



KPMG Taseer Hadi & Co.  
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## **INDEPENDENT AUDITORS' REPORT**

**To the members of The Aga Khan Rural Support Programme**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the annexed financial statements of The Aga Khan Rural Support Programme (the Company), which comprise the statement of financial position as at 31 December 2019, and the income and expenditure statement, the statement of comprehensive income, the statement of changes in fund, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the surplus, the comprehensive income, the changes in fund and its cash flows for the year then ended.

#### **Basis for Opinion**

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

#### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in



## KPMG Taseer Hadi & Co.

Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### **Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate,



## KPMG Taseer Hadi & Co.

to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Riaz Pesnani.

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Islamabad**  
**23 June 2020**

# THE AGA KHAN RURAL SUPPORT PROGRAMME

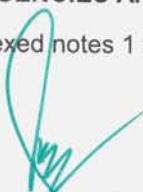
(A company incorporated under section 42 of the Companies Ordinance, 1984)

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

ASSETS	Note	2019 Rupees	2018 Rupees
<b>NON-CURRENT ASSETS</b>			
Property and equipment	5	11,524,903	18,894,498
Long-term investments	6	991,094,640	991,094,640
Loans to businesses	8	12,950,028	12,141,667
		<u>1,015,569,571</u>	<u>1,022,130,805</u>
<b>CURRENT ASSETS</b>			
Loans and advances	9	11,643,583	7,948,758
Deposits, prepayment and other receivables	11	3,826,866	2,316,049
Receivable from related parties	14	1,096,931	193,790
Contract Assets	10	74,981,168	-
Receivable from donors	17	60,589,887	128,581,085
Short-term investments	15	363,959,589	380,718,822
Bank balances	16	90,872,383	122,486,414
		<u>606,970,407</u>	<u>642,244,918</u>
		<u>1,622,539,978</u>	<u>1,664,375,723</u>
<b>FUND BALANCE AND RESERVE</b>			
Fund balance		885,698,064	860,983,680
Surplus on re-measurement of investments classified as fair value through other comprehensive income		555,000,000	555,000,000
		<u>1,440,698,064</u>	<u>1,415,983,680</u>
<b>NON-CURRENT LIABILITIES</b>			
Restricted grants	17	43,065,386	107,998,721
Deferred capital grant	18	9,044,205	16,542,562
Revolving Fund for Accelerate Prosperity	19	27,243,167	14,758,985
		<u>79,352,758</u>	<u>139,300,268</u>
<b>CURRENT LIABILITIES</b>			
Other payables	20	102,489,156	109,091,775
		<u>1,622,539,978</u>	<u>1,664,375,723</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	21		

The annexed notes 1 to 39 form an integral part of these financial statements.

  
Chairman

  
Director

  
Chief Executive Officer

# THE AGA KHAN RURAL SUPPORT PROGRAMME

(A company incorporated under section 42 of the Companies Ordinance, 1984)

## INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019 Rupees	2018 Rupees
<b>INCOME</b>			
Income from Microhydel Projects	13	8,747,687	117,062,727
Grant income recognised	17	700,757,898	987,824,775
Amortization of deferred capital grant	18	6,925,813	11,371,559
Other income	22	60,676,802	51,260,771
Unrestricted grant	23	64,473,750	31,484,900
		<u>841,581,950</u>	<u>1,199,004,732</u>
<b>EXPENDITURE</b>			
Civil society development	24	107,229,627	130,756,296
Gender and development	25	45,136,684	43,290,640
Resource development	26	393,861,483	759,416,265
Market development	27	124,311,564	103,701,044
		670,539,358	1,037,164,245
Management and administration	28	150,386,536	151,664,422
		<u>820,925,894</u>	<u>1,188,828,667</u>
Impairment loss against investment in subsidiaries	6	-	14,999,400
Loss allowance for expected credit losses	29	6,033,885	20,397,949
		6,033,885	35,397,349
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<u>14,622,171</u>	<u>(25,221,284)</u>

The annexed notes 1 to 39 form an integral part of these financial statements.

  
Chairman

  
Director

  
Chief Executive Officer

# THE AGA KHAN RURAL SUPPORT PROGRAMME

(A company incorporated under section 42 of the Companies Ordinance, 1984)

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 Rupees	2018 Rupees
Surplus / (deficit) for the year	14,622,171	(25,221,284)
<b>Items that are or may be reclassified subsequently to income and expenditure statement</b>		
Gain on fair value of investment classified as fair value through other comprehensive income	-	555,000,000
Total comprehensive income for the year	<u>14,622,171</u>	<u>529,778,716</u>

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The annexed notes 1 to 39 form an integral part of these financial statements.

  
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Chairman  
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Director  
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Chief Executive Officer

**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
**STATEMENT OF CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Fund Balance Rupees	Surplus on re- measurement of investments classified as fair value through other comprehensive income Rupees	Total Rupees
Balance as at January 01, 2018	886,204,964	-	886,204,964
Total comprehensive income for the year	(25,221,284)	555,000,000	529,778,716
<b>Balance as at December 31, 2018</b>	<b>860,983,680</b>	<b>555,000,000</b>	<b>1,415,983,680</b>
Impact of change in accounting policy	10,092,213	-	10,092,213
<b>Adjusted balance at January 01, 2019</b>	<b>871,075,893</b>	<b>555,000,000</b>	<b>1,426,075,893</b>
Total comprehensive income for the year	14,622,171	-	14,622,171
<b>Balance as at December 31, 2019</b>	<b>885,698,064</b>	<b>555,000,000</b>	<b>1,440,698,064</b>

The annexed notes 1 to 39 form an integral part of these financial statements.



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Chairman



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Director



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Chief Executive Officer

**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019 Rupees	2018 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Surplus / (deficit) for the year	14,622,171	(25,221,284)
<b>Adjustment for non-cash items:</b>		
Depreciation	6,714,817	12,243,544
Interest income on investments	(46,446,826)	(38,634,016)
Income from Microhydel Projects	(8,747,687)	(117,062,727)
Grant income recognized	(700,757,898)	(987,824,775)
Amortization of deferred capital grant	(6,925,813)	(11,371,559)
Exchange gain	(186,735)	(4,271,387)
Loss on transfer of fixed assets	1,795,900	-
Gain on sale of property and equipment	(9,598)	(400,161)
Impact of change in accounting policy on opening balance of Fund Balance	10,092,213	-
Provision against doubtful receivables in respect of sale shares of MOGH	-	4,500,000
Impairment loss against investment in subsidiaries	-	14,859,625
Write-off of loan to subsidiary	-	6,686,800
Loss allowance for expected credit losses	6,033,885	20,319,889
	<u>(738,437,742)</u>	<u>(1,100,954,767)</u>
Working capital changes	<u>(723,815,571)</u>	<u>(1,126,176,051)</u>
(Increase) / decrease in current assets		
Loans and advances	(5,341,516)	(4,722,427)
Deposits, prepayments and other receivables	(1,510,817)	6,743,635
Contract assets	(74,981,168)	-
Receivable from donors	64,403,003	(18,730,692)
Receivable from associated undertakings	(903,141)	3,780,732
Increase / (decrease) in current liabilities		
Other payables	(6,602,619)	(13,006,020)
	<u>(24,936,258)</u>	<u>(25,934,772)</u>
<b>Cash used in operations</b>	<u>(748,751,829)</u>	<u>(1,152,110,823)</u>
Change in restricted grant	644,572,251	1,062,392,004
Change in deferred capital grant	(572,544)	2,800,412
Change in Revolving Fund	12,484,182	(9,541,015)
<b>Net cash used in operating activities</b>	<u>(92,267,940)</u>	<u>(96,459,422)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(1,189,120)	(3,150,112)
Interest received on investments	33,206,059	30,868,964
Proceeds from sale of property and equipment	63,952	553,368
Investments made during the year - net	30,000,000	(51,720,450)
Loans extended to businesses - net	(1,613,717)	-
<b>Net cash from investing activities</b>	<u>60,467,174</u>	<u>(23,448,230)</u>
Effect of foreign currency exchange gain on cash and cash equivalents	186,735	4,271,387
<b>Net decrease in cash and cash equivalents</b>	<u>(31,614,031)</u>	<u>(115,636,265)</u>
<b>Cash and cash equivalents at beginning of the year</b>	<u>122,486,414</u>	<u>238,122,679</u>
<b>Cash and cash equivalents at end of the year</b>	<u>90,872,383</u>	<u>122,486,414</u>

The annexed notes 1 to 39 form an integral part of these financial statements.

  
Chairman

  
Director

  
Chief Executive Officer



**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**1. CORPORATE AND GENERAL INFORMATION**

**1.1 STATUS AND NATURE OF ACTIVITIES**

Aga Khan Rural Support Programme (the Company) was incorporated in Pakistan as a public company limited by guarantee not having share capital under section 42 of the Companies Ordinance, 1984 (now, the Companies Act, 2017) on August 9, 1982. The Company has its registered office in Karachi and its principal place of activities is in Gilgit-Baltistan and Chitral. The primary objective of the Company is rural upliftment, development of land resources and other welfare activities and it:

- applies its income towards those objectives; and
- prohibits payments of any dividend or income to its members.

The Company's current programme is under three themes specifically Institutional Development, Resource Development and Market Development.

The business units of the Company include the following:

<b>Business units</b>	<b>Geographical location</b>
Registered office	Second Floor, New Jubilee Insurance building, I.I. Chundrigar Road, Karachi.
Liaison office	Level 9, Serena Business Complex, Islamabad.
<b>Regional offices</b>	
Core Office	Baber Road, Kashrote,
Regional Office, Gilgit	Opposite Supreme Appellate Court, Jutial, Gilgit.
Regional Office, Chitral	Near Shahi Qilla, Chitral.
Regional Office, Baltistan	Sadpara Road, Skardu.
<b>District offices</b>	
Astore Office	Near Eidgah, Astore,
Ghizer Office	Opposite Green Palace Hotel, Gahkooch, Ghizer, Gilgit.
<b>Area offices</b>	
Hunza Office	Hunza Nagar, near Civil Hospital, College road, Ali Abad, Hunza.
Ghanche Office	Near Khaplu Fort, Serena Hotel, Ghanche.
Booni Office	Main Booni Bazar, Booni.
<b>Program office</b>	
Accelerate Prosperity	Zulfiqarabad, Gilgit.

- 1.2** These financial statements are the separate financial statements of the holding Company (AKRSP). In addition to these separate financial statements the Company also prepares consolidated financial statements to consolidate its four subsidiaries Ozhor Utility Company Limited, Yadgar Utility Company Limited, Shandur Utility Company Limited and Pamir Utility Company (Private) Limited.

**2. BASIS OF PREPARATION**

**2.1 STATEMENT OF COMPLIANCE**

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



**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- Accounting standard for Not for Profit Organizations issued by Institute of Chartered Accountants of Pakistan.

Where the provisions of and directives issued under the Companies Act, 2017 differ from IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2 Accounting convention and basis of measurement**

These financial statements have been prepared under the historical cost convention, except for available for sale investments, which are valued at their fair value.

**2.3 Presentation and functional currency**

These financial statements of the Company are presented in Pak Rupees (PKR), which is the Company's functional currency and the currency of the primary economic environment in which the Company operates.

**2.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which estimates are revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgments, assumptions and estimates made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are included in the following notes:

- Note 4.1 and 5 for useful life, residual value and depreciation method of property and equipment;
- Note 8, 17 and 4.9 for measurement of ECL allowance for doubtful receivables;
- Note 6 and 4.9 for provision for impairment against investments;
- Note 6 and 4.2 for fair valuation of investment in shares of The FirstMicro Finance Bank Limited (FMFB) classified as FVTOCI

**Measurement of fair values**

A number of the Company's accounting policies and disclosures require the measurement of fair value, both for financial and non-financial assets and liabilities.



**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the approved accounting standards as applicable in Pakistan, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** inputs other than quoted prices included in 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 the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

**3 NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE**

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

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**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Company's financial statements.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the change as indicated below:

**IFRS 15 'Revenue from Contracts with Customers'**

The IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15") in May 2014. This IFRS replaces IAS 18 Revenue, IAS 11 Construction Contracts and several revenue-related interpretations.

