

**ORAGNIZATION FOR POVERTY REDUCTION &  
COMMUNITY TRAINING  
AUDITORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR FROM JULY 01, 2020  
TO JUNE 30, 2021**




**ORGANIZATION FOR POVERTY REDUCTION AND COMMUNITY TRAINING PROGRAM**  
**(COMPANY LIMITED BY GUARANTEE)**  
**STATEMENT OF NET ASSETS**  
**AS AT June 30, 2021**

	Notes	June 30, 2021	June 30, 2020
-----Rupees-----			
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Bank Balances	6	43,152,429	94,601,234
<b>Microcredit Loans</b>			
Microcredit Interest Bearing Loans(Net)	7	326,666,756	297,792,676
Microcredit Interest Free Loans(Net)	8	27,089,565	18,591,813
		353,756,321	316,384,489
Short Term Investments	10	160,025,709	118,952,819
Advances and Other Receivables	11	9,692,924	7,803,753
Accrued Service Charges		9,210,858	18,872,649
<b>Total Current Assets</b>		<b>575,838,241</b>	<b>556,614,944</b>
<b>Non Current Assets</b>			
Property, Plant & Equipment	12	9,588,562	5,296,926
Intangible Fixed Assets	13	540,127	806,183
Long Term Deposits		637,500	487,500
		10,766,189	6,590,609
<b>TOTAL ASSETS</b>		<b>586,604,429</b>	<b>563,205,552</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Short Term borrowings from banks- (secured)	14	108,714,721	58,989,250
Current Maturity of Long term Loan-PPAF		22,500,000	22,500,000
ABL Salary Loan		9,982,172	
		141,196,893	81,489,250
Other loans and advances	15	69,444,116	109,041,778
		210,641,009	190,531,028
Accrued Interest on borrowing	16.1	29,810,434	28,761,553
Accrued Expenses	16.2	15,408,052	6,994,524
		45,218,486	35,756,077
		255,859,495	226,287,105
<b>Non-Current Liabilities</b>			
Long term borrowing from PPAF- (secured)	17	74,500,000	79,500,000
Accrued Markup On PPAF Loan		45,386,050	45,386,050
ABL salary Loan		4,991,179	
		124,877,229	124,886,050
<b>TOTAL LIABILITIES</b>		<b>380,736,724</b>	<b>351,173,155</b>
<b>NET ASSETS</b>		<b>205,867,704</b>	<b>212,032,397</b>
<b>REPRESENTED BY</b>			
<b>Capital Structure And Equity Funds</b>			
Equity Funds	18	136,868,584	136,868,584
Revolving, Unrestricted And Restricted Funds	19	55,506,414	55,506,414
General Reserve For Loan Loss	20	3,500,543	3,594,043
		195,875,541	195,969,041
Accumulated surplus / (deficit)		9,992,163	16,063,356
<b>TOTAL CAPITAL</b>		<b>205,867,704</b>	<b>212,032,397</b>

The annexed note from 1 to 32 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)**  
**INCOME AND EXPENDITURE STATEMENT**  
**FOR THE YEAR ENDED June 30, 2021**

	Notes	June 30 2021	June 30 2020 ---- Rupees ----
<b>INCOME</b>			
Markup/ return / interest earned	21	92,244,626	117,096,913
Markup/ return / interest expensed	22	(18,323,124)	(40,207,599)
<b>Net Markup/ return / interest earned</b>		<b>73,921,502</b>	<b>76,889,314</b>
<b>OTHER OPERATING INCOME</b>			
Investment Income	23	9,805,826	9,382,209
Fee And Processing Charges	24	19,107,658	12,933,772
Other Income	25	4,909,847	4,958,061
		<b>33,823,331</b>	<b>27,274,042</b>
<b>TOTAL INCOME</b>		<b>107,744,833</b>	<b>104,163,356</b>
<b>Operating Expenses</b>			
General And Admin Expenses	26	(73,122,141)	(74,531,938)
Provision for loan	27	(26,855,638)	(13,068,158)
		<b>(99,977,779)</b>	<b>(87,600,096)</b>
<b>Income From Operations</b>		<b>7,767,054</b>	<b>16,563,260</b>
<b>Other Projects</b>			
Program Expenses	28	(13,838,246)	(13,643,479)
<b>(Deficit)/Surplus Before Tax</b>		<b>(6,071,192)</b>	<b>2,919,781</b>
<b>Taxation</b>	29		-
<b>(Deficit)/Surplus After Tax</b>		<b>(6,071,192)</b>	<b>2,919,781</b>

The annexed note from 1 to 32 form an integral part of these financial statements.

*ITMD*



CHIEF EXECUTIVE



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, 2021**

June 30, 2021      June 30, 2020

-----Rupees-----

**CASH FLOW FROM OPERATING ACTIVITIES**

Net Surplus For The Period	(6,071,192)	2,919,781
<b>Add/(Less) Items Involving No Cash Movements</b>		
Depreciation	1,418,676	1,254,249
Amortization	266,056	397,075
Gain on Disposal of Tangible Fixed Assets	2,747,063	408,193
Loss on impairment of Fixed Assets	-	-
Provision against Provident Fund	2,665,285	2,581,104
Provision For Non Performing Loans	26,855,638	13,068,158
Bad Debts written off from General Reserve	(93,500)	-
Non Performing Loans Write Off Through Provision	(4,915,437)	(1,919,329)
Adjustment in Revolving Fund	-	-
Amortization Of Investment Income (Long Term)	2,144,844	3,660,430
Amortization Of Investment Income (Short Term)	4,225,709	5,552,819
Finance Cost	18,323,124	40,207,599
	<b>53,637,458</b>	<b>65,210,298</b>
<b>Surplus Before Working Capital Changes</b>	<b>47,566,266</b>	<b>68,130,079</b>
<b>(Increase)/Decrease In Current Assets</b>		
Advances And Other Receivables	(1,889,171)	7,410,599
Microcredit Interest Bearing Loans	(28,874,080)	69,401,510
Microcredit Interest Free Loans	(8,497,752)	(2,578,967)
Accrued Markup On Loan	5,436,082	(10,158,209)
	<b>(33,824,921)</b>	<b>64,074,933</b>
<b>Increase / (Decrease) In Current Liabilities</b>		
Loans And Advances	(24,624,311)	8,889,405
Accrued Interest on borrowings	5,769,089	12,805,481
Accrued Markup	(68,352,119)	(63,673,325)
	<b>(87,207,341)</b>	<b>(41,978,439)</b>
<b>Cash Generated From Operation</b>	<b>(73,465,996)</b>	<b>90,226,573</b>
Finance Cost Paid	(12,554,035)	(27,402,118)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(86,020,029)</b>	<b>62,824,455</b>
	<b>30-Jun-21</b>	<b>30-Jun-20</b>

