

## INDEPENDENT AUDITOR'S REPORT

### To the Management Committee Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of **RURAL COMMUNITY DEVELOPMENT SOCIETY** ("the Society"), which comprise the statement of financial position as at June 30, 2021 and the statement of income and expenditure, the statement of changes in fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements presents fairly in all material respects, the statement of financial position of Society as at June 30, 2021, and of its Deficit, changes in funds and cash flows for the year then ended in accordance with approved accounting and reporting as applicable in Pakistan.

#### Basis for Opinion

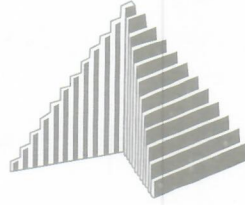
We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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

The board of directors are responsible for the preparation and fair presentation of the financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan, and for such internal control as the board of directors determine 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, the board of directors are responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.





Those charged with governance are responsible for overseeing the Society's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

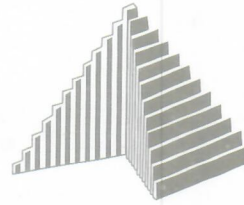
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's 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 ISA's 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 Society'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 Society'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 Society to cease to continue as a going concern.



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**RAFAQAT MANSHA  
MOHSIN DOSSANI  
MASOOM & CO.**  
Chartered Accountants

- 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 those charged with governance 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.

The Engagement Partner: Mohsin Nadeem, FCA

Lahore  
Date: September 30, 2021

*Mohsin Nadeem & Co.*  
Rafaqat Mansha Mohsin Dossani Masoom & Company  
Chartered Accountants



RURAL COMMUNITY DEVELOPMENT SOCIETY  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>FUNDS AND LIABILITIES</b>			
General Funds		122,423,355	142,188,444
		<u>122,423,355</u>	<u>142,188,444</u>
<b>NON CURRENT LIABILITIES</b>			
Deferred Income	4	3,191,439	3,500,311
<b>CURRENT LIABILITIES</b>			
Trade and other payables	5	3,898,482	12,377,271
		<u>129,513,276</u>	<u>158,066,026</u>
<b>ASSETS</b>			
Property, plant and equipment	6	60,553,508	76,671,346
Capital work in progress		3,286,545	-
Long Term Investment	7	22,378	22,378
<b>CURRENT ASSETS</b>			
Advances, prepayments and other receivab	8	6,149,980	6,302,910
Grant Receivable	9	12,865,928	17,211,913
Current Portion of Long Term Investment	10	-	30,000,000
Advance income tax		24,523,390	24,018,549
Cash and bank balances	11	22,111,548	3,838,930
		<u>129,513,276</u>	<u>158,066,026</u>

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The annexed notes (1-20) form an integral part of these financial statements.

  
CHAIRMAN

  
MANAGING DIRECTOR

RURAL COMMUNITY DEVELOPMENT SOCIETY  
 INCOME AND EXPENDITURE STATEMENT  
 FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>Revenue</b>			
Profit on bank deposits		660,017	427,106
Other Income	12	8,889,289	6,203,564
Deffered grants amortized	13	18,216,872	57,866,779
		<u>27,766,178</u>	<u>64,497,449</u>
Operating expenses	14	47,531,267	84,648,954
Net (deficit) / Surplus for the year		<u>(19,765,089)</u>	<u>(20,151,506)</u>

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The annexed notes (1-20) form an integral part of these financial statements.

  
 CHAIRMAN

  
 MANAGING DIRECTOR

**RURAL COMMUNITY DEVELOPMENT SOCIETY  
STATEMENT OF CHANGES IN FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Funds</b>	<b>Total Funds</b>
	<b>Rupees</b>	<b>Rupees</b>
Total as at June 30, 2019	<u>162,339,950</u>	<u>162,339,950</u>
Net Surplus for the year ended	(20,151,506)	(20,151,506)
Total as at June 30, 2020	<u>142,188,444</u>	<u>142,188,444</u>
Net Deficit for the year ended	(19,765,089)	(19,765,089)
Total as at June 30, 2021	<u>122,423,355</u>	<u>122,423,355</u>

*RMDM*

The annexed notes (1-20) form an integral part of these financial statements.