IFRS 15 introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognise revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those promised goods or services. The standard also requires revenue from customers to be disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' with a date of initial application of 01 January 2019. The change in accounting policy as a result of application of IFRS 15 has been applied using the cumulative effect method, i.e. by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of Fund balance at 01 January 2019. Therefore, the comparative information has not been restated and continues to be reported under previous accounting standards. However, the comparative figures in the income and expenditure statement have been reclassified.



**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Relevant accounting policy notes on adoption of the new standard have been explained in note 4.5.

The Company has reviewed its income streams i.e. income from restricted grant and, as a result of this review, it was noted that certain contracts previously classified as 'income from restricted grant' meet revenue recognition criteria of this IFRS. However, grants implemented on behalf of institutions falling under the umbrella of Aga Khan Development Network, i.e. Aga Khan Foundation - Pakistan (AKF-P), Aga Khan Foundation USA (AKF-USA) and Aga Khan Foundation - Geneva (AKF-G) do not meet the criteria of this IFRS. Further, the Company has expanded the disclosures in the notes to its financial statements as prescribed by IFRS 15 'Revenue from Contracts with Customers'.

The following table summarizes the impact of adopting IFRS 15 on the Company's financial statements for the year ended 31 December 2019:

**i Statement of Financial Position**

	Impact of change in accounting policies		
	As reported	Adjustments	Balances without adoption of IFRS 15
	Amounts in rupees		
Contract asset	74,981,168	(74,981,168)	-
Receivable from donors	60,589,887	64,807,832	125,397,719
Other	1,486,968,923	-	1,486,968,923
<b>Total assets</b>	<b>1,622,539,978</b>	<b>(10,173,336)</b>	<b>1,612,366,642</b>
Fund balance	885,698,064	(10,465,116)	875,232,947
Other	555,000,000	-	555,000,000
<b>Fund balance and reserves</b>	<b>1,440,698,064</b>	<b>(10,465,116)</b>	<b>1,430,232,947</b>
Deferred capital grant	9,044,205	291,780	9,335,986
Other	172,797,709	-	172,797,709
<b>Other liabilities</b>	<b>181,841,914</b>	<b>291,780</b>	<b>182,133,695</b>
<b>Total fund balances, reserves and liabilities</b>	<b>1,622,539,978</b>	<b>(10,173,336)</b>	<b>1,612,366,642</b>

**ii Income and Expenditure Statement**

	Impact of change in accounting policies		
	As reported	Adjustments	Balances without adoption of IFRS 15
	Amounts in rupees		
Income from Microhydel project	8,747,687	(8,747,687)	-
Income from restricted grant	700,757,898	89,483,116	790,241,014
Amortization of deferred capital grant	6,925,813	571,463	7,497,276
Other income	125,150,552	-	125,150,552
	841,581,950	81,306,892	922,888,842
<b>Expenditure</b>			
Civil society development	107,229,627	-	107,229,627
Gender and development	45,136,684	-	45,136,684
Resource development	393,861,483	79,880,173	473,741,656
Market development	124,311,564	-	124,311,564
Management and administration	150,386,536	855,255	151,241,791
Loss allowance for expected credit losses	6,033,885	-	6,033,885
	826,959,779	80,735,428	907,695,207
<b>Surplus for the year</b>	<b>14,622,171</b>	<b>571,464</b>	<b>15,193,635</b>

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**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

iii **Statement of Comprehensive Income**

	Impact of change in accounting policies		
	As reported	Adjustments	Balances without adoption of IFRS 15
		Amounts in rupees	
Surplus for the year	14,622,171	571,464	15,193,635
Total comprehensive income for the year	<u>14,622,171</u>	<u>571,464</u>	<u>15,193,635</u>

iv **Statement of Cash flows**

	Impact of change in accounting policies		
	As reported	Adjustments	Balances without adoption of IFRS 15
		Amounts in rupees	
Surplus for the year	14,622,171	571,464	15,193,635
<i>Adjustment for non-cash items:</i>			
Income from microhydel projects	(8,747,687)	8,747,687	-
Grant income recognized	(700,757,898)	(89,483,116)	(790,241,014)
Amortization of deferred capital grant	(6,925,813)	(571,463)	(7,497,276)
Impact of change in accounting policy on opening balance of Fund Balance	10,092,213	(10,092,213)	-
Others	(32,098,557)	-	(32,098,557)
	<u>(738,437,742)</u>	<u>(91,399,105)</u>	<u>(829,836,847)</u>
	(723,815,571)	(90,827,641)	(814,643,212)
Work capital changes:			
Contract asset	(74,981,168)	74,981,168	-
Receivable from donors	64,403,003	65,165,850	129,568,853
Others	(14,358,093)	-	(14,358,093)
	<u>(24,936,258)</u>	<u>140,147,018</u>	<u>115,210,760</u>
Cash used in operations	<u>(748,751,829)</u>	<u>49,319,377</u>	<u>(699,432,452)</u>
Change in deferred capital grant	(572,544)	863,144	290,600
Change in others	657,056,433	-	657,056,433
<b>Net cash from operating activities</b>	<u>(92,267,940)</u>	<u>50,182,521</u>	<u>(42,085,419)</u>

**IFRS 9 'Financial Instruments'**

The Company has adopted IFRS 9 'Financial Instruments' with a date of initial application of 01 January 2019. IFRS 9 replaced IAS 39 'Financial Instruments – Recognition and Measurement' and includes the requirements on the classification and measurement of financial assets and liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting it also includes an expected credit losses impairment model that replaces the current incurred loss impairment model. The Securities and Exchange Commission of Pakistan vide its notification dated 02 September 2019 has deferred the application of expected credit loss model on financial assets due from the Government of Pakistan which continues to be accounted for under the previously applicable requirements of IAS 39 'Financial Instruments: Recognition and Measurement' till 30 June 2021. The Company has changed its accounting policy for classification and measurement of its financial instruments and as a result financial assets previously classified as 'loans and receivables' are now classified as 'amortized cost' while financial liabilities previously classified as 'other financial liabilities' are now classified as 'amortized cost'. Further, effective 01 January 2019, the Company implemented expected credit loss impairment model for financial assets. For loans to businesses and receivable from donors, the calculation methodology has been updated to consider expected losses based on ageing profile and forward looking estimates such as economic profiling related to these receivables. Details of adoption of IFRS 9 have been explained in note 4.8.

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**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**IFRS 16 'Leases'**

The Company has adopted IFRS 16 'Leases' using the cumulative effect method with a date of initial application of 01 January 2019. IFRS 16 introduces a single, on-balance sheet accounting model for lessees. Lessor accounting remains similar to previous accounting policies. Since, the Company has elected not to recognize right-of-use assets and lease liabilities of office buildings as they have a lease term of 12 months and the Company recognizes the lease payments associated with these leases as an expense on a straight-line method over the lease term, therefore, adoption of IFRS 16 has had an no effect on the financial statements of the Company.

**4.1 Property and equipment**

These are stated at cost less accumulated depreciation and impairment loss, if any. Cost of an item of property and equipment comprises purchase price, import duties and other 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.

Gains and losses on disposals of an item of property and equipment are determined by comparing the proceeds from disposals with the carrying amounts of property and equipment, and are recognised in the income and expenditure statement.

Depreciation is calculated on the straight line method and charged to the income and expenditure statement to allocate cost of an asset over its estimated useful life. The depreciation is charged on additions from month of purchase, while no depreciation is charged in the month of derecognition / disposal. The annual depreciation rates are specified in note 5 to these financial statements.

The cost of replacing a part of item of property and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of the property and equipment are recognised in income and expenditure statement as incurred.

**4.2 Investments**

**(a) Investments in subsidiaries and associated companies**

Investments in subsidiaries and associated companies are initially recognised at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense in the income and expenditure statement. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. Reversal of impairment loss are recognised in the statement of income and expenditure.

**(b) Investments classified as fair value through other comprehensive income (FVTOCI)**

Fair value through other comprehensive income financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Fair value through other comprehensive income investments are initially recognised at cost and carried at fair value at the reporting date. Adjustment arising from measurement of investment to fair value is recorded in the fund balance and taken to income on disposal of investment or when the investment is determined to be impaired. For equity investments that do not have a quoted market price in an active market and whose fair value could not be reliably measured are measured at cost.



**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**(c) Amortized Cost**

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity are classified as amortized cost and are initially measured at cost representing the fair value of consideration given. At subsequent reporting dates these are measured at amortized cost using the effective yield method. The resultant change in value is reported directly in the statement of income and expenditure.

Management determines the appropriate classification of its investments at the time of the purchase. All regular way purchases and sales of investment securities are accounted for at the settlement date.

**4.3 Provisions**

A provision is recognized in the financial statements when the Company has legal or constructive obligation as a result of past events 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 obligation.

**4.4 Cash and cash equivalents**

Cash and cash equivalents are carried at cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand and bank and short term highly liquid investments with original maturities of three months or less, and that are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

**4.5 Income**

**(a) Grants**

**(i) Capital grants**

Grants received for fixed assets are initially recorded as capital grants in the statement of financial position. Subsequently, these are recognized as income on a systematic basis over periods necessary to match them with the carrying value of the related assets.

**(ii) Restricted grants**

Grants, of a non-capital nature, received for specific purposes, and any bank interest earned on them, are classified as restricted grants. Such grants are transferred to income to the extent of actual expenditure incurred against them which approximately corresponds to the satisfaction of related performance obligations. Expenditure incurred against grants committed but not received, is accrued and recognized in income and is reflected as a grant receivable. Unspent portions of such grants, representing unsatisfied performance obligations, are reflected as restricted grants in the statement of financial position. Refer note 17 for nature of activities undertaken from restricted funds and related balances at the reporting date.

**(iii) Unrestricted grants**

Grants received from donors without any conditions are recognized as unrestricted grants in income in the period of receipt.

**(b) Income from microhydel projects**

On 4 August 2014 the Company entered into service contract with Pakhtunkhwa Energy Development Organization (PEDO) to undertake the project, 'Construction of 55 Mini/Micro Hydro Power Projects in District Chitral'. The following table lays out contract details:

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THE AGA KHAN RURAL SUPPORT PROGRAMME  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

(i) *Feasibility study and design submission*

**Nature and timing of satisfaction of performance obligations, including significant payment terms**

Under the service contract, the Company is required to complete feasibility study and design submission for 55 mini/micro hydro power plants in Chitral District. The performance obligations are satisfied when feasibility study and designs are submitted and receipt acknowledgment received from Customer and income is recognized at that point in time. There is no financing component to the transaction price and it is allocated to this set of performance obligations in line with contract price breakdown as laid down in Annex - III of Financial Proposal submitted by the Company to the customer. Payment is received in accordance with clause 33.1 'Terms of Payment' of the service contract, whereby a pre-determined percentage of total contract price is released upon invoicing based on milestone completion.

**Revenue recognition under IFRS 15 (applicable from 01 Jan 2019)**

Income is recognized at a point in time when receipt acknowledgment from Customer is received for feasibility study and design submission.

**Revenue recognition (applicable before 01 Jan 2019)**

Income was recognized to the extent of expenses incurred.

(ii) *Construction and hand-over of mini/micro hydro power plants*

**Nature and timing of satisfaction of performance obligations, including significant payment terms**

Under the service contract, the Company is required to construct and handover 55 mini/micro hydro power plants in Chitral District. The performance obligations are satisfied when formal taking over certificate is issued by the Customer and income is recognized at that point in time. There is no financing component to the transaction price and it is allocated to this set of performance obligations in line with contract price breakdown as laid down in Annex - III of Financial Proposal submitted by the Company to the customer. Payment is received in accordance with clause 33.1 'Terms of Payment' of the service contract, whereby a pre-determined percentage of total contract price is released upon invoicing based on milestone completion.

**Revenue recognition under IFRS 15 (applicable from 01 Jan 2019)**

Income is recognized at a point in time when formal taking over certificate is received from customer against each constructed and handed over mini/micro hydro power plant.

**Revenue recognition (applicable before 01 Jan 2019)**

Income was recognized to the extent of expenses incurred.

