Organization for Poverty Reduction & Community Training Program

For the Year Ended June 30, 2020

INDEPENDENT AUDITOR'S REPORT

To the members of

ORGANIZATION FOR POVERTY REDUCTION AND COMMUNITY TRAINING PROGRAM

(Company limited by Guarantee)

OPINION

We have audited the annexed financial statements of **ORGANIZATION FOR POVERTY REDUCTION AND COMMUNITY TRAINING PROGRAM (Limited by Guarantee)** (the Company), which comprise the statement of financial position as at **June 30, 2020**, statement of income or expenditure, the statement of cash flows, and the statement of changes in funds, 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, statement of income or expenditure, the statement of cash flows, the statement of changes in funds and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and the surplus, the changes in fund and its cash flows for the year then ended.

BASIS FOR OPINION

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

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 is 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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

(d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Idrees Dawson (FCA).

H. A. M. D.

HAMD & CO
Chartered Accountants
Karachi

Dated: 08 OCT 2020

ORGANIZATION FOR POVERTY REDUCTION AND COMMUNITY TRAINING PROGRAM
(COMPANY LIMITED BY GUARANTEE)
STATEMENT OF NET ASSETS
AS AT June 30, 2020

	Notes	June 30, 2020	June 30, 2019
		----------Rupees----------	
ASSETS			
Current Assets			
Cash and Bank Balances	6	94,601,234	39,790,807
Microcredit Loans			
Microcredit Interest Bearing Loans(Net)	7	297,792,676	367,194,186
Microcredit Interest Free Loans(Net)	8	18,591,813	16,012,846
		316,384,489	**383,207,032**
Short Term Investments	10	118,952,819	93,588,336
Advances and Other Receivables	11	7,803,752	15,214,351
Accrued Markup On Loans		18,872,649	8,714,440
Total Current Assets		**556,614,943**	**540,514,966**
Non Current Assets			
Long Term Investments	12	-	46,889,430
Property, Plant & Equipment	13	5,296,927	5,934,363
Intangible Fixed Assets	14	806,183	1,203,258
Long Term Deposits		487,500	502,500
		6,590,609	**54,529,551**
TOTAL ASSETS		**563,205,553**	**595,044,516**
LIABILITIES			
Current Liabilities			
Short Term borrowings from banks- (secured)	15	58,989,250	114,259,038
Current Maturity of Long term Loan-PPAF		22,500,000	14,000,000
		81,489,250	128,259,038
Other loans and advances	16	109,041,778	100,152,373
		190,531,028	**228,411,411**
Accrued Interest on borrowing	17.1	28,761,553	15,956,072
Accrued Expenses	17.2	6,994,524	4,178,365
		35,756,077	**20,134,437**
		226,287,105	**248,545,848**
Non-Current Liabilities			
Long term borrowing from PPAF- (secured)	18	79,500,000	92,000,000
Accrued Markup On PPAF Loan		45,386,050	45,386,050
		124,886,050	**137,386,050**
TOTAL LIABILITIES		**351,173,155**	**385,931,898**
NET ASSETS		**212,032,398**	**209,112,618**
REPRESENTED BY			
Capital Structure And Equity Funds			
Equity Funds	19	136,868,584	136,868,584
Revolving, Unrestricted And Restricted Funds	20	55,506,414	55,506,414
General Reserve For Loan Loss	21	3,594,043	3,594,043
		195,969,041	**195,969,041**
Accumulated surplus / (deficit)		**16,063,357**	**13,143,577**
TOTAL CAPITAL		**212,032,398**	**209,112,618**

The annexed note from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIE	DIRECTOR	CHIEF FINANCIAL OFFICER

ORGANIZATION FOR POVERTY REDUCTION AND COMMUNITY TRAINING PROGRAM
(COMPANY LIMITED BY GUARANTEE)
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED June 30, 2020

	Notes	June 30 2020	June 30 2019
		---- Rupees ----	
INCOME			
Markup/ return / interest earned	22	117,096,913	113,997,586
Markup/ return / interest expensed	23	(40,207,599)	(36,678,817)
Net Markup/ return / interest earned		76,889,314	77,318,769
OTHER OPERATING INCOME			
Investment Income	24	9,382,209	4,391,205
Fee And Processing Charges	25	12,933,772	13,757,132
Other Income	26	4,958,061	1,853,226
		27,274,042	20,001,563
TOTAL INCOME		104,163,356	97,320,332
Operating Expenses			
General And Admin Expenses	27	(74,531,939)	(75,494,616)
Provision for loan	28	(13,068,158)	(13,159,301)
		(87,600,096)	(88,653,917)
(Deficit) / Income From Operations		16,563,260	8,666,415
Other Projects			
Program Expenses	29	(13,643,479)	(920,665)
Net Surplus for the period		2,919,781	7,745,750

The annexed note from 1 to 33 form an integral part of these financial statements. ITAMD

CHIEF EXECUTIE

DIRECTOR

CHIEF FINANCIAL OFFICER

ORGANIZATION FOR POVERTY REDUCTION AND COMMUNITY TRAINING PROGRAM
(COMPANY LIMITED BY GUARANTEE)
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020	June 30, 2019
	-----------Rupees-----------	
CASH FLOW FROM OPERATING ACTIVITIES		
Net Surplus For The Period	**2,919,781**	**7,745,750**
Add/(Less) Items Involving No Cash Movements		
Depreciation	1,254,249	1,303,028
Amortization	397,075	592,649
Gain on Disposal of Tangible Fixed Assets	408,193	
Loss on impairment of Fixed Assets	-	1,174,091
Provision against Provident Fund	2,581,104	2,700,711
Provision For Non Performing Loans	13,068,158	13,159,301
Bad Debts written off from General Reserve	-	-
Non Performing Loans Write Off Through Provision	(1,919,329)	(9,638,662)
Adjustment In Revolving Fund	-	6,072,639
Amortization Of Investment Income (Long Term)	3,660,430	4,281,337
Amortization Of Investment Income (Short Term)	5,552,819	3,411,336
Finance Cost	40,207,599	36,678,817
Gain on Disposal of Tangible Fixed Assets		-
Amortization Of Investment Income (Long Term)		
Amortization Of Investment Income (Short Term)		
	65,210,299	**59,735,247**
Surplus Before Working Capital Changes	**68,130,079**	**67,480,997**
(Increase)/Decrease In Current Assets		
Advances And Other Receivables	7,410,599	807,977
Microcredit Interest Bearing Loans	69,401,510	(6,267,209)
Microcredit Interest Free Loans	(2,578,967)	(6,665,861)
Accrued Markup On Loan	(10,158,209)	(8,714,440)
	64,074,933	**(20,839,533)**
Increase / (Decrease) In Current Liabilities		
Loans And Advances	8,889,405	(2,623,251)
Accrued Interest on borrowings	12,805,481	11,585,491
Accrued Markup	(63,673,325)	(1,469,495)
	(41,978,439)	**7,492,745**
Cash Generated From Operation	**90,226,573**	**54,134,209**
Finance Cost Paid	(27,402,118)	(30,503,206)
NET CASH FLOW FROM OPERATING ACTIVITIES	**62,824,455**	**23,631,003**

	30-Jun-20	30-Jun-19
	-----------Rupees-----------	
CASH FLOW FROM INVESTING ACTIVITIES		
Long Term Investment	59,112,606	5,454,587
Short Term Investment Made	25,364,483	(2,920,650)
Addition To tangible Fixed Assets	(918,621)	(1,010,214)
Addition To intangible Fixed Assets	-	(1,435,625)
Proceeds from Disposal of Tangible Fixed Assets		-
Addition To Intangible Assets		-
Proceeds from Disposal of Tangible Fixed Assets	710,000	
Long Term Deposits	15,000	-
NET CASH USED IN INVESTING ACTIVITIES	**84,283,468**	**88,098**

CASH FLOW FROM FINANCING ACTIVITIES		
Equity Funds subscribe	-	-
Equity and other funds transferred in from OCT	-	-
Long term borrowing from PPAF	(4,000,000)	(10,042,709)
Short Term borrowings from banks- (secured)	(114,259,038)	(93,555,004)
Bad Debts written off from General Reserve		
Non Performing Loans Write Off Through Provision		
NET CASH USED IN FINANCING ACTIVITIES	**(118,259,038)**	**(103,597,713)**
Net Increase In Cash & Cash Equivalent From All Activities	**28,848,885**	**(79,878,613)**
Cash & Cash Equivalent At The Beginning Of The Period		
Cash & Cash Equivalent At The End Of The Period	**28,848,885**	**(79,878,613)**
Cash & Cash Equivalent Is Represented By:		
Cash And Bank Balances	94,601,234	39,790,807
Bank Borrowings	(58,989,250)	(114,259,038)
	35,611,984	(74,468,231)

The annexed note from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIE

DIRECTOR

CHIEF FINANCIAL OFFICER

ORGANIZATION FOR POVERTY REDUCTION AND COMMUNITY TRAINING PROGRAM
(COMPANY LIMITED BY GUARANTEE)
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED June 30, 2020

	EQUITY FUND	Revolving, Unrestricted And Restricted Funds	GENERAL RESERVE FOR LOAN LOSS	TOTAL
		RUPEES		
Balance As At July 01, 2018	142,266,409	61,579,056	2,069,043	205,914,508
Net Surplus For The Period	7,745,750			7,745,750
Operating Cost Adjustment PMIFL		(6,072,639)		(6,072,639)
Operational Cost against Loan Losses			1,525,000	1,525,000
Balance As At Jane 30, 2019	150,012,159	55,506,417	3,594,043	209,112,618
Balance As At July 01, 2019	150,012,159	55,506,417	3,594,043	209,112,618
Net Surplus For The Period	2,919,781			2,919,780
Operating Cost Adjustment PMIFL		-		-
Operational Cost against Loan Losses				
Balance As At Jane 30, 2020	152,931,939	55,506,417	3,594,043	212,032,398

The annexed note from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

ORGANIZATION FOR POVERTY REDUCTION AND COMMUNITY TRAINING PROGRAM
(COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED June 30, 2020

1. STATUS AND ACTIVITIES

1.1 The Organization For Poverty Reduction and Community Training Program (hereinafter referred to as The Company or OPRCT), was incorporated on August 9, 2017, under section 42 of the repealed Companies Ordinance, 1984 (now companies act 2017) as a guarantee limited company. The company is **"Not for Profit"** Organization. The company was granted license to carry out investment finance services as (Non-Banking Finance Company) by the Securities and Exchange Commission Of Pakistan (SECP) vide License No. SC/NBFCs/156/OPRCTP/2017 dated October 31, 2017 under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The registered office of the company is situated at ST-4, Sector 5-A, Qasba Township, Mangopir Road, Karachi.