  
CHAIRMAN


  
MANAGING DIRECTOR

**RURAL COMMUNITY DEVELOPMENT SOCIETY  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 2021**

	<b>2021 Rupees</b>	<b>2020 Rupees</b>
<b>CASH GENERATED FROM OPERATIONS</b>		
Excess / (Shortfall) of income over expenditure	(19,765,089)	(20,151,506)
Surplus from discontinued operations		
<b>Adjustment for non cash items and other charges</b>		
Depreciation on property, plant and equipment	3,492,835	4,377,122
Deferred Income Ammortize	(18,216,872)	(57,866,779)
Gain on sale of fixed assets	-	-
	(14,724,037)	(53,489,657)
Net cash flows before working capital changes	(34,489,126)	(73,641,163)
<b>Profit before working capital changes</b>	(34,489,126)	(73,641,163)
<b>Working capital changes</b>		
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	(8,478,789)	8,921,178
Decrease in finance cost payable		
Advances, prepayments and other receivables	3,994,074	1,004,695
	(4,484,715)	9,925,873
<b>Net cash (used in) operating activities</b>	(38,973,842)	(63,715,290)
<b>Cash flow from investing activities</b>		
Additions in fixed assets	(134,031)	(10,025,943)
Sale proceed of fixed assets	12,759,035	903,453
Capital work in progress	(3,286,545)	-
Long term loan extended to RCDP	30,000,000	35,000,000
Sale proceeds through transfer of assets to RCDP		
Net cash generated from investing activities	39,338,459	25,877,510
<b>Cash flow from financing activities</b>		
Deferred income	17,908,000	39,857,017
Net cash generated from financing activities	17,908,000	39,857,017
<b>Net increase in cash and cash equivalents</b>	18,272,617	2,019,238
<b>Cash and cash equivalents at the beginning of the year</b>	3,838,930	1,819,691
<b>Cash and cash equivalents at the end of the year</b>	22,111,548	3,838,929

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The annexed notes (1-20) form an integral part of these financial statements.

  
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CHAIRMAN

  
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MANAGING DIRECTOR

**RURAL COMMUNITY DEVELOPMENT SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

RURAL COMMUNITY DEVELOPMENT SOCIETY was registered under the Societies Registration Act, 1860. It is a non-religious, non political and non-governmental organization working for the empowerment and capacity building of the youth by promoting peace, tolerance, mutual understanding and non-violence amongst nations and religious. The registered office of the Trust is situated at D-4, Phase 2, Al-Rehman Garden, Sharaqpur Sharif Road, Lahore, Pakistan.

**2 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB).
- Provisions of and directives issued under ICAP.

Where provisions of and directives issued under ICAP differ from the \*IFRS for SMEs or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Basis of preparation**

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective policies and notes given hereunder.

**3.2 Significant Accounting Estimates and Judgments**

The preparation of financial statements in conformity with the Financial reporting guidelines for NGOs/ NPOs engaged in microfinance issued by the Institute Chartered Accountants of Pakistan requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets and provisions for doubtful receivables. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amount of assets and liabilities in the next year.

**3.3 Revenue**

Revenue is recognized to the extent that the economic benefits will flow to the entity and revenue can be reliably measured. Revenue from different sources is recognized on the following basis:

**3.4 Borrowings**

Loans and borrowings are recorded on the cash basis. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Financial charges are accounted for on accrual basis and are included in current liabilities to the extent of amount remaining unpaid, if any.

**3.5 Taxation**



The income of the organization is exempt from the levy of tax under clause (c) of sub-section 36 of section 2 of the Income Tax Ordinance, 2001. Accordingly, no provisions for taxation has been made in the financial statements.

### 3.6 Property, plant and equipment

Property, plant and equipment are initially recognized at acquisition cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Subsequently, property, plant and equipment are stated at cost less accumulated depreciation and any identifiable impairment loss. Subsequent costs are included in the asset's carrying amount or recognized as a separate cost, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the organization and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income statement during the year in which they are incurred.

Depreciation is charged to the Income and Expenditure account on reducing balance method by applying the depreciation rates as disclosed in **Note 6** so as to write off the depreciable amount of assets over their estimated useful lives. Depreciation on additions is charged from the month the asset is available for use, while no depreciation is charged in the month in which the asset is disposed off.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of assets (calculated as the difference between the net disposal proceed and carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

The assets' residual values and estimated useful lives are reviewed at least at each balance sheet date and impact on depreciation is adjusted, if significant.

### 3.7 Recognition of grants

Grants received for capital expenditure are presented in the balance sheet as "Deferred Income" that is recognized as income in line with depreciation charged on respective assets over the useful life of the assets.

Grants received for revenue expenditure are recognized as grant income as per terms of agreement with donors.

### 3.8 Trade and other payables

Trade and other payables are stated at cost which is the fair value of consideration to be paid in the future for goods and services.

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### 3.9 Advances, prepayments and other receivables

These are stated at their nominal values net of any allowance for uncollectable amounts. Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future.