(iii) *Income against restricted grant from donor*

Being a non-profit organization, the Company is undertaking this service contract with a view to fulfilling its objective of rural upliftment. Therefore, certain additional works are undertaken which are funded by Aga Khan USA, a related party. Income against these grant funds is recognized as per policy mentioned in note 4.5 (a) (ii).



**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**4.5.1 Transaction price allocated to remaining performance obligations**

The Company applies the practical expedient as per paragraph 121 of IFRS 15 and does not disclose information about the remaining performance obligations that have original expected duration of one year or less. Refer note 17.15 for disclosure of transaction price allocated to remaining performance obligations for ongoing service contracts and welfare projects at the the reporting date.

**4.5.2 Contract asset**

The contract asset primarily relates to the Company's rights to consideration for delivery of services provided these are not yet billed at the reporting date. The contract assets are transferred to trade debts when the rights become unconditional.

**4.5.3 Contract liability**

Contract liability is the obligation of the Company to deliver services for which the Company has received consideration from the customer. If a customer pays consideration before the Company delivers services, a contract liability is recognized when the payment is made. Contract liabilities are recognized as income when the Company performs its performance obligations under the contract.

**4.5.4 Receivable from donors**

Receivable from donor primarily relates to the Company's right to consideration for services rendered under various welfare projects that are not billed at the reporting date. Refer note 4.9 for measurement of ECL against receivable from donors.

**4.6 Other payables**

Other payables are carried at cost, which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

**4.7 Staff retirement benefits - Provident fund**

The Company operates a defined contributory provident fund for all eligible employees for which the Company's contributions are charged to income and expenditure at the rate of 10% of basic salary.

**4.8 Financial instruments**

**4.8.1 Financial assets**

**Classification**

On initial recognition, a financial asset is classified as measured at:

- amortized cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL).

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

W

**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**a) Amortized cost**

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**b) Fair value through other comprehensive income (FVOCI)**

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**c) Fair value through profit or loss (FVTPL)**

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

**Subsequent measurement**

**Financial assets at amortized cost** Measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

**Debt investments at FVOCI** These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

**Financial assets at FVTPL** Measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

**Equity investment at FVOCI** These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

**De-recognition**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**4.8.2 Financial liabilities**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in income and expenditure statement. Any gain or loss on de-recognition is also included in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the income and expenditure statement for the period in which it arises.

**4.8.3 Offsetting**

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**4.8.4 Financial instruments – accounting policy applied before 01 Jan 2019**

The Company classified financial assets into the following categories:

- (a) financial assets at fair value through profit or loss (FVTPL); and
- (b) loans and receivables

Subsequent to initial recognition, financial assets at FVTPL were measured at fair value and changes therein including interest or dividend income were recognized in profit or loss. Loans and receivables were subsequently measured at amortised cost using the effective interest method.

All financial liabilities were initially recognized at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost and are classified into other financial liabilities category.

**4.9 Impairment**

**4.9.1 Financial assets**

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost, other than those due from the Government of Pakistan entities. For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

W

**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For recognition of impairment on financial assets due from the Government of Pakistan entities, the Company continues to apply the accounting policy as stated below.

**Impairment of financial assets – accounting policy applied before 01 July 2018**

A financial asset other than held for trading and carried at fair value was assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. All impairment losses are recognized in income and expenditure statement. An impairment loss is reversed in the income and expenditure statement if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

**4.9.2 Non-financial assets**

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the absence of any information about the fair value of a cash-generating unit, the recoverable amount is deemed to be the value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in income and expenditure statement. Impairment losses in respect of cash-generating units are allocated to the carrying amounts of assets in the cash-generating unit group on pro-rata basis. An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**4.10 Foreign currency transactions and translation**

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities, denominated in foreign currencies, are translated into the functional currency using the exchange rate prevailing on the date of the statement of financial position. Exchange gains and losses are taken to income directly.

**4.11 Taxation**

The income of the Company is exempt under clause 66 of Part I of Second Schedule to the Income Tax Ordinance, 2001.



THE AGA KHAN RURAL SUPPORT PROGRAMME  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

5 PROPERTY AND EQUIPMENT

	Equipment and appliances	Computers and accessories	Furniture and fixture	Vehicles	Total
	-----Rupees-----				
As at January 1, 2018					
Cost	41,060,326	48,990,749	11,371,476	171,677,390	273,099,941
Accumulated depreciation	(33,465,606)	(44,822,891)	(4,314,678)	(162,355,629)	(244,958,804)
Net book amount	<u>7,594,720</u>	<u>4,167,858</u>	<u>7,056,798</u>	<u>9,321,761</u>	<u>28,141,137</u>
Year ended December 31, 2018					
Opening net book amount	7,594,720	4,167,858	7,056,798	9,321,761	28,141,137
Additions during the year	2,147,313	570,300	432,499	-	3,150,112
Disposals					
Cost	(2,650,070)	(7,155,670)	(15,000)	(30,200)	(9,850,940)
Accumulated depreciation	2,554,020	7,109,764	3,750	30,199	9,697,733
	(96,050)	(45,906)	(11,250)	(1)	(153,207)
Depreciation charge	(3,396,820)	(2,589,094)	(1,085,547)	(5,172,083)	(12,243,544)
Net book amount	<u>6,249,163</u>	<u>2,103,158</u>	<u>6,392,500</u>	<u>4,149,677</u>	<u>18,894,498</u>
As at January 1, 2019					
Cost	40,557,569	42,405,379	11,788,975	171,647,190	266,399,113
Accumulated depreciation	(34,308,406)	(40,302,221)	(5,396,475)	(167,497,513)	(247,504,615)
Net book amount	<u>6,249,163</u>	<u>2,103,158</u>	<u>6,392,500</u>	<u>4,149,677</u>	<u>18,894,498</u>
Year ended December 31, 2019					
Opening net book amount	6,249,163	2,103,158	6,392,500	4,149,677	18,894,498
Additions during the year	284,520	560,600	344,000	-	1,189,120
Disposals					
Cost	(3,211,400)	(2,013,485)	(199,305)	(9,734,933)	(15,159,123)
Accumulated depreciation	2,786,369	1,827,469	108,243	8,593,143	13,315,224
	(425,031)	(186,016)	(91,062)	(1,141,790)	(1,843,899)
Depreciation charge	(2,616,139)	(1,176,646)	(1,072,432)	(1,849,600)	(6,714,817)
Adjustments					
Cost	491,496	(401,496)	-	4,224,933	4,314,933
Accumulated depreciation	(526,095)	436,095	-	(4,224,932)	(4,314,932)
	(34,599)	34,599	-	1	1
Net book amount	<u>3,457,914</u>	<u>1,335,695</u>	<u>5,573,006</u>	<u>1,158,288</u>	<u>11,524,903</u>
As at December 31, 2019					
Cost	38,122,185	40,550,998	11,933,670	166,137,190	256,744,043
Accumulated depreciation	(34,664,271)	(39,215,303)	(6,360,664)	(164,978,902)	(245,219,140)
Net book amount	<u>3,457,914</u>	<u>1,335,695</u>	<u>5,573,006</u>	<u>1,158,288</u>	<u>11,524,903</u>
Rate of depreciation per annum	20	33.33	10	20	

5.1 The First MicroFinanceBank Limited (FMFB), an associated undertaking, is using 16 (2018: 16) vehicles of AKRSP having net book value amounting to Rs.16 (2018: 16).

5.2 Depreciation charge for the year has been allocated to following categories of expenditures:

	Note	2019 Rupees	2018 Rupees
Civil society development	24	642,679	1,463,240
Gender and development	25	48,793	145,925
Resource development	26	3,040,050	5,035,153
Market development	27	663,359	1,647,411
Management and administration	28	2,319,936	3,951,811
		<u>6,714,817</u>	<u>12,243,540</u>

5.3 Fully depreciated assets still in the Company's use are carried at nominal value of Rs 1 each aggregating to Rs. 1,391 (2018: Rs 1,343)

5.4 Written down value of disposals during the year fully funded by donors was Rs. 1,795,896 (2018: Rs 66,314).

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THE AGA KHAN RURAL SUPPORT PROGRAMME  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

6	LONG-TERM INVESTMENTS	Note	2019 Rupees	2018 Rupees
	<b>Investments held at cost - unquoted shares</b>			
	<b>Subsidiaries</b>			
	Ozhor Utility Company Limited			
	99,996 fully paid ordinary shares of Rs.100 each (2018: 99,996)	6.1	9,999,600	9,999,600
	Shares held 55.08% (2018: 55.08%)			
	Yadgar Utility Company Limited			
	99,996 (2018: 99,996) fully paid ordinary shares of Rs.100 each	6.1	9,999,600	9,999,600
	Shares held 50.03% (2018: 50.03%)			
	Shandur Utility Company Limited			
	99,996 (2018: 99,996) fully paid ordinary shares of Rs.100 each	6.1	9,999,600	9,999,600
	Shares held 49.74% (2018: 49.74%)			
	Pamir Utility Company (Private) Limited			
	9,996 (2018:9,996) fully paid ordinary shares of Rs.100 each	6.1	999,600	999,600
	Shares held 99.96% (2018: 99.96%)			
	<b>Cost of investment in subsidiaries</b>		<b>30,998,400</b>	<b>30,998,400</b>
	Less: Impairment loss against investment			
	Ozhor Utility Company Limited		(9,999,600)	(9,999,600)
	Yadgar Utility Company Limited		(9,999,600)	(9,999,600)
	Shandur Utility Company Limited		(9,999,600)	(9,999,600)
	Pamir Utility Company (Private) Limited		(999,600)	(999,600)
			<b>(30,998,400)</b>	<b>(30,998,400)</b>
	<b>Cost less provision for impairment loss</b>		-	-
	<b>Investments classified as fair value through other comprehensive income - unquoted shares</b>			
	The First Microfinance Bank Limited			
	30,000,000 (2018: 30,000,000) fully paid ordinary shares	6.2	990,000,000	990,000,000
	of Rs. 10 each			
	Shares held 10.98% (2018: 10.98%)			
	MOGH Limited			
	109,464 fully paid ordinary shares of Rs. 10 each		1,094,640	1,094,640
	Shares held 13.74% (2018: 13.74%)			
	<b>Other investments</b>			
	<b>Amortized cost</b>			
	Pakistan Investment Bonds			
			-	10,406,849
			<b>991,094,640</b>	<b>1,001,501,489</b>
	Less: current maturity of investment classified as amortized cost			
			-	(10,406,849)
			<b>991,094,640</b>	<b>991,094,640</b>

6.1 All subsidiaries and associated companies are incorporated in Pakistan.

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**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

6.2 This represents investment classified as fair value through other comprehensive income recognized at a fair value of Rs. 33 per share. (2018: Rs. 33 per share)

6.3 The investments in associated companies and undertakings have been made in accordance with the requirements of the Companies Act, 2017. (2018: repealed Companies Ordinance, 1984)

7	<b>LONG-TERM LOAN TO SUBSIDIARIES</b>	<b>2019</b>	<b>2018</b>
		<b>Rupees</b>	<b>Rupees</b>
	Ozhor Utility Company Limited	25,793,335	32,480,135
	Yadgar Utility Company Limited	10,529,168	10,529,168
	Shandur Utility Company Limited	14,738,886	14,738,886
		<u>51,061,389</u>	<u>57,748,189</u>
	<b>Less: write off against long-term loan</b>		
	Ozhor Utility Company Limited	-	(6,686,800)
	<b>Less: provision against impairment</b>		
	Ozhor Utility Company Limited	(25,793,335)	(25,793,335)
	Yadgar Utility Company Limited	(10,529,168)	(10,529,168)
	Shandur Utility Company Limited	(14,738,886)	(14,738,886)
		<u>(51,061,389)</u>	<u>(51,061,389)</u>
	Less: current maturity of long-term loan	-	-
		<u>-</u>	<u>-</u>

7.1 These represent un-secured loans to subsidiaries of the Company at an interest rate of 9% per annum, payable on semi-annual basis. The tenure of these loans is 7 years, ending on December 31, 2023. Though, as per the agreement, the amount of loan outstanding carries interest, however, the Company has not recognized interest for the year due to uncertainty in respect of its recovery.