The company operates its activities through 12 branches in the province of Sindh and it also made arrangements with 11 partner organizations (P.Os) operating elsewhere in other cities of province of Sindh and Punjab.

1.2 The company mission is to enhance the scale, quality, diversity and sustainability of Microfinance Institutions (MFIs) in Pakistan and to endeavor to pursue the following objectives;

a) Social and economic uplift and empowerment of marginalized communities/ institutions, particularly in rural areas and urban slums to enable the communities to enhance their capacity building for income generation in order to eradicate their problems sustainable social.

b) To reduce poverty in Pakistan by carrying on self-income generation activities to large number of poor people (living below poverty line) in ruler and urban areas and to help them, and their families and to rise out of poverty by direct interaction or through local institutions;

c) Promote Integrated self-reliant and long term development of the communities for enhancement of small businesses, infrastructure development, social safety net, social development (health' and education), support to community saving groups, training and skill development programs of poverty alleviation.

d) Enhancing cause of women development by initiating programs for income generation, awareness of their legal and basic rights; and

e) Training human resources for overseeing developmentprojects and programs.

1.3 The company in accordance with the directions issued by the SECP (vide their order no CLD/CCD/Co.42/25/2016 Date 26th May 2017) have transferred all assets and liabilities of the Orangi Charitable Trust as of Dec 31,2017 .Accordingly, comparitive financial statements have been derived and included from the assets and liabilities of Orangi Charitable Trust as of Dec 31, 2017.

2 SIGNIFICANT TRANSACTIONS/EVENTS AFFECTING FINANCIAL STATEMENTS

During the year following transactions were incurred that were significant:

- The company disbursed micro-finance interest/Non-interest bearing loans in the year aggregating Rs. 565.790 million (2019: Rs. 720.552 million) . Out of total disbursements in the year Rs. 137.635 million (2019: Rs. 215.975 million)represents disbursement to partner organisation (POs) while remaining amount Rs. 425.155 million (2019: Rs. 504.577) disbursed through 12 branches of the company. The Disbursement in Interest Bearing Microcredit Operations amounting to Rs. 527. 040 million (2019: Rs. 688.022 million) were made whereas the interest free disbursement under NPGP agreement for Interest free loan of Rs. 38.750 million (2019: 32.530 million) were disbursed.

Loans disbursed in current & previous period shows a recovery as under :
a) Recoveries through POs Rs. 156.371 million (2019: Rs. 241.762 million)
b) Recoveries through branches Rs. 462.711 million (2019 : Rs. 452.697 million)

Company earned markup/return/interest in the year aggregating Rs. 117.096 million compared to (2019: Rs. 113.997 million). While markup/return/interest expensed on borrowings form banks, PPAF, & related parties was Rs. 40.207 million (2019: Rs 36.678 million). The total Net Income earned during the period amounting to Rs.76.889 million (2019: Rs 77.318 million).

- The Company Complied to prudential regulation. Accordingly the required provison made of its non-performing portfolio was Rs. 27,542,063/- (2019: Rs.16,443,561/-).

- During the Year the organization acquired fixed assets amounting to Rs. 918,621/- (2019: Rs.1,435,625/-)

2.1 IMPACT OF COVID 19 ON THE PERFORMANCE OF THE ENTITY DURING THE YEAR

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as pandemic by the World Health Organization on March 11, 2020, impacting countries gobally. Measures, taken to contain the spread of the virus, including travel bans, quarantine, social distancing, and closure of non-essential economic activities have triggered significant disruptions to the income generation activities throughout Pakistan resulting in an economic slow down at individual level as well.

The management has assessed the following impacts on the performance of the microcredit operations during the year due to COVID 19.

As in the rest of the world COVID 19 adversely affected lifestyle and economic activity in pakistan. The organization complied with the standard operating Procedures (SOPs) prescribed by the Federal and provincial Governments. Microcredit operations especially the recoveries of the loans already granted and new disbursements were affected during lock down. The Management believes that temporary slowdown during the highly effected period during April, May and June have been recovered as our branches and related borrowers were reopened after necessary permissions and recoveries nearly normalized. There were no consequential impacts on the organization. Further, The management believes that the going concern assumption of the organization remains valid.

2.1.1 Impact on Disbursement and Recoveries

	Disbursement During COVID 19 March till June 2020	2019	Difference-Increase / (Decrease) in Disbursement
Microcredit Interest Bearing Loan	55,695,000	216,565,000	(160,870,000)
Microcredit Interest Free Loan	11,405,000	11,500,000	(95,000)
	67,100,000	228,065,000	(160,965,000)
Impact on Income and Expenditure Account for the year			
Effect on Income due to Service Charges against Interest bearing Loan	13,352,610	36,621,854	(23,269,244)
Effect on income against Agreement Fee	1,670,850	6,496,950	(4,826,100)
	15,023,460	43,118,804	(28,095,344)

	Principal Recoveries During COVID 19 March till June 2020	2019	Difference-Increase / (Decrease) in Recovery
Microcredit Interest Bearing Loan	135,652,097	223,116,518	(87,464,421)
Microcredit Interest Free Loan	13,427,500	10,419,000	3,008,500
	149,079,597	233,535,518	(84,455,921)

	Service Charges Recoveries During COVID 19 March till June 2020	2019	Difference-Increase / (Decrease) in Recovery
Microcredit Interest Bearing Loan	30,947,601	40,730,280	(9,782,679)

2.1.2 Microcredit Loan Portfolio Exposure and Provisioning

Due to the COVID 19 economic situation and its impact on the repayment capacity of borrowers the portfolio exposure of the organization as on June 30, 2020 has increased and in compliance of the prudential regulation the provision has been maintained (Ref: Note: 28) amounting to Rs. 27.542 million (2019: 16.466 million) resulting in provision for the year charged (Ref: Note 28) amounting to Rs. 13.068 million (2019: 13.159 million) This results in net of provision balance (Ref Note: 7 & 8)of the loan portfolio as on June 30, 2020 amounting to Rs. 316.384 million (2019: 383.207 million). Further a bad debt amounting to Rs. 1.9 million (2019: 9.6 million) has been written off during the year.

	Impact on Statement of Net Assets increase / (decrease)	**Impact on Income and Expenditure Account** increase / (decrease)
a) Impact of Provision on Microcredit Interest bearing loan	(27,431,956)	(13,771,471)
b) Impact of Provision on Microcredit Interest free loan	(110,135)	703,313
	(27,542,091)	(13,068,158)

The other current assets including the short term investments and loans and advances and other receivables have been recorded at amortised cost basis and no impairment has been recorded. Further a provision has been recorded amounting to Rs. 4.3 million (2019: 4.4 million) against advances to the POs considering the ability of the parties to pay the said amount.

The Non Current assets including the Property Plant and Equipment (Ref: Note 13) and Intangible Fixed assets (Ref Note: 14) have been recorded at the historical cost model as per company policy and no imaprment has been recorded against the assets considering the future economic resources embodied by these assets.

Hence, the net effect on the income during the year due to COVID 19 is estimated to be Rs. 41 million during the year.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), Accounting Standard for Not For Profit Organizations (NPOs) and International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act,2017 and

- the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulation),
- the Non Banking Finance Companies (Establishment and Regulations) Rules 2003,
- provisions of and directives issued under the Companies Act 2017.

Where Provisions of and directives issued under the companies Act, 2017 , the NBFC rules , differ from IFRSs. The NBFC regulations and the requirements of the Companies Act 2017 have been followed.

3.2 Basis of measurement / presentation

3.2.1 Basis of measurement

The financial statements have been prepared on the accrual basis of accounting and historical cost convention in accordance with the accounting principles generally followed in preparation of accounts of not for profit and non governmental organizations.

3.2.2 New standards, amendments and interpretation to published approved accounting and reporting standards which are effective during the year ended June 30, 2020

There are certain amendments and an interpretation to approved accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2019. However, these do not have any significant impact on the Company's financial reporting.

In addition to that two new standards (i.e. IFRS 9 and IFRS 15) have become applicable to the Company effective July 1, 2018. Because of these new standards certain changes to the Company's accounting policies have been made since 2019 in light of the following paragraphs:

Effective from July 01, 2018 the Organization has adopted IFRS 9, " Financial Instruments" which has replaced IAS 39 ; " Financial Instruments: Recognition and Measurement". The standard addresses recognition, classification, measurement, and derecognition of financial assets and financial liabilities. The Standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on "Expected Credit Loss"(ECL) approach rather than "incurred credit Loss" approach as previously given under IAS 39.

The Securities and Exchange Commission of Pakistan vide its notification dated 14 February 2019 modified the effective date for implementation of IFRS 9 as 'reporting period/ year ending on or after 30 June 2019 (earlier application is permitted)'.

IFRS 9 has provided a mechanism for calculation of expected Credit Loss Model on Financial Assets based on expected Cash Flows for the future period. After thorough evaluation of the Portfolio at Risk and Complying the Regulatory requirements of the prudential regulations specified in the Specified Entities Regulations, 2008 in order to record the Provision on the outstanding Portfolio and the Assessment of the portfolio as per IFRS 9 regulations to record the expected credit loss we have assessed that the average rate as per prudential regulation is about 8.01%(2019: 6.89%) amounting to Rs.27,542,091(2019: 16,443,561) (Comprising Specific provision of 25,822,404/- (2019: 14,527,947/- and general provision amounting to 1,719,659/-(2019: 1,915,615) and the amount charged in Profit and loss amounting to Rs. 13,068,130/- (2019: Rs.13,159,301/-) which is higher than the Average Credit loss Rate calculated through Provision matrix comprising factors as Forward Looking Rate through regression Analysis for Pakistan Economic Rate Calculation, Loss Given Default (LGD), Probability of Default (PD), and EAD to calculate ECL Provision which resulted in an Expected Credit Loss average rate of 4.67% (2019: 1.56%) of the Expected Allowance of Default (EAD) amounting to 16,071,309/- (2019: Rs.6,246,065/-) based on the Ageing analysis of the Portfolio at risk for 24 months since July 2018 as 2 years average.