-----Rupees-----

**CASH FLOW FROM INVESTING ACTIVITIES**

Long Term Investment	9,805,826	59,112,606
Short Term Investment Made	36,219,828	25,364,483
Addition To tangible Fixed Assets	(6,726,760)	(918,621)
Addition To intangible Fixed Assets	-	-
Proceeds from Disposal of Tangible Fixed Assets	3,688,000	710,000
Addition To Intangible Assets	-	-
Long Term Deposits	(150,000)	15,000
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>42,836,894</b>	<b>84,283,468</b>

**CASH FLOW FROM FINANCING ACTIVITIES**

Long term borrowing from PPAF	(5,000,000)	(4,000,000)
Short Term borrowings from banks- (secured)	(20,468,765)	(114,259,038)
Bad Debts written off from General Reserve	93,500	-
Non Performing Loans Write Off Through Provision	2,996,108	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(22,379,157)</b>	<b>(118,259,038)</b>
<b>Net Increase In Cash &amp; Cash Equivalent From All Activities</b>	<b>(65,562,292)</b>	<b>28,848,885</b>

Cash & Cash Equivalent At The Beginning Of The Period

Cash & Cash Equivalent At The End Of The Period

Cash & Cash Equivalent Is Represented By:

Cash And Bank Balances	43,152,429	94,601,234
Bank Borrowings	(108,714,721)	(65,752,349)
	<b>(65,562,292)</b>	<b>28,848,885</b>

The annexed note from 1 to 32 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)**  
**STATEMENT OF CHANGES IN FUNDS**  
**FOR THE YEAR ENDED June 30, 2021**

	EQUITY FUND	Revolving, Unrestricted And Restricted Funds	GENERAL RESERVE FOR LOAN LOSS	TOTAL
	-----RUPEES-----			
Balance As At July 01, 2019	150,012,158	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 June 30, 2020	152,931,939	55,506,417	3,594,043	212,032,398
Balance As At July 01, 2020	152,931,939	55,506,417	3,594,043	212,032,398
Deficit For The Period	(6,071,192)			(6,071,193)
Operating Cost Adjustment PMIFL				
Operational Cost against Loan Losses			(93,500)	(93,500)
Balance As At June 30, 2021	146,860,746	55,506,417	3,500,543	205,867,704

The annexed note from 1 to 32 form an integral part of these financial statements *37/7/2020*

  
 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, 2021**

**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 15 branches in the province of Sindh and it also made arrangements with 16 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 the social & financial Problems;
  - b) To reduce poverty in Pakistan by carrying on self-income generation activities to large number of poor people (living below poverty line) in rural 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 development

- 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, comparative 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. 669.385 million (2020: Rs. 565.790 million) . Out of total disbursements in the year Rs. 116.240 million (2020: Rs. 137.635 million) represents disbursement to partner organisation (POs) while remaining amount Rs. 553.145 million (2020: Rs. 425.155 million) disbursed through 15 branches of the company. The Disbursement in Interest Bearing Microcredit Operations amounting to Rs. 604. 905 million (2020: Rs. 527. 040 million) were made whereas the interest free disbursement under NPGP agreement for Interest free loan of Rs. 64.480 million (2020: 38.750 million) were disbursed.

Loans disbursed in current & previous period shows a recovery as under :

- a) Recoveries through POs Rs. 125.587 million (2020: Rs. 156.091 million)
- b) Recoveries through branches Rs. 479.587 million (2020 : Rs. 462.711 million)

Company earned markup/return/interest in the year aggregating Rs. 92.224 million compared to (2020: Rs. 117.096 million). While markup/return/interest expensed on borrowings from banks, PPAF, & related parties was Rs. 18.323 million (2020: Rs. 40.207 million). The total Net Income earned during the period amounting to Rs.73.921 million (2020 : Rs 76.889 million).

-The Company Complied to prudential regulation. Accordingly the required provision made of its non-performing portfolio was Rs. 49,460,852/- (2020: Rs.27,542,063/-).

- During the Year the organization acquired fixed assets amounting to Rs. 6,726,760/- (2020: Rs. 918,621/- )

**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 globally. 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 in the year 2020 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		Difference- Increase / (Decrease) in Disbursement
	July till June		
	2021	2020	
Microcredit Interest Bearing Loan	604,905,000	527,040,000	77,865,000
Microcredit Interest Free Loan	64,480,000	38,750,000	25,730,000
	<b>669,385,000</b>	<b>565,790,000</b>	<b>103,595,000</b>

### Impact on Income and Expenditure Account for the year

Effect on Income due to Service Charges against Interest bearing Loan	92,244,626	117,096,913	(24,852,287)
Effect on income against Agreement Fee	18,147,150	15,811,200	2,335,950
	<b>110,391,776</b>	<b>132,908,113</b>	<b>(22,516,337)</b>

	Principal Recoveries During COVID 19		Difference- Increase / (Decrease) in Recovery
	July till June		
	2021	2020	
Microcredit Interest Bearing Loan	549,852,114	582,205,921	(32,353,807)
Microcredit Interest Free Loan	55,323,000	36,876,846	18,446,154
	605,175,114	619,082,767	(13,907,653)

	Service Charges Recoveries During COVID 19		Difference- Increase / (Decrease) in Recovery
	March till June		
	2021	2020	
Microcredit Interest Bearing Loan - Net Margin	73,921,502	76,889,314	(2,967,812)

### 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, 2021 has increased and in compliance of the prudential regulation the provision has been maintained (Ref: Note: 28) amounting to Rs. 49.458 million (2020: 27.542 million) resulting in provision for the year charged (Ref: Note 28) amounting to Rs. 26.879 million (2020: 13.068 million) This results in net of provision balance (Ref Note: 7 & 8) of the loan portfolio as on June 30, 2021 amounting to Rs. 353.732 million (2020: 316.384 million). Further a bad debt amounting to Rs. 4.9 million (2020: 1.9 million) has been written off during the year.

