Building a better working world

STRENGTHENING PARTICIPATORY ORGANIZATION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

EY Ford Rhodes
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INDEPENDENT AUDITORS' REPORT

To the members of Strengthening Participatory Organization

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Strengthening Participatory Organization (the Company), which comprise the statement of financial position as at 30 June 2019, the income and expenditure account, the statement of comprehensive income, the statement of changes in funds, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the income and expenditure statement, statement of comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the income and expenditure 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 *Auditors' 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 Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements and our auditors' report thereon. The Directors' Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

When we read the Directors' Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Board of Directors and take other necessary actions as required by ISAs as applicable in Pakistan.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 account, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

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

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

The engagement partner on the audit resulting in this independent auditors' report is Mr. Ahsan Shahzad.

Chartered Accountants
Place: Islamabad, Pakistan
Date: 8th October 2019

STRENGTHENING PARTICIPATORY ORGANIZATION
(A Company incorporated under Section 42 of the Companies Act, 2017)
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019	2018
		-------------Rupees-------------	
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	**157,285,650**	111,778,153
Investment property	7	**50,010,999**	43,208,799
Intangible asset	8	-	141
Long-term deposit	11	**300,000**	300,000
		207,596,649	155,287,093
CURRENT ASSETS			
Grants receivable	9	**25,178,044**	27,746,399
Advances	10	**182,419**	77,738
Deposits and prepayments	11	**2,247,244**	3,159,243
Interest accrued		**451,438**	28,433
Other receivables	12	**24,940,471**	20,944,186
Tax refunds due from the government - net	13	**13,089,050**	9,217,808
Short-term investments	14	**130,000,000**	-
Cash and bank balances	15	**51,560,973**	255,891,619
		247,649,639	317,065,426
TOTAL ASSETS		**455,246,288**	472,352,519
FUNDS, RESERVE AND LIABILITIES			
FUNDS AND RESERVE			
Unrestricted funds		**328,787,169**	365,504,567
Capital reserve - revaluation surplus on property	16	**93,462,931**	46,543,439
		422,250,100	412,048,006
NON-CURRENT LIABILITIES			
Deferred capital grants	17	**1,458,293**	3,079,587
Deferred grants against operating activities	18	**18,203,520**	37,483,138
		19,661,813	40,562,725
CURRENT LIABILITIES			
Accrued and other liabilities	19	**13,334,375**	19,741,788
TOTAL FUNDS, RESERVE AND LIABILITIES		**455,246,288**	472,352,519
CONTIGENCIES AND COMMITMENTS	20		

The annexed notes, 1 to 40, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

STRENGTHENING PARTICIPATORY ORGANIZATION
(A Company incorporated under Section 42 of the Companies Act, 2017)
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		-------------Rupees-------------	
INCOME			
Grant Income	21	**194,678,692**	293,681,112
EXPENDITURE			
Programme activities:			
Programme expenses	22	**(232,617,445)**	(301,119,392)
Grants to Community Based Organizations (CBOs) / others	23	**(3,212,200)**	(20,867,610)
		(235,829,645)	(321,987,002)
Administrative expenses	24	**(18,349,281)**	(41,242,828)
Allowance for expected credit loss	9.1	**(729,324)**	-
		(19,078,605)	(41,242,828)
OTHER INCOME	25	**25,500,393**	16,302,128
OTHER OPERATING EXPENSES	26	**-**	(13,267,589)
DEFICIT BEFORE TAX		**(34,729,165)**	(66,514,179)
Taxation	27	**(93,432)**	(917,520)
DEFICIT FOR THE YEAR		**(34,822,597)**	(67,431,699)

The annexed notes, 1 to 40, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

STRENGTHENING PARTICIPATORY ORGANIZATION
(A Company incorporated under Section 42 of the Companies Act, 2017)
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		--------------Rupees--------------	
DEFICIT FOR THE YEAR		**(34,822,597)**	(67,431,699)
Other comprehensive income for the year	16	**47,288,543**	-
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR		**12,465,946**	(67,431,699)

The annexed notes, 1 to 40, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

STRENGTHENING PARTICIPATORY ORGANIZATION
(A Company incorporated under Section 42 of the Companies Act, 2017)
STATEMENT OF CHANGES IN FUNDS AND RESERVE
FOR THE YEAR ENDED 30 JUNE 2019

	UNRESTRICTED FUNDS				CAPITAL RESERVE	
	SPO Receipts	SPO Training Units (Note 28)	Vehicle Reserve Fund (Note 29)	Sub-total Funds	Revaluation surplus on property	Total
	------Rupees------					
Balance at 30 June 2017	281,273,749	75,492,080	75,801,386	432,567,215	46,912,490	479,479,705
Net deficit for the year	(67,673,801)	1,088,854	(846,752)	(67,431,699)	-	(67,431,699)
Other comprehensive income	-	-	-	-	-	-
	(67,673,801)	1,088,854	(846,752)	(67,431,699)	-	(67,431,699)
Transferred to unrestricted funds on account of incremental depreciation	369,051	-	-	369,051	(369,051)	-
Balance as at 30 June 2018	213,968,999	76,580,934	74,954,634	365,504,567	46,543,439	412,048,006
Effect of adoption of IFRS 9 (Note 5)	(2,263,852)	-	-	(2,263,852)	-	(2,263,852)
Balance as at 01 July 2018	211,705,147	76,580,934	74,954,634	363,240,715	46,543,439	409,784,154
Net deficit for the year	(35,132,248)	755,607	(445,956)	(34,822,597)	-	(34,822,597)
Other comprehensive income	-	-	-	-	47,288,543	47,288,543
	(35,132,248)	755,607	(445,956)	(34,822,597)	47,288,543	12,465,946
Transferred to unrestricted funds on account of incremental depreciation	369,051	-	-	369,051	(369,051)	-
Balance at 30 June 2019	176,941,950	77,336,541	74,508,678	328,787,169	93,462,931	422,250,100

The annexed notes, 1 to 40, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

STRENGTHENING PARTICIPATORY ORGANIZATION
(A Company incorporated under Section 42 of the Companies Act, 2017)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		------------Rupees------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the year		**(34,822,597)**	(67,431,699)
Adjustment for non cash items:			
Depreciation	6	**3,716,999**	7,734,580
Receivables written-off	26	**-**	9,603,722
Amortization	8	**141**	4,887
Liabilities written back		**-**	(41,232)
Gain on sale of fixed assets	25	**(223,681)**	(2,235,026)
Unrealized exchange gain	25	**(603,311)**	(2,581,614)
Gain on revaluation of investment property	25	**(6,802,200)**	3,663,867
Return on saving account and Term Deposit Receipts	25	**(14,016,552)**	(6,745,375)
Donation in kind	6	**(2,018,500)**	-
Grant receivables written-off	24	**145,410**	-
Allowance for expected credit loss	9.1	**729,324**	-
Grant income	21	**(194,678,692)**	(293,681,112)
Operating deficit before working capital changes		**(248,573,659)**	(351,709,002)
Working capital changes:			
(Increase)/ decrease in current assets			
Advances		**(104,681)**	662,971
Deposits and short term prepayments		**911,999**	1,662,630
Other receivables		**(3,996,285)**	(20,323,389)
(Decrease)/ increase in current liabilities			
Accrued and other liabilities		**(6,407,413)**	3,718,740
Cash used in operations		**(258,170,039)**	(365,988,050)
Advance tax paid		**(3,871,241)**	(1,396,547)
Grants received		**173,500,098**	306,268,201
Amount refunded to donors		**(762)**	(646,532)
Transfer to deferred grants against purchase of fixed assets		**-**	(1,348,568)
Disbursement to network housed organization		**(291,788)**	-
Net cash used in operating activities		**(88,833,732)**	(63,111,496)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**-**	(419,668)
Proceeds from sale of fixed assets		**306,228**	2,308,823
Interest received		**13,593,547**	6,774,429
Net cash generated from investing activities		**13,899,775**	8,663,584
Net decrease in cash and cash equivalents		**(74,933,957)**	(54,447,912)
Cash and cash equivalents at the beginning of the year		**255,891,619**	307,757,917
Effect of exchange rate changes		**603,311**	2,581,614
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	28	**181,560,973**	255,891,619

The annexed notes, 1 to 40, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

STRENGTHENING PARTICIPATORY ORGANIZATION
(A Company incorporated under Section 42 of the Companies Act, 2017)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1 LEGAL STATUS AND OPERATIONS

1.1 Strengthening Participatory Organization ("SPO" or "the Company"), was incorporated on 15 January, 1994, under Section 42 of the Companies Act, 2017, as a company limited by guarantee, having its registered office in Islamabad. It is one of the largest right-based civil society organization of Pakistan working for the capacity building of community based organizations and public interest institutions through training and technical assistance, research, advocacy, linkages and networking.

