

**PUBLIC INTEREST LAW
ASSOCIATION OF PAKISTAN**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**



A. F. FERGUSON & CO.

The Executive Committee
Public Interest Law Association of Pakistan
7th Floor, Adamjee House
I.I. Chundrigar Road
Karachi

October 14, 2015

ASR 0561

Dear Sirs

DRAFT FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

We have pleasure in enclosing five copies of the draft financial statements of Public Interest Law Association of Pakistan ("the Association") for the year ended June 30, 2015 with our draft audit report thereon duly initialled by us for identification purposes. We shall be pleased to sign our report in its present or amended form after:

- (a) these financial statements have been approved by the Executive Committee and signed by any two of its members authorised in this behalf;
- (b) we have seen the specific approval of the Executive Committee in respect of the following:

	Rupees
• investment made	752,432
• gratuity expense	143,625

- (c) we have received an appropriately signed letter of representation along the lines of the draft provided to the Executive Committee.

We take this opportunity to draw your attention to certain accounting and related matters which are set forth in the following paragraphs:

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

The responsibilities of the independent auditors, in a usual examination of financial statements, are explained in International Standard on Auditing 200, "Overall objectives of the independent auditor and the conduct of an audit in accordance with international standards on auditing". While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for the preparation of the financial statements is primarily that of the management in accordance with applicable financial reporting framework, which includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error. The management's responsibilities include to provide the auditors with (i) all information, such as records and documentation, and other matters that are relevant to the preparation and presentation of the financial statements; (ii) any additional information that the auditors may request from the management; and (iii) unrestricted access to those within the entity from whom the auditors determine it necessary to obtain audit evidence. The audit of the 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.

We would like to inform the management that unless we have signed the auditors' report on these financial statements, the same shall remain and be deemed unaudited.

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3. BANK RECONCILIATION STATEMENTS

During the course of our audit we noted that bank reconciliation statements are not prepared throughout the year except at the year end as a result of which reconciling items are not identified and promptly resolved. We recommend that the management should regularly prepare and review bank reconciliation statements so as to identify and resolve the reconciling items on a timely basis.

4. LONG TERM LOAN TO EMPLOYEE

During our audit we have noted that Mr. Nawazish Ali (a permanent employee) has been granted a long term loan amounting to Rs 30,000 in respect of which an email approval of the President of the Executive Committee (EC) is available. However, no terms and conditions as to its repayment have been specified.

We recommend that the grant as well as the repayment terms of the loan should be formally documented.

5. PROVISION FOR GRATUITY

The permanent employees of the Association are entitled to a gratuity scheme. As explained in note 3.5 to the enclosed financial statements, provision recognised in the balance sheet in respect of gratuity is one gross salary of the respective year for every year of service completed with the Association in excess of six months. We understand from the management that permanent withdrawals out of the outstanding balance of gratuity at any point in time are permitted. The remaining amount of gratuity is payable to staff at the time of retirement. Moreover, only the entitlement of an employee to gratuity is explained in his appointment letter. However, the criteria for its calculation or payment is not formally documented.

We recommend that the EC should ratify the aforementioned treatment by the management of the gratuity scheme through a formally documented policy.

6. TAXATION

Section 100C of the Income Tax Ordinance, 2001 (the Tax Ordinance) interalia states as follows:

"Non-profit organizations, trusts or welfare institutions, as mentioned in sub-section (2) shall be allowed a tax credit equal to one hundred per cent of the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, subject to the following conditions, namely:-

- (a) return has been filed;
- (b) tax required to be deducted or collected has been deducted or collected and paid; and
- (c) withholding tax statements for the immediately preceding tax year have been filed."

As stated in note 3.8 to the enclosed financial statements, the management intends to avail a tax credit equal to 100% of the tax payable. Accordingly, no tax charge in the enclosed financial statements has been recorded.

We recommend that the EC should ratify the aforementioned assertion of the management.

The Association has been provided with the status of a 'non-profit organization' under section 2(36) of the Tax Ordinance and being a 'non-profit organization' it intends to claim 100% tax credit under section 100C of the Tax Ordinance as stated above.

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A. F. FERGUSON & CO.