	Impact on Statement of Net Assets	Impact on Income and Expenditure Account
	increase / (decrease)	increase / (decrease)
a) Impact of Provision on Microcredit Interest bearing loan (Note 7)	(48,712,909)	(26,196,390)
b) Impact of Provision on Microcredit Interest free loan (Note 8)	(721,383)	(659,248)
	<b>(49,434,292)</b>	<b>(26,855,638)</b>

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 NIL (2020: 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 12) and Intangible Fixed assets (Ref Note: 13) have been recorded at the historical cost model as per company policy and no impairment has been recorded against the assets considering the future economic resources embodied in these assets.

Hence, the net effect on the income during the year due to COVID 19 is estimated to be Rs. 2.9 million in Net Margin million during the year whereas the Service Charges was reduced by 22 million.



### **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, 2021**

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, 2020. 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 22 June, 2021 Ref # SC/NBFC-191/IFRS-9/2021 modified the effective date for implementation of IFRS 9 as 'reporting period/ year ending on or after 30 June 2022 (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 6.07% (2020: 4.53%) amounting to Rs.49,461, 411/- (2020: 27,542,091) (Comprising Specific provision of 47,442,171/- (2020: 25,822,404/- and general provision amounting to 2,016,370/- (2020: 1,719,659) and the amount charged in Profit and loss amounting to Rs. 26,879,887/- (2020: Rs.13,068,130/-) 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 6.01% (2020: 4.67%) of the Expected Allowance of Default (EAD) amounting to 21,436,328/- (2019: Rs.16,071,309/-) based on the Ageing analysis of the Portfolio at risk for 24 months since July 2019 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, 2020 that have a material effect on these financial statements of the Organization.



### 3.2.3 Standards, Amendments and interpretations to published accounting and reporting standards that are not yet effective:

The Following amendments 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 certain other standards, amendments and interpretations that are mandatory for the organization accounting period beginning on or after July 01, 2020 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 to their separate responsibilities as described in the agreements with PPAF.

### 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 thereby 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 the future periods. Actual result may differ from these estimates.

The areas involving a high 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, 2020 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 prorata basis at the rates specified in note 12 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 Amortized Cost/Fair values.

**4.6 Micro-credit loans and provisioning**

**4.6.1** 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 accounts 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.
- Contract Assets

## 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) Bankruptcy Loss

If the Borrower declares Bankruptcy, lender loses 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 Occurring 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 occurring, Regulatory Economic and technological Environment, 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 a lifetime 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 increase in Credit Risk before Default or Objective Evidence for Impairment. The Entity can rebut this presumption. However it can do so only when it has a reasonable and supportable information available that demonstrate that even if Contractual payments become 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

2020 numers

Actual (2021)

Shift in Domestic Debt (Decrease)/Increase

Public Debt	Real GDP
35,460	18,521.00
23,596	23,596.00
	1.50%

##### 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 devolping 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 OPRCT 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, 2020



	Notes	June 30, 2021	June 30, 2020
		-----Rupees-----	
<b>6 CASH AND BANK BALANCES</b>			
Cash in Hand		300,000	-
Petty Cash Branches		11,000	6,000
Imprest Account		311,000	6,000
Cash At Banks			
Current Accounts		24,198,965	66,305,207
PLS Accounts	6.1	18,642,464	28,290,027
		42,841,429	94,595,234
		<b>43,152,429</b>	<b>94,601,234</b>

**7 MICROCREDIT INTEREST BEARING LOANS (UNSECURED)**

Outstanding Loan  
Provision  
Balance June 30

June 30, 2021		
Branches	POs	Total
275,260,731	100,118,934	375,379,665
(5,926,283)	(42,786,626)	(48,712,909)
269,334,448	57,332,308	326,666,756

Outstanding Loan  
Provision  
Balance June 30

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

**7.1 MICROCREDIT INTEREST BEARING LOANS (UNSECURED)**

Balance as on July 01  
Reallocation  
Balance as on 1st July  
Adjustment

June 30, 2021			June 30, 2020		
Own Source			Own Source		
Branches	POs	Total	Branches	POs	Total
215,429,187	109,795,445	325,224,632	254,121,168	128,652,832	382,774,000
215,429,187	109,795,445	325,224,632	254,121,168	128,652,832	382,774,000
(64,686)	82,270	17,584	(250,475)	(213,643)	(464,118)
215,364,501	109,877,715	325,242,216	253,870,693	128,439,189	382,309,882
488,665,000	116,240,000	604,905,000	389,405,000	137,635,000	527,040,000
704,029,501	226,117,715	930,147,216	643,275,693	266,074,189	909,349,882
(424,264,589)	(125,587,525)	(549,852,114)	(426,114,132)	(156,091,789)	(582,205,921)
(4,504,181)	(411,256)	(4,915,437)	(1,732,374)	(186,955)	(1,919,329)
275,260,731	100,118,934	375,379,665	215,429,187	109,795,445	325,224,632
(4,549,979)	(42,286,032)	(46,836,011)	(5,559,500)	(20,246,279)	(25,805,779)
(1,376,304)	(500,595)	(1,876,898)	(1,077,183)	(548,994)	(1,626,177)
269,334,448	57,332,308	326,666,756	208,792,504	89,000,172	297,792,676

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, except Karachi Branch whose rate is 1.05%

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)**

PPAF Restricted / NPGP (8.1)  
Miseror Unrestricted (8.2)  
Balance June 30, 2021

2021		
Outstanding Loan	Provision	Net
27,237,000	(147,435)	27,089,565
573,948	(573,948)	-
27,810,948	(721,383)	27,089,565

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

PPAF Restricted (8.1)  
Miseror Unrestricted (8.2)  
Balance June 30, 2020

2020		
Outstanding Loan	Provision	Net
18,128,000	(107,265)	18,020,735
573,948	(2,870)	571,078
18,701,948	(110,135)	18,591,813

**8.1**

Opening Balance  
Adjustment

NPGP	
2021	2020
18,128,000	16,023,000
-	2,500

Disbursed During The Period

64,480,000	38,750,000
------------	------------

Less: Recovery During The Year  
Less: Written Off Against provision  
Less: Written Off Against Reserve

(55,323,000)	(36,597,200)
(48,000)	(50,300)

27,237,000	18,128,000
------------	------------

Less: Specific Provision  
Less: General Provision  
Balance

(11,250)	(16,625)
(136,185)	(90,640)
27,089,565	18,020,735

8.2

Opening Balance

Disbursed During The Period

Less: Recovery During The Year  
 Less: Written Off Against provision  
 Less: Written Off Against Reserve

Less: Specific Provision  
 Less: General Provision  
 Balance

Miseror Unrestricted	
2021	2020
573,948	853,594
	(279,646)
573,948	573,948
(573,948)	-
-	(2,870)
-	571,078