8	<b>LOANS TO BUSINESSES</b>	<b>2019</b>	<b>2018</b>
		<b>Rupees</b>	<b>Rupees</b>
	<b>Secured and considered good</b>		
	Loans to businesses	23,503,278	14,600,000
	Less: loss allowance for expected credit losses	(1,105,531)	-
		<u>22,397,747</u>	<u>14,600,000</u>
	Less: current maturity of loans to businesses	(9,447,719)	(2,458,333)
		<u>12,950,028</u>	<u>12,141,667</u>

8.1 These represent loans extended to businesses carrying markup at 8% per annum under the project, 'Accelerate Prosperity'. The tenure of these loans is four years, repayable in quarterly installments after lapse of a grace period of twelve months. As of the reporting date, loans are extended to 14 businesses (2018: 10).

8.2 This represents loss allowance for expected credit losses against loans to businesses.

9	<b>LOANS AND ADVANCES</b>	<b>2019</b>	<b>2018</b>
		<b>Rupees</b>	<b>Rupees</b>
	<b>Unsecured and considered good</b>		
	Loan to local support organizations	1,701,887	1,701,887
	Advances to staff	2,195,864	2,950,813
	Advances to vendor	-	837,725
	Current maturity of loans to businesses - secured	9,447,719	2,458,333
		<u>13,345,470</u>	<u>7,948,758</u>
	Less: provision for doubtful receivables	(1,701,887)	-
		<u>11,643,583</u>	<u>7,948,758</u>





**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**10 CONTRACT BALANCES**

Following table provides information about contract assets and contract liabilities from contracts with customers:

	31 December 2019	01 January 2019
	Rupees	Rupees
Contract assets	827,347,152	746,611,723
Contract liabilities	<u>(752,365,984)</u>	<u>(665,853,780)</u>
	<u>74,981,168</u>	<u>80,757,943</u>
Receivables which are included in trade and other receivables	<u>-</u>	<u>-</u>

**10.1** There was no revenue recognized during the year that was either included in contract liability at the beginning of the year or from performance obligations satisfied (or partially satisfied) in previous periods.

**10.2** The contract assets primarily relate to the Company's right to consideration for work done but not billed at the reporting date against the project, 'Construction of 55 Mini/Micro Hydro Power Projects in District Chitral' funded by PEDO. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customer for this Project, for which revenue is recognized upon completion of each micro-hydel project after formal taking over certificate is issued by the communities.

**10.3** Significant changes in the contract assets and contract liabilities balances during the period are as follows:

	Note	31 December 2019	
		Contract assets Rupees	Contract liabilities Rupees
Increase due to cash received, excluding amounts recognized as revenue during the year	10.3.1	<u>-</u>	<u>86,512,204</u>
Increase as a result of further cost incurred towards project completion	10.3.1	<u>80,735,429</u>	<u>-</u>
<b>10.3.1</b> Movement during the year:			
Balance at start of the year		746,611,723	665,853,780
Funds received during the year		-	86,512,204
Revenue recognized during the year		-	-
Expenses incurred towards partial completion of performance obligations	10.3.1.1	<u>80,735,429</u>	<u>-</u>
Balance at end of the year		<u>827,347,152</u>	<u>752,365,984</u>



**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**10.3.1.1 Breakup of expenses incurred during the year:**

	2019 Rupees
Staff salaries and benefits	10,145,135
Programme grants - infrastructure	63,855,942
<b>Total operations</b>	<u>74,001,077</u>
Staff salaries and benefits	839,668
Staff travel	1,823,289
Vehicle operations	2,098,861
Rent and maintenance	144,232
Utilities	124,334
Legal and professional fees	12,000
Others	1,421,000
<b>Total support</b>	<u>6,463,384</u>
<b>Consultancies</b>	270,968
<b>Grand Total</b>	<u><u>80,735,429</u></u>

11	2019 Rupees	2018 Rupees
<b>DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
<b>Unsecured and considered good</b>		
Security deposits	1,755,580	851,219
Prepayments	244,770	270,505
Receivable against sale of shares in MOGH Limited	3,000,000	4,500,000
Other receivables	1,826,516	1,194,325
	<u>6,826,866</u>	<u>6,816,049</u>
Less: Provision against receivable against sale of shares in MOGH Limited	(3,000,000)	(4,500,000)
	<u><u>3,826,866</u></u>	<u><u>2,316,049</u></u>
<b>12 RECEIVABLE FROM SUBSIDIARIES</b>		
<b>Unsecured and considered good</b>		
Ozhor Utility Company Limited	-	117,830
Pamir Utility Company (Private) Limited	-	559,783
	<u>-</u>	<u>677,613</u>
Less: provision against doubtful receivable	-	(677,613)
	<u><u>-</u></u>	<u><u>-</u></u>

**12.1** The maximum aggregate amount outstanding from related parties at any time during the year calculated by reference to month-end balances were as follows:

	2019 Rupees	2018 Rupees
Ozhor Utility Company Limited	117,830	117,830
Pamir Utility Company (Private) Limited	559,783	559,783
Yadgar Utility Company Limited	-	16,702
Shandur Utility Company Limited	-	22,180



THE AGA KHAN RURAL SUPPORT PROGRAMME  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

13	INCOME FROM MICROHYDEL PROJECT	Note	2019 Rupees	2018 Rupees
	Income under PEDO Project	13.1	-	53,933,879
	Income recognized under grant received from AKF-USA	13.2	8,747,687	63,128,848
	Total income from microhydel project		<u>8,747,687</u>	<u>117,062,727</u>
13.1	Movement of funds received and expenditure incurred is as follows:		2019 Rupees	2018 Rupees
	Receivable at beginning of the year		(70,584,907)	(41,765,629)
	Funds received during the year		86,512,204	25,114,601
	<i>Impact of change in accounting policy:</i>			
	Transfer to contract asset		70,584,907	-
	Transfer to contract liability		(86,512,204)	-
	Income recognized during the year on account of expenditure incurred		-	(53,933,879)
	Receivable at end of the year		<u>-</u>	<u>(70,584,907)</u>
13.2	Movement of funds received and expenditure incurred is as follows:		2019 Rupees	2018 Rupees
	Restricted grant at beginning of the year		8,747,687	-
	Funds received during the year		-	71,876,535
	Income recognized during the year on account of expenditure incurred		(8,747,687)	(63,128,848)
	Restricted grant at end of the year		<u>-</u>	<u>8,747,687</u>
14	<b>RECEIVABLE FROM RELATED PARTIES</b>			
	<b>Unsecured and considered good</b>			
	Aga Khan Foundation (AKF), Pakistan		1,096,931	193,790
			<u>1,096,931</u>	<u>193,790</u>
14.1	The maximum aggregate amount outstanding from related parties at any time during the year calculated by reference to month-end balances were as follows:		2019 Rupees	2018 Rupees
	Aga Khan Foundation (AKF), Pakistan		1,096,931	1,266,549
	Aga Khan Foundation (AKF), Tajikistan		-	606,723
	Aga Khan Foundation (AKF), Kyrgystan		-	356,628
	Aga Khan Foundation (AKF), Geneva		-	913,184
	Aga Khan Council for Pakistan		-	935,066

12

**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

15	SHORT-TERM INVESTMENTS	<i>Note</i>	2019 Rupees	2018 Rupees
	<b>Amortized cost</b>			
	<b>Investments in Term Deposit Receipts</b>	15.1		
	Habib Bank Limited, a related party	15.2	52,552,055	113,411,205
	The First MicroFinanceBank Limited, a related party		311,407,534	123,406,027
	NRSP MicroFinanceBank Limited, a related party		-	133,494,741
	Pakistan Investment Bonds	15.3	-	10,406,849
			<u>363,959,589</u>	<u>380,718,822</u>
15.1	TDRs carry markup at the rate ranging between 9.25% to 12.75% (2018: 5.25% to 11%) per annum.			
15.2	This represents term deposit receipt carrying face value of Rs. 52 million is marked under lien with 7% margin against term loan facilities of Rs. 4.9 million, Rs. 8.2 million and Rs.27 million payable at the reporting date to Habib Bank Limited by Shandur Utility Company Limited, Yadgar Utility Company Limited and Ozhor Utility Company Limited respectively.			
15.3	This represents investment, classified as amortized cost, purchased for period upto 15 years which matured on 20 January 2019. Profit was receivable on semi-annual basis with coupon rate of 9% per annum (2018: 9% per annum). Face value of these investments at year end amounts to Rs. nil (2018: Rs. 10 million).			
16	BANK BALANCES	<i>Note</i>	2019 Rupees	2018 Rupees
	In local currency			
	Savings accounts	16.1	85,234,346	120,292,350
	Current accounts		3,782,389	527,676
			<u>89,016,735</u>	<u>120,820,026</u>
	In foreign currency			
	Savings accounts	16.2	1,855,648	1,666,388
			<u>90,872,383</u>	<u>122,486,414</u>
16.1	Local currency savings account carry markup at the rates ranging from 10.25% to 10.33% (2018: 4% to 8.30%) per annum on minimum balance in a month.			
16.2	Foreign currency savings accounts carry markup at the rates ranging from 0.01% to 0.01% (2018: 0.10% to 0.15%) per annum. Foreign currency balances are represented by USD 9,395 (2018: 9,395) and EURO 2,299 (2018: 2,299)			

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THE AGA KHAN RURAL SUPPORT PROGRAMME  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

17 RESTRICTED GRANT

Donor Name	Less: Opening receivable January 1, 2019	Less: Impact of change in accounting policy (Refer note 4)	Restricted grant January 1, 2019	Add: Received during the year	Add: Interest Income	Add: Cost Recovery / write backs	Less: Refund to donors / other income	Less: Transferred to AP Revolving Fund	Add: Transferred to deferred capital grant	Less: Grant income recognised (Project expenditure during the year)	Receivable from donors December 31, 2019	Restricted Grant December 31, 2019
<b>Foreign source of fundings: (Note 17.15)</b>												
Colombo Plan Drug Advisory	-	-	2,455,181	-	-	-	-	-	-	(2,455,181)	-	-
<b>Local source of fundings:</b>												
Through the Aga Khan Foundation, Pakistan - a related party												
The Aga Khan Foundation (AKF)	(753,277)	-	74,518,446	470,303,899	4,866,589	-	-	(8,740,000)	(194,600)	(515,989,441)	15,266,896	30,532,815
<b>Through other sources</b>												
Government of Khyber Pakhtunkhwa (PEDO)	(70,584,907)	70,584,907	-	-	-	-	-	-	-	-	-	-
Pakistan Poverty Alleviation Fund (PPAF)	(146,071)	-	6,118,931	17,145,216	-	-	-	-	-	(29,810,828)	7,837,965	1,145,213
Swiss Agency for Development and Cooperation-SDC	-	-	23,652,085	4,821,485	1,042,454	-	-	-	-	(29,579,215)	63,191	-
United Nations International Education Fund (UNICEF)	-	-	1,254,078	38,609,460	-	-	-	-	-	(31,030,425)	-	8,833,113
World Food Programme	(8,036,368)	-	-	9,881,680	-	-	-	-	-	(1,845,312)	-	-
Food & Agriculture Organization	(1,881,951)	-	-	9,208,988	-	-	-	-	-	(7,327,037)	-	-
CHMYT International	(456,423)	-	-	501,725	-	-	-	-	-	(209,216)	163,914	-
Social Mobilization ETH-IFAD	(39,696,757)	-	-	57,073,000	-	-	-	-	-	(52,003,503)	34,627,260	-
DURAIN CASSIM	(3,077,899)	-	-	16,935,662	-	-	-	-	(96,000)	(11,207,518)	-	2,554,245
Rural Support Programmes Network, a related party	(2,991,891)	-	-	3,317,012	-	-	-	-	-	(2,844,287)	2,519,166	-
Government of Pakistan-GPP	(955,541)	-	-	12,589,100	-	-	-	-	-	(15,893,898)	4,280,339	-
Aga Khan Agency for Microfinance, a related party	-	-	-	562,037	-	-	-	-	-	(562,037)	-	-
	(128,581,085)	70,584,907	107,998,721	640,929,264	5,909,043	-	-	(8,740,000)	(290,800)	(700,757,898)	64,760,721	43,065,386
<b>less: loss allowance for expected credit losses</b>											(4,170,834)	
	(128,581,085)	70,584,907	107,998,721	640,929,264	5,909,043	-	-	(8,740,000)	(290,800)	(700,757,898)	60,589,887	43,065,386
	(109,850,383)	-	150,494,219	1,032,175,814	5,842,249	10,007,047	(554,964)	(1,008,422)	(2,800,412)	(1,104,837,502)	128,581,085	107,998,721