### 3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For purpose of cash flow statement, cash and cash equivalents include cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

### 3.11 Provisions

Provisions are recognized when, and only when, the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflected the current best estimate.

### 3.12 Use of Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are below:

- Operating fixed assets - Tangible and intangible
- Micro credit loan portfolio
- Advances, prepayments and other receivables
- Creditors, accrued and other liabilities

## 4. DEFERRED INCOME

	2021 RUPEES	2020 RUPEES
Opening Balance	3,500,311	4,298,160
Add: Cash received from donors	17,908,000	39,857,017
Less: Amortization of grants	(18,216,872)	(57,866,779)
Add: Grant Receivable	12,865,928	17,211,913
	<u>3,191,439</u>	<u>3,500,311</u>

## 5. TRADE AND OTHER PAYABLES

Withholding tax payable	244,100	8,727
Staff payables	118,058	1,863,587
Staff saving fund	1,804,483	-
Accrued expenses	550,000	8,728,467
Payable to RCDP	949,839	1,345,696
Others	232,002	310,794
	<u>3,898,482</u>	<u>12,257,271</u>

## 7. LONG TERM INVESTMENT

	2021 RUPEES	2020 RUPEES
Loan to RCDP-related party	-	30,000,000
Less: current Portion of Loan to RCDP	-	(30,000,000)
	<u>-</u>	<u>-</u>
Investment in EFU saving plans	22,378	22,378
	<u>22,378</u>	<u>22,378</u>

6 RURAL COMMUNITY DEVELOPMENT SOCIETY  
Operating fixed assets

PARTICULARS	C O S T			As at 30.06.2021	Rate %	D E P R E C I A T I O N			Written down value as at 30.06.2021	
	As at 01.07.2020	Addition	Disposal			As at 01.07.2020	For the period	Disposal		As at 30.06.2021
Land - freehold	A	B	C	(A+B+C+D=E)	F	G	M	H	(G+M+H=N)	(E-N=O)
Buildings on freehold land	26,837,919	-	-	26,837,919	-	-	-	-	-	26,837,919
Furniture and fixture	28,854,566	-	(5,652,172)	23,202,394	5	2,807,493	1,019,745	-	3,827,238	19,375,156
Vehicles	5,281,500	-	(248,783)	5,032,717	10	363,116	473,702	(67,420)	769,398	4,263,319
Office Equipments	17,556,930	-	-	17,556,930	20	10,902,940	1,330,798	-	12,233,738	5,323,192
Agri Equipments	919,664	134,031	-	1,053,695	30	442,877	179,895	-	622,772	430,923
Health equipments	16,048,783	-	(9,500,000)	6,548,783	-	4,349,220	477,406	(2,574,500)	2,252,126	4,296,657
<b>Rupees 2021</b>	97,738,362	134,031	(15,400,955)	82,471,438	30	2,201,369	11,289	-	2,212,659	26,341
						21,067,015	3,492,835	(2,641,920)	21,917,930	60,553,508

PARTICULARS	C O S T			As at 30.06.2020	Rate %	D E P R E C I A T I O N			Written down value as at 30.06.2020	
	As at 01.07.2019	Addition	Disposal			As at 01.07.2019	For the period	Disposal		As at 30.06.2020
Land - freehold	A	B	C	(A+B+C+D=E)	F	G	M	H	(G+M+H=N)	(E-N=O)
Buildings on freehold land	26,837,919	-	-	26,837,919	-	-	-	-	-	26,837,919
Furniture and fixture	10,643,411	18,211,155	-	28,854,566	5	1,819,682	987,811	-	2,807,493	26,047,073
Other Equipments	1,312,327	4,704,471	(735,298)	5,281,500	10	504,369	291,696	(432,949)	363,116	4,918,384
Vehicles	278,975	-	(278,975)	-	10	159,978	-	(159,978)	-	-
Office Equipments	17,957,929	-	(400,999)	17,556,930	20	9,574,540	1,663,497	(335,097)	10,902,940	6,653,990
Agri Equipments	2,241,652	466,723	(1,788,711)	919,664	30	1,945,296	118,039	(1,620,458)	442,877	476,787
Health equipments	16,048,783	-	(540,600)	16,048,783	-	3,049,268	1,299,951	-	4,349,220	11,699,563
Water testing equipments	2,779,600	-	(232,900)	2,239,000	30	2,541,385	16,128	(356,143)	2,201,369	37,631
<b>Rupees 2020</b>	78,333,496	23,382,349	(3,977,483)	97,738,362	10	169,405	-	(169,405)	-	-
						19,763,923	4,377,122	(3,074,030)	21,067,016	76,671,346