## 8.3 MICROCREDIT INTEREST FREE LOANS

Balance as on July 01

Reallocation

Balance as on 1st July  
 Adjustment

Disbursed During The Period

Less: Recovery During The Year  
 Less: Written Off Against provision  
 Less: Written Off Against Reserve

Less: Specific Provision  
 Less: General Provision

Balance At June 30

June 30, 2021			June 30, 2020		
Own Source			Own Source		
NPGP	Miserio	Total	NPGP	Miserio	Total
18,128,000	573,948	18,701,948	16,023,000	853,594	16,876,594
18,128,000	573,948	18,701,948	16,023,000	853,594	16,876,594
			2,500	-	2,500
18,128,000	573,948	18,701,948	16,025,500	853,594	16,879,094
64,480,000		64,480,000	38,750,000	-	38,750,000
82,608,000	573,948	83,181,948	54,775,500	853,594	55,629,094
(55,323,000)	-	(55,323,000)	(36,597,200)	(279,646)	(36,876,846)
(48,000)	-	(48,000)	(50,300)	-	(50,300)
27,237,000	573,948	27,810,948	18,128,000	573,948	18,701,948
(11,250)	(573,948)	(585,198)	(16,625)	-	(16,625)
(136,185)	-	(136,185)	(90,640)	(2,870)	(93,510)
27,089,565	-	27,089,565	18,020,735	571,078	18,591,813

## 9.0 PROVISION FOR LOAN

Provision As per Prudential regulation  
 Provision As per Expected Credit Loss Model - IFRS 9

Provisioning	
June 30, 2021	June 30, 2020
28	
49,434,292	27,542,091
21,436,328	16,071,309



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 6.07% (2020: 4.53%) amounting to Rs.49,461, 411/- (2020: 27,542,091) (Comprising Specific provision of 47,442,171/- (2020: 25,822,404/- and general provision amounting to 2,016,370/- (2020: 1,719,659) and the amount charged in Profit and loss amounting to Rs. 26,879,887/- (2020: Rs.13,068,130/-) 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 6.01% (2020: 4.67%) of the Expected Allowance of Default (EAD) amounting to 21,436,328/ (2019: Rs.16,071,309/-) based on the Ageing analysis of the Portfolio at risk for 24 months since July 2019 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	4.77%	20.20%	0.96%	1.35%	321	4,345,791
1 to 29	23.05%	20.20%	4.66%	6.55%	28	1,806,381
30 to 59	84.90%	20.20%	17.15%	24.11%	5	1,214,419
60 to 89	98.40%	20.20%	19.87%	27.94%	2	428,630
90 to 119	100.00%	20.20%	20.20%	28.40%	4	1,288,804
120 to 364	100.00%	20.20%	20.20%	28.40%	13	3,789,896
Over 365	100.00%	20.20%	20.20%	28.40%	30	8,582,407
Total ECL						21,436,328
						6.07%

Where Defined Parameters over Provision Matrix are :

PD= Probability 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=> > Expose 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 30,2021

AGING BUCKET	Classification	TOTAL		
		% OF PRO	PAR/OLP	PROVISION
Regular		0%	293,871,134	-
1 day to 29 days	OAEM	0%	27,592,036	-
30 days to 59 days	OAEM	25%	4,928,145	1,232,036
60 days to 89 days	Sub-Standard	25%	1,534,254	383,564
90 days to 189 days	Doubtful	50%	4,467,370	2,233,685
180 days to 364 days	Loss	100%	13,340,081	13,340,081
Over 365	Loss	100%	29,646,645	29,646,645
Specific Provision			375,379,665	46,836,011
General Provision @ 0.5%				1,876,898

#### 9.2.1 PORTFOLIO AT RISK - Branches

AGING BUCKET	Classification	Branches		
		% OF PRO	PAR/OLP	PROVISION
Regular		0%	249,083,684	-
1 day to 29 days	OAEM	0%	19,952,950	-
30 days to 59 days	OAEM	25%	1,368,780	342,195
60 days to 89 days	Sub-Standard	25%	352,944	88,236
90 days to 189 days	Doubtful	50%	753,650	376,825
180 days to 364 days	Loss	100%	1,762,540	1,762,540
Over 365	Loss	100%	1,980,183	1,980,183
Specific Provision			275,260,731	4,549,979
General Provision @ 0.5%				1,376,304

#### 9.2.2 PORTFOLIO AT RISK - POS

AGING BUCKET	Classification	Pos		
		% OF PRO	PAR/OLP	PROVISION
Regular		0%	44,781,450	-
1 day to 29 days	OAEM	0%	7,639,086	-
30 days to 59 days	OAEM	25%	3,559,365	889,841
60 days to 89 days	Sub-Standard	25%	1,181,310	295,328
90 days to 189 days	Doubtful	50%	3,713,720	1,856,860
180 days to 364 days	Loss	100%	11,577,541	11,577,541
Over 365	Loss	100%	27,666,462	27,666,462
Specific Provision			100,118,934	42,286,032
General Provision @ 0.5%				500,595

#### 9.3 MICROCREDIT INTEREST FREE LOAN (UNSECURED)

AGING BUCKET	Classification	TOTAL		
		% OF PRO	PAR/OLP	PROVISION
Regular		0%	27,207,000	-
1 day to 29 days	OAEM	0%	-	-
30 days to 59 days	OAEM	25%	25,000	6,250
60 days to 89 days	Sub-Standard	25%	-	-
90 days to 189 days	Doubtful	50%	-	-
180 days to 364 days	Loss	100%	5,000	5,000
Over 365	Loss	100%	573,948	573,948
Specific Provision			27,810,948	585,198
General Provision @ 0.5%				139,055

**9.3.1 MICROCREDIT INTEREST FREE LOAN (UNSECURED)- NPGP**

AGING BUCKET	Classification	NPGP		
		% OF PRO	PAR/OLP	PROVISION
Regular		0%	27,207,000	-
1 day to 29 days	OAEM	0%	-	-
30 days to 59 da	OAEM	25%	25,000	6,250
60 days to 89 da	Sub-Standard	25%	-	-
90 days to 189 d	Doubtful	50%	-	-
180 days to 364	Loss	100%	5,000	5,000
Over 365	Loss	100%	-	-
Specific Provision			27,237,000	11,250
General Provision @ 0.5%				136,185

**9.3.2 MICROCREDIT INTEREST FREE LOAN (UNSECURED)- MISERIO**

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

73,599,452  
(70,800,000)  
2,799,452

**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	61,043,307
ABL 37 M	30-Mar-20	19-Mar-21	7.50%	On Maturity	73,599,452
MCB 25M	30-9-2010	30-9-2020	10.24%	On Maturity	25,382,950
					<b>160,025,709</b>