Corresponding figures for year ended December 31, 2018

**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Donor Name	Less: Opening receivable January 1, 2019	Less: Impact of change in accounting policy (Refer note 4)	Restricted grant January 1, 2019	Add: Received during the year	Add: Interest Income	Less: Refund to Donors/other Income	Less: Transferred to AP Revolving Fund	Add: Transferred to deferred capital grant	Less: Grant Income recognised (Project expenditure during the year)	Receivable from donors December 31, 2019	Restricted Grant December 31, 2019
<b>Foreign source of fundings: (Note 17.15)</b>											
17.1 Colombo Plan Drug Advisory	-	-	2,455,181	-	-	-	-	-	(2,455,181)	-	-
<b>Local source of fundings:</b>											
<b>Through the Aga Khan Foundation, Pakistan - a related party</b>											
17.2 The Aga Khan Foundation (AKF)	-	-	8,501,725	36,797,200	-	-	(8,740,000)	(194,600)	(26,512,063)	-	9,852,262
AKF-Accelerate Prosperity (Note 17.15)	-	-	8,501,725	36,797,200	-	-	-	-	(26,512,063)	-	9,852,262
AKF-Contribution to PEDO Project	-	-	8,747,687	-	-	-	-	-	(8,747,687)	-	-
AKF- Programme for Resource Poor Valleys	-	-	42,449,917	386,281,699	3,382,940	-	-	-	(445,572,887)	13,458,331	-
AKF-Taping Tourism in Broghul Valley	(753,277)	-	-	2,500,000	-	-	-	-	(1,836,116)	85,393	-
AKF-Micro-Health Insurance	-	-	640,536	-	-	-	-	-	(311,237)	-	329,299
AKF-Access to the Quality Care through Extending and Strengthening Health System (ACCESS)	-	-	678,423	43,625,000	1,483,649	-	-	-	(36,866,132)	-	8,920,940
AKF-Rehabilitation of Infrastructure Projects	-	-	-	1,100,000	-	-	-	-	(1,100,000)	-	-
AKF-All Weather Road to Broghul Valley	-	-	-	-	-	-	-	-	(1,721,162)	1,721,162	-
AKF-Saigara Development Project	-	-	13,500,158	-	-	-	-	-	(2,069,844)	-	11,430,314
<b>Reclassification to Income from microhydel projects</b>	-	-	-	-	-	-	-	-	-	-	-
AKF-Contribution to PEDO Project (refer note 13)	(753,277)	-	74,518,446	470,303,899	4,866,589	-	(8,740,000)	(194,600)	(515,989,441)	15,268,886	30,532,815
<b>Through other donors</b>											
17.3 Government of Khyber Pakhtunkhwa (PEDO)	(70,564,907)	70,564,907	-	-	-	-	-	-	-	-	-
17.4 Pakistan Poverty Alleviation Fund (PPAF)	-	-	-	666,816	-	-	-	-	(1,203,714)	591,562	-
Development of Hydropower and Renewable Energy Program in KPK	(54,664)	-	-	666,816	-	-	-	-	-	-	-
PPAF PPR Phase-II	(91,407)	-	-	16,478,400	-	-	-	-	(23,633,396)	7,246,403	-
PPAF-Tameer-o-Taber	-	-	6,118,931	-	-	-	-	-	(4,973,719)	-	1,145,213
	(146,071)	-	6,118,931	17,145,216	-	-	-	-	(29,810,528)	7,837,965	1,145,213
17.5 Swiss Agency for Development and Cooperation-SDC	-	-	23,652,085	4,821,485	1,042,654	-	-	-	(29,579,215)	63,191	-
Water and Energy Security through Micro Hydel in the Hindukush	-	-	23,652,085	4,821,485	1,042,654	-	-	-	(29,579,215)	63,191	-

**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Donor Name	Less: Opening receivable January 1, 2019	Less: Impact of change in accounting policy (Refer note 4)	Add: Restricted grant January 1, 2019	Add: Received during the year	Add: Interest Income	Less: Refund to Donors/other Income	Less: Transferred to AP Revolving Fund	Add: Transferred to deferred capital grant	Less: Grant Income recognised (Project expenditure during the year)	Receivable from donors December 31, 2019	Restricted Grant December 31, 2019
17.6	United Nations International Education Fund (UNICEF)	-	-	1,254,078	29,141,798	-	-	-	-	(20,306,695)	-	8,833,113
	Rehabilitation of Water Supply Schemes	-	-	1,254,078	9,467,662	-	-	-	-	(10,721,740)	-	-
	WASH Early Restoration Project	-	-	1,254,078	38,609,460	-	-	-	-	(31,030,425)	-	8,833,113
17.7	World Food Programme	(8,036,368)	-	-	9,881,680	-	-	-	-	(1,845,312)	-	-
	Cash for Work	(8,036,368)	-	-	9,881,680	-	-	-	-	(1,845,312)	-	-
17.8	Food & Agriculture Organization	(1,881,851)	-	-	9,208,988	-	-	-	-	(7,327,037)	-	-
	Food & Agriculture Org	(1,881,851)	-	-	9,208,988	-	-	-	-	(7,327,037)	-	-
17.9	CHIMMYT International	(456,423)	-	-	501,725	-	-	-	-	(206,216)	163,914	-
	CHIMMYT International	(456,423)	-	-	501,725	-	-	-	-	(206,216)	163,914	-
17.10	Social Mobilization ETH-IFAD	(39,696,757)	-	-	57,073,000	-	-	-	-	(52,003,503)	34,627,260	-
	Social Mobilization ETH-IFAD	(39,696,757)	-	-	57,073,000	-	-	-	-	(52,003,503)	34,627,260	-
17.11	DURAIN CASSIM	(3,077,899)	-	-	16,935,662	-	-	-	(96,000)	(11,207,518)	-	2,554,245
	DURAIN CASSIM	(3,077,899)	-	-	16,935,662	-	-	-	(96,000)	(11,207,518)	-	2,554,245
17.12	Rural Support Programmes Network, a related party	(2,991,891)	-	-	3,317,012	-	-	-	-	(2,844,287)	2,519,166	-
	Rural Support Programmes Network, a related party	(2,991,891)	-	-	3,317,012	-	-	-	-	(2,844,287)	2,519,166	-
17.13	Government of Pakistan-GPP	(955,541)	-	-	12,569,100	-	-	-	-	(15,893,898)	4,280,339	-
	Government of Pakistan-GPP	(955,541)	-	-	12,569,100	-	-	-	-	(15,893,898)	4,280,339	-
17.14	Aga Khan Agency for Microfinance, a related party	-	-	-	562,037	-	-	-	-	(562,037)	-	-
	Aga Khan Agency for Microfinance, a related party	-	-	-	562,037	-	-	-	-	(562,037)	-	-
	<b>Total</b>	<b>(128,581,085)</b>	<b>70,584,907</b>	<b>107,998,721</b>	<b>640,929,264</b>	<b>5,909,043</b>	<b>-</b>	<b>(8,740,000)</b>	<b>(290,600)</b>	<b>(700,757,898)</b>	<b>64,760,721</b>	<b>43,065,386</b>

17.15 Under 'Accelerate Prosperity' project, total funds received include foreign source funding of Rs. 31,429,950 (2018: Rs. 28,972,180) received from Aga Khan Foundation - Geneva, a related party.

**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**17.16 TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE**

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date:

**(i) Construction of 55 Micro/Mini Hydro Power Projects in Chitral funded by Pakhtunkhwa Energy Development Organization (PEDO)**

As of 31 December 2019, the aggregate amount of the transaction price allocated to the remaining performance obligations is Rs. 1,037,630,000 and the Company will recognize this revenue as the micro-hydel plants are completed and formal taking over certificates are issued by the customer, which is expected to occur over the next 12 months.

**(ii) Development of Hydropower and Renewable Energy Program in KPK funded by Pakistan Poverty Alleviation Fund (PPAF)**

This grant was initiated in 2014 and subsequently revised in 2016 for construction of two micro hydel plants in Chitral. This project ended in December 2019 and upon satisfaction of performance obligations, transaction price was fully recognized. As of 31 December 2019, no future transaction price for this grant remains.

**(iii) Water energy security through microhydels in the Hindukush (Pakistan) funded by Swiss Development Corporation (SDC)**

This grant was initiated in October 2017 with the objectives of construction of two mini hydropower projects, promotion of tourism and value chain of agriculture products in the project area of Chitral. The project ended in September 2019 and upon satisfaction of performance obligations, transaction price was fully recognized. As of 31 December 2019, no future transaction price for this grant remains.

**(iv) Strengthening drug demand reduction services in Pakistan funded by CPDAP**

This grant was initiated in 2016 for two years but was extended for a further period of two years. The objective of this project was reduction of drug use through awareness raising events, workshops and trainings. This grant was closed in September 2019 and upon satisfaction of performance obligations, transaction price was fully recognized. As of 31 December 2019, no future transaction price for this grant remains.

**(v) Alleviation of poverty & improvement of living standards (Phase-II) funded by PPAF**

This grant was initiated in 2017 for 12 months but was extended for further periods i.e. till 30 June 2020. However, due to early satisfaction of the following performance obligations during 2019, transaction price was fully recognized:

- I. Social mobilization;
- II. Livelihood enhancement and protection;
- III. Community physical infrastructures; and
- IV. Education and health units.

As of 31 December 2019, no future transaction price for this grant remains.

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**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**(vi) Mentoring and support for community institutions (LSOs/VOs) in high priority districts funded by PPAF**

As of 31 December 2019, the aggregate amount of the transaction price allocated to the remaining performance obligations is Rs. 21.4 million and the Company will recognize this revenue against various soft targets such as capacity building and strengthening of rural institutions, which is expected to occur over the next 12 months by obtaining extension of this grant.

**(vii) Restoration of livelihoods of affected communities and to build their resilience to cope with future disasters funded by UN Food and Agriculture Organization**

This grant was initiated in 2017 with the objective of restoration of livelihoods of disaster affected communities and to build resilience to cope with future disasters in Chitral District. The Project ended in November 2019 and transaction price was fully recognized upon satisfaction of performance obligations, i.e. completion assessment studies, adoptive research with local farmers, promotion of innovative techniques in agri/livestock development and improved water management and conservation practices, among other objectives.. As of 31 December 2019, no future transaction price for this grant remains.

**(viii) Specific Community Mobilization and Development Related Services to the Economic Transformation Initiative Gilgit-Baltistan funded by International Fund for Agricultural Development (IFAD) through Planning and Development Dept. G-B**

As of 31 December 2019, the aggregate amount of the transaction price allocated to the remaining performance obligations is Rs. 118.3 million and the Company will recognize this revenue against social mobilization, which is expected to occur over the next 27 months. The objectives of the project are community mobilization through dialogues, meetings for information dissemination about ETI-GB and formation of farmers organizations. Formation of marketing associations and village development plan etc and nutrition related training etc.

**(ix) Development project in Kharho & Sarfarangah village situated in Baltistan funded by Durrain Cassim**

This grant was initiated in 2016 for construction of irrigation channels, green houses and provision of livestock to communities in Baltistan. The project ended in September 2019 and transaction price was fully recognized. As of 31 December 2019, no future transaction price for this grant remains.

**(x) Implementation of Waseela-e-Taleem Programme for cluster-1 funded by Rural Support Programme Network (RSPN)**

As of 31 December 2019, the aggregate amount of the transaction price allocated to the remaining performance obligations is Rs. 3.1 million and the Company will recognize this revenue against various campaigns and trainings, which is expected to occur over the next 12 months by obtaining extension of this project.



