measurement

These financial statements have been prepared on the basis of historical cost convention.

3.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgment that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.3.1 Property and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values used in the calculation of depreciation of property and equipment on an annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

3.4 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments to published standards and interpretations that became effective during the year

The new standards, amendments and interpretations to published standards that are mandatory for the financial year beginning on July 1, 2017 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

In addition to the above, the Companies Act, 2017 which is effective on these financial statements has added certain disclosures which have been included in these financial statements.

b) Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Company

The following new standards are effective for accounting periods, beginning on or after July 1, 2018 and have not been early adopted by the Company:

IFRS 9 'Financial Instruments' (effective for annual accounting period beginning on or after July 1, 2018)

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss . The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model of IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. The Company is yet to assess the full impact of the standard.

IFRS 15 'Revenue from contracts with customers' (effective for annual accounting period beginning on or after July 1, 2018)

IFRS 15 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Company is yet to assess the full impact of the standard.

IFRS 16 'Leases' (effective for annual accounting periods beginning on or after January 1,2019)

This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company is yet to assess the full impact of the standard.

IFRIC 22 'Foreign currency transactions and advance consideration' (effective from accounting period beginning on or after January 1, 2018)

This interpretation clarifies the determination of the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income / contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The interpretation is not expected to have a significant impact on the Company's financial reporting.

There are number of other standards, amendments to published standards and interpretations that are not relevant to the Company and therefore have not been presented here.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property and equipment

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 5 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 statement.

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

4.2 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 statement. Reversal of impairment losses are also recognised in income and expenditure statement.

4.3 Financial instruments

4.3.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

At fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets.

Held-to-maturity

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention to hold to maturity.

Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless investment matures or management intends to dispose of the financial assets within 12 months of the reporting date.

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income and expenditure statement. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income and expenditure statement within 'other income' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income and expenditure statement as part of 'other income' when the Company's right to receive payment is established.

Changes in fair value of monetary securities classified as available-for-sale are recognized in 'other comprehensive income'. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the income and expenditure statement as 'gains and losses on disposal of investments'. Interest on available-for-sale securities calculated using the effective interest method is recognized in the income and expenditure statement as part of 'other income'. Dividends on available-for-sale equity instruments are recognized in income and expenditure statement as part of 'other income' when the Company's right to receive payment is established.

4.3.2 Impairment of financial assets

For financial assets the Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired as a result of one or more events that occurred after initial recognition of the assets (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The impairment loss is recognized by reducing the carrying amount of the asset and the amount of loss is recognized in income and expenditure statement in case of financial assets carried at amortized cost. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of previously recognized impairment loss is also recognized in the income and expenditure statement.

4.3.3 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in income and expenditure statement.

4.3.4 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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 realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

4.4 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 reporting date. Advances and receivables are written off when considered irrecoverable.

4.5 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.

4.6 Unrestricted contribution

Revenue generated by the organization through contract research receipts and other resources such as sale of annual review are classified as unrestricted contribution / income. These are recognised in income and expenditure statement.

4.7 Restricted contribution

Funds received directly as grants for specific purpose, are classified as restricted contribution. Funds utilized for the purpose of capital items from grants are shown in the statement of financial position as deferred capital grant and a portion of the grant is recognised as income to match the depreciation and amortization provided during the year on the capital items. Grants utilized for operations are taken to income and expenditure statement to the extent of related expenses incurred. Committed grant is accrued in cases where it is probable that the economic benefits of such grant will flow to the Company.

4.8 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.

4.9 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.

4.10 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 reporting date and adjusted to reflect current best estimates.

4.11 Revenue Recognition

Revenue from other projects is recognised 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.

Income in respect of restricted contribution is recognized as and when the related expenses are incurred for those projects, and equivalent amount is transferred from deferred income to the income and expenditure statement.

Deferred capital grant is recognized as income to match depreciation and amortization provided during the year on the related capital assets.

4.12 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.

4.13 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 statement.