The Adoption of IFRS 9 did not have any impact on classification and measurement of financial assets and financial liabilities on the date of its adoption.

There are no other standards , amendments to standards or interpretations that are effective for annual accounting periods beginning on July 01, 2019 that have a material effect on these financial statements of the Organization.

3.2.3 Standards, Ammendments and interpretations to published accounting and reporting standards that are not yet

The Following ammendments would be effective from the dates mentioned below against the respective amendment:

Amendments	Effective date (Accounting period beginning on or after)
- IFRS - ' Financial Instruments" (amendment)	01 July, 2019
- IFRS 16 - Lease	01 July, 2019
- IFRS 17 - Insurance Contract	01 July, 2021
- IAS 1 - ' Presentation Financial Statements" (amendment)	01 July, 2019
- IAS 8 - ' Accounting Policies Changes in accounting estimates and errors" (amendment)	01 July, 2019
- IFRIC 23 "Uncertainty over Income Tax Treatments"	
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	

These amendments may impact the financial statements of the organization on adoption. The management is currently assessing the full impact of the financial statements of the organization.

There are cetain other standards, amendments and interpretations that are mendatory for the organization accounting period beginning on or after July 01, 2019 but are considered not to be relevant or will not have any significant effect on the organization's operation and are therefore not disclosed in these financial statements.

Annual Improvements

IFRS 5 - Non Current Assets Held for Sale and Discontinued Operation - Changes in method of disposal.

IFRS 7 - Financial Instruments: Disclosures - Servicing Contracts.

IFRS 7 - Financial Instruments: Disclosures - Applicability of off-setting disclosure to condensed interim financial statements.

IFRS 19 - Employee Benefits - Discount rate: Regional market issue.

IAS 34 - Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The Company expect that the adoption of the above standards and interpretation will not have any material impact on its financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB (International Accounting Standards Board). Such improvements are generally effective for accounting periods beginning on or after July 01, 2014. The Company expect that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

3.3 Basis of presentation

The financial statements include the activities of micro finance sector, capacity building sector in partnership with Pakistan Poverty Alleviation Fund (PPAF), and microfinance activities undertaken by OPRCT with its own funds.

The statement of financial activities set forth separately the income and expenses of micro finance and capacity building sector thereby giving recognition

3.4 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded off to nearest Rupees.

3.5 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenditures. The estimates and associated assumption are based on historical experience and various other factors the tare believed to be reasonable under the circumstances, the result of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Revisions to accounting estimates are recognized in the period in which the estimates is revised in and in any future periods effective actual result may differ from these estimates.

The areas involving a higher degree of judgment or complexities, or areas where assumptions and estimates are significant to the financial statements are provision for doubtful accounts of micro credit loans, useful life and impairment of tangible and intangible assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same, as those applied in the preparation of financial statements of the Company for the year ended June 30, 2019 and are enumerated as follows:

4.1 Fixed Assets and Depreciation

These are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to revenue by reducing balance method. Depreciation is charged on prorate basis at the rates specified in note 10 to the financial statements so as to write off the cost over the estimated useful life of each asset. PPAF assets are recorded separately than OPRCT. OPRCT maintain fixed assets register incorporating each and every item of assets.

The Company's management reviews the rates of depreciation / estimated useful lives used in the calculation of depreciation charge for its property, plant and equipment and the value of the assets for possible impairment at each financial year end.

Normal repair and maintenance is recognized in the statement of financial activities as incurred. Gains and losses on disposal / retirement is recognized in income or expense in the period of disposal / retirement.

4.2 Intangible assets

These are stated at cost less accumulated amortization and impairment, if any. Amortization is charged to income applying reducing balance method.

4.3 Financial Instrument

The company classifies its financial assets at initial recognition in the following categories depending on the nature and purpose for which the financial assets were acquired.

a) Investment at fair value through profit or loss

Financial asset at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial assets is classified as held for trading if acquired principally for the purpose of selling in short term. Assets in this category are classified as current assets.

b) Investment at Fair Value through OCI

Available for sale investment is initially recorded at cost and subsequently premeasured at fair value at each reporting date. Changes in fair value are taken to other comprehensive income. When investment classified as Available for sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss account. Dividends on available for sale investment is recognized in statement of financial activities as part of "operating income" when the trust's right to receive payment is established.

The company assesses at each balance sheet date whether there is objective evidence that an available for sale investment is impaired. For such investment, a significant prolonged decline in the fair value of the investment below the carrying value is considered as indicator that the investment is impaired. If any such evidence exists, the cumulative loss is transferred from other comprehensive income to statement of financial activities. Impairment losses previously recognized in statement of financial activities on available for sale investment is not reversed through profit and loss account.

c) Investment at Amortized Cost

Financial Assets at amortized cost are financial investment with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. These assets are initially recognized at fair value plus any directly attributable transactions costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

4.4 Cash and Cash Equivalent

Cash and cash equivalents, for the purpose of statement of cash flows, comprise of cash on hand, cash at bank and highly liquid investment, if any, having original maturity of three months or less.

4.5 Loans, Advances, Other receivables

4.5.1 These are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date which are classified as non-current assets.

4.5.2 Loans and receivables comprise of microcredit loans, advances, deposits, other receivables and cash and cash equivalents which have initially been recorded at fair values.

4.6.1 Micro-credit loans and provisioning

Advances are stated net of provision against micro finance portfolio. Provision for advances is determined in accordance with the requirement of the Non Banking nking Finance Companies Rules 2003 and non Banking Finance Companies and Notifired Entities Regulations, 2008 issued from time to time.

4.6.2 Provisioning

a **Specific**

Management continuously monitors loan performances and recoveries and made a specific provision whenever less likely recoveries and loss cases identified as per the requirements of Non Banking Financial Companies and Notified entities Regulations, 2008 issued by the SECP.

Specific Provision Time Based Criteria		
Category	**Description**	**Provision Percentage of outstanding Balance**
Other Assets Especially	1 day - 59 Days overdue	0%
Sub-standard	60 Days - 89 Days	25%
Doubtful	90 Days - 179 Days	50%
Loss	180 Days and above	100%

b **General**

In addition to the specific provision for bad and doubtful micro credit loans and advances, if any, a general provision is also made equivalent to 0.5% of the net outstanding microfinance portfolio (finance net of specific provision) at the period end date. as per the requirement of Non Banking Financial Companies and Notified entities Regulations, 2008.

4.6.2.1 Expected Credit Loss Provisioning As per IFRS 9 on Financial Instruments

There are two approaches to Impairment of Financial Assets

a) 3 Stage Approach

The 3 Stage Approach recognises loss allowance over 12 Months Expected Credit Loss and and Life time Expected Credit Loss

Dual Measurement Approach:

This Model measures Two Approaches for measurement of Expected Credit Losses:

i) 12 Months Expected Credit Loss (12 Months Expected Credit Losses)

Cash Shortfalls that will result if a default occurs within 12 Months (or shorter period if the expected life is less than 12 Months), wieghted by Probability.

ii) Life time Expected Credit Loss

Cash Shortfalls that will result if a default events occuring over the expected Life (residual maturity) of financial Instrument, wieghted by Probability.

Factors to Consider:

1) An unbiased and probability weighted amount;
2) The time Value of Money
3) Reasonable and supportable information that is available without undue cost or effort.

b) Simplified Approach

This approach does not contain stages and calculated ECL over the life time Cash Flows and can be used over Contract assets having insignificant financing Component, (If Chosen method is life time ECL)

Measurement

A loss allowance measured as the life time expected credit loss is recognized because the maturities will typically be 12 month or less, the credit loss for 12 months and life time ECL Would be the same.

EXPECTED CREDIT LOSS PRESENTATION

An Entity shall recognise/charged to income as an impairment loss or gain, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with this standard.

An entry should recognise ECL in the Statement of Financial Position as :
- A loss allowance for Financial Assets measured at amortised cost;
- Provision (that is , a liability) for loan Commitments and Financial Guarantee Contracts;
- the loss allowance shall be recognised in Other Comprehensive Income (OCI) and shall not reduce the Carrying amount of the Financial Asset in the Statement of Net Assets / Balance Sheet.

EXPECTED CREDIT LOSS CALCULATION

Credit Loss refers to the loss suffered by the Lender when the Borrower fails to make required Payments. A Credit Loss is the difference between the Cash Flows that are due to an entity in accordance with the Contract and the Cash flows that the entity expects to receive discounted at the original effective Interest rate.

Expected Credit Loss is the Probability Weighted Average estimate of the Credit Loss Over the Life of a Financial Instrument.

CLASSIFICATION OF CREDIT LOSS

A Credit Loss can be Classified Into:

A) A Charge Off or Contractual Loss

Charge off is the accounting term which is the declaration by the lender that the amount of the debt is unlikely to be collected. It is standardised by the regulators as 180 days Past Due.

B) Banckruptcy Loss

If the Borrower declares Banckruptcy, lender looses the right to collect debt from the borrower. The Lender realises the Debt as a Loss.

GROSS CREDIT LOSS

Gross Credit Loss is the Sum of Gross Contractual Loss and Bankruptcy Loss.

FACTORS AFFECTING CREDIT LOSS

Factors Affecting the Change in the Risk of Default Occuring Includes Operating Results, Credit Spread (Credit default swap), Credit Rating (Internal or External),Rates or terms(Eg: Covenants , Collateral,) Credit Risk Management Approach, Payment Status and Behaviour, Collateral, guarantee or financial Support, if this impacts the risk of a default occuring, Regulatory Economic and technological Enviroment, and Business financial and economic Condition.

Low Credit Risk

As an Exception from the general requirements, an entity may assume that the criterion for recognising alifetime expected credit Loss is not met if the Credit Risk on the Financial Instrument is Low at the Reporting Date.

Credit Risk is Low If:

a) the instrument has a low risk of Default

b) the Borrower has a strong Capacity to meet its Contractual cash Flow Obligations in near term and:

c) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the Borrower's ability to fulfill its obligations.