**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**(xi) Green Pakistan Programme - Revival of forestry resources in Gilgit Baltistan by Government of Pakistan**

As of 31 December 2019, the aggregate amount of the transaction price allocated to the remaining performance obligations is Rs. 341 million and the Company will recognize this revenue against:

- I. Plantation of trees
- II. Motivating communities for plantation
- III. Construction and repair of irrigation channels
- IV. Establishing private nurseries

This project is expected to complete over the next 27 months.

**(xii) WASH sanitation up-scaling project in Chitral funded by UNICEF**

As of 31 December 2019, the aggregate amount of the transaction price allocated to the remaining performance obligations is Rs. 19.3 million and the Company will recognize this revenue against various soft targets such as trainings and events of communities for cleanliness campaigns, which is expected to occur over the next 12 months by obtaining extension of this grant.



**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

		2019 Rupees	2018 Rupees
<b>18 DEFERRED CAPITAL GRANT</b>	<i>Note</i>		
Balance as on January 1		16,542,562	25,113,709
Impact of change in accounting policy	4	(863,144)	-
Adjusted balance as on January 1		<u>15,679,418</u>	<u>25,113,709</u>
Cost of assets purchased during the year	17	290,600	2,800,412
Amortization during the year			
Depreciation		(5,129,917)	(11,305,245)
Net book value of donor funded assets disposed off		(1,795,896)	(66,314)
		<u>(6,925,813)</u>	<u>(11,371,559)</u>
Balance as at December 31		<u><u>9,044,205</u></u>	<u><u>16,542,562</u></u>
<b>19 REVOLVING FUND FOR ACCELERATE PROSPERITY</b>	<i>Note</i>		
		2019 Rupees	2018 Rupees
Balance as on January 1		14,758,985	-
<i>Additions during the year:</i>			
Loans extended to enterprises	19.1	9,500,000	14,600,000
Interest income on outstanding loans	19.2	2,360,111	-
Space rental, training fee and other income	19.3	624,071	158,985
		<u>12,484,182</u>	<u>14,758,985</u>
Balance as on December 31	19.4	<u><u>27,243,167</u></u>	<u><u>14,758,985</u></u>
<b>19.1</b>	This represents loans extended to enterprises from funds received from AKF, Geneva and AKF, Pakistan, both related parties, under Accelerate Prosperity project.		
<b>19.2</b>	This represents interest income on loans extended to enterprises @ 8% per annum.		
<b>19.3</b>	This represents income generated under Accelerate Prosperity project on account of trainings for business incubation, seminars and events and rental income by subletting the project office premises.		
<b>19.4</b>	This represents funds received from related parties, AKF, Geneva and AKF, Pakistan to extend loans to enterprises under Accelerate Prosperity project.		
<b>20 OTHER PAYABLES</b>	<i>Note</i>	2019 Rupees	2018 Rupees
Provision for leave encashment		6,612,284	9,128,300
Provident fund payable		-	9,438
Retention money payable		68,004,788	62,488,536
Accrued and other liabilities		24,377,722	36,370,861
Community support fund		1,094,640	1,094,640
Other payable	20.1	2,399,722	-
		<u><u>102,489,156</u></u>	<u><u>109,091,775</u></u>
<b>20.1</b>	This represents un-spent amount of donations received from Jubilee Life Insurance Company Limited, a related party, for micro health insurance (MHI) initiative activities.		

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**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**21 CONTINGENCIES AND COMMITMENTS**

**21.1 Contingencies**

There were no contingencies at year-end (2018: Nil)

**21.2 Commitments**

	<b>2019</b>	<b>2018</b>
	<b>Rupees</b>	<b>Rupees</b>
Commitment to village / women organisations in respect of programme grants for physical infrastructure projects	<u>371,137,439</u>	<u>348,967,731</u>

**22 OTHER INCOME**

*Note*

Income from financial assets	22.1	<u>46,446,826</u>	38,634,016
Income from other than financial assets	22.2	<u>14,229,976</u>	<u>12,626,755</u>
		<u>60,676,802</u>	<u>51,260,771</u>

**22.1 Income from financial assets**

Interest income on:			
Pakistan Investment Bonds		43,150	760,495
Term Deposit Receipts		36,918,163	27,723,480
Local currency savings bank accounts		9,296,253	5,877,166
Foreign currency savings bank accounts		2,525	1,488
Exchange gain		186,735	4,271,387
		<u>46,446,826</u>	<u>38,634,016</u>

**22.2 Income from other than financial assets**

*Note*

		<b>2019</b>	<b>2018</b>
		<b>Rupees</b>	<b>Rupees</b>
Management cost recovery	22.2.1	<u>1,081,256</u>	2,499,934
Vehicle Rental Income		2,027,840	1,605,045
Donations		100,278	7,500,000
Gain on sale of property and equipment		9,598	400,161
Others		<u>11,011,004</u>	<u>621,615</u>
		<u>14,229,976</u>	<u>12,626,755</u>

**22.2.1 Management cost recovery**

European Commission	-	397,446
World Food Programme	120,872	985,766
Colombo Plan	116,710	155,695
Durain Cassim	843,674	-
Local Government and Rural Development Department of Gilgit-Baltistan	-	961,027
	<u>1,081,256</u>	<u>2,499,934</u>

**23 UNRESTRICTED GRANT**

This represents unrestricted grant received from AKF, Geneva through AKF, Pakistan, both being related parties to the Company.

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**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

		2019 Rupees	2018 Rupees
<b>24 CIVIL SOCIETY DEVELOPMENT</b>			
Staff salaries and benefits	28.1	33,258,398	45,425,517
Staff training		-	22,000
Community based trainings		18,803,272	6,103,552
Workshops, conferences and exposure visits		4,049,322	9,678,224
Support to LSOs, CSOs and VBIs		19,750,325	29,888,907
Research, survey and studies		1,707,390	3,142,563
Youth capacity building and support		4,689,516	2,904,581
Public private partnership program		-	3,372,336
Village level small infrastructure		2,004,551	1,842,578
Visibility and outreach		-	1,421,350
<b>Total operations</b>		<b>84,262,774</b>	<b>103,801,608</b>
Staff travel		5,407,200	6,049,961
Vehicle operations		9,018,699	9,150,874
Depreciation	5.2	642,679	1,463,240
Rent and maintenance		5,158,926	7,396,939
Loss on sale of fixed assets		-	-
Others		2,619,349	2,893,674
<b>Total support</b>		<b>22,846,853</b>	<b>26,954,688</b>
<b>Consultancies</b>		<b>120,000</b>	<b>-</b>
		<b>107,229,627</b>	<b>130,756,296</b>
<b>25 GENDER AND DEVELOPMENT</b>	<i>Note</i>		
Staff salaries and benefits	28.1	17,867,385	16,359,387
Youth support services		-	683,974
Community based trainings		3,189,866	1,091,783
Workshops, conferences and exposure visits		626,483	1,702,473
Support to LSOs, CSOs and VBIs		17,236,717	15,419,970
Research, survey and studies		255,550	1,137,612
Visibility and outreach		190,000	-
<b>Total operations</b>		<b>39,366,001</b>	<b>36,395,199</b>
Staff travel		508,867	997,568
Vehicle operations		3,579,148	3,690,447
Depreciation	5.2	48,793	145,925
Rent and maintenance		1,172,363	1,529,272
Others		461,512	532,229
<b>Total support</b>		<b>5,770,683</b>	<b>6,895,441</b>
		<b>45,136,684</b>	<b>43,290,640</b>



THE AGA KHAN RURAL SUPPORT PROGRAMME  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

26 RESOURCE DEVELOPMENT		2019 Rupees	2018 Rupees
Staff salaries and benefits	28.1	32,564,697	123,054,700
Foods and Nutrition Support		-	16,346,796
Establishment of green house and orchards		13,119,865	6,096,582
Livelihood support services		14,222,480	9,846,057
Community based trainings		22,449,327	9,412,684
Workshops, conferences and exposure visits		1,244,557	13,998,244
Programme grants - infrastructure	26.1	242,603,275	417,318,679
Research, survey and studies		11,730,289	2,824,528
Visibility and outreach		45,600	347,982
Support to LSOs, CSOs, UCs and VBIs		14,360,713	66,557,478
Land Terracing and Development		7,629,010	13,438,887
DRR and Water Management		2,891,133	14,604,163
Project management cost		-	961,027
Grant to subsidiary companies		11,487,551	10,659,740
<b>Total operations</b>		<u>374,348,497</u>	<u>705,467,547</u>
Staff travel		3,213,366	9,209,814
Vehicle operations		6,096,844	16,868,063
Depreciation	5.2	3,040,050	5,035,153
Rent and maintenance		2,632,154	15,492,697
Utilities		455,381	2,455,468
Loss on transfer of fixed assets to donor		1,795,900	-
Others		1,779,291	3,875,669
<b>Total support</b>		<u>19,012,986</u>	<u>52,936,864</u>
<b>Consultancies</b>		<u>500,000</u>	<u>1,011,854</u>
		<u><u>393,861,483</u></u>	<u><u>759,416,265</u></u>
<b>26.1 Programme grants - infrastructure</b>			
Bridges		29,602,757	49,345,602
Hydel power projects		124,336,703	278,731,556
Irrigation channels		36,400,073	25,124,149
Link roads		41,634,290	39,495,942
Protective bunds		2,297,953	3,266,946
Water supply schemes		3,038,137	7,885,229
Solar Power projects		-	8,076,096
Other projects		5,293,362	5,393,159
		<u>242,603,275</u>	<u>417,318,679</u>

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**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

		2019 Rupees	2018 Rupees
<b>27 MARKET DEVELOPMENT</b>	<i>Note</i>		
Staff salaries and benefits	28.1	28,477,443	34,794,992
Research, survey and studies		1,529,132	3,283,199
Community based trainings and capacity building		21,456,933	10,654,800
Workshops, conferences and exposure visits		26,694,317	11,704,537
Youth skill and Professional development program		13,497,821	5,208,458
Support to entrepreneurs and service providers		19,608,392	19,697,571
Visibility and outreach		-	1,239,574
<b>Total operations</b>		<b>111,264,038</b>	<b>86,583,131</b>
Staff travel		3,716,832	4,868,711
Vehicle operations		4,185,032	3,433,164
Depreciation	5.2	663,359	1,647,411
Rent and maintenance		3,488,802	5,398,031
Utilities		446,566	524,176
Others		546,935	695,767
<b>Total support</b>		<b>13,047,526</b>	<b>16,567,260</b>
<b>Consultancies</b>		-	550,653
		<b>124,311,564</b>	<b>103,701,044</b>
<b>28 MANAGEMENT AND ADMINISTRATION</b>	<i>Note</i>		
Staff salaries and benefits	28.1	96,580,641	104,864,433
Staff training		-	115,139
Research, survey and studies		-	31,225
Consultancies		1,171,900	1,232,000
BoD travel and accommodations		283,625	449,147
Staff travel		8,762,310	8,148,951
Vehicle operations		5,864,831	5,837,706
Rent and maintenance		21,482,917	13,769,950
Depreciation	5.2	2,319,936	3,951,811
Utilities		3,076,895	2,218,139
Office Supplies		1,830,749	1,083,827
Communication		1,760,150	932,840
Bank charges		921,421	595,390
Printing and publication		474,377	459,631
Insurance		56,677	-
Project audit		85,950	216,267
Official meals and refreshment		3,654,052	1,926,990
Legal and professional fee		659,105	359,950
Auditors' remuneration	28.2	1,401,000	710,000
Receivable written off		-	4,761,026
		<b>150,386,536</b>	<b>151,664,422</b>

28.1 Salaries and benefits include Rs.23,940,943 (2018: Rs. 12,332,775) in respect of staff retirement benefits.

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**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>28.2 Auditors' remuneration</b>	<b>2019</b>	<b>2018</b>
	<b>Rupees</b>	<b>Rupees</b>
Audit of separate and consolidated financial statements	715,000	650,000
Out of pocket expenses	66,000	60,000
Other advisory services	600,000	-
Out of pocket expenses	20,000	-
	<u>1,401,000</u>	<u>710,000</u>
<b>29 LOSS ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>	<b>2019</b>	<b>2018</b>
	<b>Rupees</b>	<b>Rupees</b>
Ozhor Utility Company Limited	-	8,689,652
Yadgar Utility Company Limited	-	4,484,330
Shandur Utility Company Limited	-	7,111,767
Pamir Utility Company (Private) Limited	-	112,200
Receivable from donors	3,588,195	-
Loans to businesses	743,803	-
Loan to LSO	1,701,887	-
	<u>6,033,885</u>	<u>20,397,949</u>