The registered office of the Company is situated at Plot no. 18-B/1, 2nd Floor, Chohan Plaza, G-8 Markaz, Islamabad, with regional/project/satellite offices in 9 cities of Pakistan, including Karachi, Lahore, Quetta, Peshawar, Hyderabad, and Multan, among others.

Geographical location and address of business units

Islamabad	**Purpose**
Plot no. 18-B/1, 2nd Floor, Chohan Plaza, G-8 Markaz, Islamabad	Head Office
Multan	**Purpose**
House no. 339 & 340, Block D, Shah Rukn-e-Alam Colony, Multan.	Regional Office
Lahore	**Purpose**
889 C, Faisal Town, Lahore	Regional Office
Quetta	**Purpose**
House no. 58-A ,Near Pak Japan Cultural Center, Jinnah Town, Quetta	Regional Office
Hyderabad	**Purpose**
Plot no. 158/2, Alamdar Chowk, Grid Station Qasimabad, Hyderabad	Regional Office
Karachi	**Purpose**
G-22, B/2 Park Lane 5, Clifton, Karachi	Regional Office
Turbat	**Purpose**
Pasni Road, Turbat	Regional Office
Peshawar	**Purpose**
House no. 9, Salar Lane, Old Bara Road, University Town, Peshawar	Regional Office
Sukkur	**Purpose**
House no. 208, Akhawat Nagar, Airport Road, Sukkur	Project Office

During the year, Dera Ismail Khan office located at house no. 02, qasim road, near St. Helens school and college school, D.I.Khan Cantt was closed on account of closure of operations dated 30 November 2018.

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

SECP vide its letter CLC/CCD/Co.42/RN/69/2015-97 dated 12 July 2019 stated that the matter has been forwarded to MOI, Government of Pakistan for obtaining necessary clearance regarding foreign funding/ directors before grant of renewal of licence under section 42 of the Companies Act, 2017. The management of the Company is confident that the license will be renewed in due course.

1.2 The Company receives grants from various national and multinational organizations for implementation of its objectives. SPO strives to address the emerging issues in the particular socio-economic context of Pakistan through its core programme areas of democratic governance, social justice and peace and social harmony. In addition, SPO has a component of humanitarian response that deals with disasters and emergency situations.

1.3 The company had a subsidiary Social Development Enterprize (SDE) which was wound up on 30 June 2018, accordingly these financial statements are the stand-alone financial statements of the Company.

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

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

3 BASIS OF MEASUREMENT

The accompanying financial statements have been prepared under the 'historical cost convention', except for freehold land, buildings and investment property, which have been measured at revalued amounts.

3.1 Approved accounting standards not yet effective

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 2	- Share-based Payments: Classification and Measurement of Share based payments Transactions – (Amendments)
IFRS 4	- Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)
IFRS 9	- Financial Instruments: Classification and Measurement
IAS 40	- Investment Property: Transfers of Investment Property (Amendments)
IFRIC 22	- Foreign Currency Transactions and Advance Consideration
IFRS 15	- Revenue from Contracts with Customers

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Significant accounting estimates and judgements

While applying the accounting policies as stated in Note 4.2 to 4.15 to the Financial Statements, the management of the Company has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year of the revision in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current year are discussed below:

(i) Useful life of property and equipment

Management of the Company determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge is adjusted where management believes that the useful lives differ from previous estimates.

(ii) Impairment of property and equipment

Property and equipment are assessed for impairment based on assessment of cash flows on individual cash-generating units when there is indication of impairment.

The carrying amounts of property and equipment at 30 June 2019 was Rs. 157,286 thousand (2018: Rs. 117,778 thousand).

The net present values are compared to the carrying amounts to assess any probable impairment.

Revaluation of property

The Company engaged an independent valuation specialist to assess the fair value of property as at 30 June 2019. Property was valued by reference to fair value method.

(iii) Fair value of investment property

In order to assess the fair value of the investment property, the Company has obtained an independent valuation report. Management believes that the appraised value reflects the true fair value of property in light of current economic situations. The total fair value of investment property at 30 June 2019 amounted to Rs. 50,011 thousand (2018: Rs. 43,209 thousand).

(iv) Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

(v) Classification of properties

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property or property and equipment. The Company develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property and property and equipment. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 16 "Property, Plant and Equipment" and IAS 40 "Investment Property", in particular, the intended usage of property as determined by management.

4.2 Property and equipment

Property and equipment, except freehold land and buildings, are stated at cost less accumulated depreciation and impairment, if any. Freehold land and buildings are stated at revalued amounts less accumulated depreciation and impairment losses, if any.

Depreciation is charged to the Income and Expenditure Statement applying the straight-line method, whereby the cost of an asset is written-off over its estimated useful life. The rates of depreciation are stated in note 6 to the financial statements. Depreciation on additions is charged from the month of acquisition with no charge of depreciation in the month of disposal (see note 6). Useful lives are determined by the management based on the expected usage of assets, the expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of assets and other similar factors.

The assets' residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each financial year end. The effect of any adjustment to residual values, useful lives and methods is recognized prospectively as a change in accounting estimate.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income and Expenditure Statement in the year the asset is derecognized, and the related surplus on the revaluation is transferred directly to unrestricted funds.

Normal repairs and maintenance costs are charged to the Income and Expenditure Statement as and when incurred.

Any revaluation increase arising on the revaluation of land and buildings is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in Income and Expenditure Statement, in which case the increase is credited to Income and Expenditure Statement to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land and buildings is charged to Income and Expenditure Statement to the extent that it exceeds the balance, if any, held in the revaluation surplus on property and equipment relating to a previous revaluation of that asset. The surplus on revaluation of property and equipment to the extent of incremental depreciation charged, is transferred to Unrestricted Funds.

4.3 Investment property

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of the investment property are included in the Income and Expenditure Statement in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the Pakistan Banking Association.

Investment property is derecognized either when it has been disposed-off or when it is permanently withdrawn from use and no future economic benefit is expected from their use. The difference between the net disposal proceeds and the carrying amount of the investment property is recognized in the Income and Expenditure Statement in the period of derecognition.

Transfers are made to/(from) Investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, then it is accounted for such property, in accordance with the policy stated under property and equipment up to the date of change in use.

4.4 Intangibles

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

4.5 Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise of the Company's balances of cash in hand, cash at banks and other short-term financial assets, which are highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

4.6 Funds and reserves

The Company has setup three reserves, namely the "SPO Receipts", "SPO Training Unit" and "Vehicle Reserve Fund" and. The nature of these unrestricted funds is explained below. In addition to this, the Company also has a Capital Reserve as described under note 4.2. The Company being established under Section 42 of the Companies Act, 2017, none of its funds and reserve are distributable to the members of the Company.

4.6.1 SPO receipts

This represents the balance of net surpluses, except those described under notes 4.6.2 and 4.6.3.

4.6.2 SPO training unit

This represents the net surplus generated from training related activities, including training fees charged to donors.

4.6.3 Vehicle reserve fund

This represents the net surplus generated from vehicle rental income charged to donors.

4.7 Provisions

A provision is recognized when, and only when, the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.8 Staff retirement benefits - Defined contribution plan

The Company operates a defined contribution provident fund scheme (the Fund) for its eligible employees. The fund which is separately maintained, is recognized and is fully funded. Contributions to the fund are made by the Company and its employees in accordance with the rules of the fund. The rate of employer and employee contributions is 10% of the basic pay of eligible employees.

4.9 Taxation

Previously, SPO obtained the registration as a "non-profit organization" under section 2(36) of the Income Tax Ordinance, 2001 (the Ordinance) from the Commissioner of Inland Revenue. In the year 2016, owing to a change in rule 214 of the Income Tax Rules, 2002, the Company applied for renewal of this registration, the response for which is awaited.

SPO is a welfare/ non-profit organization and accordingly, management considers that a 100% tax credit under section 100C of the Ordinance is available to SPO in respect of its incomes specified in the said section. Accordingly, no provision for taxation has been recognized against grant income in these financial statements.

4.10 Revenue recognition

4.10.1 Grant income

Grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The donors do not have any economic influence on / interest in the operations of the Company.

4.10.2 Grants against operating activities

Grants of a non-capital nature are recognized as deferred grant at the time of their receipt. Subsequently, these are recognized in the Income and Expenditure Statement to the extent of expenditure incurred. Expenditure incurred against grants, against which grant funds have been committed but not received, is recognized in the Income and Expenditure Statement and is reflected as a receivable from donors in the Statement of Financial Position.