A Financial Instrument is not considered to have a low Credit Risk Simply because:

a) the value of collateral results in a low risk of loss - this is because collateral usually affects the magnitude of the loss when default occurs, rather than the risk of Default. Or,

It has a low risk of Default than the entity's other financial instruments or relative to credit risk of the jurisdictions in which entity operates. Standard states for Financial Instrument that are equivalent to "investment grade" quality, an entity would continue to recognize 12 month ECL. An Entity can assume that a financial instrument has not significantly increase in credit risk if it has low credit risk at the reporting date.Low Credit Risk notion is not a bright-line trigger and financial instrument are not required to externally rated,

MORE THAN 30 DAYS PAST DUE

Rebuttable Presumption that there is a significant increase in Credit Risk when contractual payments are more than 30 Days Past Due.

More Than 30 Days Past Due rebuttable Presumption is intended to serve as backup and should identify significant increae in Credit Risk before Default or Objective Evidence for Impairment. The Entity can rebutt this presumption. However it can do so only when it has a reasonable and supportable information available that demonstrate that even if Contractual payments beome more than 30 Days Past Due , This does not represent a significant increase in Credit Risk of a Financial Instrument.

Default Parameters at Provision Matrix

Probability of Default (PD)

PD is the Likelihood of a default contractual Bankruptcy over particular time Horizon.

Exposure at Default (EAD)

Estimate of Exposure the Lender has at the time of Borrowers' default is sometimes outstanding balance at the time of Default.

Loss given Default (LGD)

- % of Exposure at the time of Default that is eventually lost by the lender.
LGD is usually defined as the percentage loss rate suffered by a lender on a credit exposure if the obligator defaults. In other words, even if the counter party defaults (fails to repay the amount owed), the lender will usually succeed in recovering some percentage of the current amount owed in the process of work out or sale of the obligator's assets. This percentage is termed the recovery rate (RR).

Gross Credit Loss (GCL)

GCL is the product of PD and EAD

Net Credit Loss (NCL)

Net Credit Loss is the Product of EAD and LGD

Forward Rate Factoring

IFRS 9 requires a forward-looking macroeconomic adjustment, applied to the historical loss rate. To incorporate this element, multiple regression analysis has been performed using finance.gov.pk and tradingeconomics.com, considering the following factors:

- Independent variable: the real GDP, the growth of the country indicator
- Dependent variable(s): the public debt, a market indication of credit risk

	Public Debt	Real GDP	
2019 numers	18,521	284.39	
Actual (2020)	23,596	344.18	
Shift in Domestic Debt (Decrease)/Increase			1.21%

Real GDP

Real gross domestic product (GDP) is an inflation-adjusted measure that reflects the value of all goods and services produced by an economy in a given year, expressed in base-year.

Public Debt

Public debt, sometimes also referred to as government debt, represents the total outstanding debt (bonds and other securities) of a country's central government. With the increase in the public debt the GDP has been increasing as indicated from the above trend. Government borrowing is directly linked with the growth of the emerging countries, below is the context from IMF study:

"Over the past decade, the IMF noted, emerging markets have been responsible for the largest share of the increase in debt, with China leading the way."

When countries have insufficient resources, they may resort to internal and external borrowing to achieve certain goals (financing public expenditures, preventing inflation, etc.). Developing countries, in particular, have deficiencies in terms of possessing resources that will enable them to achieve economic growth in respect of increasing their production and income.

Pakistan is in the devoloping phase due to this the public debt taken especially from IMF and World Bank has been used for the construction of several projects and promotion of certain industry which has resulted in the increase in GDP

4.6.3 All known bad debts are written off.

4.7 Bank Borrowings

Loans and Borrowings are initially recognized at fair value of the consideration received less directly attributable transaction costs, if any.

4.8 Employees

Defined contribution plan

The company operates an contributory provident fund scheme covering all permanent employees. Equal monthly contributions are made by the Company and employees to the fund in accordance with the fund rules at the rate of 8.33% of basic salary. Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these rules.

4.9 **Revenue Recognition**

Markup/interest/return from micro-finance loan under contract is recognized on accrual concept at time proportionate basis at effective yield rate agreed.

In this regard **Service charges** on the micro credit loans are collected with the monthly installments and accounted for as such.

Microcredit Loans Processing Fees

The fees is recognized as income in the period when received.

These are recovered from the borrowers of micro credits financed by PPAF and OPRRCT against microcredit loans disbursed directly in the period.

Income on bank deposits are recognize on accrual basis at specified rate.

Gain / Loss on sale of investment is taken to income in the period in which it arises.

Unrealized gain / losses arising on the remeasurement of securities classified as financial assets at fair value through profit or loss are included in the profit and loss account in the year in which there arise.

4.10 **Borrowing Cost**

Borrowing costs are recognized as an expense in the period in which these are incurred using the effective interest rate method except those which are directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of that asset.

4.11 **Related party transactions**

Related party transactions are made on terms negotiated between parties. Mark-up on related party transactions are recognised on accrual basis at the rate approved by the Board of Directors.

4.12 **Taxation**

Current

The income of the company is exempt from Tax under section 100 C of the income tax ordinance 2001 being income of Not for profit organization. No provision of taxation was therefore considered.

Deferred

As the income is exempt from tax, deferred tax would not arise, and therefore was not considered by the company.

4.13 **Capital Structure, Equity Capital Funds**

Under Rule 4 (Schedule I) of Non-Banking Finance Companies and Notified Entities Regulations 2008, NBFC carrying out microfinance activities have to comply with minimum capital requirement of Rs 50M as minimum capital. Company being Not for Profit Organization incorporated under section 42 of repealed companies ordinance (1984), was incorporated under without having a share capital. In order to make a compliance of this Regulation, alternatively the company brought forward fund balances from its previous entity (Note 1.3), and therefore, classified equity/capital into funds as under;

1: Equity Fund

2: Revolving Unrestricted and restricted fund

3: General Reserve for loan Losses.

5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company for the year ended June 30, 2019

6 CASH AND BANK BALANCES

	Notes	June 30, 2020	June 30, 2019
		——Rupees——	
Cash In Hand		-	6,357
Imprest Account		6,000	69,000
		6,000	75,357
Cash At Banks			
Current Accounts		66,305,207	13,735,355
PLS Accounts	6.1	28,290,027	25,980,095
		94,595,234	39,715,450
		94,601,234	39,790,807

7 MICROCREDIT INTEREST BEARING LOANS (UNSECURED)

	June 30, 2020		
	Branches	POs	Total
Outstanding Loan	215,429,187	109,795,445	325,224,632
Provision	(6,636,683)	(20,795,273)	(27,431,956)
Balance June 30	208,792,504	89,000,172	297,792,676

	June 30, 2019		
	Branches	POs	Total
Outstanding Loan	254,121,168	128,652,832	382,774,000
Provision	(3,631,041)	(11,948,773)	(15,579,814)
Balance June 30	250,490,127	116,704,059	367,194,186

7.1 MICROCREDIT INTEREST BEARING LOANS (UNSECURED)

	June 30, 2020			June 30, 2019		
	Own Source			Own Source		
	Branches	POs	Total	Branches	POs	Total
Balance as on July 01	254,121,168	128,652,832	382,774,000	211,850,113	161,596,837	373,446,950
Reallocation			-	-	-	-
Balance as on 1st July	254,121,168	128,652,832	382,774,000	211,850,113	161,596,837	373,446,950
Adjustment	(250,475)	(213,643)	(464,118)	-	-	-
	253,870,693	128,439,189	382,309,882	211,850,113	161,596,837	373,446,950
Disbursed During The Period	389,405,000	137,635,000	527,040,000	472,047,500	215,975,000	688,022,500
	643,275,693	266,074,189	909,349,882	683,897,613	377,571,837	1,061,469,450
Less: Recovery During The Year	(426,114,132)	(156,091,789)	(582,205,921)	(428,697,986)	(240,358,802)	(669,056,788)
Less: Written Off Against provision	(1,732,374)	(186,955)	(1,919,329)	(1,078,459)	(8,560,203)	(9,638,662)
Less: Written Off Against Reserve						
	215,429,187	109,795,445	325,224,632	254,121,168	128,652,832	382,774,000
Less: Specific Provision	(5,559,500)	(20,246,279)	(25,805,779)	(2,368,864)	(11,295,335)	(13,664,199)
Less: General Provision	(1,077,183)	(548,994)	(1,626,177)	(1,262,177)	(653,438)	(1,915,615)
Balance At June 30	208,792,504	89,000,172	297,792,676	250,490,127	116,704,059	367,194,186

7.2 The partner organization P.Os are organizations having objectives similar to the company's operation and operates in areas where company operation not carried out. The P.Os under an agreement after getting funds disbursed the loan amount to ultimate borrowers/beneficiaries and are responsible for recoveries and return to the company. Above loan disbursement through P.Os represent loan against agriculture, enterprise, and livestock. Recoveries are made monthly to annually at the markup rate between 0.54 to 0.98 paisas per thousand per day.

7.3 Loan provided by OPRCT from its own resources includes loan against agriculture, livestock and enterprise. Recoveries against the loan are made monthly, semi annually or annually at the markup rate between 0.54 to 0.98 paisas per thousand per day.

7.4 The above PPAF balances has been offered as security/ hypothecation against long term borrowing obtained.

8 MICROCREDIT INTEREST FREE LOAN (UNSECURED)

	2020		
	Outstanding Loan	Provision	Net
PPAF Restricted / NPGP (8.1)	18,128,000	(107,265)	18,020,735
Miseror Unrestricted (8.2)	573,948	(2,870)	571,078
Balance June 30, 2020	18,701,948	(110,135)	18,591,813

Note: These amounts have been disbursed from the revolving fund for interest free loan.

