KPMG Taseer Hadi & Co.
Chartered Accountants

Public Interest Law Association of Pakistan

Financial Statements
For the year ended 30 June 2019

KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the members of Public Interest Law Association of Pakistan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Public Interest Law Association of Pakistan** ("the Association"), which comprise the statement of financial position as at 30 June 2019, and the income and expenditure account, the statements of comprehensive income, changes in accumulated fund and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Association as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

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 Association 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.

Responsibilities of Management and Executive Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Executive Committee is responsible for overseeing the Association'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 Association'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 Association'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

KPMG Taseer Hadi & Co.

obtained up to the date of our auditor's report. However, future events or conditions may cause the Association 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 Executive Committee 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.

Other matter

The financial statements of the Association for the year ended 30 June 2018 were audited by another firm of auditors who vide their opinion dated 16 November 2018 had expressed an unmodified opinion on those financial statements.

Date: 6 December 2019

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyn Pirani

Public Interest Law Association of Pakistan
Statement of Financial Position
As at 30 June 2019

	Note	**2019**	2018
		(Rupees)	
ASSETS			
Non-current assets			
Equipments	6	**15,626**	55,904
Current assets			
Subscription fees receivable		**538,200**	-
Loan to an employee	7	**47,000**	47,000
Deposits	8	**127,000**	127,000
Cash and bank balance	9	**218,180**	643,309
		930,380	817,309
Total assets		**946,006**	873,213
CURRENT LIABILITIES			
Loans from members	10	**800,000**	800,000
Accruals and other payables	11	**139,774**	37,816
Total liabilities		**939,774**	837,816
NET ASSETS		**6,232**	35,397
REPRESENTED BY:			
Accumulated fund		**6,232**	35,397
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 19 form an integral part of these financial statements.

Chairman and Executive Committee Member

Chief Executive Officer and Executive Committee Member

Vice Chairman and Executive Committee Member

Public Interest Law Association of Pakistan

Income and Expenditure Account

For the year ended 30 June 2019

	Note	2019	2018
		(Rupees)	
Income			
Members' subscription		**980,542**	1,096,000
Donations		**2,420,000**	3,053,000
Gain on sale of investments		**-**	52,551
Other income		**-**	51,000
Total Income		**3,400,542**	4,252,551
Expenditure			
Salaries, wages and benefits	*13*	**1,922,489**	1,923,991
Entertainment		**5,185**	13,967
Travelling and conveyance		**197,311**	210,732
Communication		**70,001**	97,228
Repair and maintenance		**127,846**	408,342
Printing and stationery		**24,375**	217,905
Depreciation	*6*	**40,278**	57,135
Auditors' remuneration	*14*	**35,000**	25,000
Utilities		**89,543**	76,345
Legal and professional		**85,000**	50,000
Advertisement		**3,367**	39,000
Rent		**562,500**	516,000
Donations		**200,000**	1,112,000
Miscellaneous expenses		**66,812**	188,818
Total expenditure		**3,429,707**	4,936,463
Deficit for the year before taxation		**(29,165)**	(683,912)
Taxation	*15*	**-**	-
Deficit for the year		**(29,165)**	(683,912)

The annexed notes 1 to 19 form an integral part of these financial statements.

Chairman and Executive Committee Member

Chief Executive Officer and Executive Committee Member

Vice Chairman and Executive Committee Member

Public Interest Law Association of Pakistan
Statement of Comprehensive Income
For the year ended 30 June 2019

	2019	2018
	(Rupees)	
Deficit for the year	**(29,165)**	(683,912)
Other comprehensive income	**-**	-
Total comprehensive loss for the year	**(29,165)**	(683,912)

The annexed notes 1 to 19 form an integral part of these financial statements.

Chairman and Executive Committee Member	**Chief Executive Officer and Executive Committee Member**	**Vice Chairman and Executive Committee Member**

Public Interest Law Association of Pakistan
Statement of Changes in Accumulated Fund
For the year ended 30 June 2019

	(Rupees)
Balance as at 1 July 2017	719,309
Total comprehensive loss for the year	
Deficit for the year	(683,912)
Other comprehensive income	-
Total comprehensive income	(683,912)
Balance as at 30 June 2018	35,397
Total comprehensive loss for the year	
Deficit for the year	(29,165)
Other comprehensive income	-
Total comprehensive income	(29,165)
Balance as at 30 June 2019	**6,232**

The annexed notes 1 to 19 form an integral part of these financial statements.