**11 ADVANCES AND OTHER RECEIVABLES**

Advances	Note (11.1)	9,566,129	6,022,566
Other Receivable	Note (11.2)	126,795	1,781,186
		<b>9,692,924</b>	<b>7,803,752</b>
<b>11.1 Advances</b>			
Advances To Staff		7,989,749	5,275,181
Advances To Others	Note (11.1.1)	1	-
Advances To Branches		752,985	403,991
Advance against Supplies		300,000	20,000
		<b>9,042,735</b>	<b>5,699,172</b>
<b>Advance To Related Parties</b>			
OPP-RTI		523,394	323,394
		<b>523,394</b>	<b>323,394</b>
		<b>9,566,129</b>	<b>6,022,566</b>
<b>11.2 Other Receivables</b>			
Receivable From PPAF - Against Expenses		-	-
Receivable From PMN - Against Expenses		-	-
Agreement Fee Receivable		(24,775)	-
Receivable from PPAF PMIFL		151,570	1,781,186
		<b>126,795</b>	<b>1,781,186</b>
<b>11.1.1 Advances To Others</b>			
GDO & Other Advances		1,320,001	1,320,001
Sahkar Foundation		1,000,001	1,000,000
Nice Foundation		1,000,000	1,000,000
Village Welfare (VWS)		500,000	500,000
AZM Foundation		900,000	900,000
Saath Micro Finance		5,208,000	5,208,000
		<b>9,928,002</b>	<b>9,928,001</b>
Less:Provison against advances		(9,928,001)	(9,928,001)
		<b>1</b>	<b>-</b>

**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 PROPERTY PLANT & EQUIPMENT

Particulars	COST						ACCUMULATED DEPRECIATION						W.D.V As At		Rate
	As on July 01, 2020	As on July 01, 2019	Addition	Transfer in / (out)	Deletion	As on June 30, 2021	As on July 01, 2020	As on July 01, 2019	Transfer in / (out)	Deletion	Charged For the period	As on June 30, 2021	June-2021	June-2020	
OWNED															
Building	1,000,000	1,000,000	-	-	-	1,000,000	369,337	336,144			31,533	400,870	599,130	630,663	5%
Motor Vehicles	9,867,923	11,139,666	5,383,850		4,431,470	10,820,303	8,199,849	8,752,768		3,450,533	656,847	5,406,163	5,414,140	1,668,074	20%
Office Equipment	-	-	-		-	-	-	-				-	-	-	20%
Power Generator	1,446,589	1,446,589	-		-	1,446,589	1,222,110	1,165,990			44,896	1,267,006	179,583	224,479	20%
Furniture And Fixture	1,864,243	1,819,543	88,070			1,952,313	1,031,705	939,200			85,456	1,117,161	835,152	832,538	10%
Electric Equipment	3,138,438	3,011,538	632,940			3,771,378	1,898,688	1,588,750			278,197	2,176,885	1,594,493	1,239,750	20%
Computerized Equipment	1,614,216	867,195	621,900	54,500		2,181,616	912,794	567,317	(18,989)		321,747	1,215,552	966,064	701,422	33%
	18,931,409	19,284,531	6,726,760	54,500	4,431,470	21,172,199	13,634,483	13,350,169	(18,989)	3,450,533	1,418,676	11,583,637	9,588,562	5,296,926	

13 INTANGIBLE ASSETS

MIS And FIS Software	4,408,125	4,048,125	-		-	4,408,125	3,601,942	3,204,867		-	266,056	3,867,998	540,127	806,183	33%
As at June 30	4,408,125	4,048,125	-	-	-	4,408,125	3,601,942	3,204,867	-	-	266,056	3,867,998	540,127	806,183	

**14 SHORT TERM BORROWINGS FROM BANKS - Secured**
**June 30, 2021 June 30, 2020**
**-----Rupees-----**
**Running Finances-Transferred-In**

SME Bank Running Finance	50,622,564	2,572,758
ABL Running Finance	53,052,240	33,872,174
Habib Bank - Meher O/D	6,860	-
Habib Bank - Prism A/C	-	-
MCB Bank Running Finance	5,033,057	22,544,318
	<b>108,714,721</b>	<b>58,989,250</b>

**14.1 Terms and conditions**

Description	SME	ABL	MCB
	I	II	III
<b>Limit</b>	<b>58.8 M</b>	<b>60 M</b>	<b>22.5 M</b>
<b>Tenure</b>	19-10-2020 to 19-10-2021	30-09-2020 to 31-12-2021	12-03-2021 to 12-03-2022
<b>Mark up</b>	6.50 % +1.35% p.a against TDR value 60 million	Deposit Rate on TDR + 1.25% BPS payable quarterly	Deposit Rate + 1.96% payable quarterly
<b>Security</b>	TDR 60 M at 5% security margin	TDR of Rs. 37 M at 105% security margin (under lien) TDR of 25 million and 8.8 million TDR	TDR of Rs. 25 M
<b>Purpose</b>	To strengthen socio economic condition in rural & urban areas	For working capital requirement and microfinance	For lending money to micro business units

**15 LOANS AND ADVANCES**
**June 30, 2021 June 30, 2020**
**-----Rupees-----**
**Loans (Unsecured)**
**15.1 Related Parties**

Opp Research &amp; Training Institute (1)

Opp Rti (38 M) (2)

**Total RTI**

Opp Rural Development Trust

Opp Employees Welfare Endowment Fund Trust

Opp Micro Credit Trust

Urban Resource Centre (Urc)

15.1.1

16,200,000	16,200,000
33,500,000	51,500,000
<b>49,700,000</b>	<b>67,700,000</b>
12,915,000	12,915,000
2,100,000	3,600,000
3,580,500	3,580,500
100,000	100,000
<b>18,695,500</b>	<b>20,195,500</b>

**15.2 Grant PPAF (COVID 19)**

15.2.1

- 21,000,000

68,395,500 108,895,500

**15.3 Advances**

Engro(Hamqadam)

Staff Life Insurance Premium

Staff Insurance Payable

15.3.1

1,066,824	33,805
(18,208)	21,423
-	91,050
1,048,616	146,278
<b>69,444,116</b>	<b>109,041,773</b>