4.14 Functional and presentation currency

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

5. PROPERTY AND EQUIPMENT

	Furniture and fixture	Motor vehicles	Office equipments	Computer	Books and Publications	Total
			Rupees..........			
As at June 30, 2016						
Cost	1,862,465	1,082,400	6,000,965	6,527,260	13,202,805	28,675,895
Accumulated depreciation	(1,681,139)	(381,438)	(3,784,184)	(6,310,515)	(12,992,007)	(25,149,283)
Net book value	**181.326**	700,962	2,216,781	216,745	210,798	3,526,612
Year ended June 30,2017						
Opening net book value	181,326	700,962	2,216,781	216,745	210,798	3,526,612
Additions			19,500	343,065		362,565
Disposals						
Cost	(901,548)		(2,002,474)	(2,603,463)		(5,507,485)
Accumulated depreciation	876,579		1,983,808	2,603,463		5,463,850
	(24,969)		(18,666)			(43,635)
Depreciation	(29,060)	(216,480)	(397,413)	(294,845)	(167,180)	(1,104,978)
Closing net book value	127,297	484,482	1,820,202	264,965	43,618	2,740,564
As at June 30, 2017						
Cost	960,917	1,082,400	4,017,991	4,266,862	13,202,805	23,530,975
Accumulated depreciation	(833,620)	(597,918)	(2,197,789)	(4,001,897)	(13,159,187)	(20,790,411)
Net book value	127,297	484,482	1,820,202	264,965	43,618	2,740,564
Year ended June 30, 2018						
Opening net book value	127,297	484,482	1,820,202	264,965	43,618	2,740,564
Additions		605,500	123,799			729,299
Disposals						
Cost		(486.150)	(145,000)			(631,150)
Accumulated depreciation		388,920	96,667			485,587
		(97,230)	(48,333)			(145,563)
Depreciation	**(29,060)**	(327,489)	(401,351)	(121,	(41,376)	(921,274)
Closing net book value	98,237	665,263	1,494,317	142,967	**7,242**	2,403,026
As at June 30, 2018						
Cost	960,917	1,201,750	3,996,790	4,266,862	13,202,805	23,629,124
Accumulated depreciation	(862,680)	(536,487)	(2,502,473)	(4,123,895)	(13.200,563)	(21,226,098)
Net book value	98,237	665,263	1,494,317	142,967	2,242	2,403,026
Annual rate of depreciation (%)	**10**	20	10	35	25	

5.1 Property and equipment include assets costing Rs. 1,218,498 (2017: Rs. 8,572,361) having net book value of Rs. 183,788 (2017: Rs. 1,967,990) purchased under various grant agreements.

	2018	2017
	Rupees	

INTANGIBLE ASSETS

Net carrying value		
Balance at the beginning of the year	147,518	72,267
Add: Additions		151,685
Less: Amortization charge during the year	(50,056)	(76,434)
Balance at the end of the year	97,462	147,518
Gross carrying value		
Cost	1,977,682	1,977,682
Less: Accumulated amortization	(1,880,220)	(1,830,164)
Net book value	97,462	147,518

6.1 The cost is being amortized over a period of 3 years.

7. **LONG TERM INVESTMENTS - held to maturity**

Pakistan Investment Bonds - at cost	-	27,723,730
Discount Amortisation	-	761,949
	-	28,485,679
Current maturity (note 9)	-	(28,485,679)
	-	-

8. **ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES - unsecured, considered good**

Advances to		
- Employees	726,223	525,885
- Contractors	168,375	33,000
	894,598	558,885
Security deposits	51,719	230,998
Prepayments	889,256	1,052,680
Other receivables (note 8.1)	16,517,601	9,554,853
	17,458,576	10,838,531
	18,353,174	11,397,416

8.1 This includes grants receivable from various donors amounting to Rs. 16,415,481 (2017: Rs.9,445,223).

	2018	2017
	Rupees	

9. **SHORT TERM INVESTMENTS - held to maturity**

Pakistan Investment Bonds - current maturity		28,485,679
Term deposit receipts (note 9.1)	20,000,000	
	20,000,000	28,485,679
Accrued interest on:		
Pakistan Investment Bonds	-	1,452,555
Term deposit receipts	1,182,247	-.
	1,182,247	1,452,555
	21,182,247	29,938,234

9.1 This represents placement with Khushhali Microfinance Bank Limited maturing on November 10, 2018 and carrying interest at the rate of 9.3% per annum.