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**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
 (A company incorporated under section 42 of the Companies Ordinance, 1984)  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

30	Total expenditure	Rupees					Total
		Civil society development	Gender and Development	Resource development	Market development	Management and administration	
<u>Through the Aga Khan Foundation, Pakistan - a related party</u>							
30.1	The Aga Khan Foundation (AKF)						
	AKF-Geneva (Professional Association)	24,501	-	-	26,980,260	-	27,004,761
	Programme for Resource Poor Valleys	24,537,385	44,663	281,177,270	91,465,125	72,625,112	469,849,555
	KfW-PATRIP (Broghil Valley)	80,144	-	1,158,549	34,663	733,743	2,007,099
	KfW-MicroHealth Insurance	442,373	-	-	-	21,173	463,546
	All Weather Road to Broghul Valley	382,973	-	857,460	113,400	367,329	1,721,162
	DFATD-AQCESS	24,108,715	10,327,427	-	-	2,565,743	37,001,885
	Aga Khan Foundation - USA	-	-	8,747,687	-	-	8,747,687
	Rehabilitation of Infrastructures in Chitral	-	-	1,100,000	-	-	1,100,000
	Digital Solution Pilot	6,126	-	-	378,079	177,832	562,037
		<b>49,582,217</b>	<b>10,372,090</b>	<b>293,040,966</b>	<b>118,971,527</b>	<b>76,490,932</b>	<b>548,457,732</b>
30.2	Department of Foreign Affairs and Trade Development (DFATD)						
	Enhancing Employability and Leadership for Youth (EELY)	35,097	2,100	-	11,736	258,287	307,220
30.3	United States Agency for International Development (USAID)						
	Satpara Development Project	-	-	2,520,829	51,729	2,384,349	4,956,907

**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

30	Total expenditure	Civil society development	Gender and Development	Resource development	Market development	Management and administration	Total
	<u>Through other donors</u>						
30.4	<b>European Commission</b>						
	The Jewel of Pakistan: Developing a Sustainable Value Chain for Gems and Jewellery Sector in Northern Pakistan	400	-	-	42,492	-	42,892
	Deepening Participatory Governance in Gilgit-Baltistan	19,026	-	-	-	4,706	23,732
		<b>19,426</b>	<b>-</b>	<b>-</b>	<b>42,492</b>	<b>4,706</b>	<b>66,624</b>
30.5	<b>Government of Khyber Pakhtunkhwa (PEDO)</b>	703	-	205,874	-	365,285	571,862
30.6	<b>Pakistan Poverty Alleviation Fund (PPAF)</b>						
	Development of Hydropower and Renewable Energy Program in KPK	-	-	1,203,714	-	-	1,203,714
	PPAF PPR Phase-II	242,000	-	23,456,109	-	-	23,698,109
	PPAF Tameer-o-Tabeer	4,954,656	-	-	-	19,062	4,973,718
		<b>5,196,656</b>	<b>-</b>	<b>24,659,823</b>	<b>-</b>	<b>19,062</b>	<b>29,875,541</b>
30.7	<b>Swiss Agency for Development and Cooperation-SDC</b>						
	Water and Energy Security through Micro Hydels in the HinduKush	-	600	29,243,286	504,951	1,514,371	31,263,208

**THE AGA KHAN RURAL SUPPORT PROGRAMME**

(A company incorporated under section 42 of the Companies Ordinance, 1984)

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

30	Total expenditure	Civil society development	Gender and Development	Resource development	Market development	Management and administration	Total
30.8	Colombo Plan Drug Advisory	2,455,181	-	-	-	17,483	2,472,664
	United Nations International Education Fund (UNICEF-Through LG&RDD)						
30.9	WASH Early Restoration Project	56,896	10,301,717	13,789	-	403,832	10,776,234
	Rehabilitation of Water Supply Schemes	-	20,311,191	1,295	-	17,390	20,329,876
		56,896	30,612,908	15,084	-	421,222	31,106,110
30.10	World Food Programme/UNDP						
	Food for Work programme	-	-	1,784,704	-	65,838	1,850,542
		-	-	1,784,704	-	65,838	1,850,542
30.11	Multi Input Resettlement Program	-	-	4,350	1,760	-	6,110
30.12	Food & Agriculture Organization						
	UN-Food/Agri. Organization	-	25,386	7,153,730	-	175,071	7,354,187
		-	25,386	7,153,730	-	175,071	7,354,187
30.13	CIMMYT International	38,570	-	170,646	-	-	209,216
30.14	Social Mobilization ETI-IFAD	34,416,165	4,125,012	1,177,674	2,943,284	9,571,649	52,233,784
30.15	DURAIN CASSIM	7,350,649	-	3,796,213	38,987	31,856	11,217,705

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**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

30	Total expenditure	Rupees					Total
		Civil society development	Gender and Development	Resource development	Market development	Management and administration	
30.16	Rural Support Programmes						
	Network, a related party	1,624,625	-	-	-	1,320,369	2,944,994
30.17	Government of Pakistan-GPP	1,079,373	-	14,802,150	-	12,375	15,893,898
30.18	Competitiveness Support Fund	-	-	-	11,932	-	11,932
30.19	EC-Food Security	-	-	545	-	-	545
30.20	PPAF- MHPs	-	-	41,999	-	83,875	125,874
		<b>101,855,558</b>	<b>45,138,096</b>	<b>378,617,873</b>	<b>122,578,398</b>	<b>92,736,730</b>	<b>740,926,655</b>
	Funded by own sources	5,374,069	-	15,243,610	1,733,166	57,648,394	79,999,239
	<b>Total</b>	<b>107,229,627</b>	<b>45,138,096</b>	<b>393,861,483</b>	<b>124,311,564</b>	<b>150,385,124</b>	<b>820,925,894</b>
	Corresponding figures for year ended December 31, 2018	130,756,296	43,290,640	748,756,525	103,701,044	197,721,511	1,224,226,016

4

THE AGA KHAN RURAL SUPPORT PROGRAMME  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

31 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

31.1 Fair value of financial Instruments

The following table shows the carrying amounts of financial assets and financial liabilities by categories:

	Carrying Amount		Fair Value				
	Amortized cost	Fair value through other comprehensive income	Total	Level 1	Level 2	Level 3	Total
(Rupees)							
<b>December 31, 2019</b>							
<b>Financial assets measured at fair value</b>							
<b>Non-current assets</b>							
Long-term investments	-	991,094,640	991,094,640	-	-	991,094,640	991,094,640
<b>Financial assets not measured at fair value</b>							
<b>Non-current assets</b>							
Loans to subsidiaries	12,950,028	-	12,950,028	-	-	-	-
<b>Current assets</b>							
Loans and advances	11,643,583	-	11,643,583	-	-	-	-
Deposits, prepayment and other receivables	3,826,866	-	3,826,866	-	-	-	-
Receivable from related parties	1,096,931	-	1,096,931	-	-	-	-
Receivable from donors	60,589,887	-	60,589,887	-	-	-	-
Short-term investments	363,959,589	-	363,959,589	-	-	-	-
Contract assets	74,981,168	-	74,981,168	-	-	-	-
Bank balances	90,872,383	-	90,872,383	-	-	-	-
	606,970,407	-	606,970,407	-	-	-	-
	619,920,435	991,094,640	1,611,015,075	-	-	991,094,640	991,094,640
<b>Financial liabilities not measured at fair value</b>							
<b>Current liabilities</b>							
Other payables	102,489,156	-	102,489,156	-	-	-	-
	102,489,156	-	102,489,156	-	-	-	-

THE AGA KHAN RURAL SUPPORT PROGRAMME  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

31.1 Fair value of financial instruments (continued)

The following table shows the carrying amounts of financial assets and financial liabilities by categories:

	Carrying Amount			Fair Value				
	Loans and receivables	Available for sale investments	Held to maturity	Total	Level 1	Level 2	Level 3	Total
(Rupees)								
<b>December 31, 2018</b>								
<b>Financial assets measured at fair value</b>								
<b>Non-current assets</b>								
Long term investments	-	991,094,640	-	991,094,640	-	-	991,094,640	991,094,640
<b>Financial assets not measured at fair value</b>								
<b>Non-current assets</b>								
Loans to businesses	12,141,667	-	-	12,141,667	-	-	-	-
<b>Current assets</b>								
Loans and advances	7,948,758	-	-	7,948,758	-	-	-	-
Deposits, prepayment and other receivables	2,316,049	-	-	2,316,049	-	-	-	-
Receivable from associated undertakings	193,790	-	-	193,790	-	-	-	-
Receivable from donors	128,581,085	-	-	128,581,085	-	-	-	-
Short-term investments	370,311,973	-	10,406,849	380,718,822	-	-	-	-
Bank balances	122,486,414	-	-	122,486,414	-	-	-	-
	631,838,069	-	10,406,849	642,244,918	-	-	-	-
	643,979,736	991,094,640	10,406,849	1,645,481,225	-	-	991,094,640	991,094,640
<b>Financial liabilities not measured at fair value</b>								
<b>Current liabilities</b>								
Other payables	109,091,775	-	-	109,091,775	-	-	-	-
	109,091,775	-	-	109,091,775	-	-	-	-

6

THE AGA KHAN RURAL SUPPORT PROGRAMME  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

31 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

31.1 Fair value of financial Instruments (continued)

i. Level 3 fair values

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 3 values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity Securities	Discounted cash flows	Expected cash flows, Risk-adjusted discount rate	The estimated fair value would increase (decrease), if: - the expected cash flows were higher (lower); or - the risk-adjusted discount rate were lower (higher)

Reconciliation of Level 3 fair values

The following shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

	Equity Securities Rupees
Balance at 1 January 2019	990,000,000
Transfers in / out of Level 3	-
Gain included in Other Comprehensive Income - net changes in fair value (unrealised)	-
Balance at 31 December 2019	<u>990,000,000</u>

Sensitivity Analysis

For the fair values of equity securities - available for sale, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Equity securities - Available for sale	Other Comprehensive Income	
	Increase Rupees	Decrease Rupees
31 December 2019		
Risk-adjusted discount rate (1% movement)	141,300,000	(87,300,000)



THE AGA KHAN RURAL SUPPORT PROGRAMME  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

31.2 Financial instruments by category

December 31, 2019

Financial assets	Amoritized cost	Fair value
		through other comprehensive income
Rupees		
Maturity up to one year		
Loans and advances	11,643,583	-
Deposits, prepayment and other receivables	3,826,866	-
Receivable from associated undertakings	1,096,931	-
Receivable from donors	60,589,887	-
Short-term investments	363,959,589	-
Bank balances	90,872,383	-
	<u>531,989,239</u>	<u>-</u>
Maturity after one year		
Long term investments	-	991,094,640
Loans to businesses	12,950,028	-
	<u>12,950,028</u>	<u>991,094,640</u>
	<u>544,939,267</u>	<u>991,094,640</u>
<b>Financial liabilities</b>		
Maturity up to one year		
Other payables	102,489,156	-
	<u>102,489,156</u>	<u>-</u>

December 31, 2018

Financial assets	Loans and Receivables	Available for sale	Held to maturity
		Investments	Investments
Rupees			
Maturity up to one year			
Loans and advances	7,948,758	-	-
Deposits, prepayment and other receivables	2,316,049	-	-
Receivable from associated undertakings	193,790	-	-
Receivable from donors	128,581,085	-	-
Short-term investments	370,311,973	-	10,406,849
Bank balances	122,486,414	-	-
	<u>631,838,069</u>	<u>-</u>	<u>10,406,849</u>
Maturity after one year			
Long term investments	-	991,094,640	-
Loans to businesses	12,141,667	-	-
	<u>12,141,667</u>	<u>991,094,640</u>	<u>-</u>
	<u>643,979,736</u>	<u>991,094,640</u>	<u>10,406,849</u>
<b>Financial liabilities</b>			
Maturity up to one year			
Other payables	109,091,775	-	-
	<u>109,091,775</u>	<u>-</u>	<u>-</u>