Chairman and Executive Committee Member	**Chief Executive Officer and Executive Committee Member**	**Vice Chairman and Executive Committee Member**

Public Interest Law Association of Pakistan

Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019	2018
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the year		**(29,165)**	(683,912)
Adjustments for:			
Depreciation	6	**40,278**	57,135
Gain on sale of investment		**-**	(52,551)
Deficit before working capital changes		**11,113**	(679,328)
Working capital changes			
Decrease in current assets			
Subscription fees		**(538,200)**	-
Deposits		**-**	1,500
Loan repaid by employee		**-**	(31,000)
		(538,200)	(29,500)
Increase in current liabilities			
Accruals and other payables		**101,958**	5,417
Net cash used in operating activities		**(425,129)**	(703,411)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		**-**	(25,000)
Investments made during the year		**-**	(2,300,000)
Proceeds from sale of investment		**-**	2,352,551
Net cash flows from investing activities		**-**	27,551
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan received from members		**-**	600,000
Net cash flows from financing activities		**-**	600,000
Net decrease in cash and cash equivalents		**(425,129)**	(75,860)
Cash and cash equivalents at beginning of the year		**643,309**	719,169
Cash and cash equivalents at end of the year	9	**218,180**	643,309

The annexed notes 1 to 19 form an integral part of these financial statements.

Chairman and Executive Committee Member

Chief Executive Officer and Executive Committee Member

Vice Chairman and Executive Committee Member

1. LEGAL STATUS AND ACTIVITIES

1.1 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 organization 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 plot # 18-C, 2nd floor, office no. 202, Zamzama Commercial Lane no. 2, Phase 5, DHA, Karachi.

The mission of the Association is to protect and promote the fundamental rights of the citizens of Pakistan. It does this through a three pronged strategy, starting with research, followed by advocacy and finally if no results appear pursue public interest litigation. Public interest is a very wide subject and some of the areas where the Association is involved in include lack of quality education, out of school kids, water pollution, protecting heritage structures, protecting trees, improving access to justice, enhancing use and awareness of right to Information law, disaster management in case of nuclear disaster, etc.

1.2 The Association has been incurring losses for the past two years and the accumulated fund as at 30 June 2019 was Rs. 6,232 only. However, these financial statements have been prepared on a going concern basis in view of the resolution of the Executive Committee to provide continued financial support to the fund in the shape of grant, donations, etc.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. Accounting and reporting standards as applicable in Pakistan comprise of such International Financial Reporting Standards (IFRSs) as notified by Securities and Exchange Commission of Pakistan (SECP).

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional currency of the Association. All amounts have been rounded to the nearest rupees unless otherwise indicated.

2.4 Key judgments and estimates

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In the process of applying the Association's accounting polices, management has made the following accounting estimates and judgments which are significant to the financial statements and estimates with a significant risk of material adjustment in future years are discussed below:

- Equipments (notes 5.1 and 6),
- Taxation (note 5.9), and
- Impairment of financial and non-financial assets (notes 5.3 and 5.4).

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3 STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

a) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2018. However, these do not have any significant impact on the Association's financial reporting (other than the changes which have been disclosed in note 4 to these financial statements) and therefore have not been detailed in these financial statements.

b) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current an deferred tax. The application of interpretation is not likely to have an impact on the Association's financial statements.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Association is in the process of assessing the impact of this IFRS on the financial statements.

- Amendment to IFRS 9 'Financial Instruments' - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement a amortized cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion - i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortized cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on the Association's financial statements.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Association's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Association's financial statements.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The Society may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, the Society, should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. An entity remeasures its previously held interest in a joint operation when it obtains control of the business. An entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Association's financial statements.

4 CHANGES IN ACCOUNTING POLICY

The Association has adopted IFRS 9 'Financial Instruments' which is effective for the reporting period / year ending on or after 30 June 2019.

The details of the changes are as follows:

4.1 IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Association has applied the modified retrospective method upon adoption of IFRS 9 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 9 to accumulated fund. Accordingly, the information presented for 2018 have not been restated i.e. it is presented, as previously reported under IAS 39 and related interpretations.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

i Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. Although IFRS 9 classifies the financial assets in several categories, the only category currently applicable to the Association is measurement at 'amortized cost'.

A financial asset is measure at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within business model whose objective is to hold assets to collect contractual cashflows;

- its contractual terms give rise on specified dates to cashflows that are solely payments of principals and interest on principal amount outstanding.

A financial asset is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition.

The adoption of IFRS 9 did not have a significant effect on the Association's accounting policies related to the financial liabilities.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Association's financial assets as at 30 June 2018:

	Original classification under IAS 39	New classification under IFRS 9	Original Carrying Amount	New Carrying Amount
			(Rupees)	
As at 30 June 2018				
Loan to an employee	Loans and receivables	Amortized cost	47,000	47,000
Deposits	Loans and receivables	Amortized cost	127,000	127,000
Cash and bank balance	Loans and receivables	Amortized cost	643,309	643,309
Total financial assets			**817,309**	**817,309**

ii **Impairment**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial asset in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at fair value through other comprehensive income (FVOCI), but not to investments in equity instruments.

The Association has applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets. Management has used actual credit loss experience over past years to base the calculation of ECL on the adoption of IFRS 9. However, there is no material impact and as such no adjustments to the accumulated fund as of 01 July 2018 have been made.

5 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 except for the changes mentioned in note 4 to these financial statements.

5.1 Equipments

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 recognized 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.

5.2 Financial assets

Financial assets are initially recognised at the time when the Association becomes a party to the contractual provision of the instrument.

Financial assets currently comprising of the assets 'measured at amortised cost', are initially measured at fair value plus, transaction costs that are directly attributable to its acquisition. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses.

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Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Association has transferred substantially all risks and rewards of ownership.

5.3 Impairment of financial assets

The Association recognises loss allowances for Expected Credit Loss (ECLs) in respect of financial assets measured at amortised cost.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are recognised in the income and expenditure account.

The Gross carrying amount of a financial asset is written off when the Association has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

5.4 Impairment of non -financial assets

The carrying amount of the Associations's non-financial assets are reviewed at each reporting date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such an evidence exists, the asset's or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of the value in use and fair value less cost to sell. Impairment losses are recognized in the income and expenditure account.

5.5 Financial liabilities

Financial liabilities include loans from members and other payables and are initially recognised at the time when the Association becomes party to the contractual provisions of the instruments. All financial liabilities are recognised initially at fair value plus directly attributable transactions costs, if any, and subsequently measured at amortised cost using effective interest rate method, where applicable. The Association derecognises the financial liabilities when they are extinguished, that is, when the obligation referred in the contract is discharged, cancelled or have expired. Gain or loss on derecognition is recognised in the income and expenditure account.

5.6 Contributions to a voluntary pension scheme

Equal contributions are made by the Association and employees to NAFA Pension Fund at the rate of 10% of basic salaries of employees of the Association (Association's contribution plan for its employees).

5.7 Accrued expenses

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

5.8 Revenue recognition

Subscription fees is measured based on the consideration specified in the rules of the Association. The Association receives annual subscription fees and lifetime membership fees from its members. Annual membership fees including annual membership fees of lifetime members is recognised over the time on a straight-line basis. The portion of membership fees relating to the future periods is determined and classified as unearned subscription fees in the statement of financial position. However, the lifetime members are also required to make one-time payment which is recognised upfront in the income and expenditure account.

Above income is recognised when the collection of consideration is probable. Furthermore, subscription revenue of Rs. 7.02 million has not been recognised in view of uncertainty of its recoverability.

Donation income is recognised on receipt basis.

5.9 Taxation

The Association has been approved as a non-profit organization under section 2(36)(c) of the Income Tax Ordinance, 2001. The Association has incurred deficit for the year and the provisions of minimum tax under section 113 are not applicable to the Association as per clause 11A of Part IV to the second schedule of the Income Tax Ordinance, 2001. Accordingly, no charge for taxation has been recorded in these financial statements.