	2018	2017
	Rupees	
10. CASH AND BANK BALANCES		
Cash in hand	18,856	38,546
Cash at bank in:		
- Current accounts		
Foreign currency [US$ 3,155] (2017: US$ 1,598)]	381,807	167,340
Local currency	1,945,995	131,688
- Deposit accounts		
Foreign currency [US$ 30,836 (2017: US$ 28,751)]	3,731,180	3,007,333
Local currency (note 10.1)	16,194	33,110
	6,075,176	3,339,471
	6,094,032	3,378,017

10.1 These carry profit at the rate of 4.5% (2017: 3.75%) per annum.

11. DEFERRED CAPITAL GRANT

	2018	2017
Balance at the beginning of the year	1,998,158	2,614,929
Capital expenditure on operating assets transferred		250,000
Transfers to unrestricted assets (note 11.2)	(1,679,466)	
	318,692	2,864,929
Depreciation for the year credited to income (note 5)	(104,736)	(794,504)
Amortization for the year credited to income		(72,267)
	(104,736)	(866,771)
	213,956	1,998,158

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

11.2 The Company has transferred these assets to unrestricted assets upon maturity of grants from International Development Research Centre (IDRC), Gender Research Programme (GRP) and Global Change (GCC).

		2018	2017
		-Rupees-	

12. DEFERREDINCOME

12.1 Movement in deferred income balance is as follows:

	2018	2017
Balance at the beginning of the year	8,440,467	8,888,086
Add: Grant received / receivable during the year		
- IDRC	1,324,855	4,119,738
- TTI - 2	14,166,928	22,975,523
- USAID	28,269,966	14,590,317
- UIC	5,214,201	
	48,975,950	41,685,578
Less: Grants utilized		
- IDRC	2,969,694	5,132,291
- TTI - 2	15,696,009	22,128,754
- USAID	28,269,966	14,622,152
- UIC	5,214,201	
- Capital expenditure transferred to unrestricted fund		250,000
	52,149,870	42,133,197
Balance at the end of the year	5,266,547	8,440,467

12.2 Balance at the end of the year comprise of:

	2018	2017
- IDRC		1,644,839
- TTI - 2	5,266,547	6,795,628
	5,266,547	8,440,467

12.3 Contributions received on account of IDRC, TTI - 2, USAID and UIC are restricted for the purpose of expenditures as per respective grant agreements.

13. TRADE AND OTHER PAYABLES

	2018	2017
	Rupees	
Creditors	648,671	347,792
Accrued liabilities	6,824,526	6,890,976
Consultancy fee payable	12,150,174	3,677,404
Honorarium payable	2,666,454	1,015,798
Withholding tax payable	284,431	
Gratuity payable - Senior economist	296,605	296,605
	22,870,861	12,228,575

14. CONTINGENCIES AND COMMITMENTS

14.1 There are no contingencies and commitments as at the reporting date.

15. OTHER INCOME

	2018	2017
	-Rupees-	
From financial assets		
Interest on investment	1,550,623	3,219,884
Exchange gain	198,028	8,169
Return on bank deposits	12,099	21,882
	1,760,750	3,249,935
From other than financial assets		
Liabilities written-back	1,100,000	-
Gain on disposal of fixed assets	812,658	245,653
Others	34,666	-
	3,708,074	3,495,588