	2019		
	Outstanding Loan	Provision	Net
PPAF Restricted (8.1)	16,023,000	(107,240)	15,915,760
Miseror Unrestricted (8.2)	853,594	(756,508)	97,086
Balance June 30, 2019	16,876,594	(863,748)	16,012,846

8.1

	NPGP	
	2020	2019
Opening Balance	16,023,000	7,533,450
Adjustment	2,500	
Disbursed During The Period	38,750,000	32,530,000
Less: Recovery During The Year	(36,597,200)	(23,999,450)
Less: Written Off Against provision	(50,300)	(41,000)
Less: Written Off Against Reserve		
	18,128,000	16,023,000
Less: Specific Provision	(16,625)	(16,625)
Less: General Provision	(90,640)	(93,510)
Balance	18,020,735	15,912,865

8.2

	Miseror Unrestricted	
	2020	2019
Opening Balance	853,594	2,257,485
Disbursed During The Period	-	-
Less: Recovery During The Year	(279,646)	(1,403,891)
Less: Written Off Against provision		
Less: Written Off Against Reserve		
	573,948	853,594
Less: Specific Provision	-	(756,508)
Less: General Provision	(2,870)	-
Balance	571,078	97,086

8.3 MICROCREDIT INTEREST FREE LOANS

	June 30, 2020			June 30, 2019		
	Own Source			Own Source		
	NPGP	Miserio	Total	NPGP	Miserio	Total
Balance as on July 01	16,023,000	853,594	16,876,594	7,533,450	2,257,485	9,790,935
Reallocation	-	-	-	-	-	-
Balance as on 1st July	16,023,000	853,594	16,876,594	7,533,450	2,257,485	9,790,935
Adjustment	2,500	-	2,500	-	-	-
	16,025,500	853,594	16,879,094	7,533,450	2,257,485	9,790,935
Disbursed During The Period	38,750,000	-	38,750,000	32,530,000	-	32,530,000
	54,775,500	853,594	55,629,094	40,063,450	2,257,485	42,320,935
Less: Recovery During The Year	(36,597,200)	(279,646)	(36,876,846)	(23,999,450)	(1,403,891)	(25,403,341)
Less: Written Off Against provision	(50,300)	-	(50,300)	(41,000)	-	(41,000)
Less: Written Off Against Reserve		-	-			
	18,128,000	573,948	18,701,948	16,023,000	853,594	16,876,594
Less: Specific Provision	(16,625)	-	(16,625)	(107,240)	(756,508)	(863,748)
Less: General Provision	(90,640)	(2,870)	(93,510)	-	-	-
Balance At June 30	18,020,735	571,078	18,591,813	15,915,760	97,086	16,012,846

9.0 PROVISION FOR LOAN

		Provisioning	
		June 30, 2020	June 30, 2019
Provision As per Prudential regulation	28	27,542,091	16,443,561
Provision As per Expected Credit Loss Model - IFRS 9		16,071,309	6,246,065

IFRS 9 has provided a mechanism for calculation of expected Credit Loss Model on Financial Assets based on expected Cash Flows for the future period. After thorough evaluation of the Portfolio at Risk and Complying the Regulatory requirements of the prudential regulations specified in the Specified Entities Regulations, 2008 in order to record the Provision on the outstanding Portfolio and the Assessment of the portfolio as per IFRS 9 regulations to record the expected credit loss we have assessed that the average rate as per prudential regulation is about 8.01%(2019: 6.89%) amounting to Rs.27,542,091(2019: 16,443,561) (Comprising Specific provision of 25,822,404/- (2019: 14,527,947/- and general provision amounting to 1,719,659/- (2019: 1,915,615) and the amount charged in Profit and loss amounting to Rs. 13,068,130/- (2019: Rs.13,159,301/-) which is higher than the Average Credit loss Rate calculated through Provision matrix comprising factors as Forward Looking Rate through regression Analysis for Pakistan Economic Rate Calculation, Loss Given Default (LGD), Probability of Default (PD), and EAD to calculate ECL Provision which resulted in an Expected Credit Loss average rate of 4.67% (2019: 1.56%) of the Expected Allowance of Default (EAD) amounting to 16,071,309/- (2019: Rs.6,246,065/-) based on the Ageing analysis of the Portfolio at risk for 24 months since July 2018 as 2 years average.

9.1 EXPECTED CREDIT LOSS MODEL PROVISION MATRIX RESULTS ON LOAN

Provision Matrix has been used to Calculate Expected Credit Loss on Simplified Approach;

The Organization has set following Provisioning Matrix Parameters which has been adjusted for Forward Looking Estimates.

Age Buckets (days)	PD	LGD	Loss Rate (LR)	Forward Looking Factor	EAD	ECL Provision
Current	2.20%	18.86%	0.41%	0.50%	215	1,080,695
1 to 29	14.38%	18.86%	2.71%	3.38%	70	2,292,233
30 to 59	87.89%	18.86%	16.57%	20.06%	25	5,038,315
60 to 89	100.00%	18.86%	18.86%	22.82%	7	1,534,238
90 to 119	100.00%	18.86%	18.86%	22.82%	18	4,099,068
120 to 364	100.00%	18.86%	18.86%	22.82%	3	721,812
>=365	100.00%	18.86%	18.86%	22.82%	6	1,304,949
					Total ECL	16,071,309
						4.00%

Where Defined Parameters over Provision Matrix are :

PD= Probility of Default over time horizon => > Calculated with reference to age Bucket > > Average of all PDs Calculated
LGD=> Loss Given Default => > EAD * PD => >Average of all LGDs at each age Bucket
Loss Rate => > PD * LGD => > Average of all Loss Rates
Forward looking factor is the product of loss rate and forward looking rate
EAD=> >Exposue at Default => >is the receivable at the period end ie outstanding balance at period end
ECL Provision=> Product of EAD and Forward Looking Factor
ECL=> > Average of ECL Provision

9.2 PORTFOLIO AT RISK AS ON June 30,2020

AGING BUCKET		TOTAL		
	Classification	% OF PRO	PAR/OLP	PROVISION
Regular		0%	197,472,210	-
1 day to 29 days	OAEM	0%	69,117,719	-
30 days to 59 days	OAEM	25%	25,088,993	6,272,248
60 days to 89 days	Sub-Standard	25%	6,722,840	1,680,710
90 days to 189 days	Doubtful	50%	17,961,610	8,980,805
180 days to 364 days	Loss	100%	3,153,889	3,153,889
Over 365	Loss	100%	5,718,127	5,718,127
Specific Provision			325,235,388	25,805,779
General Provision @ 0.5%				1,626,177

9.2.1 PORTFOLIO AT RISK - Branches

AGING BUCKET		Branches		
	Classification	% OF PRO	PAR/OLP	PROVISION
Regular		0%	147,292,004	-
1 day to 29 days	OAEM	0%	53,307,985	-
30 days to 59 days	OAEM	25%	9,500,473	2,375,118
60 days to 89 days	Sub-Standard	25%	1,889,276	472,319
90 days to 189 days	Doubtful	50%	1,469,616	734,808
180 days to 364 days	Loss	100%	873,951	873,951
Over 365	Loss	100%	1,103,304	1,103,304
Specific Provision			215,436,609	5,559,500
General Provision @ 0.5%				1,077,183

9.2.2 PORTFOLIO AT RISK - POs

AGING BUCKET		POs		
	Classification	% OF PRO	PAR/OLP	PROVISION
Regular		0%	50,180,206	-
1 day to 29 days	OAEM	0%	15,809,734	-
30 days to 59 days	OAEM	25%	15,588,520	3,897,130
60 days to 89 days	Sub-Standard	25%	4,833,564	1,208,391
90 days to 189 days	Doubtful	50%	16,491,994	8,245,997
180 days to 364 days	Loss	100%	2,279,938	2,279,938
Over 365	Loss	100%	4,614,823	4,614,823
Specific Provision			109,798,779	20,246,279
General Provision @ 0.5%				548,994

9.3 MICROCREDIT INTEREST FREE LOAN (UNSECURED)

AGING BUCKET		TOTAL		
	Classification	% OF PRO	PAR/OLP	PROVISION
Regular		0%	17,931,500	-
1 day to 29 days	OAEM	0%	730,948	-
30 days to 59 days	OAEM	25%	30,500	7,625
60 days to 89 days	Sub-Standard	25%	-	-
90 days to 189 days	Doubtful	50%	-	-
180 days to 364 days	Loss	100%	9,000	9,000
Over 365	Loss	100%	-	-
Specific Provision			18,701,948	16,625
General Provision @ 0.5%				93,510

9.3.1 MICROCREDIT INTEREST FREE LOAN (UNSECURED)- NPGP

AGING BUCKET		NPGP		
	Classification	% OF PRO	PAR/OLP	PROVISION
Regular		0%	17,931,500	-
1 day to 29 days	OAEM	0%	157,000	-
30 days to 59 days	OAEM	25%	30,500	7,625
60 days to 89 days	Sub-Standard	25%	-	-
90 days to 189 days	Doubtful	50%	-	-
180 days to 364 days	Loss	100%	9,000	9,000
Over 365	Loss	100%	-	-
Specific Provision			18,128,000	16,625
General Provision @ 0.5%				90,640

9.3.2 MICROCREDIT INTEREST FREE LOAN (UNSECURED)- MISERIO

AGING BUCKET		MISERIO		
	Classification	% OF PRO	PAR/OLP	PROVISION
Regular		0%	-	-
1 day to 29 days	OAEM	0%	573,948	-
30 days to 59 days	OAEM	25%	-	-
60 days to 89 days	Sub-Standard	25%	-	-
90 days to 189 days	Doubtful	50%	-	-
180 days to 364 days	Loss	100%	-	-
Over 365	Loss	100%	-	-
Specific Provision			573,948	-
General Provision @ 0.5%				2,870

10 Short Term Investments comprise of the following:

Particular	Issued date	Maturity Date	Profit Rate (p.a) (%)	Payments Terms	Amortized Cost
SME 56.4 M	19-Oct-19	19-Oct-20	12.25%	On Maturity	61,245,764
ABL 37 M	30-Mar-20	19-Mar-21	7.50%	On Maturity	37,707,055
HBL 20 M	30-9-2010	30-9-2020	10.24%	On Maturity	20,000,000
					118,952,819

11 ADVANCES AND OTHER RECEIVABLES

Advances	Note (11.1)	6,022,566	15,140,950
Other Receivable	Note (11.2)	1,781,186	73,400
		7,803,752	15,214,350

11.1 Advances

Advances To Staff		5,275,181	5,006,032
Advances To Others	Note (11.1.1)	-	4,994,000
Advances To Branches		403,991	453,837
Advance against Suppplies		20,000	-
Advance against WHT		-	47,297
		5,699,172	10,501,166
Advance To Related Parties			
OPP-Urban Resource Centre		-	200,000
OPP-Microcredit Trust		-	72,000
OPP-KHASDA		-	1,914,420
MON-PAK		-	1,857,520
EWEF		-	72,450
OPP-RTI		323,394	523,394
		323,394	4,639,784
		6,022,566	15,140,950

11.2 Other Receivables

Receivable From PPAF - Against Expenses	-	61,200
Receivable From PMN - Against Expenses	-	12,200
Receivable from PPAF PMIFL	1,781,186	-
	1,781,186	73,400

11.1.1 Advances To Others

GDO & Other Advances	1,320,001	880,001
Sahkar Foundation	1,000,000	1,000,000
Nice Foundation	1,000,000	1,500,000
Village Welfare (VWS)	500,000	500,000
AZM Foundation	900,000	900,000
Saath Micro Finance	5,208,000	5,208,000
	9,928,001	9,988,001
Less:Provison against advances	(9,928,001)	(4,994,001)
	-	4,994,000

11.1.2 This represents advances to Partner Organisation to improve upon their activities and ensure sustainability of projects under taken by them. At the year end date management anticipates that due to problems faced by the PO's, is likely that the amount advance may be partially become unrecoverable therefore provison for impairment was also provided accordingly.