#### 15.1.1 Relationship with related party

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

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

15.1.3 Markup at rate of 12% (2020: 12%) 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.

15.2.1 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 15.2.2

#### 15.2.2 PERFORMANCE COVID 19 - EMERGENCY RELIEF FUND

The details pertaining to COVID 19 Emergency Relief Fund are as follows

Description	Amount Allocated
Food Packages	3,152,456
Agriculture Inputs	4,173,458
Kitchen Gardening	646,250
Live Stock Goats	12,023,873
Grand Total	19,996,037

#### 15.3.1 PERFORMANCE ENGRO HAMQADAM PROJECT

The Project was initiated with Engro with the desire of introducing, deploying and implementing a CSR project namely "HAMQADAM" for providing interest free loans to Small Landlords in District of Sindh. OPRCT provided assistance and facilitation to the company in the execution of the services by identifying and selecting the Beneficiaries based on the need assessment and evaluation criteria for selection. OPRCT established and maintained a regular contact with Project Beneficiaries on Monthly basis to monitor proper utilization of all loans in kind. Upon the harvesting season OPRCT followed up the beneficiaries to ensure that their products are sold and the proceeds of those sales are timely collected and deposited in the designated account.

	Kharef		Rabi	
	Farmers Served	Amount Allocated	Farmers Served	Amount Allocated
Engro Season 2019	13	345,393	223	12,001,501
Engro Season 2020	291	15,649,385	671	59,026,808
	304	15,994,778	894	71,028,309

- During the year OPRCT in collaboration with PPAF served 1198 beneficiaries valuing Rs. 87.023 million and disbursed the agricultural input in Khareef to 304 farmers valuing 15.9 million for Khareef 894 farmers through allocating disbursement of products valuing 71.02 million.

-The recovery of Rs. 69,750,450/- and resulted in payment of Rs. 58,683,626/- whereas the remaining due is Rs. 1066824/- as at June 30, 2021

June 30, 2021 June 30, 2020

-----Rupees-----

### 16.1 Accrued Interest/Markup Markup on Long Term Loan

Interest On PPAF Loans  
Less: Transferred to Non-Current

72,049,718	73,374,704
(45,386,050)	(45,386,050)
<b>26.663.668</b>	<b>27.988.654</b>

### Markup on Short Term Loan

Interest On Related Parties Loans  
Interest On RF Bank

2,508,551	612,716
638,215	160,183
<b>3.146.766</b>	<b>772.899</b>

3.146.766	772.899
-----------	---------

29,810,434	28,761,553
------------	------------

## 16.2 Accrued Expenses

Provident Fund Payable  
Salaries Payable  
Other Payable  
Interest payable on PPAF

7,947,100	5,281,815
2,083,437	1,259,985
657,307	452,724
4,720,208	
<b>15,408,052</b>	<b>6,994,524</b>

15,408,052	6,994,524
------------	-----------

45,218,486	35,756,077
------------	------------

**16.1.1** This represents accrued markup Rs. 11,990,120/- on regular and Rs. 14,673,548/- on subordinate loan respectively as advised by PPAF dated June 4, 2021

## 17 LONG TERM BORROWING FROM PPAF- Secured

	June 30, 2021			June 30, 2020		
	Regular	Subordinate Loan	TOTAL	Regular	Subordinate Loan	TOTAL
	-----Rupees-----					
Opening Balance	47,000,000	55,000,000	102,000,000	51,000,000	55,000,000	106,000,000
Transferred to Subordinate Loan	-	-	-	-	-	-
Sub Total	47,000,000	55,000,000	102,000,000	51,000,000	55,000,000	106,000,000
Less : Payment in the year	(5,000,000)	-	(5,000,000)	(4,000,000)	-	(4,000,000)
	42,000,000	55,000,000	97,000,000	47,000,000	55,000,000	102,000,000
Less: Current Maturity	(22,500,000)	-	(22,500,000)	(22,500,000)	-	(22,500,000)
Balance at june 30	19,500,000	55,000,000	74,500,000	24,500,000	55,000,000	79,500,000

**17.1** - On May 20, 2021 the Company entered into a Supplementary Financing agreements with PPAF whereby:

a) The regular loan outstanding Rs. 47 million was rescheduled and would be payable by 15 January, 2023. Markup charged on the loan had been approved at applicable rate as advised by PPAF.

However, during the year PPAF deferred the 4 quarterly principal installments due in the Calendar year 2020 for 12 months each. And as per the deferment 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 company entered into an agreement with PPAF on dated June 23, 2021 where but out of total loan outstanding Rs. 55 million has been reclassified as subordinate loan repayable on long term basis. Markup on the loan has been occurred on the basis of PPAF advised received from PPAF.

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 January 15, 2023.

17.2 d) The company has obtained loan from ABL in the year for the purpose of meeting payments of salaries and wages. The loan was guaranteed under SBP Scheme to support payment to employees during the COVID period. The loan is secured by way of TDR Rs. 8.8 million and is repayable as per repayment schedules upto October 2022.

## 18 EQUITY FUND

	2019	2018
Balance At Beginning Of Period	1,000	1,000
Membership Fee by Directors/Members	1,000	1,000
	2,000	2,000

### Note

June 30, 2021    June 30, 2020

-----Rupees-----

136,368,584	136,368,584
500,000	500,000
<b>136,868,584</b>	<b>136,868,584</b>

136,868,584      136,868,584

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



## 19 REVOLVING, UNRESTRICTED AND RESTRICTED FUNDS

June 30,2021				
RESTRICTED		UNRESTRICTED		Total
Notes	Rupees			
	19.1	19.2	-	
	33,927,358	20,485,114	147,595	946,347
			-	-
	-		-	-
	33,927,358	20,485,114	147,595	946,347
				55,506,414

### 19.1 REVOLVING, UNRESTRICTED AND RESTRICTED FUNDS

June 30,2020				
	RESTRICTED	UNRESTRICTED		Total
	Rupees			
Notes	19.3	-	19.4	
	33,927,358	20,485,114	147,595	946,347
		-	-	-
ne		-	-	-
			-	-
	-	-	-	-
	33,927,358	20,485,114	147,595	946,347
				55,506,414

### 19.2 Related Assets of the funds are as under

Microcredit Interest Free Loan	27,237,000	573,948			27,810,948
Cash At Bank	6,690,358	19,911,166	147,595	946,347	27,695,466
	33,927,358	20,485,114	147,595	946,347	55,506,414

19.3 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.

19.4 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 GENERAL RESERVE FOR LOAN LOSS

	June 30, 2020	June 30, 2019
Opening Balance	3,594,043	3,594,043.00
Charged for the period	-	-
Bad Debts written off	(93,500)	-
Provision during the period	-	-
Closing Balance as on June 30	3,500,543	3,594,043

20.1 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.