4.10.3 Grants against purchase of fixed assets

Grants received for the purchase of fixed assets are initially recorded as deferred income upon receipt. Subsequently, these are recognized in the Income and Expenditure Statement, on a systematic basis, over the periods necessary to match them with the carrying value of the related assets.

4.10.4 Unrestricted contributions

Unrestricted contribution is recognized as revenue in the period of its receipt.

4.10.5 Non-monetary grant

Grants of non-monetary assets, such as land and other resources for the use of the entity are accounted for as grant and asset at fair value.

4.10.6 NPO guideline

The Company has adopted the deferral method of accounting instead of fund accounting.

4.10.7 Profit on savings accounts and short-term investment

Profit on savings accounts is recognized using the Effective Interest Rate method (EIR).

4.11 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized Income and Expenditure Statement when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes advances to employees, grant receivable deposits, interest accrued, other receivables and short-term investment.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income and impairment losses or reversals are recognized in the Income and Expenditure Statement and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss. However, there is no such asset.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to Income and Expenditure Statement. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have any investment in equity instrument.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as fair value through profit and loss if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

The Company does not have any financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate (EIR). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

It is the Company's policy to measure ECLs on investment grade debt instruments at fair value through OCI on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the external credit agencies, both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liability

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accrued and other liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments, if any, entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the Income and Expenditure Statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through Income and Expenditure Statement.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Income and Expenditure Statement.

Off-setting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

4.12 Foreign currency translation

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Foreign currency transactions, during the year, are recorded at the exchange rates approximating those ruling on the date of the transactions. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange, which approximate those prevailing on the reporting date. Gains and losses on translation are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency, are translated using the exchange rates prevailing at the dates of the initial transactions. Non-monetary items measured at fair values in a foreign currency, are translated using the exchange rates prevailing at the dates when the fair values were determined.

4.13 Impairment of non-financial assets

The carrying values of non-financial assets are assessed at each reporting date, to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the non-financial assets is estimated. An impairment loss is recognized as an expense in the Income and Expenditure Statement, for the amount by which the non-financial asset's carrying value exceeds its recoverable amount.

4.14 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability; or
b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Head of Finance determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. External valuers may be involved for valuation of significant assets and significant liabilities. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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:

Standard / IFRIC		Effective date (annual periods beginning on or after)
IFRS 10 & 28	Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (Amendment)	Not yet effective
IFRS 16	Leases	01 January 2019
IAS 19 and IFRIC 4	Employee benefits - Remeasurement on a Plan Amendment, Curtailment or Settlement / Availability of a Refund from a Defined Benefit Plan (Amendments)	01 January 2019
IAS 28	Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC 23	Uncertainty over Income tax treatment	01 January 2019

In addition to the above amendments, improvements to the following accounting standard (under the annual improvements 2014 - 2016 cycle) has also been adopted:

IAS 28	Investments in Associates and Joint Ventures: Measuring an associate or joint venture at fair value	01 January 2019

The adoption of the above amendments and improvements to accounting standards did not have any material effect on the financial statements, except for changes introduced by IFRS 9.

Further, the following new standards have been issued by the IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	Effective date (annual periods beginning on or after)
IFRS 1 – First-time Adoption of International Financial Reporting Standards	01 January 2004
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 17 – Insurance Contracts	01 January 2021

The Company applied IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standard is described below.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for periods ending on or after 30 June 2019, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied IFRS 9 with effect from 1 July 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 would is instead required to be recognized directly in "Unrestricted Funds". The effect of adopting IFRS 9 as at 1 July 2018 was, however, not material.

The nature of these adjustments is described below:

Impact on the Statement of Financial Position (increase/(decrease)):

	Adjustments	1 July 2018 --Rupees--
Grant receivable	b	2,263,852
Unrestricted Fund		2,263,852

a) ***Classification and measurement***

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI.

The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Company. The following are the changes in the classification of the Company's financial assets:

Non-current and current financial assets (i.e. grant receivable, advances to employees, deposits, interest accrued, other receivables and short-term investments) as at 30 June 2018 were held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost beginning 1 July 2018.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

In summary, upon the adoption of IFRS 9, the Company had the following required or elected reclassifications as at 1 July 2018.

	Carrying amounts	IFRS 9 Measurement category Amortized cost
	------------Rupees------------	
IAS 39 measurement category		
Grant receivable	27,621,025	27,621,025
Deposit	2,099,385	2,099,385
Advances to employees	29,213	29,213
Interest accrued	28,433	28,433
Other receivables	1,507,246	1,507,246

b) **Impairment**

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of IFRS 9, the Company would have been required to recognised additional impairment on the Compnay's debt instruments, the impact of which as at 1 July 2018 has been adjusted in Unrestricted funds.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9.

	Allowance for impairment under IAS 39 as at 30 June 2018	Remeasurement	ECL under IFRS 9 as at 1 July 2018
	------------Rupees------------		
Grant and other receivables under IAS 39 / Financial assets at amortised cost under IFRS 9 and contract assets	-	2,263,852	2,263,852

c) **Other adjustments**

At the date of initial application, the Company did not have any existing hedging relationships.

6 PROPERTY AND EQUIPMENT

	COST / REVALUED AMOUNT							ACCUMULATED DEPRECIATION					DOWN VALUE
	As at 01 July 2018	Additions	Revaluation increase	Disposals	Adjustment on revaluation	As at 30 June 2019	Rate	As at 01 July 2018	Charge for the year	Disposals	Adjustment on revaluation	As at 30 June, 2019	As at 30 June 2019
	Rupees						%	Rupees					
Freehold land	81,510,616	-	42,063,984	-	-	123,574,600	-	-	-	-	-	-	123,574,600
Building on freehold land	29,876,397	-	5,224,559	-	(4,481,460)	30,619,496	5%	2,987,640	1,493,820	-	(4,481,460)	-	30,619,496
Electrical appliances and equipment	35,643,171	535,450	-	(1,757,654)	-	34,420,967	20%	34,250,540	927,283	(1,741,231)	-	33,436,592	984,375
Vehicles	47,854,578	-	-	-	-	47,854,578	20%	47,832,936	21,642	-	-	47,854,578	-
Computer equipment	39,680,754	1,246,900	-	(2,481,636)	-	38,446,018	33%	38,646,176	768,576	(2,481,420)	-	36,933,332	1,512,686
Furniture and fixtures	14,429,105	236,150	-	(2,555,181)	-	12,110,074	20%	13,499,176	505,678	(2,489,273)	-	11,515,581	594,493
	248,994,621	2,018,500	47,288,543	(6,794,471)	(4,481,460)	287,025,733		137,216,468	3,716,999	(6,711,924)	(4,481,460)	129,740,083	157,285,650

	COST / REVALUED AMOUNT							ACCUMULATED DEPRECIATION					WRITTEN DOWN
	As at 01 July 2017	Additions	Revaluation increase	Disposals/ Transfers	Adjustment on revaluation	As at 30 June 2018	Rate	As at 01 July 2017	Charge for the year	Disposals/ Transfers	Adjustment on revaluation	As at 30 June 2018	As at 30 June 2018
	Rupees						%	Rupees					
Freehold land	80,693,217	817,399	-	-	-	81,510,616	-	-	-	-	-	-	81,510,616
Building on freehold land	29,876,397	-	-	-		29,876,397	5%	1,493,820	1,493,820	-		2,987,640	26,888,757
Electrical appliances and equipment	38,902,041	365,158	-	(1,569,724)	-	37,697,475	20%	36,396,945	1,475,100	(1,567,201)	-	36,304,844	1,392,631
				(2,054,304) *		(2,054,304)		-		(2,054,304) *		(2,054,304)	-
Vehicles	73,208,483	-	-	(2,491,657)	-	70,716,826	20%	71,451,713	1,735,127	(2,491,656)	-	70,695,184	21,642
				(22,862,248) *		(22,862,248)		-		(22,862,248) *		(22,862,248)	-
Computer equipment	41,942,155	1,128,354	-	(3,389,755)	-	39,680,754	33%	39,955,249	2,080,367	(3,389,440)	-	38,646,176	1,034,578
Furniture and fixtures	15,105,419	274,724	-	(951,038)	-	14,429,105	20%	13,429,090	950,166	(880,080)	-	13,499,176	929,929
	279,727,712	2,585,635	-	(8,402,174)	-	248,994,621		162,726,817	7,734,580	(8,328,377)	-	137,216,468	111,778,153
				(24,916,552) *						(24,916,552) *			

6.1 Depreciation for the year has been charged entirely to Administrative expenses (Note 24).

6.2 All items of property and equipment disposed-off / sold during the year had an aggregate net book value of less than Rs. 5,000,000.