12 Long term investments comprise of the following:

Particular	Issued date	Maturity Date	Profit Rate (p.a) (%)	Payments Terms	Amortized Cost
TDR - HBL (RS. 20 million)	30-9-2010	29-9-2020	10.24	On Maturity	-
					-

12.1 The Long term investment has been encashed during the year whereas the remaining Rs.20,000,000 is held with HBL as short term investment as at year end.

13 PROPERTY PLANT & EQUIPMENT

Particulars	COST						ACCUMULATED DEPRECIATION						W.D.V As At		Rate
	As on July 01, 2019	As on July 01, 2018	Addition	Transfer in / (out)	Deletion	As on June 30, 2020	As on July 01, 2019	As on July 01, 2018	Transfer in / (out)	Deletion	Charged For the period	As on June 30, 2020	June-2020	June-2019	
OWNED															
Building	1,000,000	1,622,396	-		-	1,000,000	336,144	590,831			33,193	369,337	630,663	663,856	5%
Motor Vehicles	6,061,570	6,622,732	-		733,200	5,328,370	4,263,731	4,296,967		489,942	310,916	4,084,705	1,243,665	1,797,839	20%
Office Equipment	-	1,289,578				-	-	1,199,938				-	-	-	20%
Power Generator	1,446,589	1,446,589	-		-	1,446,589	1,165,990	1,095,840			56,120	1,222,110	224,479	280,599	20%
Furniture And Fixture	1,364,318	1,277,868	44,700			1,409,018	625,890	543,843			78,313	704,203	704,815	738,428	10%
Electric Equipment	3,011,538	3,771,757	126,900			3,138,438	1,588,750	2,412,823			309,938	1,898,688	1,239,750	1,422,788	20%
Computer and Network Installation	867,195	639,862		(867,195)		-	567,317	427,370	(567,317)		-	-	-	299,878	33%
Computerized Equipment	-	-	747,021	867,195		1,614,216	-	-	567,317		345,477	912,794	701,422	-	33%
	13,751,210	16,670,782	918,621	-	733,200	13,936,631	8,547,822	10,567,612	-	489,942	1,133,956	9,191,836	4,744,795	5,203,388	
PPAF FINANCED															
Motor Vehicles	5,078,096	5,078,096	-		538,544	4,539,552	4,489,037	4,341,772		479,995	106,102	4,115,144	424,408	589,059	20%
Office Equipment	-	1,915,682	-			-	-	1,705,278				-	-	-	20%
Office Equipment (TUP)	-	114,740	-			-	-	74,622				-	-	-	10%
Office Equipment (MIOP)	-	281,550	-			-	-	177,114				-	-	-	10%
Furniture And Fixture	455,225	455,225	-			455,225	313,310	-			14,192	327,502	127,724	141,915	10%
Computer	-	1,175,000	-			-	-	1,100,893				-	-	-	33%
	5,533,321	9,020,293	-	-	538,544	4,994,777	4,802,347	7,399,679	-	479,995	120,294	4,442,646	552,132	730,974	
As at June 30	19,284,531	25,691,075	918,621	-	1,271,744	18,931,408	13,350,169	17,967,291	-	969,937	1,254,249	13,634,481	5,296,927	5,934,363	

14 INTANGIBLE ASSETS

Particulars	As on July 01, 2019	As on July 01, 2018	Addition	Transfer in / (out)	Deletion	As on June 30, 2020	As on July 01, 2019	As on July 01, 2018	Transfer in / (out)	Deletion	Charged For the period	As on June 30, 2020	June-2020	June-2019	Rate
MIS And FIS Software	4,408,125	2,972,500	-		-	4,408,125	3,204,867	2,612,218		-	397,075	3,601,942	806,183	1,203,258	33%
As at June 30	4,408,125	2,972,500	-	-	-	4,408,125	3,204,867	2,612,218	-	-	397,075	3,601,942	806,183	1,203,258	
	23,692,656	28,663,575	918,621	-	1,271,744	23,339,533	16,555,036	20,579,509	-	969,937	1,651,325	17,236,424	6,103,109	7,137,621	

15 SHORT TERM BORROWINGS FROM BANKS - Secured

	June 30, 2020	June 30, 2019
	-----Rupees-----	
SME Bank Running Finance	2,572,758	47,550,641
ABL Running Finance	33,872,174	33,550,153
Habib Bank - Meher O/D	-	213,565
Habib Bank - Prism A/C	-	-
Habib Bank Running Finance	22,544,318	32,944,679
	58,989,250	114,259,038

15.1 Terms and conditions

Description	SME	ABL	HBL	
	I	I	I	II
Limit	56.4 M	35 M	15 M	18 M
Tenure	19-10-2019 to 20-10-2020	30-09-2019 to 30-09-2020	30-09-2019 to 30-09-2020	30-09-2019 to 30-09-2020
Mark up	12.25 % +1.5 p.a against TDR value 56.4 million	Deposit Rate on TDR + 1.25% BPS payable quarterly	Deposit rate + 0.75% payable quarterly	Deposit rate + 0.5% payable quarterly
Security	TDR 56.4 M at 5% security margin	TDR of Rs. 37 M at 105% security margin (under lien)	Lien against PLS Account	TDR of Rs. 20 M
Purpose	To strengthen socio economic condition in rural & urban areas	For working capital requirement and microfinance	For lending money to micro business units	For lending money to micro business units

16 LOANS AND ADVANCES

	June 30, 2020	June 30, 2019
	-----Rupees-----	
Loans (Unsecured)		
16.1 Related Parties		
Opp Research & Training Institute (1)	16,200,000	16,200,000
Opp Rti (38 M) (2)	51,500,000	63,500,000
Total RTI	67,700,000	79,700,000
Opp Rural Development Trust	12,915,000	12,915,000
Opp Employees Welfare Endowment Fund Trust	3,600,000	3,600,000
Opp Micro Credit Trust	3,580,500	3,580,500
Urban Resource Centre (Urc)	100,000	300,000
	20,195,500	20,395,500
16.2 Grant PPAF (COVID 19)	21,000,000	-
	108,895,500	100,095,500
16.3 Advances		
Engro(Hamqadam)	33,805	-
Staff Life Insurance Premium	21,423	35,281
Staff Insurance Payable	91,050	34,268
Ehbab Buchat Investment	-	(29,901)
Distress	-	17,225
	146,278	56,873
	109,041,778	100,152,373

16.1.1 **Relationship with related party**

Related Party represents all entities of Orangi Pilot Project (OPP) that are under the common management control of OPP.

16.1.2 The company in its normal operation receive deposits/funds from its related parties to meet operating cash flow requirements

16.1.3 Markup at rate of 12% (2019: 9%) per annum is paid on loan from related party M/S OPP RTI. The loans are unsecured and payable on availability of funds and demands from related parties.

16.2.1 PPAF has created an emergency response fund for COVID 19 due to which the community mobility is restricted to prevent the spread of the virus and unfortunately also increasing unemployment, reducing sources of income and growing food insecurity.

The Project commenced on June 01, 2020 and was initially intended to complete on August 31, 2020. However a supplementary Financing Agreement was made between OPRCT and PPAF where OPRCT was awarded an extension period till September 30, 2020 to complete the project.

PPAF has given a grant to OPRCT for funding the COVID 19 Emergency Relief Project not exceeding the sum of 21 million solely for the purposes of activities detailed in the program description and implementation plan as stated in 16.2.2

16.2.2 **Implementation Plan**

PPAF COVID 19 Emergency Response Implementation Plan

S.No	Description	No of Units	Rate	Frequency	Total Amount
A	**Direct Input Cost**				
A.1	Agriculture inputs	698	6,500	1	4,537,000
A.2	Food Package	394	4,000	1	1,576,000
A.3	Kitchen Gardening	570	5,500	1	2,843,500
A.4	Livestock goats	1,699	6,500	1	11,043,500
	Sub total				**20,000,000**
B-	**Direct Support Cost (5%)**				
B.1	Slaries	1	25,000	2	50,000
B.2	Vehicles rent	5	2,520	40	504,000
B.3	Paid Resource Person	10	1,000	40	400,000
B.4	Utilities of DO	1	10,000	1	10,000
B.5	Rent of DO	1	5,000	2	10,000
B.6	Stationery / Photocopies	1	3,000	2	6,000
B.7	Post Distribution monitoring by HO	1	20,000	1	20,000
	Sub total				**1,000,000**
	Grand Total				**21,000,000**

17 ACCRUED INTEREST AND OTHER PAYABLES

		June 30, 2020	June 30, 2019
		-----Rupees-----	
17.1	**Accrued Interest/Markup**		
	Markup on Long Term Loan		
	Interest On PPAF Loans	73,374,704	54,838,159
	Less: Transferred to Non-Current	(45,386,050)	(45,386,050)
		27,988,654	**9,452,109**
	Markup on Short Term Loan		
	Interest On Related Parties Loans	612,716	5,734,764
	Interest On RF Bank	160,183	769,199
		772,899	**6,503,963**
		28,761,553	**15,956,072**
17.2	Accrued Expenses		
	Provident Fund Payabale	5,281,815	2,700,711
	Salaries Payable	1,259,985	411,926
	Other Payable	452,724	1,065,728
	Income Tax Payable		
		6,994,524	**4,178,365**
		35,756,077	**20,134,437**