		June 30, 2021	June 30, 2020
		---Rupees---	
<b>21 INCOME</b>	<b>OWN PPAF -NPGP</b>		
Markup/ return / interest earned - OCT	92,244,626	92,244,626	117,096,913
Markup/ return / interest earned - PPAF	-	-	-
Markup/ return / interest earned - PRISM	-	-	-
	<b>92,244,626</b>	<b>92,244,626</b>	<b>117,096,913</b>
<b>22 MARKUP / RETURN / INTEREST EXPENSED</b>	<b>OWN PPAF -NPGP</b>		
Markup/ return / interest expensed - PPAF	3,395,222	3,395,222	18,536,545
Markup/ return / interest expensed - Related Parties(Note 15)	5,974,891	5,974,891	5,007,012
Markup/ return / interest expensed - Running Finances from banks (Note 14)	4,817,005	4,817,005	11,297,900
Bank Charges	4,136,006	4,136,006	5,366,142
	<b>18,323,124</b>	<b>18,323,124</b>	<b>40,207,599</b>
<b>23 INVESTMENT INCOME</b>	<b>OWN PPAF -NPGP</b>		
Income From Long Term Investment	2,144,844	2,144,844	3,660,430
Income From Short Term Investment	7,954,696	7,954,696	10,006,186
Income From Bank Deposits	1,272,461	1,272,461	2,478,692
	<b>11,372,001</b>	<b>11,372,001</b>	<b>16,145,308</b>
Less: Withholding Tax	(1,566,175)	(1,566,175)	(6,763,099)
	<b>9,805,826</b>	<b>9,805,826</b>	<b>9,382,209</b>
<b>24 FEE AND PROCESSING CHARGES</b>	<b>OWN PPAF -NPGP</b>		
Loan Processing Charges	19,107,658	19,107,658	12,933,772
	<b>19,107,658</b>	<b>19,107,658</b>	<b>12,933,772</b>
The above represent loan application form charges recovered from borrowers upon processing of loan application.			
<b>25 Other Income</b>	<b>OWN PPAF -NPGP</b>		
Bad Debt Recoveries and Profit on Debt	183,571	183,571	1,192,693
Bad Debts Recovered From ODP	-	-	355,438
Operational Cost by PPAF	567,172	567,172	1,781,186
Management Cost From Engro	1,412,041	1,412,041	1,220,551
Gain on Disposal of Fixed Assets	2,747,063	2,747,063	408,193
	<b>4,909,847</b>	<b>4,909,847</b>	<b>4,958,061</b>
<b>26 GENERAL AND ADMIN EXPENSES</b>	<b>OWN PPAF -NPGP</b>		
Salaries, Wages And Benefits	43,693,237	47,641,677	46,943,325
Staff Provident Fund	2,665,285	2,665,285	2,581,104
Vehicle Running And Maintenance	3,043,270	3,043,270	2,843,068
Rent And Utilities	4,152,221	4,432,221	4,437,294
Legal And Consultancy	2,763,702	2,763,702	1,447,348
Meeting Expenses	1,654,382	1,654,382	1,593,768
Supplies, Maintenance And Repair	1,944,014	3,560,399	2,699,473
Travelling And Conveyance	1,116,054	1,674,250	1,932,452
Printing, Stationary, Journal And Periodicals	892,173	977,152	960,351
Power Generator Maintenance	1,326,876	1,326,876	1,462,945
Charity And Donation	709,065	709,065	160,000
Transportation	345,160	345,160	517,686
Audit Fee	300,000	300,000	300,000
Fees, Subscription And Honorarium	343,970	343,970	67,800
Amortization Of Intangible Assets (NOTE 13)	266,056	266,056	397,075
Depreciation (Note 12)	1,418,676	1,418,676	1,254,249
Provision against advances	-	-	4,934,000
	<b>66,634,141</b>	<b>73,122,141</b>	<b>74,531,938</b>

The Expenses stated under PPAF - NPGP are the expenses related to the Interest Free Loan Program with PPAF under NPGP Project.



27 **MOVEMENT FOR PROVISION OF DOUBTFUL DEBTS**

Opening Balance  
Amounts written off during the period  
Amount charged to P/L Ac  
Balance at Jun 30, 2021

June 30, 2021		
Branches	POs	Total
6,636,683	20,795,273	27,431,956
(4,504,181)	(411,256)	(4,915,437)
<b>2,132,502</b>	<b>20,384,017</b>	<b>22,516,519</b>
3,793,781	22,402,609	26,196,390
<b>5,926,283</b>	<b>42,786,626</b>	<b>48,712,909</b>

Opening Balance  
Amounts written off during the period  
Amount charged to P/L Ac  
Balance at Jun 30, 2020

June 30, 2020		
Branches	POs	Total
3,631,041	11,948,773	15,579,814
(1,732,374)	(186,955)	(1,919,329)
<b>1,898,667</b>	<b>11,761,818</b>	<b>13,660,485</b>
4,738,016	9,033,455	13,771,471
<b>6,636,683</b>	<b>20,795,273</b>	<b>27,431,956</b>

27.1

Opening Balance  
Amounts written off during the period  
Amount charged to P/L Ac  
Balance at Jun 30 2020

30-Jun-21						
Misereor			NPGP			Grand Total
Specific	General	Total	Specific	General	Total	
-	2,870	2,870	16,625	90,640	107,265	110,135
-	-	-	-	(48,000)	(48,000)	(48,000)
<b>-</b>	<b>2,870</b>	<b>2,870</b>	<b>16,625</b>	<b>42,640</b>	<b>59,265</b>	<b>62,135</b>
573,948	(2,870)	571,078	(5,375)	93,545	88,170	659,248
<b>573,948</b>	<b>-</b>	<b>573,948</b>	<b>11,250</b>	<b>136,185</b>	<b>147,435</b>	<b>721,383</b>

Opening Balance  
Amounts written off during the period  
Amount charged to P/L Ac  
Balance at Jun 30 2020

30-Jun-20						
Misereor			NPGP			Grand Total
Specific	General	Total	Specific	General	Total	
756,508	-	756,508	107,240	-	107,240	863,748
-	-	-	-	(50,300)	(50,300)	(50,300)
<b>756,508</b>	<b>-</b>	<b>756,508</b>	<b>107,240</b>	<b>(50,300)</b>	<b>56,940</b>	<b>813,448</b>
(756,508)	2,870	(753,638)	(90,615)	140,940	50,325	(703,313)
<b>-</b>	<b>2,870</b>	<b>2,870</b>	<b>16,625</b>	<b>90,640</b>	<b>107,265</b>	<b>110,135</b>

