NATIONAL DISASTER RISK MANAGEMENT FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2022

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A·F·FERGUSON&Co.

August 29, 2022
159 R

The Board of Directors
National Disaster Risk Management Fund (the Company)
Islamabad

Dear Sirs

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

We enclose six copies of the above referred financial statements of the Company together with our draft audit report thereon initialed by us for identification purposes. We shall be pleased to sign our report in present or amended form after:

a) the Company's above referred financial statements have been approved by the Board of Directors (the Board) and signed by the Chief Executive Officer and a Director authorized by the Board in this behalf;

b) we have seen the Board's specific approval for the items listed in Annexure to this letter;

c) we have reviewed the Company's statement of compliance with the code of public sector entities;

d) we have received a representation letter on the lines of enclosed draft, duly signed by the Chief Executive Officer and Chief Financial Officer of the Company; and

e) we have received other information to be included in the report, if any, for our verification as required by ISA 720, "Other information in the documents containing audited financial statements".

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

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

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Annexure

NATIONAL DISASTER RISK MANAGEMENT FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Items requiring the Board's specific approval as referred to in our letter 159 R dated August 29, 2022.

	Rupees in '000
i) Property, plant and equipment	
Operating fixed assets	
- Additions during the year - at cost	14,761
- Deletions during the year – net book value	621
Capital work-in-progress	
- Additions during the year - at cost	5,750
ii) Contribution to the provident fund:	
- Employer contribution	10,850
- Employee contribution	10,850
iii) Disbursements made to the Fund Implementing Partners during the year	1,018,924
iv) Transfer from endowment fund to restricted fund	551,550

v) Investments made during the year including those disclosed in note 10 to the financial statements;

vi) Contingencies and commitments as specified in note 17 to the financial statements;

vii) Programme expenditure incurred by National Disaster Risk Management Fund as disclosed in note 19 to the financial statements;

viii) Transactions with related parties as disclosed in note 20 to the financial statements; and

ix) Remuneration of Directors, Chief Executive and Executives as disclosed in note 22 to the financial statements.

3. EMPLOYEES CONTRIBUTORY PROVIDENT FUND

We noted that the Employees Contributory Provident Fund (the Fund) maintained by the Company for benefit of its employees is still not recognized under the sixth schedule to the Income Tax Ordinance, 2001 (the Ordinance). The related recognition would not only entail the members of Fund to avail tax concessions available under the Ordinance but would also help avoid unnecessary deduction of withholding tax for the Fund under various provisions of the Ordinance. We recommend that efforts be made for obtaining necessary approval / recognition of the Fund for tax purposes and in the meanwhile tax incidence as attracted upon final settlements of leavers be cautiously considered, and complied as per the related provisions of the Ordinance.

4. INCOME TAX REFUNDABLE

The Company has carried a cumulative income tax refund of Rs 25.5 million as at June 30, 2022 which pertains to prior years. In this respect, we have been apprised that the Company has filed the applications for refund of income tax with the department of Inland Revenue but the same are pending for disposal. We recommend that refund applications be appropriately followed for their disposal within the timelines prescribed in the statute and thereafter, the likelihood of recoverability or utilization of tax refunds be assessed. Further, adjustments, if any required, be incorporated in the books of account accordingly.

5. PROJECT AUDITS OF FUND IMPLEMENTING PARTNERS

We noted that the project audits of the grant disbursed to the Fund Implementing Partners (FIPs) were not being conducted by NDRMF for the related programs. It is recommended to conduct such audits on a periodic basis for efficient progress tracking according to Grant implementation agreements. We recommend that the frequently and timely project audit should be conducted to check that the grant funds are being used in effective and efficient manner.

6. RENEWAL OF LOAN AGREEMENTS

Certain loan and grant agreements entered into by Asian Development Bank, relating to NDRMF, will expire on the November 30, 2022. In this respect we have been given to understand that related matter is procedural in nature and would be appropriately addressed as and when due. We recommend that related matters be followed for timely renewals as to ensure the smooth continuity of the operations of the Company.

7. INFORMATION SYSTEM

We noted that the Company has implemented and transited to a newly integrated ERP. The management is not able to extract complete general ledgers from the system. We recommend that necessary assessment be made of the new system for the limitations involved and thereafter, if required, modifications be made of existing modules as to cater needs of various stakeholders as well as the internal reporting needs, statutory requirements, donor reporting etc. Further, in order to establish familiarity and to improve upon user experiences, trainings and awareness sessions of the concerned staff be also conducted.

8. PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013 (THE CODE)

The Company is required to report on compliance with requirements of the Code. Whilst the non compliances have been appropriately reported in the draft statement of compliance with the Code, yet we feel appropriate in outlining that steps be taken and concerned pursued for attaining full compliance of the Code.

9. SHARED COST ALLOCATION

We noted that costs pertaining to employees, rent, utilities, repair and maintenance, travelling expenses etc. have been charged to 'operational support expenditure' by the Company and have not been allocated to programme expenditure. Further we also noted that time sheets are not prepared by employees of the Company as to determine their accurate effort level allocable for programme activities. We recommend that the activity cost drivers are duly identified and the basis of allocation thereof be determined and assess the appropriateness of allocation of costs. In this respect, reference may be made to preferred practices, where in cost of various shared/common services are identified at each component level and are allocated on a defined basis after considering the benefit derived by each concerned department from each of the cost components.

10. We may add that our normal audit procedures are designed primarily with a view of expressing our opinion on the year-end financial statements as a whole and not to provide an independent assurance on the internal control structure. Further, an audit/review is undertaken on a test basis thus due to sampling and inherent limitation all items under a specific account head may not be subject to our procedures. Accordingly, the matters identified in this letter represent only certain of those items which came to our notice during the course of the review and same should not be construed to have included all the possible accounting and critical maters which a more extensive or directional special examination might reveal.