18 LONG TERM BORROWING FROM PPAF- Secured

	June 30, 2020			June 30, 2019		
	Regular	Subordinate Loan	TOTAL	Regular	Subordinate Loan	TOTAL
	-----------------Rupees-----------------					
Opening Balance	51,000,000	55,000,000	106,000,000	120,042,709		120,042,709
Transferred to Subordinate Loan	-		-	(55,000,000)	55,000,000	-
Sub Total	**51,000,000**	**55,000,000**	**106,000,000**	**65,042,709**	**55,000,000**	**120,042,709**
Less : Payment in the year	(4,000,000)	-	(4,000,000)	(14,042,709)	-	(14,042,709)
	47,000,000	**55,000,000**	**102,000,000**	**51,000,000**	**55,000,000**	**106,000,000**
Less: Current Maturity	**(22,500,000)**	-	**(22,500,000)**	**(14,000,000)**	-	**(14,000,000)**
Balance at june 30	**24,500,000**	**55,000,000**	**79,500,000**	**37,000,000**	**55,000,000**	**92,000,000**

18.1 - On February 11,2019 the Company entered into a Supplementary Financing agreements with PPAF whereby:

a) Rs. 55,000,000 transferred as subordinate loan to be repayable by Dec 31, 2021. Mark-up on sub-ordinated loan shall be payable during the tenure of repayment aggregated to Rs. 17,820,000 payable on a quarterly basis. The sub-ordinate loan shall rank after all loan advances and deposits of the company.

However, during the year PPAF deferred the 4 quarterly principal installments due in the Calender year 2020 for 12 months each. And as per the deferrment plan the due amounts in the following year being the current maturity are 22.5 million in the year ended June 30, 2021.

b) The Remaining loan of Rs.55,000,000/-shall be repayable by Dec 31,2021 in unequal quarterly installments. The mark-up on the loan during the tenure of the agreement was determined at Rs.11,526,189 payable on a quarterly basis. The company has also issued post dated cheques for the payment of quarterly installments upto and of the period aggregating Rs. 51,000,000.

c) The outstanding Mark-up of Rs. 45,386,070 at the date of the agreement shall be made repayable in one installment at the completion of the tenure of the agreement by Dec 31, 2021.

19 EQUITY FUND

	Note	June 30, 2020	June 30, 2019
		-----Rupees-----	
Balance At Beginning Of Period		136,368,584	136,368,584
Membership Fee by Directors/Memers	19.1	500,000	500,000
		136,868,584	**136,868,584**

19.1 This represents amount subscribe by 5 Directors/Members of the company @ Rs 100,000 each at the time of incorporation of the company.

20 REVOLVING, UNRESTRICTED AND RESTRICTED FUNDS

	Notes	June 30,2020				
		RESTRICTED	UNRESTRICTED			Total
		Rupees				
		20.1	20.2		-	
Balance At Beginning Of period		**33,927,358**	**20,485,114**	**147,595**	**946,347**	55,506,414
Bad Debts				-	-	-
Bad Debts Written Off		-	-	-		-
Balance At End Of period		**33,927,358**	**20,485,114**	**147,595**	**946,347**	**55,506,414**

20.1 REVOLVING, UNRESTRICTED AND RESTRICTED FUNDS

	Notes	June 30,2019				
		RESTRICTED	UNRESTRICTED			Total
		Rupees				
	Notes	20.3	-		20.4	
Balance At Beginning Of period		**40,000,000**	**20,485,114**	**147,595**	**946,347**	61,579,056
Charged Operational Cost for the Year sept 18		(5,000,000)	-	-	-	(5,000,000)
Charged For operational Cost net of income		(1,072,642)	-	-	-	(1,072,642)
Members fees Directors						
Bad Debts			-	-	-	-
Bad Debts Written Off		-	-	-		-
Balance At End Of period		**33,927,358**	**20,485,114**	**147,595**	**946,347**	**55,506,414**

20.2 Available Assets At End Of period

Microcredit Interest Free Loan	18,128,000	573,948			18,701,948
Cash At Bank	15,799,358	19,911,166	147,595	946,347	36,804,466
	33,927,358	**20,485,114**	**147,595**	**946,347**	**55,506,414**

20.3 The restricted fund from PPAF created out of disbursement of Rs. 40 million. The fund is given on account of interest free loan for the period of four years ending June 30, 2018 through community organizations. After completion of agreed period the funds shall be given as grant on discretion of PPAF to respective community organizations to whom the loan were granted. The Rs 40M balance was secured by a promissory note issued in favor of PPAF. No instruction has been given by PPAF in this regard.

20.4 This represents unrestricted funds created out of amount received from Miserior Germany. The amounts have been disbursed to the flood affected people in interior Sindh and was included in micro finance loans.

20.5 This represent unspent balance on the projects completed. The related assets acquired out of the funds received have been included in fix assets of the company.

21 GENERAL RESERVE FOR LOAN LOSS

	June 30, 2020	June 30, 2019
Opening Balance -	3,594,043	2,069,043.00
Charged for the period	-	1,525,000
Bad Debts written off	-	-
Provision during the period	-	-
Closing Balance as on June 30	**3,594,043**	**3,594,043**

21.1 The reserve is created as per the agreement with PPAF at rate of 2% on amount of revolving fund disbursed by PPAF. It shall be released to income equal to the written off amount under interest free loan disbursed from funds of PPAF.

	OWN	PPAF	June 30, 2020	June 30, 2019
			----Rupees----	
22 INCOME				
Markup/ return / interest earned - OCT	117,096,913		117,096,913	15,691,591
Markup/ return / interest earned - PPAF	-		-	84,233,921
Markup/ return / interest earned - PRISM	-		-	14,072,074
	117,096,913	-	117,096,913	113,997,586

23 MARKUP / RETURN / INTEREST EXPENSED

	OWN	PPAF		
Markup/ return / interest expensed - PPAF	18,536,545		18,536,545	10,524,966
Markup/ return / interest expensed - Related Parties(Note 16)	5,007,012	-	5,007,012	11,627,784
Markup/ return / interest expensed - Running Finances from banks (Note 15)	11,297,900	-	11,297,900	8,337,196
Bank Charges	5,366,142	-	5,366,142	6,188,871
	40,207,599	-	40,207,599	36,678,817

24 INVESTMENT INCOME

	OWN	PPAF		
Income From Long Term Investment	3,660,430	-	3,660,430	4,281,337
Income From Short Term Investment	10,006,186	-	10,006,186	5,425,825
Income From Bank Deposits	2,478,692	-	2,478,692	93,923
	16,145,308	-	16,145,308	9,801,085
Less: Withholding Tax	(6,763,099)	-	(6,763,099)	(5,409,880)
	9,382,209	-	9,382,209	4,391,205

25 FEE AND PROCESSING CHARGES

	OWN	PPAF		
Loan Processing Charges	12,933,772	-	12,933,772	13,757,132
	12,933,772	-	12,933,772	13,757,132

The above represent loan application form charges recovered from borrowers upon processing of loan application.

26 Other Income

	OWN	PPAF		
Bad Debt Recoveries and Profit on Debt	1,192,693	-	1,192,693	1,464,924
Bad Debts Recovered From ODP	355,438	-	355,438	388,302
Operational Cost by PPAF	1,781,186	-	1,781,186	-
Management Cost From Engro	1,220,551	-	1,220,551	-
Gain on Disposal of Fixed Assets	408,193	-	408,193	-
	4,958,061	-	4,958,061	1,853,226

27 GENERAL AND ADMIN EXPENSES

	OWN	PPAF		
Salaries, Wages And Benefits	46,943,325	-	46,943,325	42,093,759
Staff Provident Fund	2,581,104	-	2,581,104	2,700,711
Vehicle Running And Maintenance	2,843,068	-	2,843,068	2,702,757
Rent And Utilities	4,437,294	-	4,437,294	4,521,842
Legal And Consultancy	1,447,348	-	1,447,348	2,205,534
Meeting Expenses	1,593,768	-	1,593,768	2,455,716
Supplies, Maintenance And Repair	2,699,473	-	2,699,473	3,481,302
Travelling And Conveyance	1,932,452	-	1,932,452	2,648,792
Printing, Stationary, Journal And Periodicals	960,351	-	960,351	1,700,849
Power Generator Maintenance	1,462,945	-	1,462,945	1,715,550
Charity And Donation	160,000	-	160,000	-
Transportation	517,686	-	517,686	651,445
Audit Fee	300,000	-	300,000	300,000
Fees, Subscription And Honorarium	67,800	-	67,800	252,590
Amortization Of Intangible Assets (NOTE 14)	397,075	-	397,075	592,649
Depreciation (Note 13)	1,254,249	-	1,254,249	1,303,028
Provision against advances	4,934,000	-	4,934,000	4,994,001
Impairment loss on Fixed Assets	-	-	-	1,174,091
	74,531,939	-	74,531,939	75,494,616

28 MOVEMENT FOR PROVISION OF DOUBTFUL DEBTS

	June 30, 2020		
	Branches	POs	Total
Opening Balance	3,631,041	11,948,773	15,579,814
Amounts written off during the period	(1,732,374)	(186,955)	(1,919,329)
	1,898,667	11,761,818	13,660,485
Amount charged to P/L Ac	4,738,016	9,033,455	13,771,471
Balance at Jun 30, 2020	6,636,683	20,795,273	27,431,956

	June 30, 2019		
	Branches	POs	Total
Opening Balance	2,917,912	9,602,060	12,519,972
Amounts written off during the period	(1,078,459)	(8,560,203)	(9,638,662)
	1,839,453	1,041,857	2,881,310
Amount charged to P/L Ac	1,791,588	10,906,915	12,698,503
Balance at Jun 30, 2019	3,631,041	11,948,772	15,579,813

28.1

30-Jun-20

	Misereor			NPGP			
	Specific	General	Total	Specific	General	Total	Grand Total
Opening Balance	756,508	-	756,508	107,240	-	107,240	863,748
Amounts written off during the period			-		(50,300)	(50,300)	(50,300)
	756,508	-	756,508	107,240	(50,300)	56,940	813,448
Amount charged to P/L Ac	(756,508)	2,870	(753,638)	(90,615)	140,940	50,325	(703,313)
Balance at Jun 30 2020	-	2,870	2,870	16,625	90,640	107,265	110,135

30-Jun-19

	Misereor			PM-IFL			
	Specific	General	Total	Specific	General	Total	Grand Total
Opening Balance	52,000	-	52,000	391,950	-	391,950	443,950
Amounts written off during the period	-		-	(41,000)		(41,000)	(41,000)
	52,000	-	52,000	350,950	-	350,950	402,950
Amount charged to P/L Ac	704,508	-	704,508	(243,710)	-	(243,710)	460,798
Balance at Jun 30 2020	756,508	-	756,508	107,240	-	107,240	863,748

28.2 PROVISION FOR THE YEAR

	2020	2019
Interest Bearing Loans	13,771,471	12,698,503
Non-Iinterest Bearing Loans	(703,313)	460,798
Total Charged for the year	13,068,158	13,159,301

29 PROGRAM EXPENSES

		June 2020	June 2019
		------Rupees----	
Advance against OPP organizations	29.1	7,423,792	2,797,820
Management Support To Partner Organizations	29.2	6,349,529	5,600,639
		13,773,321	8,398,459
Less: Adjustments			
- Against income		-	6,100,000
- Against Accrued Income		129,842	1,377,794
		129,842	7,477,794
		13,643,479	920,665

29.1 Advance against OPP organizations

OPP-KHASDA	1,914,420	-
MON-PAK	1,857,520	-
RTI	2,813,221	2,797,820
OPP-RDT	838,631	-
	7,423,792	2,797,820

29.2 Management Support To Partner Organizations	June 2020	June 2019
	------Rupees----	
Grasss Roots Development organization	1,159,050	468,000
GHAZWA Development organization	1,075,109	539,310
OPE	754,650	-
Prime Welfare	625,000	375,000
Nawan Sojhla welfare found	500,000	-
Watan Welfare Organization	500,000	-
Sindh Rural Development org	500,000	-
SAHIL Development	410,000	200,000
Allakh	200,000	864,000
MRDF	137,000	960,000
Welfare Foundation	125,000	-
Nice Foundation	112,943	-
SRPO	90,000	120,000
Advance Adjust	82,877	-
ADF	65,400	
GHAZWA Surveying Prime	12,500	
MEHWA	-	180,000
MOHAR	-	67,048
IRADO	-	146,000
EACO	-	340,000
VWS	-	1,341,281
	6,349,529	5,600,639

29.1.1 Advances as referred in Note 11 Advance to related parties that represents all entities of Orangi Pilot Project (OPP) that are under the common management control of OPP were adjusted against their operational cost shared by OPRCT.

29.2.1 Management Support to Partner organizations represents cost incurred in the period for providing support to other NGOs in the microcredit operations mainly comprise of staff cost and sharing management cost.

30 TAXATION

30.1 Company was incorporated in the current period as Not for Profit Organization and has been registered with the income tax department under Tax registration number: 7881657. The income tax return of the company would be filed by the company on the due date complying to required provisions of the income tax ordinance 2001.

30.2 As per section 100 C of the Income Tax Ordinance, 2001, the income of Non-Profit Organizations, trusts and welfare institutions shall be allowed a tax credit equal to one hundred percent of the tax payable, including final taxes payables subject to the condition that a return has been filed, tax required to be collected or deducted has been collected or deducted and paid in accordance income tax provision 2001, and withholding tax statements for the immediately preceding tax year have been filed. As the company complies with the aforesaid provision, directors and management believe that no provision for tax would arise.

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The board of directors has the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

This note presents the information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react changes in market conditions and the Company's activities.

31.1 Credit risk

Credit risk is the risk which arises with possibility that one party to financial instrument will fail to discharge its obligations and cause the other party to incur financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transaction with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk on long term loans, advances, deposits, trade debts and other bank balances. The Company seeks to minimize the credit risk exposure through exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is as follows:

	2020		2019	
	Balance sheet	Maximum exposure	Balance sheet	Maximum exposure
Micro Credit Loans	316,384,489	316,384,489	383,207,032	383,207,032
Loans and advances, trade and other deposits and other receivables	7,803,752	7,803,752	15,214,351	15,214,351
Cash And Bank balances	94,601,234		39,790,807	
Short Term Investment	118,952,819		93,588,336	
	537,742,294	324,188,241	438,212,190	398,421,383

The maximum exposure to credit risk for Micro-Credit Loans at the balance sheet date by type of customer is as follows:

	2020	2019
Partner Organisations	89,571,250	116,801,145
End-user customers	226,813,239	266,405,887
	316,384,489	383,207,032

The Company deposits its funds with banks carrying good credit standings assessed by reputable credit agencies. These banks are credit rated as follows:

Local banks		Short term	Long term
		C to A1+	B to AAA
	Credit Rated	2020	2019
SME Bank	B	2,572,758	47,550,641
Habib Bank Ltd	A-1+	22,544,318	32,944,679
Allied Bank Ltd.	A-1+	33,872,174	33,550,153
Total		58,989,250	114,045,473	-

31.2 **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 managing 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. For this purpose the Company has sufficient running finance facilities available from commercial banks to meet its liquidity requirements. Further liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the board.

Table of financial liabilies and maturity

	2020							
	Carrying amount	Contractual cash flows		Six months or less		Six to twelve months		Two to Five years
	---Rupees in '000---							
Financial liabilities at amortized cost								
Non Derivative financial liabilities								
Long term Borrowing from PPAF- (S	79,500,000	-		-		22,500,000		57,000,000
Short Term Borrowing from Bank (Secure)	58,989,250	-		-		28,761,553		30,227,697
Derivative financial liabilities	-	-	-	-	-	-	-	-
	138,489,250	-	-	-	-	51,261,553	-	87,227,697

	2019							
	Carrying amount	Contractual cash flows		Six months or less		Six to twelve months		Two to five years
	---Rupees in '000---							
Financial liabilities at amortized cost								
Non Derivative financial liabilities								
Long term Borrowing from PPAF- (S	92,000,000	-		-		14,000,000		78,000,000
Short Term Borrowing from Bank (Secure)	114,259,038	-		-		2,009,103		112,249,935
Derivative financial liabilities	-	-	-	-	-	-	-	-
	206,259,038	-	-	-	-	16,009,103	-	190,249,935

31.3 **Market risk**

The company is not exposed to market risk.

31.4 **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's long term and short term loan facilities.

30.1.5 **Capital risk management**

The Company finances its expansions projects through equity, further borrowings and own fund projections with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

32 FAIR VALUE MEASUREMENTS

32.1 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received so sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is going concern and there is no intention or requirements to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

32.2 **Recognized fair value measurements - financial instruments**

31.2.1 **Fair value hierarchy**

Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

As at June 30 2020	Carrying / Notional Value	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
		FAIR VALUES			
Financial Assets measured At Fair Value	-				-
Financial Assets Not measured At Fair Value					
Cash In Hand	6,000				6,000
Bank Balances	94,595,234				94,595,234
Microcredit interest bearing loans	297,792,676				297,792,676
Microcredit interest free loans	18,591,813				18,591,813
Other Advances, Deposits & Receivables	7,803,752				7,803,752
Accrued Markup On Loans	18,872,649				18,872,649
Long Term Deposits	487,500				487,500
Short term investments	118,952,819				118,952,819
Long term investments	-				-
Total	557,102,443	-	-	-	557,102,443
Financial Liabilities measured At Fair Value					
Financial Liabilities Not measured At Fair Value					
SHORT TERM BORROWINGS FROM BANKS - Secured	58,989,250				**58,989,250**
Loans (Unsecured) - Related Parties	108,895,500				**108,895,500**
Loans (Unsecured) - Others	146,278				**146,278**
Total	168,031,028	-	-	-	168,031,028

As at June 30 2019	Carrying / Notional Value	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
		FAIR VALUES			
Cash In Hand	75,357				75,357
Bank Balances	39,715,450				39,715,450
Microcredit interest bearing loans	367,194,186				367,194,186
Microcredit interest free loans	16,012,846				16,012,846
Other Advances, Deposits & Receivables	15,214,351				15,214,351
Accrued Markup On Loans	8,714,440				8,714,440
Long Term Deposits	502,500				502,500
Short term investments	93,588,336				93,588,336
Long term investments	46,889,430				46,889,430
Total	548,116,089	-	-	-	548,116,089
Financial Liabilities measured At Fair Value					
Financial Liabilities Not measured At Fair Value					-
SHORT TERM BORROWINGS FROM BANKS - Secured	114,259,038				**114,259,038**
Loans (Unsecured) - Related Parties	100,095,500				**100,095,500**
Total	214,354,538	-	-	-	214,354,538

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

32.3 **Recognized fair value measurements - non-financial assets**

Fair value hierarchy

Judgments and estimates are made for non-financial assets that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

As at June 30, 2020	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Property and equipment:				-
- Building		630,663		630,663
Total	-	630,663	-	630,663

As at June 30, 2019	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Property and equipment:				-
- Building		663,856		663,856
Total	-	663,856	-	663,856

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as

32.4 MICROCREDIT LOANS & RECEIVABLES

IFRS Permits that disclosure of fair values is not required when the carrying amount is a reasonable approximation of fair value, such as short-term trade receivables and payables, or for instruments whose fair value cannot be measured reliably. As management believes that fair values of micro finance loans and receivable approximate its carrying value therefore further disclosure deemed not necessary.

33 GENERAL

33.1 NUMBER OF EMPLOYEES

Average no of employees of the company in the period was 157. This represents staff transferred from the previous organization.This includes permanent employees 122 & contract employees 28.

33.2 CORRESPONDING FIGURE

Prior year figure with respect to income / markup on TDR has been shown net tax of Rs 9,382,209/- to bring the same in conformity in the current year.

33.3 There have been no related party transactions other than those disclosed in the financial statements.

33.4 The figures have been rounded off nearest to the rupees.

33.5 These financial statements have been approved by the Board of Directors and authorized for issue on 08 OCT 2020

CHIEF EXECUTIE | DIRECTOR | CHIEF FINANCIAL OFFICER