27.2 **PROVISION FOR THE YEAR**

Interest Bearing Loans  
Non-Interest Bearing Loans  
Total Charged for the year

2021	2020
26,196,390	13,771,471
659,248	(703,313)
<b>26,855,638</b>	<b>13,068,158</b>

28 **PROGRAM EXPENSES**

Advance against OPP organizations 28.1  
Management Support To Partner Organizations 28.2

Less: Adjustments  
- Against RTI Advance  
- Against Accrued Income

June 2021	June 2020
-----Rupees-----	
4,936,355	7,423,792
8,901,891	6,349,529
<b>13,838,246</b>	<b>13,773,321</b>
-	-
-	129,842
<b>13,838,246</b>	<b>13,643,479</b>

28.1 **Advance against OPP organizations**

OPP-KHASDA  
MON-PAK  
RTI  
OPP-RDT

1,510,200	1,914,420
-	1,857,520
2,431,631	2,813,221
994,524	838,631
<b>4,936,355</b>	<b>7,423,792</b>

**28.2 Management Support To Partner Organizations**

Grass Roots Development organization  
GHAZWA Development organization  
OPE  
Desart Rural Development Org  
Prime Welfare  
Nawan Sojhla welfare found  
Watan Welfare Organization  
Sindh Rural Development org  
SAHIL Development  
Allakh  
MRDF  
Welfare Foundation  
Nice Foundation  
SRPO  
Advance Adjust  
ADF  
GHAZWA Surveying Prime  
MEHWA  
EACO

June 2021 June 2020

-----Rupees-----

2,683,279	1,159,050
820,240	1,075,109
671,226	754,650
40,000	-
-	625,000
-	500,000
-	500,000
-	500,000
677,901	410,000
-	200,000
1,340,000	137,000
-	125,000
-	112,943
435,000	90,000
-	82,877
189,575	65,400
-	12,500
1,488,321	-
556,349	-
<b>8,901,891</b>	<b>6,349,529</b>

- 28.1.1** 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.
- 28.2.1** 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.

**29 TAXATION**

- 29.1** 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.
- 29.2** 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.



### 30 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.

#### 30.1 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:

	2021		2020	
	Balance sheet	Maximum exposure	Balance sheet	Maximum exposure
Micro Credit Loans	353,756,321	353,756,321	316,384,489	316,384,489
Loans and advances, trade and other deposits and other receivables	9,692,924	9,692,924	7,803,753	7,803,753
Cash And Bank balances	43,152,429		94,601,234	
Short Term Investment	160,025,709		118,952,819	
	<u>566,627,383</u>	<u>363,449,245</u>	<u>537,742,295</u>	<u>324,188,242</u>

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

	2021	2020
Partner Organisations	57,332,308	89,571,250
End-user customers	296,424,013	226,813,239
	<u>353,756,321</u>	<u>316,384,489</u>

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	Credit Rated	Short term		Long term	
		C to A1+		B to AAA	
		2021	2020		
SME Bank	B	50,622,564	2,572,758		
Habib Bank Ltd	A-1+	5,033,057	22,544,318		
Allied Bank Ltd.	A-1+	53,052,240	33,872,174		
<b>Total</b>		<b>108,707,861</b>	<b>58,989,250</b>		

### 30.2 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.

2021						
Carrying amount	Contractual cash flows	Six months or less			Six to twelve months	Two to Five years
Rupees in '000						
<b>Financial liabilities at amortized cost</b>						
<b>Non Derivative financial liabilities</b>						
Long term Borrowing from PPAF- (Secured)	74,600,000	-	-	-	22,500,000	52,000,000
Short Term Borrowing from Bank (Secure)	108,714,721	-	-	-	34,530,642	74,184,079
ABL Salary Loan	9,982,172	-	-	-	9,982,172	-
<b>Derivative financial liabilities</b>	-	-	-	-	-	-
	<b>193,196,893</b>	-	-	-	<b>67,012,814</b>	<b>126,184,079</b>
2020						
Carrying amount	Contractual cash flows	Six months or less			Six to twelve months	Two to five years
Rupees in '000						
<b>Financial liabilities at amortized cost</b>						
<b>Non Derivative financial liabilities</b>						
Long term Borrowing from PPAF- (Secured)	79,500,000	-	-	-	22,500,000	57,000,000
Short Term Borrowing from Bank (Secure)	58,989,250	-	-	-	2,009,103	56,980,147
ABL Salary Loan	-	-	-	-	-	-
<b>Derivative financial liabilities</b>	-	-	-	-	-	-
	<b>138,489,250</b>	-	-	-	<b>24,509,103</b>	<b>113,980,147</b>

### 30.3 Market risk

The company is not exposed to market risk.

### 30.4 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.

#### 31 FAIR VALUE MEASUREMENTS

##### 31.1 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.

##### 31.2 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 2021		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Carrying / Notional Value		FAIR VALUES			
Financial Assets measured At Fair Value					
		-			-
Financial Assets Not measured At Fair Value					
Cash In Hand	311,000				311,000
Bank Balances	42,841,429				42,841,429
Microcredit interest bearing loans	326,666,756				326,666,756
Microcredit interest free loans	27,089,565				27,089,565
Other Advances, Deposits & Receivables	9,692,924				9,692,924
Accrued Markup On Loans	9,210,858				9,210,858
Long Term Deposits	637,500				637,500
Short term investments	160,025,709				160,025,709
Long term investments	-				-
Total	576,475,741	-	-	-	576,475,741

As at June 30 2020		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Carrying / Notional Value		FAIR VALUES			
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	7,803,753				7,803,753
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	462,501,210	-	-	-	462,501,210
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
Total	167,884,750	-	-	-	167,884,750



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.

### 31.3 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, 2021	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Property and equipment:				
- Building		599,130		599,130
<b>Total</b>	-	<b>599,130</b>	-	<b>599,130</b>

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

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

### 31.4 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.

### 32 GENERAL

#### 32.1 NUMBER OF EMPLOYEES

Average no of employees of the company in the period was 140 (2020:157). This represents staff transferred from the previous organization. This includes permanent employees 112 & contract employees 28.

#### 32.2 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.

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

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

32.5 These financial statements have been approved by the Board of Directors and authorized for issue on

10 8 OCT 2021  
T+22

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER