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Ilyas Saeed & Co.
Chartered Accountants

Ref: A/00123/24
October 30, 2024

Management's Committee,
Rural Community Development Society (RCDS)
House # 04 D, Al Rehman Garden Phase 2,
Lahore.

AUDIT OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

We are pleased to enclose herewith the financial statements of RCDS for the financial year ended **30 June 2024** together with our Report to the Management's Committee, duly initialed by us for identification purposes. We would like to inform the Management's Committee that unless we sign the auditors' report on these financial statements, the same shall remain and be deemed unaudited. We shall be glad to sign our report in the present or amended form after:

- The enclosed financial statements have been approved by you and signed by the competent authority on your behalf;
- We have received the Management Representation Letter duly signed by the competent authority duly authorized in this behalf.

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

The responsibilities of the independent auditors, in a usual examination of the financial statements, are explained in International Standard on Auditing – 200. While the auditors are responsible for forming and expressing an opinion on the financial statements, the responsibility for the preparation of financial statements is primarily that of the Society's management. The management's responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of assets of the Society and prevention and detection of frauds and irregularities. The audit of the financial statements does not relieve the management of its responsibilities. Accordingly, our examination of the books of account and records should not be relied upon to disclose all the errors or irregularities in relation to the financial statements.

2. GENERAL

We have been informed by the management that:

- There are no contingencies and / or commitments including contingent assets other than those disclosed in the financial statements, if any.
- There have been no transactions with related parties other than those disclosed in the financial statements.

- No cases of material frauds or suspected frauds are known that may have affected the Society.

Finally, we wish to express our appreciation for the co-operation and courtesy extended to us by the management and other staff members in accomplishing our task.

Thanking you and with profound regards.

Very truly yours,

Ilyas Saeed & Co.

Ilyas Saeed & Co.
Chartered Accountants
Lahore.

RURAL COMMUNITY DEVELOPMENT SOCIETY

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

RURAL COMMUNITY DEVELOPMENT SOCIETY (RCDS)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
ASSETS			
Non-current assets			
Property and equipment	4	**71,444,811**	71,773,042
Captial work in progress		**31,875**	31,875
Long term investment	5	**22,378**	22,378
		71,499,064	71,827,295
Current assets			
Advances, prepayments and other receivables	6	**3,297,230**	4,963,140
Grant receivable	7	**4,367,814**	3,957,263
Advance income tax		**28,198,992**	26,372,025
Cash and bank balances	8	**27,660,973**	24,220,365
		63,525,009	59,512,793
Total assets		**135,024,073**	131,340,088
FUNDS AND LIABILITIES			
Funds			
General fund		**116,938,875**	119,617,839
LIABILITIES			
Non current liabilities			
Deferred income	9	**14,567,230**	8,990,221
Current liabilities			
Trade and other payables	10	**3,517,968**	2,732,028
Total funds and liabilities		**135,024,073**	131,340,088
Contingencies and commitments	11	-	-

The annexed notes from 1 to 23 form an integral part of these financial statements.

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MANAGING DIRECTOR **CHAIRPERSON**

RURAL COMMUNITY DEVELOPMENT SOCIETY (RCDS)
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
REVENUE			
Profit on bank deposits	12	3,535,028	3,147,678
Income from other activities	13	11,990,284	15,535,731
Deferred grants amortized	9	44,332,609	45,962,508
		59,857,921	64,645,917
EXPENDITURES			
Salaries and other benefits		16,401,650	15,382,602
Operating expenses	14	46,060,488	46,383,064
Finance cost	15	74,747	50,181
		62,536,885	61,815,847
Net (deficit) / surplus for the year		(2,678,964)	2,830,070

The annexed notes from 1 to 23 form an integral part of these financial statements.

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MANAGING DIRECTOR

CHAIRPERSON

RURAL COMMUNITY DEVELOPMENT SOCIETY (RCDS)
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Endowment Funds Rupees	General Funds Rupees	Total Funds Rupees
Balance as at June 30, 2022	-	**116,787,769**	**116,787,769**
Net Surplus for the year ended June 30, 2023		2,830,070	2,830,070
Balance as at June 30, 2023	-	**119,617,839**	**119,617,839**
Net Surplus for the year ended June 30, 2024		(2,678,964)	(2,678,964)
Balance as at June 30, 2024	-	**116,938,875**	**116,938,875**

The annexed notes from 1 to 23 form an integral part of these financial statements.

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MANAGING DIRECTOR

CHAIRPERSON

RURAL COMMUNITY DEVELOPMENT SOCIETY (RCDS)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
Cash flows from operating activities			
Deficit from continuing operations		**(2,678,964)**	2,830,070
Adjustments for non cash items:			
Depreciation		**3,815,530**	3,625,799
Deferred income amortized		**(44,332,609)**	(45,962,508)
		(40,517,079)	(42,336,709)
Net cash flows before working capital changes		**(43,196,043)**	(39,506,639)
Increase / decrease in current assets and liabilities:			
Advances, prepayments and other receivables		**(571,608)**	(3,115,933)
Trade and other payables		**785,940**	(125,741)
		214,332	(3,241,674)
Net cash from operating activities		**(42,981,711)**	(42,748,313)
Cash flows from investing activities			
Purchase of fixed assets		**(3,487,300)**	-
Net cash used in investing activities		**(3,487,300)**	-
Cash flows from financing activities			
Deferred income		**49,909,618**	50,076,675
Net cash (used in)/ from financing activities		**49,909,618**	50,076,675
Net (decrease) / increase in cash and cash equivalents		**3,440,608**	7,328,361
Cash and cash equivalents at beginning of year		**24,220,365**	16,892,004
Cash and cash equivalents at the end of year		**27,660,973**	24,220,365

The annexed notes from 1 to 23 form an integral part of these financial statements.

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MANAGING DIRECTOR **CHAIRPERSON**

RURAL COMMUNITY DEVELOPMENT SOCIETY (RCDS)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

1 STATUS AND NATURE OF BUSINESS

1.1 Rural Community Development Society "The Society" was registered under the Societies Registration Act, 1860 vide registration No: RP/6061/L/S/98/570 dated July 04, 1998. The purpose of RCDS is to work for social, economic and cultural betterment of low income groups in both urban and rural areas.

1.2 The principal activity of the Society is to provide cost effective grant based services to needy persons in order to enhance their economic role. The RCDS is also taking part to train and support human resources for designing implementing and overseeing development projects of community physical infrastructure and programs. In addition to these functions the RCDS also provides services in the form of training both to its clients and staff.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the Approved Accounting & Reporting Standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards and the Accounting standards for Not For Profit Organizations (NPOs) issued by Institute of Chartered Accountants of Pakistan (ICAP).

3 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies adopted in preparation of these financial statements are set out below. These policies have been consistently applied to all years prescribed, unless otherwise stated.

3.1 Basis of measurement

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 Material 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:

- Donations in kind are recognized at fair market value as and when donated items are received.
- Return on investments is recognized on accrual basis.
- Revenue received from rental income is recognized on the basis of accural accounting standards (recorded till the extent of economic benefit given.

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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 using the reducing balance method, applying the depreciation rates disclosed in Note 4, to allocate the depreciable amount of assets over their estimated useful lives. Depreciation on additions is charged from the date the asset becomes available for use, while no depreciation is charged on the date the asset is disposed of.

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.

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.

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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.

a) General provision

A general provision is made @ 5% of the net outstanding loan balances.

b) Specific provision

In addition to general provision, specific provision for potential loan losses is made for all non-performing loans.

Loans in arrears		Amount in Rupees	Percentage
Other Assets Especially Mentioned (OAEM):	Loan in arrears (Instalment overdue) for 30 days or more but less than 90 days	-	0%
Substandard:	Loan in arrears (Instalment overdue) for 90 days or more but less than 180 days	-	20%
Doubtful:	Loan in arrears (Instalment overdue) for 180 days or more but less than 365 days	-	50%
Loss:	Loan in arrears (Instalment overdue) for 365 days or more	-	100%

3.12 Write off

All non-performing loans are written off after 365 days from the expiry of loan term. However, the society continues its efforts for the recovery of the written-off loans.

3.13 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

3.14 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported on the balance sheet if the Society has a legal enforceable right to setoff the recognized amounts and intends either to settle on net basis or realize the asset and settle the liabilities simultaneously.

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3.15 Cost allocation

Common costs relating to financial and non-financial services is allocated on proportionate basis according to share percentage of program's direct cost to total cost.

3.16 Other receivables

Other receivables are recognized initially at fair value plus directly attributable cost, if any and subsequently measured at amortized cost. A provision for impairment of other receivables is established when there is objective evidence that the Society will not be able to collect all amounts due according to the original terms of receivables.

3.17 Creditors, accrued and other liabilities

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the organization and subsequently measured at amortized cost.

3.18 Recognition of grants and donations

Funds provided by donors to subsidize operating and administrative expenses are recognized as grant income as per terms of agreement with donors.

Funds utilized for acquiring fixed assets are taken to deferred grant and amortized over the useful life of the assets.

Grant related to capacity building are taken to deferred grant and amortized over the useful life.

Grants utilized for financing of lending operations are recognized as donated fund.

3.19 General fund

Funds generated by the Society through contribution from the trustees and other donors, without any specific purpose or activity, are classified as unrestricted general funds. Accordingly, any income generated and expenses incurred with respect to normal operations of the Society, which are not related to specific funds/activities, are charged to statement of income and expenditure.

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4 PROPERTY AND EQUIPMENT

Particulars	Cost					Depreciation				Written down value as at June 30, 2024
	As at July 01, 2023	Additions	Disposal	As at June 30, 2024	Rate	As at July 01, 2023	For the period	Disposal	As at June 30, 2024	
	Rs.									
Free hold land	26,837,919	-	-	26,837,919	0%	-	-	-	-	26,837,919
Building	40,662,716	-	-	40,662,716	5%	7,178,770	1,674,197	-	8,852,967	31,809,749
Furniture and fixture	5,882,351	-	-	5,882,351	10%	1,689,881	419,247	-	2,109,128	3,773,223
Vehicles	17,556,930	3,487,300	-	21,044,230	20%	14,150,088	1,262,585	-	15,412,673	5,631,557
Office equipment	1,294,533	-	-	1,294,533	30%	935,867	107,600	-	1,043,467	251,066
Agri Equipment	6,548,783	-	-	6,548,783	10%	3,068,491	348,029	-	3,416,520	3,132,263
Health Equipment	2,239,000	-	-	2,239,000	30%	2,226,093	3,872	-	2,229,965	9,035
Total	**101,022,232**	**3,487,300**	**-**	**104,509,532**		**29,249,190**	**3,815,530**	**-**	**33,064,721**	**71,444,811**

Particulars	Cost					Depreciation				Written down value as at June 30, 2023
	As at July 01, 2022	Additions	Disposal	As at June 30, 2023	Rate	As at July 01, 2022	For the period	Disposal	As at June 30, 2023	
	Rs.									
Free hold land	26,837,919	-	-	26,837,919	0%	-	-	-	-	26,837,919
Building	40,662,716	-	-	40,662,716	5%	5,416,457	1,762,313	-	7,178,770	33,483,946
Furniture and fixtures	5,882,351	-	-	5,882,351	10%	1,224,051	465,830	-	1,689,881	4,192,470
Vehicles	17,556,930	-	-	17,556,930	20%	13,298,377	851,711	-	14,150,088	3,406,842
Office equipment	1,294,533	-	-	1,294,533	30%	782,153	153,714	-	935,867	358,666
Agri Equipment	6,548,783	-	-	6,548,783	10%	2,681,792	386,699	-	3,068,491	3,480,292
Health Equipment	2,239,000	-	-	2,239,000	30%	2,220,561	5,532	-	2,226,093	12,907
Total	101,022,232	-	-	101,022,232		25,623,391	3,625,799	-	29,249,190	71,773,042

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		Note	2024 Rupees	2023 Rupees
5	**LONG TERM INVESTMENT**			
	Investment in EFU saving plans		**22,378**	22,378
			22,378	22,378
6	**ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**			
	Advance to staff against salaries		**93,440**	200,000
	Advance to staff against expenses		**514,563**	966,162
	Advance against the purchase of Agri Machinery		**2,000,000**	2,000,000
	Unadjustable advance		**257,000**	257,000
	Receivable from Rural Community Development Programmes		**-**	1,064,266
	Receivable against School fees & Books collection		**131,800**	114,900
	Receivable From Halvitas		-	60,386
	Receivable From Al Khair Motors		**28,800**	28,800
	Receivable From PSDF		**73,510**	73,510
	Other receivable		**198,117**	198,116
			3,297,230	4,963,140
7	**GRANT RECEIVABLE**			
	Welthungerhilfe (WHH)		**4,367,814**	3,957,263
			4,367,814	3,957,263
8	**CASH AND BANK BALANCES**			
	Cash in hand			
	Cash in hand		**326,440**	552,800
	Cash at banks			
	In current accounts		**386,184**	396,798
	In deposit accounts		**26,948,349**	23,270,767
			27,334,533	23,667,565
			27,660,973	24,220,365