6 **EQUIPMENTS**

	2019							
	Cost			Depreciation			Written down value as at 30 June 2019	Rate
	As at 01 July 2018	Additions / (disposals)	As at 30 June 2019	As at 01 July 2018	For the year	As at 30 June 2019		
	(Rupees)							%
Furniture and fixture	213,450	-	213,450	211,373	1,667	213,040	410	33.33
Vehicle	46,000	-	46,000	42,551	3,449	46,000	-	33.33
Office equipment	36,000	-	36,000	21,345	9,033	30,378	5,622	33.33
Computer equipment	127,316	-	127,316	91,593	26,129	117,722	9,594	33.33
	422,766	-	422,766	366,862	40,278	407,140	15,626	

Cost of above assets include cost of operating assets of Rs. 323,466 (2018: Rs. 262,566) having net book value of Nil at the reporting date which are still in use.

	2018							
	Cost			Depreciation			Written down value as at 30 June 2018	Rate
	As at 01 July 2017	Additions / (disposals)	As at 30 June 2018	As at 01 July 2017	For the year	As at 30 June 2018		
	(Rupees)							%
Furniture and fixture	213,450	-	213,450	209,706	1,667	211,373	2,077	33.33
Vehicle	46,000	-	46,000	27,219	15,332	42,551	3,449	33.33
Office equipment	36,000	-	36,000	9,346	11,999	21,345	14,655	33.33
Computer equipment	102,316	25,000	127,316	63,456	28,137	91,593	35,723	33.33
	397,766	25,000	422,766	309,727	57,135	366,862	55,904	

7 **LOAN TO AN EMPLOYEE**

It consists of interest-free and unsecured loan to an employee of the Association and is repayable by March 2020 else adjustable against his salary.

8 **DEPOSITS**

	2019	2018
	(Rupees)	
Security deposit for rental premises	125,500	125,500
Others	1,500	1,500
	127,000	127,000

9 **CASH AND BANK BALANCE**

Cash in hand	18,585	25,921
Current account with bank	199,595	617,388
	218,180	643,309

10 **LOANS FROM MEMBERS**

This represents interest free and unsecured loans from certain members of the Association payable on demand.

11 **ACCRUALS AND OTHER PAYABLES**

Accrued expenses	6,116	9,486
Auditor's remuneration	35,000	25,000
Unearned members' subscription	98,658	-
Withholding tax	-	3,330
	139,774	37,816

12 **CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding at the year end.

13 **SALARIES, WAGES AND BENEFITS**

This includes contribution to voluntary pension scheme amounting to Rs. 104,510 (2018: 97,518) during the year.

14 **AUDITORS' REMUNERATION**

Audit fees	30,000	23,000
Out of pocket expenses	5,000	2,000
	35,000	25,000

15 **TAXATION**

The Association has been approved as a non-profit organization under section 2(36)(c) of the Income Tax Ordinance, 2001. The Association has incurred deficit for the year and the provisions of minimum tax under section 113 are not applicable to the Association as per clause 11A of Part IV to the second schedule of the Income Tax Ordinance, 2001. Accordingly, no charge for taxation has been recorded in these financial statements.

16 **TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Related parties consist of members of executive committee of the Association.

Transactions and balances with related parties other than those disclosed elsewhere, carried out at agreed rates, are as follows:

16.1 **Details of balance with related parties at the year end**

Loan	550,000	550,000
Unearned members' subscription	47,342	-

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16.2 **Details of transaction with related parties during the year**

	2019	2018
	(Rupees)	
Members' subscription	**152,658**	90,000
Donations	**685,000**	428,000
Loan received	**-**	550,000

17 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Introduction and overview

The Association has exposure to the following risks from financial instruments:

- credit risk (refer note 17.1)
- liquidity risk (refer note 17.2)

Risk management framework

The executive committee of the Association has overall responsibility for the establishment and oversight of the Association's risk management framework.

17.1 Credit risk

Credit risk is the risk of financial loss to the Association if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from bank balance, loan to an employee and security deposit.