11. We wish to take this opportunity to express our appreciation of the cooperation and courtesy extended to us by all concerned during the course of the audit.

Yours truly

A.F.Ferguson & Co.

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INDEPENDENT AUDITOR'S REPORT

To the members of National Disaster Risk Management Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of National Disaster Risk Management Fund (the Company), which comprise the statement of financial position as at June 30, 2022, and the statement of comprehensive income, the statement of changes in net assets, 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 statement of comprehensive income, the statement of changes in net assets and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2022 and the comprehensive income, the changes in net assets and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

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KARACHI LAHORE ISLAMABAD

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

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. JehanZeb Amin.

A.F.Ferguson & Co.

Chartered Accountants
Islamabad
Date: December 20, 2022
UDIN: AR2022100832XMCaNQ3L

NATIONAL DISASTER RISK MANAGEMENT FUND
(A Company under section 42 of the Companies Act, 2017)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	2022	2021
		-------- Rupees in '000 --------	
ASSETS			
NON- CURRENT ASSETS			
Property and equipment	5	94,679	123,753
Intangible assets	6	274	1,989
Long term security deposits	7	6,814	6,073
		101,767	131,815
CURRENT ASSETS			
Advances and prepayments	8	238,318	484,506
Accrued interest	9	816,878	524,480
Income tax refundable		25,543	24,632
Short-term investment	10	13,995,838	13,561,092
Cash and bank balances	11	5,815,649	6,016,945
		20,892,226	20,611,655
TOTAL ASSETS		20,993,993	20,743,470
LIABILITIES			
NON-CURRENT LIABILITIES			
Restricted fund	16	5,996,866	6,451,943
Deferred grant	12	94,953	125,742
Lease liabilities	13	-	25,509
		6,091,819	6,603,194
CURRENT LIABILITIES			
Accrued and other liabilities	14	2,230	6,875
Current portion of lease liabilities	13	29,471	26,791
		31,701	33,666
TOTAL LIABILITIES		6,123,520	6,636,860
NET ASSETS		14,870,473	14,106,610
REPRESENTED BY:			
Endowment fund	15	14,870,473	14,106,610
		14,870,473	14,106,610
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes 1 - 27 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

NATIONAL DISASTER RISK MANAGEMENT FUND
(A Company under section 42 of the Companies Act, 2017)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022	2021
		-------- Rupees in '000 --------	
INCOME			
Grant income recognized	16	2,353,866	5,281,249
Amortization of deferred grant	12.2	50,678	56,391
		2,404,544	5,337,640
EXPENDITURE			
Operational support expenditure	18	(314,984)	(290,111)
Programme expenditure	19	(2,038,882)	(4,991,138)
Depreciation and amortization	12	(50,678)	(56,391)
		(2,404,544)	(5,337,640)
Surplus for the year - before tax		-	-
Taxation		-	-
Surplus for the year - after tax		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

The annexed notes 1 - 27 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

NATIONAL DISASTER RISK MANAGEMENT FUND
(A Company under section 42 of the Companies Act, 2017)
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	Note	Endowment fund	Total
		--------- Rupees in '000 --------	
Balance as at July 1, 2020		12,978,301	12,978,301
Receipts		-	-
Other income		1,128,309	1,128,309
Transferred to restricted fund		-	-
		1,128,309	1,128,309
Balance at June 30, 2021		14,106,610	14,106,610
Balance as at July 1, 2021		14,106,610	14,106,610
Receipts		-	-
Other income		1,315,413	1,315,413
Transferred to restricted fund		(551,550)	(551,550)
		763,863	763,863
Balance at June 30, 2022	15	14,870,473	14,870,473

The annexed notes 1 - 27 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

NATIONAL DISASTER RISK MANAGEMENT FUND
(A Company under section 42 of the Companies Act, 2017)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022	2021
		-------- Rupees in '000 --------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Grant received during the year (net of transfers to deferred grant)		1,339,187	8,786,315
Payment against operational support expenditure and programme expenditure		(2,108,546)	(5,506,141)
Net cash generated from / (used in) operating activities		(769,359)	3,280,174
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	5.1	(14,761)	(1,245)
Addition to capital work-in-progress	5.3	(5,750)	-
Purchase of intangible assets	6	-	(109)
Short-term investment		(434,746)	(1,820,813)
Interest received		1,031,067	1,828,852
Net cash generated from / (used in) investing activities		575,810	6,685
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants received for property and equipment	12.1	20,511	1,354
Payment of finance lease obligation	13	(28,258)	(28,750)
Net cash generated from / (used in) financing activities		(7,747)	(27,396)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(201,296)	3,259,463
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		6,016,945	2,757,482
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	5,815,649	6,016,945

The annexed notes 1 - 28 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

1 LEGAL STATUS AND OPERATIONS

National Disaster Risk Management Fund (the Company) was incorporated on December 22, 2016 under Section 42 of the Companies Ordinance, 1984 (repealed by the Companies Act, 2017) as a public limited company not having a share capital. The Company was issued license under Section 42 of the Companies Ordinance, 1984, by the Securities and Exchange Commission of Pakistan (SECP) on December 19, 2016. The registered office of the Company is located at 5th Floor, EOBI House, Mauve Area, G-10/4, Islamabad.