8.1 Cash at bank is free of lien and charge.

8.2 The rate of return on deposit accounts at rates ranging from 8% to 20% per annum (2023: 6% to 17% per annum).

		2024 Rupees	2023 Rupees
9	**DEFERRED INCOME**		
	Opening balance	**8,990,221**	4,876,054
	Add : Cash received from donors	**45,541,804**	46,119,412
	Less: Amortization of grants	**(44,332,609)**	(45,962,508)
	Add: Grant Receivable portion	**4,367,814**	3,957,263
		14,567,230	8,990,221

9.1 There is continuation of agreement signed with Pakistan Poverty Alleviation Fund (PPAF) for the project titled "Restoring Social Services and Climate Resilience." Agreement duration: May 1, 2024 to April 30, 2026. Project is going on in District Rajanpur. Total Budget is Rs. 49,451,033. The main objective of the agreement is to build the capacity of flood-affected communities and implement development schemes in Union Council Hajipur, District Rajanpur.

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9.2 In the year 2021, RCDS has signed Modification Agreement with Welthungerhilfe for the project extension titled, "ToGETHER-Towards Greater Effectiveness and Timeliness in Humanitarian Emergency Response." Agreement duration: April 1, 2021 to April 30, 2024. Project was implemented in district Lahore and Layyah. Total budget is: Euro 159,444. The main objective of the agreement is continuity of localization of project, strengthening of organizational systems, staff capacities, and delivering timely humanitarian assistance.

9.3 During the year, RCDS has signed agreement with Welthungerhilfe for the project titled, "Strengthening Contingency Planning in District Layyah of Province Punjab, Pakistan." Agreement duration: December 15, 2023 to March 15, 2024. Project was implemented in the district Layyah. Total Budget is: Euro 72,000. The main objective of the agreement is to strengthen the disaster preparedness and response capacity of district authorities and communities by conducting capacity building trainings, developing contingency plans, providing DRR kits, and establishing community-based disaster management committees at village levels.

9.4 During the year, RCDS has signed agreement with Welthungerhilfe for the project titled, "ToGETHER 2.0 – Towards Greater Effectiveness and Timeliness in Humanitarian Emergency Response." Agreement duration: May 1,2024 to April 30, 2027. Total Budget is: Euro 301,444. Project is going on in the district Lahore and Layyah. The main objective of the agreement is to enhance localization of project by strengthening of organizational systems, staff capacities, and delivering timely humanitarian assistance.

	Note	**2024 Rupees**	2023 Rupees
10 TRADE AND OTHER PAYABLES			
Withholding tax payable		**101,754**	41,189
Staff payables		**1,173,718**	36,911
Staff provident fund payable		**1,140,352**	1,052,930
Accrued expenses		**696,710**	230,000
Payable to Rural Community Development Programmes		-	949,839
Payable to PPAF		**206,714**	
Others		**198,720**	421,159
		3,517,968	2,732,028

11 CONTINGENCIES AND COMMITMENTS

11.1 There are no contingencies or commitments as on balance sheet date. (2023: Nil)

12 PROFIT ON BANK DEPOSITS

Profit on bank deposits	**3,535,028**	3,147,678
	3,535,028	3,147,678

13 INCOME FROM OTHER ACTIVITIES

Vehicle Rental Income	**6,425,250**	-
Building Rental Income	**2,396,925**	7,839,270
School Fee income	**2,890,843**	2,928,131
Exchange gain	**277,266**	4,768,330
	11,990,284	15,535,731

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	Note	2024 Rupees	2023 Rupees
14 OTHER OPERATING EXPENSES			
Project and Allied Expenses		**32,539,978**	32,838,910
Training expenses		-	394,737
Office rent		**832,000**	1,710,414
Printing and stationery		**1,111,650**	1,729,018
Petrol and maintenance		**2,694,501**	2,095,298
Utilities		**613,838**	497,007
Communication & Couriers		**579,681**	612,648
Depreciation		**3,815,530**	3,625,799
Office supplies		**2,745,674**	1,867,073
Audit Fee	**14.1**	**250,000**	180,000
Travelling		**304,022**	133,490
Registration expenses		**105,715**	38,500
Consultancy		-	487,500
Others		**467,899**	172,670
		46,060,488	46,383,064
14.1 Auditor's remuneration		**250,000**	180,000
		250,000	180,000
15 FINANCE COST			
Bank charges		**74,747**	50,181
		74,747	50,181
16 FINANCIAL INSTRUMENTS BY CATEGORY			
Financial assets as per statement of financial position			
Advances, prepayments and other receivables		**689,227**	1,796,978
Cash at bank		**27,334,533**	23,667,565
		28,023,760	25,464,543
Financial liabilities as per statement of financial position			
Trade and other payables		**3,416,214**	2,690,839

16.1 Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Society 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.