Exposure to credit risk

The maximum exposure to credit risk as at 30 June 2019 was as follows:

	2019		2018	
	Balance as per the statement of financial position	**Maximum Exposure**	Balance as per the statement of financial position	Maximum Exposure
	(Rupees)		(Rupees)	
Subscription fees receivable	**538,200**	**538,200**	-	-
Bank balance	**199,595**	**199,595**	617,388	617,388
Loan to an employee	**47,000**	**47,000**	47,000	47,000
Deposits	**127,000**	**127,000**	127,000	127,000
	911,795	**911,795**	791,388	791,388

Bank balance

The Association held bank balance at 30 June 2019 with a bank with the following credit rating:

	2019	2018	**2019**	2018
Rating	**(Rupees)**		**(%)**	
A1+	**199,595**	617,388	**100.00**	100.00

Above rate is on the basis of available rating assigned by PACRA.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Association's total credit exposure.

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Details of Association's concentration of credit risk of financial instruments by industrial distribution are as follows:

	2019		2018	
	(Rupees)	**(%)**	(Rupees)	(%)
Commercial bank	**199,595**	**21.89**	617,388	78.01
Others*	**712,200**	**78.11**	174,000	21.99
	911,795	**100.00**	791,388	100.00

* Others include subscription fees receivable from members amounting to Rs. 538,200 (2018: NIL), security deposit amounting Rs. 125,500 given to an individual against rented office premises (2018: Rs. 125,000) and loan to an employee amounting to Rs. 47,000 (2018: Rs. 47,000).

Past due and impaired assets and collaterals held

None of the financial assets of the Association are past due or impaired as at 30 June 2019

17.2 Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Association's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Association's reputation.

In addition, the Association is entitled to borrow, with prior approval of executive committee for liquidity requirements. No such borrowings were made during the year.

Maturity analysis for financial liabilities

Following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

	2019	
	Contractual cash flows	
	Carrying amount	**On demand**
	(Rupees)	
Non-derivative financial liabilities		
Loan from members	**800,000**	**800,000**
Accruals and other payables	**41,116**	**41,116**
	841,116	**841,116**

	2018	
	Contractual cash flows	
	Carrying amount	On demand
	(Rupees)	
Non-derivative financial liabilities		
Loan from members	800,000	800,000
Accruals and other payables	34,486	34,486
	834,486	834,486

Above financial liabilities do not carry any mark-up.

17.3 **Fair value of financial instruments**

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.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Association to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).

- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).

- Unobservable inputs for the asset or liability (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		2019					
		Carrying amount				**Fair value**	
On-balance sheet financial instruments	*Note*	**At fair value through profit or loss**	**At amortized cost**	**Other financial liabilities**	**Total**	**Level 1**	**Total**
		(Rupees)					
Financial assets not measured at fair value							
Subscription fees receivable			**538,200**		**538,200**		
Loan to an employee	*7*	-	**47,000**	-	**47,000**	-	-
Deposits	*8*	-	**127,000**	-	**127,000**	-	-
Cash and bank balance	*9*	-	**218,180**	-	**218,180**	-	-
		-	**930,380**	-	**930,380**	-	-
Financial liabilities not measured at fair value							
Loans from members	*10*	-	-	**800,000**	**800,000**	-	-
Accruals and other payables	*11*	-	-	**41,116**	**41,116**	-	-
		-	-	**841,116**	**841,116**	-	-

		2018					
		Carrying amount				Fair value	
On-balance sheet financial instruments	*Note*	At fair value through profit or loss	At amortized cost	Other financial liabilities	Total	Level 1	Total
		(Rupees)					
Financial assets not measured at fair value							
Loan to an employee	*7*	-	47,000	-	47,000	-	-
Deposits	*8*	-	127,000	-	127,000	-	-
Cash and bank balance	*9*	-	643,309	-	643,309	-	-
		-	817,309	-	817,309	-	-
Financial liabilities not measured at fair value							
Loans from members	*10*	-	-	800,000	800,000	-	-
Accruals and other payables	*11*	-	-	34,486	34,486	-	-
		-	-	834,486	834,486	-	-

17.3.1 The Association has not disclosed the fair values for these financial assets and financial liabilities as these are short term in nature. Therefore, their carrying amounts are reasonable approximation of fair values.

18	NUMBER OF EMPLOYEES	2019	2018
	Employees as at June 30	**2**	2
	Average number of employees during the year	**2**	2

19 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 26.11.19 by the Executive Committee of the Association.

Chairman and Executive Committee Member

Chief Executive Officer and Executive Committee Member

Vice Chairman and Executive Committee Member