6.3 The revalued land and buildings consist of land and office properties located in Islamabad, Hyderabad, Multan and Turbat regions of the Company. The management of the Company determined that these constitute two separate classes of asset under IFRS 13, based on the nature, characteristics and risks of the land and properties.

6.4 The transfers represent fully depreciated assets transferred back to donors, upon completion of respective projects.

6.5 The fair value of the land and property was determined using the comparable market method. This means that valuations performed by the valuer are based on active market prices, through market inquiries of market rates for similar sized plots in the vicinity, which have significantly been adjusted for differences in the nature, location or condition of the specific property. The valuations of buildings were based on the present costs of construction for a similar structure. As at the date of last revaluation on 30 June 2019, the properties' fair values were based on valuations performed by various, accredited independent valuers, who were duly registered with the Pakistan Banking Association, as at that date.

6.6 Addition to fixed assets represents donation in kind received from International Organization for Migration having no restriction on use.

6.7 Fair value measurement hierarchy of the assets:

	Date of valuation	Total	Significant observable inputs	Significant unobservable inputs
		---------- Rupees ----------		
			(Level 2)	(Level 3)
Land	30 June 2019	123,574,600	123,574,600	-
Buildings	30 June 2019	30,619,496	-	30,619,496
		154,194,096	123,574,600	30,619,496

6.7.1 Investment property is stated at fair value, which has been determined based on the valuation performed as at 30 June 2019 and forced sale valeuof the said property is 41.6 million

6.8 Significant unobservable input:

Price in Rupees per square ft.	Range
Land	Rs. 13,333
Buildings	Rs. 1,500 to Rs. 1,800

Significant increases / (decreases) in estimated price per square meter in isolation would result in a significantly higher / (lower) fair value.

6.9 If land and buildings were measured using the cost model, the carrying amounts would be, as follows:

	Total	Land	Buildings
	---------- Rupees ----------		
2019			
Cost	75,883,363	53,387,981	22,495,382
Accumulated depreciation	(15,445,183)	-	(15,445,183)
Net carrying amount	60,438,180	53,387,981	7,050,199
2018			
Cost	75,883,633	53,388,251	22,495,382
Accumulated depreciation	(14,320,414)	-	(14,320,414)
Net carrying amount	61,563,219	53,388,251	8,174,968

6.9.1 There were no transfers between the fair value measurement hierarchy during the year.

7 INVESTMENT PROPERTY

i) Qualitative and quantitative disclosures

	2019	2018
	----------Rupees----------	
Balance as at 01 July	43,208,799	46,872,666
Gain/ (loss) from fair value measurement	6,802,200	(3,663,867)
Balance as at 30 June	50,010,999	43,208,799

The Company's investment property consists of one property located in Sector E-11/3, Islamabad. Management determined that the investment property consists of two classes of assets - land and building - based on the nature, characteristics and risks of the property.

As at 30 June 2019, the fair value of the property was based on a valuation performed by Impulse (Private) Limited, an accredited independent valuer. A valuation was made by the valuer using the comparative value method in accordance with the recommendations of the Pakistan Banking Association.

The forced sale value of the investment property as at 30 June 2019 amounts to Rs. 42,509,000 (2018: Rs. 39,030,000).

	2019	2018
	----------Rupees----------	
Rental income derived from investment property	1,185,000	1,775,585
Direct operating expenses generating rental income	(334,974)	-
Profit arising from investment properties carried at fair value	850,026	1,775,585

The Company has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop the investment property or for repairs, maintenance and enhancements.

ii) Fair value related disclosures

	Land	Building
	----------Rupees----------	
Reconciliation of fair value:		
As at 1 July 2018	35,000,000	8,208,800
Remeasurement recognized in the Income and Expenditure Statement	5,000,000	1,802,200
As at 30 June 2019	40,000,000	10,011,000

iii) DESCRIPTION OF VALUATION TECHNIQUES USED AND KEY INPUTS TO VALUATION OF INVESTMENT PROPERTIES

The Company carries its investment property at fair value, with changes in fair value being recognized in the Income and Expenditure Statement. The Company engaged an independent valuation specialist to assess the fair value, as at 30 June 2019, of the investment property. For the investment property, a valuation methodology based on the comparative value method was used. The key assumptions used to determine the fair value of the investment properties and sensitivity analyses, are further discussed below:

	Valuation technique	Significant observable inputs	Range	
			2019	2018
			Rupees	
Land and building	Comparative value method	Estimated rental value per sqm per month	400 - 430	350 - 377

iv) FAIR VALUE MEASUREMENT HEIRARCHY

Fair value measurement hierarchy for assets as at 30 June 2019:

	Date of valuation	Total	Fair value measurement using: Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			Rupees	
Investment property				
Land	30 June 2019	40,000,000	40,000,000	-
Building	30 June 2019	10,011,000	-	10,011,000
		50,011,000	40,000,000	10,011,000

	Note	2019	2018
		Rupees	
8 INTANGIBLE ASSET			
Cost			
Balance as at 01 July		2,070,326	2,070,326
Additions during the year		-	-
		2,070,326	2,070,326
Accumulated amortization			
Balance as at 01 July		(2,070,185)	(2,065,298)
Charge for the year		(141)	(4,887)
Balance at the 30 June		(2,070,326)	(2,070,185)
		-	141
9 GRANT RECEIVABLE			
Grant receivable	18	28,171,220	27,746,399
Allowance for expected credit losses	9.1	(2,993,176)	-
		25,178,044	27,746,399
9.1 Allowance for expected credit losses			
Opening balance		2,263,852	-
Charge for the year		729,324	-
Written off during the year		-	-
		729,324	-
Closing balance		2,993,176	-
10 ADVANCES			
To employees:			
against expenses		179,002	48,525
against salary		3,417	29,213
		182,419	77,738

11 DEPOSITS AND PREPAYMENTS

	Note	2019	2018
Deposits			
Deposits		2,132,585	2,099,385
Less: Long-term portion		(300,000)	(300,000)
Current portion of deposits		1,832,585	1,799,385
Prepayments			
Rent	11	332,200	1,120,000
Insurance		82,001	-
Others		458	239,858
		414,659	1,359,858
		2,247,244	3,159,243

11.1 This represents pre-paid rent for the Head Office of the Company, situated in Islamabad.

12 OTHER RECEIVABLES

	Note	2019	2018
		----Rupees----	
Considered good			
Receivable from employees		130,853	85,748
Receivable from Partner NGO's	12.1	3,159,257	1,507,246
Withholding tax	12.2	17,172,865	17,172,865
Others		4,477,496	2,178,327
		24,940,471	20,944,186
Considered doubtful - Receivable from previous land lord		1,212,759	1,212,759
		26,153,230	22,156,945
Provision against doubtful other receivables		(1,212,759)	(1,212,759)
		24,940,471	20,944,186

12.1 This represents receivables from different Partner NGOs/ donors on account of expenses incurred on their behalf and reimbursement of extra expenditure on programme activities.

12.2 During the previous year, as per notice of demand [Letter no. 800988-1] dated 11 January 2018, received by the Company, an order was passed under section 161/205 for the tax year 2014, whereby an amount of Rs. 17,001,896 was determined to be payable by the Company. In February 2018, the Company filed an appeal with the Commissioner Inland Revenue – Appeals II against the notice of demand received and for grant of stay. The application for stay being dismissed, an aggregate amount of Rs. 17 million was deducted by the Federal Board of Revenue (FBR) in February and March 2018, directly from the bank account of the Company against tax years 2014 and 2012, respectively. During the year, a Nil assessment was issued by the Assistant Commissioner Inland Revenue, in respect of the demand raised against the tax year 2014. The decision for the year 2012 is remanded back to the assessing officer. Till date no order has been passed by the tax authorities. Accordingly, the Company has recognized a receivable from Federal Board of Revenue and is confident of full recovery of outstanding amount.

13 TAX REFUNDS DUE FROM THE GOVERNMENT - NET

	Note	2019	2018
		----Rupees----	
Advance income tax		24,707,518	20,742,844
Provision for taxation	13.1	(11,618,468)	(11,525,036)
		13,089,050	9,217,808

13.1 Break-up of provision for taxation:

	2019	2018
- Current year	93,432	917,520
- Prior years	11,525,036	10,607,516
	11,618,468	11,525,036

14 SHORT-TERM INVESTMENTS

	Note	2019	2018
Amortised cost			
Term Deposit Receipts (TDRs)	14.1	130,000,000	-

14.1 The above TDR having maturity date of 17 July 2019 has been placed with Standard Chartered Bank at a markup of 9.75% per annum.