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16.1.1 Fair value hierarchy

Following are three levels in fair value hierarchy that reflects the significance of the inputs used in measurement of fair values of financial instruments.

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

The Society does not hold any instrument which could be included in Level 1, Level 2 and Level 3.

17 FINANCIAL INSTRUMENTS

17.1 Financial risk factors

The society's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The organization's overall risk management program focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to society.

Risk management is carried out by the Society's finance department under policies approved by the Management Board.

a) Credit risk

Credit risk is the risk that a party to the financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The society's credit risk is primarily attributable to balances at banks, investments and micro credit loan. The risk on liquid funds is limited as the counter parties are banks with high credit ratings.

For micro credit loans, the society has effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers' credit worthiness and identify potential problems of loans. A provision for potential loan losses is maintained.

b) Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly due to balances in foreign currency. The society is not exposed to any such risk.

The credit quality of Society's bank balances can be assessed with reference to external credit ratings as follows:

		Rating	
Bank	**Rating Agency**	**Long term**	Short term
Allied bank limited	PACRA	AAA	A1+
Habib bank limited	JCR-VIS	AAA	A1+
National bank of Pakistan	PACRA	AAA	A1+

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society's interest rate risk arises from short term borrowings and interest bearing assets. Borrowings obtained at variable rates exposes the Society to cash flow interest rate risk.

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At the statement of financial position date the interest rate profile of the Society's interest bearing financial instruments was:

	Note	2024 Rupees	2023 Rupees
Floating rate instrument			
Financial liabilities		-	-
Financial assets			
Cash at banks - In deposit accounts		**26,948,349**	23,270,767

Cash flow sensitivity analysis for floating rate instruments

If interest rate at the year end date, fluctuates by 1% higher/lower with all other variables held constant, statement of income and expenditure for the year would have been Rs. 269,483 (2023: 232,708) higher/lower, mainly as a result of higher/lower interest income on floating rate borrowings and bank balances. This analysis is prepared assuming the amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

The Society does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Society.

d) Liquidity risk

Liquidity risk is the risk that the society will encounter difficulty in raising funds to meet its net funding requirement. The Society manages such risk by having adequate credit lines in place and maintaining sufficient liquidity at field office level to meet anticipated funding requirements.

The table below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

30 June 2024	Carrying Amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
	RUPEES						
Non-derivative							
Trade And Other Payables	3,416,214	3,416,214	3,416,214	-	-	-	-
	3,416,214	3,416,214	3,416,214	-	-	-	-

30 June 2023	Carrying Amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
	RUPEES						
Non-derivative Financial Liabilities							
Trade And Other Payables	2,690,839	2,690,839	2,690,839	-	-	-	-
	2,690,839	2,690,839	2,690,839	-	-	-	-

18 NUMBER OF EMPLOYEES

	2024 Number	2023 Number
Number of employees at the end of the year	**27**	29
Average number of employees during the year	**28**	31

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19 REMUNERATION OF KEY MANAGEMENT PERSONALS

The aggregate amount charged in the financial statements for the year in respect of remuneration including certain benefits to the Chief Executive Officer of the Society is as follows:

	Note	2024 Rupees	2023 Rupees
Chief Executive remuneration (Rupees)		**8,826,000**	3,300,000
No. of persons		**3**	1

20 CORRESPONDING FIGURES

20.1 Corresponding figures have been reclassified, where ever considered necessary, for better presentation of the financial statements. However, no significant reclassification has been made during the year.

21 RELATED PARTY TRANSACTIONS

The related parties comprise subsidiaries, associated under takings (Common Directorship), post employment benefit plans, other related companies, and key management personnel. The company in normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Name of related party	Nature of Transaction	2024 Rupees	2023 Rupees
Transactions During the year			
Rural Community Development Programmes	Rental Income	**8,822,175**	7,839,270
Balance Outstanding			
Rural Community Development Programmes	Payable	-	1,064,266
Rural Community Development Programmes	Receivable	-	949,839

22 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors authorized these financial statements for issue on 30 October 2024.

23 GENERAL

Figures have been rounded off to the nearest rupee.

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MANAGING DIRECTOR

CHAIRPERSON