16. RESEARCH AND ADVOCACY COST

	2018							2017						
•	Unrestricted	Restricted					Total	Unrestricted	Restricted					Total
	Other projects	IDRC	TTI-II	USAID	UIC	Total		Other projects	IDRC	TTIJI	USAID	UIC	Total	
Salanes and benefits (note 16.1)	7.249.082	1,699.096	5.928.145	7,351,934	3.745.464	18.724.639	25.973,721	2.692.141	3.235.553	10.942.896	6.936.640		21.115.089	23.807.230
Consultancy charges	1,886.167		2.0O6.50O	15,493.463	70.000	17.569.963	19.456.130	1.295.454	1.050.000	2.319.315	6.243.578		9.612.893	10.908 •
Data collection and survey cost	418.562	671.213	1.088.949	1.242.500	109.682	3.112.344	3.530.906	2.970.140	248.847	974.104	-		1 222.951	4.193.091
Institutional support	422.726	5.373	icS	30.690	334.897	955.829	1.378.555	759.668		990.377	-		990.377	1.750.045
Communication	11.357	3.927	121,930	452,113	449.620	1.027,590	1.038.947	833,357	105.000	357.672	180.979		643.651	1 477 006
Insurance	75.562	-	250,000			250,000	325.562	176,668		195.112			195.112	371,780
Pnnting, stationary and publications	49,058	-	56.750			55,750	105.808	21,777		232.130			232.130	253,907
Conference and seminar	48.053	261.741	252.150	3.335.278	174	3.849.343	3.897,3%	72.881	6.718	45.941	1,395		54.054	126.935
Rent	2,428,058		2.457,332			2,457,332	4,885,390	2.909.241		2,662.676			2.662.676	5.571.917
Computer maintenance	-			132,250		132,250	132,250	255.380						255.380
Professional tee	543,340	-					543,340	225.750					-	225,750
8ooks and penodicals			45,480	•	-	45.480	45,460	54,688		2,380	•		2,380	57.068
Depreciation (note 5)	855.369			•	-	-	855.369	1.025.931			-		-	1.025.931
Amortization (note 6)	46,475	•	-	-	-	-	46,475	70.966			-		•	70.966
Bank charges	35.145	-	-	•	-	-	35.145	33.177		-	-		-	33.177
Receivable written off	•	-	-	•	-	•	-	1.128,890		•	•		-	1.128.890
Others	344.646		35,000		-	35.000	379,646	1.938.567		212.110			212.110	2.150.677
Total	14,413,600	2.641.350	12.827.105	28,038,228	4.709.837	48,216,520	62.630.120	16,464.676	4.646,118	18.934.713	13.362,592		36.943.423	53,408.099

16.1 Salaries and benefits include Rs. 1,318,897 (2017: Rs. 1,337,296) in respect of staff provident fund.

17. ADMINISTRATIVE EXPENSES

	2018							2017						
	Unrestricted	Restricted					Total	Unrestricted	Restricted					Total
	Other projects	IDRC	T I H	USAID	UIC	Total		Other projects	IDRC	TTHI	USAID	UIC	Total	
Salahes and benefits (note 17.1)	1.335.919	327,309	1.141.982	231.427	463.666	2,164,384	3.500.303	404.520	486.173	1.644 274	1.042.296		3.172.743	3.577.263
Institutional suppon	61,618	1.035	84.176	311	40.698	126,220	188.038	77.064		122.789			122.789	199.853
Rent	355.074		353,668			353,668	708.742	295,127		330.124			330.124	625.251
Repair and maintenance	205.864		777,212			777.212	983.076	54.123		676.854	217.264		894 118	948.241
Security services	35.622		511.866			511,866	547.488	292.346		420,000			420.000	712.346
Depreciation (note 5)	65.905						65,905	79,047						79.047
Amortization (note 6)	3,581						3,581	5.468						5.468
Auditors remuneration (note 17.2)	441,000						441.000	432,000						432.000
Total	2,504,783	3;e,34s	2,868.904	231.738	504.364	3.933.350	6,438,133	1.639.695	486.173	3.194,041	1.259.560		4.939,774	6.579.469

17.1 Salaries and benefits include Rs. 429,641 (2017: Rs. 429,132) in respect of staff provident fund.

		2018	2017
		Rupees	

^_ 17.2 **Auditors'remuneration**

	2018	2017
Audit fee	375,000	375,000
Out of pocket expenses	66,000	57,000
	441,000	432,000