		Note	2019	2018
			Rupees	
15	**CASH AND BANK BALANCES**			
	Cash			
	In hand		165,208	207,995
	At Banks			
	Current accounts			
	local currency		15,046,740	147,220,919
	foreign currency		12,086	382
			15,058,826	147,221,301
	Savings accounts			
	local currency		35,424,633	97,853,521
	foreign currency		912,306	10,608,802
		15.1	36,336,939	108,462,323
			51,560,973	255,891,619

15.1 These carry mark-up ranging between 4.50% to 10.25% (2018: 4.55% to 6.20%) per annum.

		2019	2018
		Rupees	
16	**REVALUATION SURPLUS ON PROPERTY**		
	Opening balance	46,543,439	46,912,490
	Revaluation surplus transferred to unrestricted fund	47,288,543	-
	Incremental depreciation for building	(369,051)	(369,051)
		93,462,931	46,543,439

16.1 The fair values of the Company's land and buildings were determined as at 30 June 2019 (Note 6.4).

		Note	2019	2018
			Rupees	
17	**DEFERRED CAPITAL GRANTS**			
	Balance at the beginning of the year		3,079,587	7,225,700
	Additions during the year-at cost		-	1,348,568
			3,079,587	8,574,268
	Amortization during the year			
	Charge for the year		(1,545,659)	(5,420,922)
	Relating to assets disposed-off		(75,635)	(73,759)
		21	(1,621,294)	(5,494,681)
			1,458,293	3,079,587
18	**DEFERRED GRANTS AGAINST OPERATING ACTIVITIES**			
	Opening balance		9,736,739	(6,349,932)
	Grant received during the year		173,500,098	306,268,201
	Grant recognized in the Income and Expenditure Statement			
	Against expenditure incurred		(184,414,811)	(284,416,072)
	Against services performed		(8,642,586)	(13,937,852)
			(193,057,397)	(298,353,924)
	Refund to donors		(762)	(646,532)
	Transferred to deferred grant against purchase of fixed assets		-	(1,348,568)
	Unspent grant recognized as income			
	Exchange loss		-	10,167,494
	Balances written-off		145,410	-
	Disbursement to partner organisations		(291,788)	-
	Closing balance		(9,967,700)	9,736,739
	Break-up of closing balance			
	Unspent grant		18,203,520	37,483,138
	Grant receivable - gross		(28,171,220)	(27,746,399)
		18.1	(9,967,700)	9,736,739

STRENGTHENING PARTICIPATORY ORGANIZATION
(A company incorporated under section 42 of Companies Act, 2017