Letter ASR 0561
dated October 14, 2015

In connection with the status of the non-profit organization, rule 217 of the Income Tax Rules 2002 (the Tax Rules) has specified certain conditions i.e. prohibition of making any changes in the bye-laws and submission of statement showing names and addresses of the donors, statement showing the money set apart or kept unutilized with reasons thereof and performance evaluation report. Further, the said rule 217 states that the Commissioner Income Tax may, at any time, withdraw the status of non-profit organization in case of non-compliance of the aforementioned conditions.

We recommend that the management should conduct an exercise to determine the compliance status of the aforementioned requirements to avoid legal and tax implications.

7. CONTINGENCIES AND COMMITMENTS

We have been given to understand by the management of the Association that there were no contingencies and commitments required to be disclosed in the financial statements.

We wish to place on record our appreciation of the courtesy and cooperation extended to us during the course of our audit.

Yours truly

A handwritten signature in blue ink, appearing to read "A. Ferguson", is written over the typed name.

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INDEPENDENT AUDITORS' REPORT TO THE EXECUTIVE COMMITTEE

We have audited the annexed balance sheet of **Public Interest Law Association of Pakistan (here-in-after referred to as "the Association")**, as at June 30, 2015 and the related income and expenditure account, statement of changes in accumulated fund and cash flow statement together with the notes forming part thereof (here-in-after referred to as the financial statements), for the year then ended.

It is the responsibility of the Executive Committee to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the cash receipts and expenditure incurred basis of preparation as described in note 2.1 to the annexed financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in note 2.1, the financial statements have been prepared on the cash receipts and expenditure incurred basis of accounting, which is a comprehensive basis of accounting other than the generally accepted accounting principles. In our opinion the financial statements present fairly, in all material respects, the cash receipts and expenditure of the Association for the year ended June 30, 2015 on the basis of accounting as described in note 2.1 to the financial statements.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: November 12, 2015

Karachi

PUBLIC INTEREST LAW ASSOCIATION OF PAKISTAN
BALANCE SHEET
AS AT JUNE 30, 2015

	Note	2015	2014
		----- Rupees -----	
ASSETS			
Non-current assets			
Operating fixed assets	4	134,416	213,992
Long-term loan to employee		30,000	-
		164,416	213,992
Current assets			
Short-term investments	5	376,074	1,323,214
Deposits and prepayments		1,500	1,500
Advance tax		-	809
Cash and bank balances	6	130,320	28,029
		507,894	1,353,552
Total assets		672,310	1,567,544
LIABILITIES			
Non-current liabilities			
Deferred liability - provision for gratuity		83,625	-
Current liabilities			
Advance against annual subscription fee		1,200	2,400
Accrued expenses	7	42,536	20,800
		43,736	23,200
Total liabilities		127,361	23,200
NET ASSETS		544,949	1,544,344
REPRESENTED BY:			
Accumulated fund		544,949	1,544,344
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 11 form an integral part of these financial statements.

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Executive Committee Member


Executive Committee Member

PUBLIC INTEREST LAW ASSOCIATION OF PAKISTAN
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		----- Rupees -----	
INCOME			
Members' subscription		206,800	211,600
Donations		540,000	1,105,300
Interest free loan converted into donation		-	100,000
		746,800	1,416,900
Less: Litigation related cost		(230,000)	-
		516,800	1,416,900
Capital gain on sale of investments		195,573	43,409
Dividend income		2,851	-
Other income		11,200	-
		726,424	1,460,309
GENERAL AND ADMINISTRATION EXPENDITURE			
Salaries, wages and benefits		1,317,625	415,500
Staff commission		20,140	20,505
Entertainment expenses		6,910	7,452
Travelling and conveyance		33,454	36,608
Communication expenses		46,805	34,114
Repair and maintenance		40,270	210,585
Printing and stationery		85,394	58,795
Depreciation		79,576	22,321
Auditors' remuneration	4	20,800	21,600
Relocation expense		-	1,500
Water and electricity charges		10,360	1,614
Bank charges		3,070	3,329
Conferences and seminars		30,410	-
Miscellaneous expenses		31,005	10,421
Total expenditure		1,725,819	844,344
(Deficit) / surplus of income over expenditure for the year before taxation		(999,395)	615,965
Taxation	3.8	-	-
(Deficit) / surplus of income over expenditure for the year after taxation		(999,395)	615,965

The annexed notes 1 to 11 form an integral part of these financial statements.