18. **REMUNERATION OF MANAGING DIRECTOR , DIRECTORS AND EXECUTIVES**

The aggregate charge for the year in respect of remuneration and benefits to the Managing Director and Executives are as follows:

	2018		2017	
	Managing Director	**Executives**	**Managing Director**	**Executives**
Managerial remuneration	2,686,625	3,284,959	2,686,625	3,284,959
Medical, housing and utilities	1,746,307	2,135,223	1,746,307	2,135,223
Reimbursable expenses	48,000	53,875	42,000	50,250
Retirement benefits	369,444	451,728	369,444	451,728
Honorarium	815,891	1,583,819	820,719	1,276,848
	5,666,267	7,509,604	5,665,095	7,199,008
Number, including those who worked part of the year	1	2	1	2

18.1 No remuneration has been paid to any of the 11 (2017: 11) Directors of the Company during the year.

19. **TRANSACTIONS WITH RELATED PARTIES**

19.1 Following are the related parties with whom the Company had entered into transactions or had agreements and arrangements in place during the year.

Name of Related party		**Relationship**
Professor Khalida Ghaus	N/A	Key management personnel
Provident fund	N/A	Post Employment Benefit
K-Electric Limited	N/A	Common Directorship

19.2 Details of transactions with the related parties during the year other than those disclosed elsewhere in the financial statements are as under:

		2018	2017
		Rupees	
Relationship	**Nature of transactions**		
Retirement benefit fund			
Provident fund	Contribution	1,748,538	1,766,428

19.3 There are no transactions with key management personnel (Managing Director) other than under the terms of employment as disclosed in note 18.

20. PROVIDENT FUND RELATED DISCLOSURES

20.1 The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

21. FINANCIAL INSTRUMENTS BY CATEGORY

	2018	2017
	Rupees	
21.1 Financial assets		
- Investments - held to maturity		
Short term investment	21,182,247	29,938,234
- Loans and receivables		
Advances and other receivables	17,243,824	10,080,738
Cash and bank balances	6,094,032	3,378,017
Deposits	1,692,717	2,246,498
	25,030,573	15,705,253
	46,212,820	45,643,487
21.2 Financial liabilities		
Trade and other payables	22,289,825	11,931,970

21.3 Fair values of financial assets and liabilities

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

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

22.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Risk management is carried out by the Company's management under policies approved by the Board of Directors.

a) Market risk

i) Currency risk

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

At June 30, 2018, if the Pakistan Rupee had weakened / strengthened by 5% against the US Dollar with all other variables held constant, the deficit for the year would have been lower / higher by Rs. 205,649 (2017: Rs. 158,734).

ii) Interest rate risk

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Banks / Investments	Rating Agency	2018 Short term	Long term
Standard Chartered	PACRA	A1+	AAA
Khushhali Bank Limited	JCR-VIS	A-1	A+

c) Liquidity risk management

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities. The Company's liquidity management involves projecting cash flows and consider the level of liquid funds necessary to meet these. These objectives are achieved by maintaining sufficient cash and readily marketable securities.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2018			2017		
	Maturity upto one year	Maturity after one year	*jQ\a*	Maturity upto one year	Maturity after one year	
	Rupees					
Trade and other payables	22,289,825	-	22.289.825	11,931,970	-	11,931,970

In respect of above there were no liabilities with contractual maturity of more than three months.

NUMBER OF EMPLOYEES	2018	2017
Number of employees as at June 30	26	26
Average number of employees during the year	26	27

CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions. Following major reclassifications have been made during the year:

Reclassified From	To	Rupees
Operating cost	Research and advocacy cost	52,311,202
Operating cost	Administrative expenses	6,494,954
Fund balance	Deferred income	8,440,467

25. DATE OF AUTHORIZATION

These financial statements were authorised for issue on by the Board of Directors of the Company.

MANAGING DIRECTOR **DIRECTOR** **DIRECTOR**