18.1 Movement in Grants

Donor name	Opening balance at 01 July, 2018				Grants recognized in the Income and Expenditure Statement							Closing balance at 30 June, 2019			
	Unspent grants	(Grants receivable)	Total unspent grants / grants receivable	Grants received	Against expenditure incurred	Against services performed	Against closed projects	Total	Refund to donors	Balances written off	Disbursements to PO	Closing Balance	Unspent grants	Grants receivable - gross	Total unspent grants / (grants receivable)
	A	B	C = A + B	D	E	F	G	H = E + F + G	I	J	K	L = C + D + H + I + J + K	M	N	O = M + N
PPAF Education	670,686	-	670,686	-	-	-	-	-	-	-	-	670,686	670,688	-	670,686
PPAF Social Mobilization	2,440,361	-	2,440,361	-	-	-	-	-	-	-	-	2,440,361	2,440,361	-	2,440,361
CAFOD - Enabling Resilience through Peacebuilding and Economic Development	198,863	-	198,863	-	-	-	-	-	-	-	-	198,863	198,883	-	198,863
CAFOD- Research Conflict Humanitarian & Dev Program	276,131	-	276,131	-	-	-	-	-	-	-	-	276,131	276,131	-	276,131
PPAF - Water & Energy - SCAD-III	-	(749,999)	(749,999)	-	-	-	-	-	-	-	-	(749,999)	-	(749,999)	(749,999)
UNICEF-Engaging Youth for SCR in Sindh	121	-	121	-	-	-	-	-	-	-	-	121	121	-	121
PPAF - SCAD Dev prog July 2014 to Sep 2015	-	(342,241)	(342,241)	-	-	-	-	-	-	-	-	(342,241)	-	(342,241)	(342,241)
PPAF LEP Jan to June 2015	279,042	-	279,042	-	-	-	-	-	-	-	-	279,042	279,042	-	279,042
Oxfam Novib - Citizens First	-	(1,000)	(1,000)	-	-	-	-	-	-	-	-	(1,000)	-	(1,000)	(1,000)
TDEA- CADG in Pakistan Aug15 to Mar 16	-	(5,704)	(5,704)	-	-	-	-	-	-	-	-	(5,704)	-	(5,704)	(5,704)
LPH - Chodwan May to Dec 2015	-	(24,358)	(24,358)	-	-	-	-	-	-	-	-	(24,358)	-	(24,358)	(24,358)
UNDP Youth Employment project	-	(1,500)	(1,500)	-	-	-	-	-	-	-	-	(1,500)	-	(1,500)	(1,500)
GEP (AF) -National Coordination for Bar Council - Grant Cycle 8	-	(79,858)	(79,858)	-	-	-	-	-	-	-	-	(79,058)	-	(79,058)	(79,058)
Oxfam Novib-CF year 2	-	(114,008)	(114,008)	-	-	-	-	-	-	-	-	(114,008)	-	(114,008)	(114,008)
BHC- Magna Carta	2,064,133	-	2,064,133	-	-	-	-	-	-	-	-	2,064,133	2,064,133	-	2,064,133
SEF Middle & High School Program	-	(1,852,476)	(1,852,476)	10,631,258	(9,218,561)	(360,800)	-	(9,578,561)	-	-	-	(799,767)	-	(799,787)	(799,797)
Global Partnership for Education (GPE) Region1	-	(3,986,731)	(3,986,731)	11,607,716	(6,410,114)	(1,218,871)	-	(7,628,985)	-	-	-	-	-	-	-
Global Partnership for Education Region 4	-	(4,785,283)	(4,795,293)	11,857,299	(7,755,831)	691,015	-	(7,062,816)	-	-	-	-	-	-	-
USAID small Grants	-	(1,494,964)	(1,494,964)	1,497,813	-	-	-	-	-	-	-	2,849	2,849	-	2,849
UNICEF Engaging Youth andcommunities for the promotion of SCR in Sindh July-16 to June-17	-	(100)	(168)	-	-	-	-	-	-	-	-	(100)	-	(100)	(160)
OH Strategic Partnership Dialogue and Dissent	562,971	-	562,971	-	-	-	-	-	-	-	-	562,971	562,971	-	562,571
WaterAid-Wash	-	(4,482)	(4,402)	-	-	-	-	-	-	-	-	(4,482)	-	(4,482)	(4,402)
SEF Assisted School (SAS)	-	(278,275)	(278,275)	2,597,700	(2,666,876)	-	-	(2,666,070)	-	-	-	(346,645)	-	(346,645)	(346,645)
Jhpiego Logistical support in MCHIP Districts	125,375	-	125,375	-	-	-	-	-	-	-	-	125,375	125,375	-	125,376
Trocaire - Policy Advocacy and Research to Strengthen implementation of Pro-Women	2,744,483	-	2,744,483	-	-	-	-	-	-	-	-	2,744,483	2,744,483	-	2,744,483
Pakistan Mother Languages Literature Festival 2017	171,413	-	171,413	-	-	-	-	-	-	-	-	171,413	171,413	-	171,413
Heinrich Boll Stiftung-PMLLF-2018	-	(75,000)	(75,000)	75,000	-	-	-	-	-	-	-	-	-	-	-
FOSI-Pakistan Mather Languages Literature Festival 2017	-	(3,593)	(3,593)	-	-	-	-	-	-	-	-	(3,593)	-	(3,593)	(3,593)
DAI —Accountable Justice in Pakistan Programme (AJPP)	29,907	-	29,907	-	-	-	-	-	-	-	-	29,987	29,907	-	29,907
ROZAN - Gender Sensitive Training for Justice Sector Actors	86,167	-	86,167	200,000	(64,000)	-	-	(64,008)	-	-	-	222,167	222,167	-	222,167
AALTP - Adolescent and Adult Learning and Training Programme (SEF)	-	(5,221,844)	(5,221,844)	4,342,647	(5,723,738)	(248,000)	-	(5,963,738)	-	-	-	(6,842,935)	-	(6,842,935)	(6,842,935)
CVP Grant Cycle-11, Improving Women Particiaption in Electoral Process in Pakistan	-	(2,485,525)	(2,485,525)	4,657,096	-	(2,171,571)	-	(2,171,571)	-	-	-	-	-	-	-
Oxfam - Accesx to Justice Project (AJP)	-	(1,174,114)	(1,174,114)	3,805,749	441,260	(450,800)	-	(8,748)	-	-	-	2,622,895	2,622,895	-	2,622,895
FOSI - Right to Education to Marginalized Communities	7,977,068	-	7,977,068	-	(7,153,053)	(829,100)	-	(7,982,153)	-	5,065	-	-	-	-	-
Trocaire Phase 2: Policy Advocacy and Research to Strengthen Implementation of Pro-Women	-	(486,014)	(486,814)	-	1	(1)	-	-	-	-	-	(486,014)	-	(486,814)	(488,814)
TDEA-UNDP	-	(1,545,121)	(1,545,121)	3,914,755	(2,460,424)	-	-	(2,460,424)	-	-	-	(90,790)	-	(90,790)	(90,790)
Unicef-Resilient, informed and safer schools and communities project	2,772,897	-	2,772,597	5,973,266	(8,808,238)	-	-	(8,800,238)	(762)	-	-	(82,829)	-	(62,829)	(62,829)
Mercy Corps-TGF-NFR	121,857	-	121,857	14,916,977	(18,918,752)	-	-	(16,918,752)	-	-	-	(1,677,918)	-	(1,877,918)	(1,877,918)
Oxfam Enhancing CSDs' contributions	1,382,439	-	1,382,439	2,753,112	(4,165,415)	(50,600)	-	(4,155,415)	-	19,864	-	-	-	-	-
Action Aid LRP 39	-	(277,561)	(277,581)	1,547,446	(1,269,885)	-	-	(1,269,865)	-	-	-	-	-	-	-
WaterAid-Wash Phase II	2,092,929	-	2,092,929	16,698,218	(18,835,456)	-	-	(18,836,456)	-	-	-	(45,309)	-	(45,309)	(45,309)
ON Oxfam Strategic Partnership Dialogue Year 3	2,955,822	-	2,955,822	1,578,664	(4,978,858)	(374,275)	-	(5,345,133)	-	-	-	(818,647)	-	(810,647)	(810,647)
NCA-Transforming communities for peaceful co-existence	3,577,518	-	3,577,518	4,818,138	(5,901,748)	-	-	(5,901,748)	-	-	-	1,693,892	1,693,892	-	1,653,892
Trocaire-Phase 3 Policy Advocacy and Research on Strengthening implementation of GBV Resp	-	(424,145)	(424,145)	3,980,819	(6,005,903)	(335,499)	-	(6,421,402)	-	-	-	(2,864,728)	-	(2,864,728)	(2,864,728)
Oxfam Improved Access to Fair, Legitimxte and Effective Justice	-	-	-	8,764,837	(14,388,299)	(1,350,800)	-	(15,730,299)	-	-	-	(5,945,462)	-	(5,945,462)	(5,945,462)
VSO Pakistan	-	-	-	18,917,976	(10,667,976)	(250,800)	-	(10,917,976)	-	-	-	-	-	-	-
Caritas Policy Advocacy and Research	-	-	-	21,700,267	(21,565,806)	(558,275)	-	(22,123,283)	-	-	-	(423,818)	-	(425,816)	(423,016)
Oxfam Strategic Partnership Dialouge Phase 4	-	-	-	1,100,000	(3,752,528)	(337,100)	-	(4,869,628)	-	-	-	(2,589,628)	-	(2,989,828)	(2,989,628)
PMLLF 2019	940,329	-	940,329	-	(940,329)	-	-	(940,329)	-	-	-	-	-	-	-
TDEA-UNDP Strengthening Electoral and Legislative Processes	-	-	-	1,576,300	(2,118,054)	(99,999)	-	(2,219,053)	-	-	-	(633,753)	-	(633,753)	(633,753)
Water Aid Phase III	-	-	-	3,343,500	(2,021,993)	(156,800)	-	(2,177,903)	-	-	-	1,165,507	1,165,507	-	1,165,507
TDEA-Citizen Voice Project	-	-	-	33,550	(955,202)	-	-	(955,202)	-	-	-	(921,652)	-	(921,652)	(921,652)
NCA-Transforming Communities for Peaceful Co-existence-Phase II	-	-	-	-	(482,699)	-	-	(482,099)	-	-	-	(482,099)	-	(482,099)	(482,099)
Unicef-UN Maternal and Child Stunting Reduction Program	-	-	-	2,257,620	-	(188,618)	-	(188,610)	-	-	(291,788)	1,785,222	1,785,222	-	1,785,222
IRC-Rollout of GBV emergency	-	-	-	347,900	-	-	-	-	-	-	-	347,900	347,900	-	347,900
Caritas Policy Advocacy and Research on strengthening Phase II	-	-	-	-	(788,720)	(61,450)	-	(778,170)	-	-	-	(776,178)	-	(776,170)	(770,170)
	31,470,504	(25,423,836)	6,047,466	157,717,607	(165,489,165)	(8,323,736)	-	(173,812,001)	(762)	24,949	(291,788)	(18,315,427)	17,403,818	(27,719,345)	(18,315,427)
Networks housed in SPO:															
Institute of Healthcare Improvement (IHI) Secretariat	101,935	-	101,935	-	-	-	-	-	-	-	-	101,935	101,935	-	101,935
CARE-NHN-AHG	-	(96)	(56)	-	-	-	-	-	-	-	-	(56)	-	(56)	(56)
TEAR FUND-NHN-STP	-	(128,461)	(120,481)	-	-	-	-	-	-	120,461	-	-	-	-	-
Spate Africa to Asia and back-year 2	-	(392,271)	(392,271)	3,927,259	(3,118,735)	-	-	(3,118,735)	-	-	-	424,244	424,244	-	424,244
NHN Membership	-	(157,534)	(157,534)	-	-	-	-	-	-	-	-	(157,534)	-	(157,534)	(157,534)
ActionAid-NHN-Localization of Shared Roaster for Accountable & Humanitarian Governance	-	(1,358,756)	(1,358,756)	1,373,935	-	-	-	-	-	-	-	15,179	15,179	-	15,179
Trocaire NHN-Strengthening FATA Coordination Mechanism-NHN Support	-	(40,122)	(40,122)	-	-	-	-	-	-	-	-	(48,122)	-	(48,122)	(48,122)
ADPC NHN-Asian Disaster Preparedness Center, Thailand	-	(254,163)	(254,163)	-	44,800	(44,800)	-	-	-	-	-	(254,163)	-	(254,163)	(254,163)
ADPC-NHN Phase II Asian Disaster Preparedness Center	5,818,699	-	5,918,899	16,481,307	(15,959,712)	(274,050)	-	(16,133,762)	-	-	-	258,244	254,244	-	258,244
	6,012,634	(2,523,363)	3,648,271	15,782,492	(18,925,647)	(318,850)	-	(19,244,497)	-	120,461	-	347,727	799,602	(451,875)	347,727
Total	37,483,138	(27,746,399)	9,736,739	173,500,099	(184,414,812)	(8,642,586)	-	(193,057,388)	(762)	145,410	(291,788)	(9,967,700)	18,203,528	(28,171,220)	(9,967,780)

Jpm

		Note	2019	2018
			----Rupees----	
19	ACCRUED AND OTHER LIABILITIES			
	Accrued liabilities		3,812,905	3,724,011
	Other liabilities			
	Payable to suppliers	19.1	6,837,775	10,259,776
	Vendors sales tax payable	19.2	1,079,970	131,286
	Payable to staff		1,048,275	964,106
	Employees' provident fund payable	19.3	460,329	4,099,721
	Withholding tax payable		84,586	552,339
	Others		10,535	10,549
			9,521,470	16,017,777
			13,334,375	19,741,788

19.1 This represents amount payable to suppliers against postage, stationery and fuel etc.

19.2 This represents the amount payable to Government on account of sales tax withheld from suppliers.

19.3 This represents the amount payable to company's emplyees provident fund.

20 CONTINGENCIES AND COMMITMENTS

20.1 In April 2017, the Assistant Commissioner Inland Revenue (IR), vide orders dated 29 April, 2017, raised an aggregate demand of Rs. 132.1 million against the Company, on account of default in withholding of taxes for payments made in the tax years 2012 and 2013. The Company has filed an appeal against the order with the Commissioner Inland Revenue (Appeals) whereby the case was remanded back to the taxation officer for reassessment. Pending the outcome of the matter, no provision had been made in these financial statements for the demand raised by the taxation authorities as at 30 June 2018. Subsequent to the year end, on 17 July 2019, Appellate Tribunal Inland Revenue (ATIR) has remanded back for re-examination of the case to the assessing officer. To date no order has been passed by the tax authorities.

20.2 There are no commitments, as at the end of the current and prior year.

		Note	2019	2018
			----Rupees----	
21	GRANT INCOME			
	Programme expenditure	21.1	193,057,398	298,353,925
	Amortization of deferred grants	17	1,621,294	5,494,681
			194,678,692	303,848,606
	Exchange loss realized on foreign grant		-	(10,167,494)
			194,678,692	293,681,112

21.1 PROGRAMME EXPENDITURE

	2019	2018
Caritas	22,893,453	-
Wateraid Wash	21,014,449	10,828,283
Sindh Education Foundation	18,208,369	28,482,247
Mercy Corps	16,918,752	27,210,210
Oxfam Access to Justice	15,739,039	12,987,745
Global Partnership for Education	14,683,001	22,554,463
VSO Pakistan	10,917,976	-
United Nations International Children's Emergency Fund (UNICEF)	8,808,230	6,666,520
Foundation Open Society Insitute	7,982,153	8,602,301
Trocaire	6,421,402	21,728,869
NCA - Transforming Communities for peaceful co-existene	6,383,847	91,879
Oxfam Strategic Partnership Dialogue Year 3	5,345,133	-
Trust for Democratic Education and Accountability (TDEA)	4,670,477	-
Oxfam Enhancing CSOs' contributions	4,155,415	1,460,073
Oxfam Strategic Partnership Dialogue Year 4	4,089,628	-
Particiaption In Electoral Process in Pakistan	2,171,571	6,525,448
Action Aid- Local Rights Programme (LRP)	1,269,865	4,108,781
TDEA - Citizen's Voice Project	955,202	-
PMLLF 2019	940,329	-
Unicef-UN Maternal and Child Stunting Reduction Program	180,610	-
Rozan	64,000	272,361
Development Alternatives, Inc (DAI)	-	69,519,305
Jhpiego - Improving Meternal and Child Health Services	-	21,310,665
ON - Strategic Partnership Dialogue	-	15,314,518
USAID Small grants fund	-	11,565,885
TDEA - United Nations Development Programme (UNDP)	-	4,525,013
Oxfam Novib - Strategic Partnership Project	-	1,627,831
PMLLF 2018	-	1,426,092
Development Alternatives, Inc (DAI) - AJPP	-	829,242
Heinrich Boll Stiftung	-	750,000
Aurat Foundation - GEP	-	13,282
	173,812,901	278,401,013

		2019	2018
		---Rupees---	
Networks housed in SPO:			
NHN - Asian Disaster Preparedeness Center, Thailand		16,133,762	5,746,635
Spate irrigation		3,110,735	3,507,907
NHN -Actionaid		-	5,363,898
NHN -Tearfund		-	3,950,676
NHN -Strengthinig FATA Coordiantion Mechanism		-	1,192,756
NHN Membership fee		-	191,040
		19,244,497	19,952,912
		193,057,398	298,353,925

22 PROGRAMME EXPENSES

	Note	2019	2018
Salaries and benefits	22.1	109,403,955	158,054,696
Training and development		49,022,883	47,395,523
Traveling and conveyance		29,115,729	29,943,440
Resource materials and publications		14,704,845	9,475,802
Vehicle running and maintenance		14,078,922	25,678,159
Office rent		10,860,375	16,304,741
Office supplies		3,225,824	8,392,943
Maintenance and renovation		2,204,912	5,866,288
Monitoring, evaluation and reporting		-	7,800
		232,617,445	301,119,392

22.1 Provident fund contributions made during the year and included in salaries and benefits, amount to Rs. 21,113,567 (2018: Rs. 21,099,211).

23 GRANTS TO COMMUNITY BASED ORGANIZATIONS (CBD) / OTHERS

	Note	2019	2018
		---Rupees---	
Material supplies	23.1	2,778,316	5,742,748
Grant/ support to government departments		374,810	1,020,000
Network secretarial support		58,300	-
Food items and commodities		774	5,000
Support Aawaz Forums and CPOs	23.2	-	12,953,878
Direct expense		-	1,145,984
		3,212,200	20,867,610

23.1 This represents support costs incurred through the provision of various items of furniture and fixtures to government schools in Sindh

23.2 This represented direct expenses incurred on the running of Agahi Centers in various regions across Pakistan and administrative support provided to various district forums related to DAI Aawaz Programme. The Project was closed on 20 March 2018.

24 ADMINISTRATIVE EXPENSES

	Note	2019	2018
		---Rupees---	
Depreciation	6.1	3,716,999	7,734,580
Utilities		3,555,349	5,070,139
Sales tax		3,060,655	1,962,234
Telephone and postage		2,677,625	4,488,968
Office security		1,412,156	8,443,007
Legal and professional charges	24.1	1,016,949	2,283,332
Auditors' remuneration	24.2	745,000	1,077,000
Procurement expense		638,841	5,929,335
Repairs and maintenance		487,402	1,569,143
Training expenses		462,243	2,062,508
Bank charges		230,511	344,464
Other receivables written off		200,000	148,673
Grant receivables written-off	18.1	145,410	-
Amortization	8	141	4,887
Miscellaneous expenses		-	124,558
		18,349,281	41,242,828

24.1 This includes various payments made against retainer ship fees to legal advisors, mutation of properties and surveys conducted for land.

24.2 Auditors' remuneration

	2019	2018
	---Rupees---	
Audit fee of statutory financial statements (SPO and SDE)	645,000	745,000
Audit fee of statutory consolidated financial statements	-	70,000
Audit fee of other projects	-	140,000
Out of pocket expenses (SPO and SDE)	100,000	122,000
	745,000	1,077,000

		Note	2019	2018
			----------------Rupees----------------	
25	OTHER INCOME			
	Income from financial assets			
	Return on savings accounts		7,605,593	4,966,067
	Return on investment in TDR's		6,410,959	1,779,308
			14,016,552	6,745,375
	Income from non-financial assets			
	Gain on sale of fixed assets		223,681	2,235,026
	Exchange gain - net		603,311	2,581,614
	Rental income of SPO building		1,185,000	1,775,585
	Reversal of contribution payable to EOBI		-	836,140
	Fair value gain on investment property	7	6,802,200	-
	Donation in-kind		2,018,500	-
	Miscellaneous income		105,599	454,629
			10,938,291	7,882,994
	Others			
	Liabilities written-back		-	41,232
	Income from training units		545,550	1,632,527
			545,550	1,673,759
			25,500,393	16,302,128
26	OTHER OPERATING EXPENSES			
	Receivables from subsidiary net - written-off		-	9,603,722
	Loss on investment property		-	3,663,867
			-	13,267,589
27	TAXATION			
	Current	27.1	93,432	917,520

27.1 This represents the provision for taxation against taxable income arising from activities outside the ambit of the tax credits provided under section 100C to the Income Tax Drdinance, 2001, as applicable to charitable organizations.

		Note	2019	2018
			----------------Rupees----------------	
28	CASH AND CASH EQUIVALENTS			
	Short-term investments	14	130,000,000	-
	Cash and bank balances	15	51,560,973	255,891,619
			181,560,973	255,891,619
29	SPO RECEIPTS			
	Opening balance		213,968,998	281,273,749
	Effect of adoption of IFRS 9		(2,263,852)	-
	Receipts during the year		24,856,344	700,830
	Amortisation of deferred grant		1,621,294	5,494,681
	Amortisation of revaluation surplus on property		369,051	369,051
	Services charged against projects		2,768,636	6,635,547
	Expenditure incurred		(64,378,522)	(80,504,860)
	Net deficit		(37,027,049)	(67,304,751)
	Closing balance		176,941,950	213,968,998
30	SPO TRAINING UNITS			
	Opening balance		76,580,934	75,492,080
	Receipts during the year		545,550	1,632,527
	Services charged against projects		672,300	1,518,835
	Expenditure incurred		(462,243)	(2,062,508)
	Net surplus		755,607	1,088,854
	Closing balance		77,336,541	76,580,934
31	VEHICLE RESERVE FUNO			
	Opening balance		74,954,634	75,801,386
	Receipts during the year		98,499	137,410
	Services charged against projects		5,201,650	5,783,460
	Expenditure incurred		(5,746,105)	(6,767,622)
	Net deficit		(445,956)	(846,752)
	Closing balance		74,508,678	74,954,634

32 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

32.1 Financial assets and financial liabilities

i) Financial assets

	2019	2018
	At amortised cost	Loans and receivables
	----------------Rupees----------------	
Grant receivable against operating activities	28,171,220	27,746,399
Advances to employees	3,417	29,213
Deposits	2,132,585	2,099,385
Interest accrued	451,438	28,433
Other receivables	3,159,257	1,507,246
	33,917,917	31,410,676
Short-term investments	130,000,000	-
	163,917,917	31,410,676

	2019	2018
	--------- Rupees ---------	
ii) **Financial liabilities**		
Accrued and other liabilities - at amortised cost	**11,709,490**	14,958,442

32.2 **Financial risk management**

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Board of Directors of the Company has the overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to the limits. Risk management policies and systems are reviewed regularly to reflect the changes in conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors reviews and agrees policies for managing each of the above risks which are summarized below:

32.3 **Concentration of credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its operating activities.

The Company's credit risk is primarily attributable to its grant receivable against operating activities, deposits, advances to employees, other receivables, investments and balances with banks. The credit risk on balances with banks is very minimal. The Company attempts to control credit risk by keeping track of its expenditure in respect of various projects and obtaining advance funding for project activity from the donor. The Company is not materially exposed to credit risk.

The Company establishes an allowance for impairment that represents its estimates of expected credit losses in respect of grants and other receivables.

32.4 **Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was against:

	Note	2019	2018
		---------------Rupees---------------	
Grants receivable	18	**28,171,220**	27,746,399
Advances to employees against salary	10	**3,417**	29,213
Deposits	11	**2,432,585**	2,399,385
Interest accrued		**451,438**	28,433
Other receivables	12	**3,159,257**	3,771,321
Short-term investments	14	**130,000,000**	-
Bank balances	15	**51,395,765**	255,683,624
		215,613,682	289,658,375

The credit quality of cash and bank balances and short term investments that are neither past due nor impaired, can be assessed by reference to external credit ratings. Credit ratings and exposure of bank balances and investments with each of the counterparties are as follows:

32.4.1 **Quality of Financial assets**

Short term investments and bank balances

Being the low risk instruments, the Company has assessed an allowance based on 12-month ECLs. Based upon below mentioned high external credit rating ECLs relating to cash at bank and short term investments of the Company rounds to zero.

	Long Term Rating	Short Term Rating	Rating agency	Rupees
Short-term investments				
Standard Chartered bank	AAA	A1+	PACRA	**130,000,000**
Savings accounts				
Standard Chartered bank	AAA	A1+	PACRA	**34,113,809**
United Bank Limited	AAA	A1+	SBP	**3,635,286**
Allied Bank Limited	AAA	A1+	PACRA	**1,199,656**
Habib Bank Limited	AAA	A1+	SBP	**6,065,489**
MCB Islamic Bank	A	A1	PACRA	**1,453**
Silk Bank Limited	A-	A2	SBP	**8,383**
Askari Bank Ltd.	AAA	A1+	PACRA	**15,000**
Sindh Bank Limited	A+	A1	SBP	**6,356,689**
				51,395,765
				181,395,765

32.4.2 Grant receivable and other receivables

The credit quality of grant receivables can be assessed by reference to the default history of donors. The Company has assessed an allowance based on life time ECL, using the loss rate approach based upon reasonable and supportable information that is available, without undue cost and effort at the reporting date, about past events, current conditions and forecast of future economic conditions that are relevant to the estimates of ECLS. Based upon the loss rate, ECLs relating to grant receivable have been incorporated in these financial statements.

An analysis of the corresponding ECLs is, as follows:

	Stage 2	Stage 3	Total
		Rupees	
ECL as at 01 July 2018	2,263,852		**2,263,852**
New assets originated or purchased	729,324	-	**729,324**
Transfer to Stage 3	(2,263,852)	2,263,852	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-
As at 30 June 2019	729,324	2,263,852	2,993,176

32.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations, as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected cash outflows during its operating cycle. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

	2019	2018
	Rupees	
Accrued and other liabilities		
Within one year	**12,789,460**	15,089,728
Between one and five years	-	-
	12,789,460	15,089,728

32.6 Market risk

Market risk, is the risk that results from changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is not exposed to any significant market risks from its operating activities.

a) Interest rate risk

The Company's interest bearing instruments consist of investments in TDRs and balances in savings accounts, amounting to Rs. 130,000,000 (2018: Rs. Nil) and Rs. 36,336,939 (2018: Rs. 108,462,323). Applicable interest rates for (i) the investment in TDR's is 9.75% (2018: Nil) and (ii) balances in saving accounts range from 4.5% to 10.25% (2018: 4.55% to 6.20%) per annum. However, these carry fixed interest rates and, therefore, are not exposed to interest rate risk.

b) Currency risk

The Company's financial assets amounting to Rs. 924,391 (2018: Rs. 10,609,184) are exposed to foreign exchange rate risk. Foreign currency risk arises due to financial assets denominated in foreign currencies in the financial statements.

Foreign currency sensitivity

Management runs a sensitivity analysis (what-if analysis) in case the EURO, GBP and USD currencies appreciate versus the functional currency by 10%.

A 10% depreciation of the EURO, GBP and USD versus the functional currency, would have reduced the deficit for the year by Rs. 92,439 (2018: Rs. 1,060,918) and vice versa.

The following significant exchange rates applied during the year:

	Average rate during the year	Spot rate on reporting date
2019		
USD	141.61	161.62
GBP	182.83	206.24
EURO	163.23	184.88
2018		
USD	120.76	121.60
GBP	148.05	159.41
EURO	123.19	141.57

c) **Determination of fair values**

The carrying values of financial instruments approximate their fair values. The fair values of these financial instruments are determined as the present value of future cash flows, discounted at market rates of interest at the reporting date. The fair value of financial assets is determined for disclosure purposes only.

32.7 **Fair value of financial assets and liabilities**

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

33 CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so it can achieve its primary objectives, provide benefits for other stakeholders and maintain a strong capital base to support the sustained development of its business, in line with the objects of the Company.

34 NUMBER OF EMPLOYEES

	2019	2018
Number of employees	73	139
Average number of employees during the year	212	167

35 RELATED PARTY DISCLOSURES

The related parties of the Company, comprise of subsidiary and key management personnel, (comprising of the Chief Executive Officer, directors and executives) and the Company's Employees' Provident Fund. The remuneration of the Chief Executive Officer has been disclosed in note 36 to the financial statements. Other related party transactions, not disclosed elsewhere, are as follows:

		2019	2018
		---------------Number---------------	
TRANSACTIONS WITH SUBSIDIARY			
Expenditure incurred on behalf of the subsidiary		-	3,457,714
Services acquired from the subsidiary		-	1,114,485
Settlement of receivables from the subsidiary - net		-	7,927,705
TRANSACTIONS WITH EMPLOYEES' PROVIDENT FUND			
Contribution paid to employees' provident fund	22.1	21,113,567	21,099,211

36 REMUNERATION OF CHIEF EXECUTIVE OFFICER, EXECUTIVES AND DIRECTORS

	Chief Executive Officer		Executives	
	2019	2018	2019	2018
	---------Rupees---------		---------Rupees---------	
Managerial remuneration	4,495,391	4,829,000	18,591,926	28,303,720
Provident fund and others	577,972	244,760	2,686,287	2,852,192
Special allowance	145,600	148,100	1,420,235	1,751,420
Bonus	-	-	-	40,800
	5,218,963	5,221,860	22,698,448	32,948,132
Number of persons	1	1	15	15

36.1 The Directors of the Company were not paid any managerial remuneration or allowance in the current or prior period.

37 PROVIDENT FUND TRUST

The Company maintains a separate, approved contributory provident fund for all employees. All the investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and rules formulated thereof.

38 GENERAL

Figures have been rounded off to the nearest Rupee.

39 CORRESPONDING INFORMATION

Certain corresponding figures have been re-arranged, where necessary, to ensure a better presentation.

From	To	Note	--- Rupees ---
Grant receivable	Unspent grant	17	(2,096,660)

The impact of the above classification on the opening balances was not material. Accordingly third balance sheet has not been presented.

40 OATE OF AUTHORIZATION

These financial statements were authorized for issue on ______________ by the Board of Oirectors of the Company.

CHIEF EXECUTIVE OFFICER

DIRECTOR