The objective of the Company is to enhance Pakistan's resilience, strengthen the technical and financial capacity of the Government of Pakistan (GoP) and to reduce socio-economic and fiscal vulnerability of the Islamic Republic of Pakistan to climate and other natural hazards and disasters. The main sources of receipts of the Company are grants from Government of Pakistan disbursed out of loan from Asian Development Bank (ADB), International Development Association (IDA) and Agence Française de Développement (AFD) and grant of Australian Government and Swiss Agency for Development and Cooperation (SDC).

2 BASIS OF PREPARATION

(i) Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The approved 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 standards for Not for Profit Organisations (Accounting Standards 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 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.

(ii) Critical accounting estimates and judgements

The preparation of these financial statements in conformity with approved accounting standards requires the use of certain accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies.

Estimates and judgments are continually evaluated and are based on historic experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

(a)	Property and equipment - estimated useful life	(Note 5)
(b)	Right of use asset and corresponding lease liability	(Note 5)
(c)	Intangible assets - estimated useful life	(Note 6)

3 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

3.1 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company:

		Effective date (annual reporting periods beginning on or after)
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2023
IAS 12	Income Taxes (Amendments)	January 1, 2023
IFRS 4	Insurance contract (Amendments)	January 1, 2023
IAS 16	Property, Plant and Equipment (Amendments)	January 1, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IAS 41	Agriculture (Amendments)	January 1, 2022
IFRS 3	Business Combinations (Amendments)	January 1, 2022
IFRS 9	Financial Instruments (Amendments)	January 1, 2022
IFRS 16	Leases (Amendments)	January 1, 2022

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than on presentation / disclosures.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan, for the purpose of their applicability in Pakistan:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

The following interpretation issued by IASB has been waived off by the SECP:

IFRIC 12	Service concession arrangements

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation on property and equipment is calculated, using the straight line method, to allocate their cost over their estimated useful lives, at the rates mentioned in note 5. The Company charges depreciation on all additions to the items of property and equipment from the date asset is available for use till the date of its disposal. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, over its estimated useful life.

Subsequent costs, if reliably measurable, are included in the asset's carrying amount, or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the cost will flow to the Company. The carrying amount of any replaced parts as well as other repair and maintenance costs, are charged to income during the period in which they are incurred.

Useful lives are determined by the management based on the expected usage of an asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of assets and other similar factors.

The gain or loss on disposal of an asset, calculated as the difference between the sale proceeds and the carrying amount of the asset, is recognized in the income for the year.

4.2 Right of use (ROU) assets

The Company recognises a right-of-use asset, if the agreement has non-cancellable term of more than 12 months, at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the basis of term of the lease agreement in accordance with the principles of IFRS 16. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4.3 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. It consists of expenditure incurred and advances made in respect of operating fixed assets and intangible assets in the course of their acquisition, construction and installation.

4.4 Intangible assets

These are carried at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated using the straight line method, to allocate the cost of the intangibles over its estimated useful life, at the rates mentioned in note 6. Costs associated with maintaining intangible assets, are recognised as an expense as and when incurred. The Company charges amortization on additions from the date the asset becomes available for the intended use up to the date when it is derecognized.

4.5 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flows, cash and cash equivalents comprise cash in hand, bank balances and other short-term highly liquid investments (if any) with original maturities of three months or less.

4.6 Deferred capital grant

Grants related to property and equipment and intangible assets are accounted for by setting up the grants as deferred grant. These grants are recognized as income on a systematic basis over the useful life of the related property and equipment and intangible assets.

4.7 Lease liabilities

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Company determines the incremental borrowing rate, where possible, by using recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received and makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments in the measurement of the lease liabilities comprise the following:

a) fixed payments, including in-substance fixed payments;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c) amounts expected to be payable under a residual value guarantee; and
d) the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liabilities are subsequently measured at amortised cost using the effective interest rate method. They are remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit and loss if the carrying amount of right-to-use asset has been reduced to zero.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

4.8 Accrued and other liabilities

Accrued and other liabilities are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

4.9 Restricted fund

Restricted fund received for specific purpose are deferred when received and charged to income to the extent of actual expenditure incurred. Expenditure incurred against grant committed but not received is accrued and recognised in income and is reflected as grant receivable. Unspent portion of such grants are reflected as restricted grants in the statement of financial position. Endowment fund represents contribution subject to restriction specifying that resources contributed be maintained permanently and the returns thereon can be utilized to meet the core objectives of the Company by transfer to restricted fund. The Company follows deferral method of accounting for recognition of contribution as specified under accounting standards for NPOs issued by ICAP.

4.10 Income recognition

Income is recognised on accrual basis. Profit/markup on loans and bank accounts are recognised using the effective yield method.

Donation is recognized when there is reasonable assurance that the Company will comply with the conditions precedent to the grant and it will be received. Grant is recognized as income over such period as is necessary to match it with the related expenditure, on a systematic basis.

4.11 Expenditure

Expenses that are incurred in the normal operations of the Company are classified as operational support expenditure. The expenses that relate to a specific project are recognised as programme expenditure, whether incurred by the Company or Fund Implementing Partners (FIPs).

4.12 Employee's benefits

Defined contribution plan

The Company operates an approved contributory provident fund for permanent employees. Equal monthly contribution is made by both the Company and the employee to the fund as per Company's policy.

All the investments out of the Provident Fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

Compensated absences

The Company accounts for compensated absences on the basis of the unavailed earned leave balances of each employee, at the end of the year, based on the last drawn salary.

4.13 Taxation

In accordance with the provisions of clause 66 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, any income derived by the Company is exempt from tax. Further, the Company is also exempt from minimum tax under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Accordingly, no provision for taxation has been made in the financial statements. Income tax suffered at source is recognised as income tax refundable.

4.14 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). These financial statements are presented in Pakistan Rupees (Rs), which is the Company's functional and presentation currency.

4.15 Financial instruments - Initial recognition and subsequent measurement

Initial recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value or amortised cost as the case may be.

Classification of financial assets

The Company classifies its financial instruments in the following categories:

- at fair value through profit or loss ("FVTPL"),
- at fair value through other comprehensive income ("FVTOCI"), or
- at amortised cost.

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is 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 that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

By default, all other financial assets are subsequently measured at FVTPL.

The Company classifies its financial liabilities in the following categories:

- at fair value through profit and loss ("FVTPL"), or
- at amortised cost.

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Subsequent measurement

(i) Financial assets at FVTOCI

Investments elected to be as equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income / (loss).

(ii) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less any impairment.

(iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of income and expenditure and other comprehensive income. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of income and expenditure and other comprehensive income in the period in which they arise.

Where management has opted to recognise a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income/(loss). Currently, there are no financial liabilities designated at FVTPL.

Impairment of financial assets

IFRS 9 specifics the Expected Credit Loss (ECL) model, which requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost, since initial recognition, irrespective whether a loss event has occurred. The Company has not created any loss allowance for doubtful debts.

Derecognition of financial assets and liabilities

(i) Financial assets

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in statement of income and expenditure. In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to statement of income and expenditure. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to statement of income and expenditure, but is transferred to statement of changes in equity.

(ii) Financial Liabilities

The Company derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of income and expenditure and other comprehensive income.

4.16 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if the Company has legally enforceable right to set-off the recognised amounts and the Company intends to settle on a net basis or realise the asset and settle the liability simultaneously. Legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

4.17 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:

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

The principal or the most advantageous market is 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 Chief Financial Officer 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.

4.18 Endowment and restricted fund appropriation

Endowment fund and movement in restricted fund is recognised in the financial statements in the period in which these are approved.

5 PROPERTY AND EQUIPMENT

	Note	2022	2021
		-------- Rupees in 000 --------	
Operating fixed assets	5.1	51,077	65,299
Right of use assets	5.2	20,601	41,203
Capital work-in-progress	5.3	23,001	17,251
		94,679	123,753

5.1 Operating fixed assets

	Vehicles	Office Equipment	IT Equipment	Electric Equipment	Leasehold building / Improvements	Furniture and fixtures	Total
	--------------------	----------------	(Rupees in '000)	----------------	--------------------		
Year ended June 30, 2021							
Opening net book value	24,947	7,872	10,191	7,824	32,806	10,678	94,318
Additions	151	-	869	-	-	225	1,245
Depreciation for the year	(7,005)	(2,067)	(6,428)	(2,623)	(9,113)	(3,028)	(30,264)
Closing net book value	18,093	5,805	4,632	5,201	23,693	7,875	65,299
At June 30, 2021							
Cost	35,203	10,345	19,477	13,126	45,602	15,346	139,099
Accumulated depreciation	(17,110)	(4,540)	(14,845)	(7,925)	(21,909)	(7,471)	(73,800)
Net book value	18,093	5,805	4,632	5,201	23,693	7,875	65,299
Year ended June 30, 2022							
Opening net book value	18,093	5,805	4,632	5,201	23,693	7,875	65,299
Additions	12,742	-	1,816	-	-	203	14,761
Deletions	(151)	-	(471)	-	-	-	(622)
Depreciation for the year	(7,380)	(2,067)	(4,102)	(2,623)	(9,113)	(3,076)	(28,361)
Closing net book value	23,304	3,738	1,875	2,578	14,580	5,002	51,077
At June 30, 2022							
Cost	47,794	10,345	20,822	13,126	45,602	15,549	153,238
Accumulated depreciation	(24,490)	(6,607)	(18,947)	(10,548)	(31,022)	(10,547)	(102,161)
Net book value	23,304	3,738	1,875	2,578	14,580	5,002	51,077
Annual rate of depreciation in %	20%	20%	33.33%	20%	20%	20%	

5.2 Right of use assets

	2022	2021
	-------- Rupees in 000 --------	
Leasehold building		
Opening net book value	41,203	89,558
Additions	-	-
Deletions		
Cost	-	(29,824)
Accumulated Depreciation	-	4,556
		(25,268)
Depreciation charge for the year	(20,602)	(23,087)
Closing net book value	20,601	41,203
As at June 30, 2022		
Cost	82,407	82,407
Accumulated Amortization	(61,806)	(41,204)
Net book value	20,601	41,203
Annual rate of depreciation in %	16.67 - 25%	16.67 - 25%

5.3 Capital work-in-progress

	2022	2021
Balance as at July 1	17,251	17,251
Additions	5,750	-
Balance as at June 30, 2022	23,001	17,251

6 INTANGIBLE ASSETS

	2022	2021
Computer software		
Cost		
Balance as at July 1	9,151	9,042
Additions during the year	-	109
	9,151	9,151
Accumulated amortisation		
Balance as at July 1	(7,162)	(4,122)
Charge for the year	(1,715)	(3,040)
	(8,877)	(7,162)
Net book value	274	1,989
Rate of amortization in %	33.33%	33.33%

7 LONG TERM SECURITY DEPOSITS

These mainly represent security deposits paid for rented office premises in Islamabad and for fuel cards for official vehicles.

8 ADVANCES AND PREPAYMENTS

	Note	Audited Jun-22	Audited Jun-21
		-------- Rupees in 000 --------	
Net Advances to Fund Implementing Partners (FIPs)	8.1	236,133	483,262
Prepayments		2,185	1,244
		238,318	484,506

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		2022	2021
		-------- Rupees in 000 --------	

8.1 This represents advances paid to the following FIPs against different projects:

	2022	2021
Pakistan Red Crescent Society	18,841	2,451
Aga Khan Planning and Building Service, Pakistan	71,128	126,496
Punjab Irrigation Department	40,256	191,142
Pakistan Poverty Alleviation Fund	47,571	53,086
Rescue 1122 Gilgit Baltistan	-	73,511
Islamic Relief Pakistan	45,890	28,658
Muslim Aid Pak	10,880	7,918
Forest and Wildlife Department	1,567	-
	236,133	483,262

8.2 The maximum aggregate amount outstanding at any month-end from the related parties during the year was Rs. 191.14 million (2021: Rs 266.4 million).

9 ACCRUED INTEREST

	2022	2021
	-------- Rupees in 000 --------	
Markup accrued on Market Treasury Bills (MTB)	810,952	522,256
Markup accrued on operational fund	5,926	2,224
	816,878	524,480

10 SHORT-TERM INVESTMENT

		2022	2021
Cost	10.1	13,995,838	13,561,092
Accrued mark-up		810,952	522,256
		14,806,790	14,083,348
Shown as part of accrued interest		(810,952)	(522,256)
		13,995,838	13,561,092

10.1 The short term investments include following:

	Term of investment	2022	2021
National Bank of Pakistan (MTB)	1 year	13,034,894	12,413,607
National Bank of Pakistan (MTB)	1 year	960,944	896,287
National Bank of Pakistan (TDR)	1 year	-	251,198
		13,995,838	13,561,092

10.2 Rate of mark up on investments range from 10.35% to 11.50% per annum (2021:7.24% to 7.5% per annum).

11 CASH AND BANK BALANCES

	Note	2022	2021
		-------- Rupees in 000 --------	
Cash in hand		-	-
Cash at bank - local currency			
Saving accounts	11.1	412,612	75,528
Revolving Fund accounts	11.2	5,403,037	5,941,417
		5,815,649	6,016,945
		5,815,649	6,016,945

11.1 These carry interest at the rates ranging from 5.50% to 10.75% per annum (2021: 5.50% to 6.50% per annum).

11.2 This represents revolving fund accounts with National Bank of Pakistan to finance the Company's operations and includes foreign grants received from ADB, AFD and IDA. These accounts are managed under memorandum issued by the Finance Division.

12 DEFERRED GRANT

	Note	2022	2021
		-------- Rupees in 000 --------	
Balance as at July 1		125,742	206,047
Effect of change in accounting policy due to adoption of IFRS 16		-	-
Transferred from restricted fund	12.1	20,511	1,354
Deletions from restricted fund	5.1	(622)	
Transferred from restricted fund			
Cost		-	(29,824)
Accumulated Depreciation		-	4,556
			(25,268)
Amortization charge representing depreciation and amortisation on items of property and equipment and intangible assets	12.2	(50,678)	(56,391)
Balance as at June 30,2022		94,953	125,742
As at June 30, 2022			
Cost		267,797	247,908
Accumulated Amortization		(172,844)	(122,166)
Net book amount		94,953	125,742

12.1 Transfer from restricted grants have been made on the basis of capital expenditure incurred during the quarter as follows:

	Note	2022	2021
		-------- Rupees in 000 --------	
Operating fixed assets			
- Vehicles	5.1	12,742	151
- IT equipment	5.1	1,816	869
- Furnitures and fixtures	5.1	203	225
Capital work-in-progress	5.3	5,750	-
Intangibles assets			
- Computer softwares	6	-	109
		20,511	1,354

12.2 Amortization charge for the year representing depreciation and amortization on related items of property and equipment, intangible assets has been allocated as follows:

	Note	2022	2021
		-------- Rupees in 000 --------	
Operating fixed assets			
- Vehicles	5.1	7,380	7,005
- Office equipment	5.1	2,067	2,067
- IT equipment	5.1	4,102	6,428
- Electric equipment	5.1	2,623	2,623
- Leasehold buildings/improvements	5.1	9,113	9,113
- Furnitures and fixtures	5.1	3,076	3,028
Right of use asset			
- Leasehold buildings	5.2	20,602	23,087
Intangibles assets			
- Computer softwares	6	1,715	3,040
		50,678	56,391

13 LEASE LIABILITIES

Balance as at July 1	52,300	98,203
Additions during the quarter / year	-	-
Deletions during the quarter / year	-	(27,542)
Unwinding of interest on lease liabilities	5,429	10,389
Payments made during the quarter / year	(28,258)	(28,750)
Balance as at June 30, 2022	29,471	52,300
Less: current portion of long term lease liabilities	(29,471)	(26,791)
	-	25,509

13.1 The statement of comprehensive income shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	5.2	20,602	23,087
Interest expense on lease liabilities	18	5,429	10,389
		26,031	33,476

13.2 The Company has entered into lease agreements for respective office space. Lease terms are negotiated on individual basis and contain different terms and conditions. The mark-up rate used for calculation of present value of minimum lease payments is 14.7% per annum. Title of the building is not transferable to the Company upon payment of entire lease obligations.

14 ACCRUED AND OTHER LIABILITIES

	Note	2022	2021
		-------- Rupees in 000 --------	
Accrued liabilities		2,121	3,108
Provident fund payable		109	28
Income tax deducted at source		-	3,739
		2,230	6,875

			2022	2021
		Note	-------- Rupees in 000 --------	
15	**ENDOWMENT FUND**			
	Balance as at July 1		14,106,610	12,978,301
	Funds received during the year		-	-
	Markup earned on endowment fund	15.1	1,315,413	1,128,309
	Transferred to restricted fund	15.2	(551,550)	-
			763,863	1,128,309
	Balance as at June 30, 2022		14,870,473	14,106,610

15.1 This represents interest earned on endowment fund. Endowment fund was created by the Company pursuant to its loan agreements as specified in note 16.1. As per requirements of the agreement, earnings generated from the endowment fund are eligible for utilization for Company's recurring costs, additional investments in interest/profit bearing securities and financing of disaster risk reduction activities from the fourth year of its operations.

15.2 The transfer has been made subsequent to approval of board of members of the Company.

			2022	2021
		Note	-------- Rupees in 000 --------	
16	**RESTRICTED FUND**			
	Balance as at July 1		6,451,943	2,914,396
	Funds received during the year		1,359,698	8,787,669
	Transfer from deferred grant		-	25,268
	Transferred from endowment fund		551,550	-
	Gain on termination of lease agreement		-	2,274
	Markup earned on operational account		8,052	4,939
			1,919,300	8,820,150
	Transferred to deferred capital grant	12.1	(20,511)	(1,354)
	Grant income recognised			
	Operational support expenditure		(314,984)	(290,111)
	Programme expenditure		(2,038,882)	(4,991,138)
			(2,353,866)	(5,281,249)
	Balance as at June 30, 2022		5,996,866	6,451,943

16.1 The Government of Pakistan (GoP), as borrower and the Asian Development Bank (ADB) have entered into following financing agreements:

(i) The Loan Agreement (Ordinary Operations) Number 3473-Pak, dated December 2, 2016 for US $ 75 million. The proceeds of the loan are to be utilized towards: (a) the establishment and operationalization of the Company through the establishment of an endowment fund and development of its operational procedures and rules, including due diligence and fiduciary arrangements; (b) financing by the Company to Qualified Subprojects through grants. The loan carries the interest in accordance with the terms defined in Section 2.0 of the Agreement and is repayable in 40 semi-annual installments commencing from April 1, 2022 and ending October 1, 2041. The loan close date was initially May 17, 2020 which has now been extended till November 30, 2022 by ADB through letter dated November 12, 2021.

(ii) The Loan Agreement (Special Operations) Number 3474-Pak, dated December 2, 2016 for SDR 90.180 million. The proceeds of the loan are to be utilized towards the establishment of an endowment fund (SDR 72.144 million) and financing of expenditures on the project including project consultants. The loan carries the interest in accordance with the terms defined in Section 2.0 of the Agreement and is repayable in 40 semi-annual installments commencing from April 1, 2022 and ending October 1, 2041. The loan close date was initially May 17, 2020 which has now been extended till November 30, 2022 by ADB through letter dated November 12, 2021.

(iii) The Grant Agreement, Number 0519-Pak (EF) dated December 2, 2016 for $ 4.500 million. The proceeds of the grant are to be utilized for financing of expenditure on the project and other areas as defined under Section 3 of the Grant Agreement. The Grant closing date was May 17, 2020 which has been extended to upto May 31, 2022 through letter dated November 12, 2021.

(iv) The Grant Agreement, Number 0639-Pak signed dated March 22, 2019 for an amount of $ 1.500 million. The proceeds of the grant are to be utilized for financing of expenditure on the project and other areas as defined under Section 3 of the Grant Agreement. The Grant closing date was May 17, 2020 which has now been extended to upto November 30, 2022 through letter dated November 12, 2021.

In pursuance to the above financing agreements, the GoP has entered into a Subsidiary Grant Agreement dated December 23, 2016 with the Company. The GoP has agreed to make available to Company, grant in an equivalent of US$ 75 million from Loan 3473-Pak, SDR 90.180 million from Loan 3474-Pak(SF) and $3.361million from Grant 0519-Pak (EF) and US$ 1.5milllion from Grant 0639-PAK for the purpose set out in Section III of the Subsidiary Grant Agreement. All foreign funds received under the agreements are disbursed to the Company in Pak Rupees.

16.2 The Government of Pakistan (GoP), borrower and the International Development Association (IDA) have entered into a financing agreement, Credit Number 6426-PK, dated May 22, 2020 for SDR 129.4 million. The proceeds of the loan are to be utilized towards the financing of expenditures on the project, the objective of which is to strengthen the delivery of reliable and timely climate and hydro-meteorological services and enhance community resilience to shocks. The loan carries the interest in accordance with the terms defined in Section 2.0 of the Agreement and is repayable in 50 semi-annual installments commencing from July 1, 2023 and ending January 1, 2048. In pursuant to the above financing agreement, the GoP has entered into a Subsidiary Grant Agreement dated June 1, 2020 with the Company and agreed to entrust the management of the foregoing amount and implementation of the project to the Company.

16.3 The Government of Pakistan (GoP), borrower and the Agence Française de Développement (AFD) entered into a financing agreement, the Credit Facility agreement No. CPK 1036 01 V, dated July 20, 2017 for EURO 75 million. Upon the request of GoP, AFD via an amendment to the original agreement agreed to divert the undisbursed funds of the facility amounting EURO 18 million for financing the "Assistance to Fight COVID-19 Pandemic". The loan carries the interest in accordance with the terms defined in Section 2.0 of the Agreement and is repayable in 23 semi-annual installments commencing from February 1, 2021 and ending February 1, 2032.

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

There are no known material contingencies as at reporting year end (2021: Rs None).

17.2 Commitments

The Company enters into agreements with FIPs for disbursement of amounts / funds that are conditional to the performance of the FIPs delivering the project and fulfilling the desired results. The Company is bound to pay the FIPs, if they are able to deliver the desired results and/or able to liquidate the advance as per satisfaction of the Company. The conditions are mentioned in the agreements and the Company reserves the right to terminate the agreement as per the related contractual clauses. The undisbursed amount of fund / grant as at year end in respect of the various FIPs is set out below:

	Note	2022	2021
		-------- Rupees in 000 --------	
Pakistan Red Crescent Society		128,652	151,523
Aga Khan Planning and Building Service, Pakistan		93,925	343,371
Punjab Irrigation Department		508,265	508,265
Pakistan Poverty Alleviation Fund		517,673	517,673
Muslim Aid Pakistan		205,585	256,197
Rescue 1122 Gilgit Baltistan		24,504	171,525
Islamic Relief Pakistan		17,022	88,086
Rescue 1122 KPK		613,850	429,695
Public Works Department, Government of Gilgit Baltistan		501,552	501,553
Sindh Irrigation Department		483,382	483,382
Provincial Disaster Management Authority		126,000	126,000
Communication and Works Department, Government of AJK		380,652	432,562
Forest and Wildlife Department		1,704,000	-
Ministry of National Health Services		1,625,043	-
National Institute of Health		199,206	-
		7,129,311	4,009,833

18 OPERATIONAL SUPPORT EXPENDITURE

	Note	2022	2021
Salaries and benefits	18.1	268,551	253,969
Travelling expenses		10,908	5,519
Printing and stationary		1,222	1,896
Professional and legal charges		3,672	875
Directors Meeting Fee		5,600	1,375
Utilities and supplies		7,951	7,575
Repairs and maintenance		5,766	1,836
Interest expense on lease liabilities	13	5,429	10,391
Insurance		990	1,271
Auditor remuneration	18.2	1,739	1,586
Advertisements		3,156	1,939
Awareness, perception surveys and outreach		-	1,879
		314,984	290,111

18.1 This includes expenditure in respect of contribution to the employees contributory provident fund by the Company amounting to Rs 10.85 million (2021: Rs. 10.50 million) and against compensated absences amounting to Rs 9.9 million (2021: Rs 9.3 million)

	Note	2022	2021
		-------- Rupees in 000 --------	
18.2 Auditors' remuneration			
Annual audit inculding out of pocket expenses		1,579	1,435
Reporting on compliance of Public Sector Companies (Corporate Governance) Rules, 2013		95	86
Audit of provident fund accounts		65	65
		1,739	1,586

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19 PROGRAMME EXPENDITURE

Project	Fund implementing Partner	2022	2021
		-------- Rupees in 000 --------	
Resilient and Adaptive Population in Disaster	Islamic Relief Pakistan	53,833	6,837
From Vulnerability to Resilience	Pakistan Red Crescent Society	6,480	707
Promoting Integrated Mountain Safety in Northern Pakistan	Aga Khan Planning & Building Service Pakistan	303,702	91,016
Building Resilience to Disasters & Climate Change	Pakistan Poverty Alleviation Fund	5,515	4,353
Building Resilience by Strengthening the Community through inclusive Disaster Risk Management	Muslim Aid Pakistan	47,650	238
Rehabilitation/Restoration of Old Deg Nullah from Deg Diversion Channel to Q.B Link Canal	Punjab Irrigation Department	38,188	29,265
Rehabilitation/Restoration of Hajipur Gujran Flood Protection Bund	Punjab Irrigation Department	87,601	19,875
Rehabilitation/Restoration of Jalala Flood Protection Bund	Punjab Irrigation Department	7,487	2,261
Protection of Village Abadies against the Erosive Action of Bein Nullah	Punjab Irrigation Department	17,610	9,591
Home & Prison Department & GB Emergency Service (Rescue 1122)	Home & Prison Department & GB Emergency Service (Rescue 1122)	220,531	-
Landslide control Management & mitigation along major roads of AJK (Poonch division)	Communication & Works Department Government of Azad Jammu & Kashmir	51,910	-
Forest & Wildlife Deptt Govt of Sindh	Forest & Wildlife Department Sindh	424,433	-
Expenditure relating to COP-26	National Disaster Risk Management Fund (NDRMF)	30,740	-
Expenditure relating to COVID-19	National Institutes of Health (NIH)	249,311	4,810,653
Research and consultancy expenditure	National Disaster Risk Management Fund (NDRMF)	479,839	16,342
Awareness, perception surveys and outreach	National Disaster Risk Management Fund (NDRMF)	14,052	-
Total		2,038,882	4,991,138

20 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Company is registered with the Securities and Exchange Commission of Pakistan as a Company limited by guarantee under section 42 of Companies Act, 2017. Company is incorporated by GoP through its functionaries and the Company's board of directors include officials nominated by the GoP. Therefore all entities and body corporate owned or having interest directly or indirectly in it by the GoP / nominee directors of GoP are related parties of the Company. Other related parties comprise of directors, key management personnel, entities over which the directors are able to exercise influence. Amounts due from / (to) related parties, are shown under receivables and payables. Remuneration of key management personnel is disclosed in note 22.

Transactions with Government of Pakistan and Government owned / operated entities, functionaries and departments are not disclosed as the management is of the opinion that it is impracticable to disclose such transactions due to the nature of the activities of GoP and Company's operations.

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

21.1 Financial instruments by category

The Company's financial assets and liabilities consist of the following:

	2022	2021
Financial assets	-------- Rupees in 000 --------	
Maturity up to one year		
Amortized cost		
Short-term investment	13,995,838	13,561,092
Cash and bank balances	5,815,649	6,016,945
Accrued interest	816,878	524,480
Maturity after one year		
Amortized cost		
Long term security deposits	6,814	6,073
	20,635,179	20,108,590
Financial liabilities		
Maturity up to one year		
Financial liabilities held at amortized cost		
Accrued and other liabilities	2,230	3,136
Lease liabilities	29,471	26,791
Maturity after one year		
Financial liabilities at amortized cost		
Lease liabilities	-	25,509
	31,701	55,436

The Company doesn't have any financial assets classified under fair value through other comprehensive income or fair value through profit or loss. Also the Company doesn't have any financial liabilities classified under fair value through profit or loss.

21.2 Credit quality of financial assets

	Long term rating	Short term rating	Rating Agency	2022	2021
				-------- Rupees in 000 --------	
Counterparties with external credit ratings					
Bank balances					
National Bank of Pakistan	AAA	A1+	PACRA	5,815,649	6,016,945
Short term Investments					
National Bank of Pakistan	AAA	A1+	PACRA	13,995,838	13,561,092
Accrued interest					
National Bank of Pakistan	AAA	A1+	PACRA	816,878	524,480
Counterparties without external credit ratings					
Long term security deposits				6,814	6,073

21.3 Financial risk management

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

- credit risk
- liquidity risk
- market risk (including currency risk and interest rate risk)

The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its long term security deposits, balances at bank and short term investment. The maximum exposure to credit risk at the reporting date is as follows:

	2022	2021
	-------- Rupees in 000 --------	
Long term security deposits	6,814	6,073
Accrued interest	816,878	524,480
Short-term investment	13,995,838	13,561,092
Cash and bank balances	5,815,649	6,016,945
	20,635,179	20,108,590

Security deposits are not significant to the financial statements. The carrying amount of financial assets representing the maximum credit exposure at the reporting date are disclosed in note 21.1. The credit risk related to balances with banks, in term deposits and savings accounts, is managed in accordance with the Company's policy of placing funds with approved financial institutions and within the limits assigned in accordance with the counter party risk policy. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counter party failure. Bank balances are subject to impairment requirements of IFRS 9, the identified impairment loss was immaterial because the counterparty is a bank with reasonably high credit rating. The credit quality of bank balances, that are neither past due nor impaired, can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate. Credit ratings and exposure of bank balances with the counterparty are appearing in note 21.2.

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 manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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

		Contractual cash flows		
	Carrying value	Within 1 year	1 to 5 years	More than 5 years
June 30, 2022	-----------------	Rupees in 000	-----------------	
Accrued and other liabilities	2,230	2,230	-	-
Lease liabilities	29,471	29,471	-	-
	31,701	31,701	-	-
June 30, 2021				
Accrued and other liabilities	3,136	3,136	-	-
Lease liabilities	52,300	26,791	25,509	-
	55,436	29,927	25,509	-

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Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is not exposed to currency and interest rate risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is not exposed to currency risk arising from various currency exposures.

Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to any significant interest rate risk.

Financial assets include balances of Rs 14,408,450 thousand (2021: Rs 13,636,620 thousand) and financial liabilities include Rs 29,471 thousand (2021: Rs 52,300 thousand) which are subject to interest rate risk. Applicable interest rates have been indicated in respective notes.

If the interest rate had been 1% higher / lower with all other variables held constant, surplus / loss for the year would have been Rs 144,085 thousand (2021: Rs 135,843 thousand).

Fair value of financial assets and liabilities

Fair value of all financial assets and liabilities, reflected in the financial statements, approximate their carrying values.

Capital risk management

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

Off-setting of financial assets and liabilities

The Company does not off-set any of its financial assets and liabilities.

22 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including all benefits, to Directors, Chief Executive and Executives of the Company is as follows:

	Directors		Chief Executive		Executives	
	2022	2021	2022	2021	2022	2021
	Rupees in 000					
Managerial remuneration	-	-	7,677	4,694	189,611	178,120
Directors Meeting Fee	5,600	1,375	-	-	-	-
Honorarium	-	-	1,344	-	13,474	-
Mobile	-	-	82	36	1,338	1,394
Leave encashment	-	-	583	323	8,078	7,284
Medical	-	-	23	49	1,722	941
	5,600	1,375	9,709	5,102	214,223	187,739
Number of persons	9	4	1	1	44	47

23 NUMBER OF EMPLOYEES

	2022	2021
Total number of employees at the end of the year	67	74
Average employees for the year	67	73

Sd/-

24 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Lease liabilities	Total
	-------- Rupees in 000 --------	
Balance as at July 1, 2021	52,300	52,300
Cash flows	(28,258)	(28,258)
Interest expense during the year	5,429	5,429
Balance as at June 30, 2022	29,471	29,471

25 IMPACT OF COVID - 19 ON THE FINANCIAL STATEMENTS

The spread of COVID - 19 as a pandemic and consequently imposition of lock down by Federal and Provincial Governments of Pakistan (Authorities) caused an overall economic slow down and disruption to various businesses. However, the operations are resuming as per relaxation given by the Authorities and steps taken by the Authorities including efforts to get vaccination of larger segment of population. Accordingly, as of the date of these financial statements, management believes there do not exist any particular material adverse impact to the Company's financial conditions and results of its operations. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

26 GENERAL

26.1 Figures have been rounded off to the nearest Pak rupee.

26.2 Corresponding figures have been rearranged and reclassified, wherever considered necessary for the purpose of better presentation and / or to comply with requirements of accounting and reporting standards, the effects of which are not considered material on the statement of financial position as at June 30, 2021, and the statement of comprehensive income, the statement of changes in net assets, the statement of cash flows for the year then ended.

27 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorised for issue by the Board of Directors of the Company on Nov 29, 2022.

CHIEF EXECUTIVE OFFICER

DIRECTOR