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8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Advance to staff against salaries	213,000	215,000
Advance to staff against expenses	200,000	-
Advance against the purchase of Agri Machinery	2,000,000	2,000,000
Unadjustable advance	257,000	257,000
Security to Statelife against health card program	1,835,231	2,432,277
Receivable from Rural Community Development Programmes	1,064,266	1,104,196
Receivable against School fees & Books collection	313,416	-
Receivable From Sanda Printing Press	27,610	-
Receivable From Al Khair Motors	28,800	-
Receivable From PSDF	12,760	-
Other Receivables	197,897	294,437
	<u>6,149,980</u>	<u>6,302,910</u>

9. GRANT RECEIVABLE

PSDF	6,096,350	11,282,994
Statelife	5,478,595	5,928,919
WHH	1,290,983	-
	<u>12,865,928</u>	<u>17,211,913</u>

10. CURRENT PORTION OF LONG TERM INVESTMENT

Current Portion of Loan Term Investment	-	30,000,000
	<u>-</u>	<u>30,000,000</u>

11. CASH AND BANK BALANCES

Cash in hand	12,833	158,766
Cash at bank		
-Current account	220,609	231,247
-Saving Account	21,878,106	3,448,917
	<u>22,111,548</u>	<u>3,838,930</u>

12. OPERATING INCOME

Profit on sale of vehicle	1,387,828	-
Rental Income	6,126,840	5,963,130
School Fee income	1,374,621	240,410
Exchange Gain	-	-
Other Income	-	24
	<u>8,889,289</u>	<u>6,203,564</u>

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	NOTE	2021 RUPEES	2020 RUPEES
13. DEFFERRED GRANTS AMORTIZED			
Less: Amortization of grants	4	18,216,872	57,866,779
		<u>18,216,872</u>	<u>57,866,779</u>
14. OPERATING EXPENSES			
Managing director's salary and benefits		2,790,000	2,814,960
Salaries and other benefits		17,619,545	33,487,066
Project and Allied Expenses		60,000	623,857
Trainning Expenses		17,020	3,097,176
Office Rent		4,993,872	14,332,874
Printing and stationary		8,575,290	15,253,523
Petrol and Maintenance		1,481,343	1,791,107
Utilities		314,945	87,579
Communication and Courier		392,230	1,104,051
Depreciation	6	3,492,835	4,377,122
Office Supplies		1,012,931	4,230,232
Audit Fee		216,250	120,000
Travelling Expenses		138,300	65,730
Registration Expenses		120,554	43,448
Bank Charges		90,803	374,942
Consultancy		4,903,911	1,891,200
Donation		599,975	10,000
Loss on sale of assets		706,863	839,864
Others		4,600	104,223
		<u>47,531,267</u>	<u>84,648,954</u>

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**15. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

15.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the full time working directors and executives/managing director (appointed by the directors) of the Company is as follows:

2021			
	Chairman	Chief Executive	Managing Director (Employee)
Manegetrial remuneration	-	-	2,408,727
Allowances and other benefits	-	-	381,273
	-	-	2,790,000
Number of persons	-	-	1

2020			
	Chairman	Chief Executive	Managing Director (Employee)
Manegetrial remuneration	-	-	2,428,800.00
Allowances and other benefits	-	-	386,160.00
	-	-	2,814,960.00
Number of persons	-	-	1

**16. NUMBER OF EMPLOYEES**

The number of employees of the company including permanent and contractual as of June 30, 2021, were 21 (2020: 38).

**17. RELATED PARTY TRANSACTIONS**

The related parties comprise subsidiaries, associated under takings, post employment benefit plans, other related companies, and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payable respectively. Other significant transactions with related parties are as follows:-

Name of related party	Nature of transaction	2021	2020
		-----RUPEES-----	-----RUPEES-----
Rural Community Development Programmes	Loan Outstanding	-	30,000,000
	Rental Income Rece	6,126,840	5,963,130
		-	-

**18. DATE OF AUTHORIZATION FOR ISSUE**

These Financial Statements have been authorised for issue by Board of Trustees' on September 29, 2021

**19. EVENTS AFTER THE BALANCE SHEET DATE**

There are no reportable subsequent events occurring after the balance sheet date.

**20. GENERAL**

- Corresponding figures have been reclassified wherever necessary for the purpose of better comparison, however no material reclassification has been done.
- Figures in these financial statements have been rounded off to the nearest rupee.

CHAIRMAN

MANAGING DIRECTOR

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