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Executive Committee Member


Executive Committee Member

PUBLIC INTEREST LAW ASSOCIATION OF PAKISTAN
STATEMENT OF CHANGES IN ACCUMULATED FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Accumulated Fund Rupees</u>
Balance as at June 30, 2013	928,379
Surplus of income over expenditure for the year after taxation	615,965
Balance as at June 30, 2014	<u>1,544,344</u>
Deficit of income over expenditure for the year after taxation	(999,395)
Balance as at June 30, 2015	<u><u>544,949</u></u>

Atty The annexed notes 1 to 11 form an integral part of these financial statements.


Executive Committee Member


Executive Committee Member

PUBLIC INTEREST LAW ASSOCIATION OF PAKISTAN
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit) / surplus of income over expenditure for the year after taxation		(999,395)	615,965
Adjustments for non-cash item:			
Interest free loan converted into donation		-	(100,000)
Depreciation		79,576	22,321
Provision for gratuity		83,625	-
		<u>(836,194)</u>	<u>538,286</u>
Decrease / (increase) in current assets			
Advance tax		809	-
Deposits and prepayments		-	(1,500)
		809	(1,500)
Increase in current liabilities			
Advance against annual subscription fee		(1,200)	2,400
Accrued expenses		21,736	800
		20,536	3,200
Loan to employee		(30,000)	-
Net cash (used in) / generated from operating activities		<u>(844,849)</u>	<u>539,986</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		-	(215,050)
Investments-net		947,140	(303,431)
Net cash generated from / (used in) investing activities		947,140	(518,481)
Net increase in cash and cash equivalents		<u>102,291</u>	<u>21,505</u>
Cash and cash equivalents at the beginning of the year		28,029	6,524
Cash and cash equivalents at the end of the year	6	<u><u>130,320</u></u>	<u><u>28,029</u></u>

The annexed notes 1 to 11 form an integral part of these financial statements.


Executive Committee Member

**PUBLIC INTEREST LAW ASSOCIATION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

1 LEGAL STATUS AND ACTIVITIES

Public Interest Law Association of Pakistan (hereinafter called "the Association") was registered under the Societies Registration Act, 1860 on February 1, 2011. The Association operates as an independent, voluntary, non-profit organisation approved by the Federal Board of Revenue under Section 2(36)(c) of the Income Tax Ordinance, 2001 read with Rules 212 and 220 of the Income Tax Rules, 2002. The registered office of the Association is situated at 7th Floor, Adamjee House, I.I.Chundrigar Road, Karachi, Pakistan.

The main objectives of the Association are to promote, support, undertake and pursue public interest litigation in Pakistan and to provide legal assistance and services to government and non-government institutions, local traditional and other groups and individuals so as to enhance and support their endeavours to protect human, public and fundamental rights.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared on a cash receipts and expenditure incurred basis of accounting which is a comprehensive basis of accounting other than the generally accepted accounting principles. Under the cash receipts and expenditure incurred basis of accounting, revenue is recognised when received and expenses are recognised when incurred.

2.2 Accounting convention

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

2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying the Association's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience including expectations of future events that are believed to be reasonable under the circumstances. The area where assumptions and estimates are significant to the Association's financial statements or where judgment was exercised in application of accounting policies is depreciation which is charged on operating fixed assets (note 4).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Operating fixed assets

These are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is charged using the straight line method in accordance with the rates specified in note 4 and after taking into account any residual values, if significant. Depreciation is charged on additions from the date the asset becomes available for use while no depreciation is charged in the month of disposal. The residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Subsequent costs are included in the assets' carrying amounts or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the assets will flow to the Association and the costs of the items can be measured reliably.

Gains and losses on disposals of assets, if any, are included in the income and expenditure account in the period of disposal.

Repairs and maintenance expenses are charged to the income and expenditure account in the period in which these are incurred.

3.2 Financial instruments

Financial instruments carried on the balance sheet include short-term investments, cash and bank balances, long-term loan and accrued expenses.

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Financial assets and liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from them have expired or have been transferred and the Association has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations under the liabilities are discharged, cancelled or expired.

3.3 Short-term investments

These are stated in the balance sheet at cost.

3.4 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and cash at bank.

3.5 Provision for gratuity

The Association operates a gratuity scheme for its permanent employees. The provision recognised in the balance sheet in respect of gratuity is one gross salary of the respective year for every year of service completed with the Association in excess of six months. Permanent withdrawals out of the outstanding balance of gratuity at any point in time are permitted. Remaining amount of gratuity is payable to staff at the time of retirement.

3.6 Accrued expenses

These are carried at cost which is the fair value of the consideration to be paid for the goods and services.

3.7 Revenue recognition

Members' subscription and registration fee is recognised on a receipt basis in accordance with the basis of accounting disclosed in note 2.1.

3.8 Taxation

The Association has been approved as a non-profit organisation under section 2(36)(c) of the Income Tax Ordinance, 2001 by the Commissioner Inland Revenue vide letter no. 3352 / 2011 - 12 dated May 22, 2012. As per section 100C (2) of the Income Tax Ordinance, 2001, non-profit organizations shall be allowed a tax credit equal to one hundred per cent of the tax payable subject to the fulfilment of specified conditions. The management intends to avail a tax credit equal to 100% of the tax payable. Accordingly, no tax charge in the financial statements has been recorded.

3.9 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Association operates. The financial statements are presented in Pakistani Rupees, which is the Association's functional and presentation currency.

4 OPERATING FIXED ASSETS

The following is a statement of operating fixed assets:

	----- 2015 -----		
	Furniture and fixture	Computer equipment	Total
	----- Rupees -----		
As at July 1, 2014			
Cost	208,450	37,416	245,866
Accumulated depreciation	(11,844)	(20,030)	(31,874)
Net book value	<u>196,606</u>	<u>17,386</u>	<u>213,992</u>
Year ended June 30, 2015			
Opening net book value	196,606	17,386	213,992
Depreciation for the year	(69,475)	(10,101)	(79,576)
Closing net book value	<u>127,131</u>	<u>7,285</u>	<u>134,416</u>
As at June 30, 2015			
Cost	208,450	37,416	245,866
Accumulated depreciation	(81,319)	(30,131)	(111,450)
Net book value	<u>127,131</u>	<u>7,285</u>	<u>134,416</u>
Depreciation rate (% per annum)	33.33%	33.33%	

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	2014		Total
	Furniture and fixture	Computer equipment	
----- Rupees -----			
As at July 1, 2013			
Cost	-	30,816	30,816
Accumulated depreciation	-	(9,553)	(9,553)
Net book value	-	21,263	21,263
Year ended June 30, 2014			
Opening net book value	-	21,263	21,263
Additions	208,450	6,600	215,050
Depreciation for the year	(11,844)	(10,477)	(22,321)
Closing net book value	196,606	17,386	213,992
As at June 30, 2014			
Cost	208,450	37,416	245,866
Accumulated depreciation	(11,844)	(20,030)	(31,874)
Net book value	196,606	17,386	213,992
Depreciation rate (% per annum)	33.33%	33.33%	

5 SHORT-TERM INVESTMENTS

Investment in units of mutual funds

Name of the Fund	----- Number of units -----				Rupees	
	As at July 1, 2014	Purchases during the year	Bonus units received during the year	Sales / redemptions during the year	As at June 30, 2015	Cost as at June 30, 2015
Askari Sovereign Cash Fund *	14,362	3,714	-	14,362	3,714	376,074
Askari High Yield Scheme	-	3,680	-	3,680	-	-

* The fair market value of these investments as at June 30, 2015 was Rs 376,437.

	2015	2014
	----- Rupees -----	
6 CASH AND BANK BALANCES		
Current account	121,784	20,618
Cash in hand	8,536	7,411
	<u>130,320</u>	<u>28,029</u>
7 ACCRUED EXPENSES		
Auditors' remuneration payable	41,600	20,800
Withholding tax payable	936	-
	<u>42,536</u>	<u>20,800</u>
8 CONTINGENCIES AND COMMITMENTS		

There were no contingencies and commitments outstanding as on June 30, 2015 and June 30, 2014.

9 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison. During the current year, no significant reclassifications were made in these financial statements.

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10 DATE OF AUTHORISATION

These financial statements were authorised for issue on 12 NOV 2015 by the Executive Committee of the Association.

11 GENERAL

AKH Figures have been rounded off to the nearest rupee.


Executive Committee Member


Executive Committee Member