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**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**31.3 Credit quality of financial assets**

The credit quality of companies financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

	Ratings		Rating Agency	2019 Rupees
	Long Term	Short Term		
<b>Non-current assets</b>				
Counterparties with external credit ratings				
Long-term investments - FMFB	A+	A-1	JCR-VIS	<u>991,094,640</u>
Counterparties without external credit ratings				
Long-term portion of loans to businesses				<u>12,950,028</u>
<b>Current assets</b>				
Counterparties with external credit ratings				
<b>Short-term investments</b>				
Habib Bank Limited	AAA	A-1+	JCR-VIS	52,552,055
The First MicroFinanceBank Limited	A+	A-1	JCR-VIS	<u>311,407,534</u>
				<u>363,959,589</u>
<b>Bank balances</b>				
Habib Bank Limited	AAA	A-1+	JCR-VIS	70,768,827
The First MicroFinanceBank Limited	A+	A-1	JCR-VIS	14,980,073
Soneri Bank Limited	AA-	A1+	PACRA	4,395,254
National Bank of Pakistan	AAA	A-1+	JCR-VIS	261,969
Bank Alfalah Limited	AA+	A-1+	JCR-VIS	608
NRSP Microfinance Bank Limited	A	A-1	JCR-VIS	<u>68,949</u>
				<u>90,475,680</u>
<b>Interest accrued</b>				
Habib Bank Limited				552,055
The First MicroFinanceBank Limited				<u>31,407,534</u>
				<u>31,959,589</u>
<b>Counterparties without external credit ratings:</b>				
Loans and advances				11,643,583
Deposits, prepayment and other receivables				3,826,866
Receivable from associated undertakings				1,096,931
Contract assets				74,981,168
Receivable from donors				<u>60,589,887</u>
				<u>152,138,435</u>

62

**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**31.4 Financial Risk Management**

Company has exposure to the following risks from its use of financial instruments:

- A. Credit risk
- B. Liquidity risk
- C. Market risk

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

This note presents information about the company exposure to each of the above risks, the company objectives, policies and processes for measuring and managing risk, and the company management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the company risk management framework. The Board is responsible for developing and monitoring the company risk management policies.

The company 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 reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors of the company oversees how management monitors compliance with the company risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company.

**A. CREDIT RISK**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter party fails to perform as contracted. The company's credit risk is primarily attributable to investments, loans and advances, deposits and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The credit risk on liquid funds and investment is limited because the counter parties are companies and banks with reasonably high credit rating. Credit risk represents the loss that would result if counter parties fail to perform as contracted.

**(i) Exposure to credit risk**

The maximum exposure to credit risk at the reporting date was:

	2019	2018
	Rupees	Rupees
Loans to businesses	12,950,028	12,141,667
Loan and advances	11,643,583	7,948,758
Deposits and other receivables	3,826,866	2,316,049
Contract assets	74,981,168	-
Receivable from donors	60,589,887	128,581,085
Receivable from related parties	1,096,931	193,790
Short term investments	363,959,589	380,718,822
Bank balances	90,872,383	122,486,414
	<u>619,920,435</u>	<u>654,386,585</u>

**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The company limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have high credit rating. Management actively monitors credit ratings and given that the company only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

(ii) Geographically there is no concentration of credit risk.

**B. 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, without incurring unacceptable losses or risking damage to the company reputation. The company uses different methods which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The maturity profile of the company's financial liabilities based on the contractual amounts is as follows:

	Carrying Amount	Contractual Cash flows	6 months or less	6 months to 12 months
	Rupees			
<b>As at December 31, 2019</b>				
Other payables	102,489,156	102,489,156	-	102,489,156
	<u>102,489,156</u>	<u>102,489,156</u>	<u>-</u>	<u>102,489,156</u>
<b>As at December 31, 2018</b>				
Other payables	109,091,775	109,091,775	-	109,091,775
	<u>109,091,775</u>	<u>109,091,775</u>	<u>-</u>	<u>109,091,775</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

**C. MARKET RISK**

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The company incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The company is exposed to interest rate and currency risks.

Market risk management is further analysed in two categories:

**(i) Interest rate risk management**

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The management of the Company estimates that a 1% increase in the market interest rates, with all other factors remaining constant, would increase the Company's income by Rs. 4,190,900 (2018: 510,614), and a 1% decrease in the market interest rates would decrease the Company's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

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**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**(ii) Currency risk management**

The company is exposed to currency risk on bank balance and investments which is denominated in currency other than the functional currency of the company. The company exposure to foreign currency risk is as follows:

	2019		2018	
	Rupees	USD	Rupees	USD
Bank balances in USD	<u>1,457,048</u>	<u>9,420</u>	<u>1,302,150</u>	<u>9,395</u>

	2019		2018	
	Rupees	Euros	Rupees	Euros
Bank balances in Euros	<u>398,600</u>	<u>2,300</u>	<u>364,238</u>	<u>2,296</u>

The following significant exchange rate applied during the year:

	Average rates		Reporting date rates	
	2019	2018	2019	2018
US Dollars	<u>146.64</u>	<u>124.83</u>	<u>154.67</u>	<u>138.60</u>
Euros	<u>165.97</u>	<u>149.03</u>	<u>173.30</u>	<u>158.64</u>

A 10% strengthening of the functional currency against foreign currencies at December 31, 2019 would have decreased income and expenditure by Rs. 185,565 (2018: Rs.166,643). A 10% weakening of the functional currency against foreign currencies at December 31, 2019 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

**32 FUND MANAGEMENT**

The company's objective when managing fund, is to safeguard the Company's ability to continue as a going concern so that it can continue to increase/ contribute to fund balance and benefits for other stakeholders, and to maintain a strong fund base to support the sustained development of its objectives. The company's Board of Directors regularly monitors the fund structure of the company by ensuring that appropriate fund is injected and manages its fund structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. There were no changes to company's approach to fund management during the year and the company is not subject to externally imposed capital requirements.

**33 EMPLOYEES PROVIDENT FUND TRUST**

All the investments out of provident fund/trust have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

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**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
**(A company incorporated under section 42 of the Companies Ordinance, 1984)**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**34 TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise affiliates of the Aga Khan Development Network, subsidiary companies, associated undertakings by virtue of common directorship, directors, executives, key management personnel, staff contributory provident fund and entities over which the directors are able to exercise significant influence. Transactions with related parties are made on terms negotiated with them. Balances and transactions with related parties with whom the Company has transacted along with the basis of relationship, other than those which have been disclosed elsewhere in these financial statements, are as follows:

34.1 Following are the related parties with whom the Company had entered into transactions during the year:

<b>Basis of Relationship</b>	<b>Name of Related Party</b>	<b>Aggregate %age shareholding by the Company</b>
Subsidiary Company	Ozhor Utility Company Limited	55%
	Yadgar Utility Company Limited	50.03%
	Shandur Utility Company Limited	50%
	Pamir Utility (Private) Limited	99.96%
Associated undertaking by virtue of common directorship	Aga Khan Foundation, Geneva Registered address: 1-3, Avenue de la Paix, 1211 Geneva, Switzerland	Nil
	Rural Support Programme Network	Nil
	NRSP Microfinance Bank Limited	Nil
	Tourism Promotion Services (Pakistan) Limited	Nil
Others	Aga Khan Foundation, United Kingdom	Nil
	Aga Khan Foundation, United States of America	Nil
	Aga Khan Agency for Microfinance	Nil
	The Aga Khan University Hospital, Pakistan	Nil
	Aga Khan Planning and Building Services, Pakistan	Nil
	Habib Bank Limited	Nil
	Jubilee Life Insurance Company Limited	Nil
	Aga Khan Foundation, Pakistan	Nil
	Aga Khan Foundation, Tajikistan	Nil
	Aga Khan Foundation, Kyrgystan	Nil

5

**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Basis of Relationship	Name of Related Party	Aggregate %age shareholding by the Company	
Staff Retirement Fund	Aga Khan Rural Support Programme - Staff Provident Fund	Nil	
<b>34.2 Transactions during the year:</b>		<b>2019</b>	<b>2018</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>Subsidiaries</b>			
Expenses incurred on behalf of subsidiaries		183,074	242,862
Collection from subsidiaries		860,687	38,882
Grants disbursed during the year including repayment of external debts		17,930,381	53,842,547
<b>Associated undertakings by virtue of common directorship</b>			
Expenses incurred on behalf of associated undertakings		-	26,100
Services provided to the Company		-	2,820,976
Payments made to associated undertakings		2,034,685	2,705,482
Grant received from associated undertakings		3,317,012	7,084,565
Interest received on bank deposits and TDRs		12,145,132	4,565,635
<b>Others</b>			
Expenses incurred on behalf of related parties		1,118,720	8,677,088
Collection made from related parties on behalf of expenses incurred for them		404,074	10,863,413
Services provided to the Company		2,235,500	2,900,000
Payments made to related parties		4,152,508	3,850,543
Grant received		535,339,686	809,310,351
Insurance premium paid		4,135,695	6,505,423
Interest received on bank deposits and TDRs		24,207,588	26,862,448
Grant refunded through related party to donor		-	189,204
Vehicles rental income received		1,587,840	1,587,840
Donation received		2,500,000	7,500,000
<b>Staff Retirement Fund</b>			
Contribution to staff provident fund		7,316,193	12,332,775
<b>Balances with related parties</b>			
Payable to related parties		4,155,500	3,123,671
Receivable from related party		1,606,611	19,850
Prepayment to related party		-	35,346
<i>Balances with Habib Bank Limited:</i>			
Bank balances		70,768,827	117,828,583
Short-term investments in TDRs		52,552,055	113,411,205
<i>Balances with The First MicroFinance Bank Limited:</i>			
Bank balances		14,980,073	17,899,656
Short-term investments in TDRs		311,407,534	123,406,027

**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Balances with NRSP Microfinance Bank Limited:

Bank balances	248,381	68,949
Short-term investments in TDRs	-	133,494,741

**34.3** Aggregate financial assistance provided to subsidiary companies since 2017:

In addition to loan as disclosed in note 7 and bank guarantee given by AKRSP as disclosed in note 15.2, the Company has provided cumulative financial assistance to subsidiaries for the years 2017, 2018 and 2019 which have been charged off to income and expenditure statement in respective years.

	Yadgar Utility Company Limited	Shandur Utility Company Limited	Ozhor Utility Company Limited
	<u>Rupees</u>		
Cumulative amount of such assistance till December 31, 2019	<u>35,171,769</u>	<u>27,646,574</u>	<u>22,147,291</u>

**35** Remuneration of Chief Executive, Directors and Executives

2019	Chief Executive Officer	Non- Executive Directors	Executives	Total
	----- (Rupees in '000) -----			
Fees	-	-	-	-
Basic Pay	9,456	-	38,652	48,108
Allowances	1,212	-	491	1,703
Contribution to Provident fund	605	-	2,425	3,030
Others	554	-	2,097	2,651
	<u>11,827</u>	<u>-</u>	<u>43,665</u>	<u>55,492</u>
Number of persons	<u>1</u>	<u>-</u>	<u>15</u>	
	----- (Rupees in '000) -----			
	Chief Executive Officer	Non- Executive Directors	Executives	Total
2018				
Fees	-	-	-	-
Managerial remuneration	9,794	-	137,490	147,284
Allowances	1,212	-	7,361	8,573
Contribution to Provident fund	632	-	7,422	8,054
Others	503	-	7,704	8,207
	<u>12,141</u>	<u>-</u>	<u>159,977</u>	<u>172,118</u>
Number of persons	<u>1</u>	<u>-</u>	<u>63</u>	

The Chief Executive Officer is provided with a Company maintained car for official use.



THE AGA KHAN RURAL SUPPORT PROGRAMME  
(A company incorporated under section 42 of the Companies Ordinance, 1984)  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

36 NUMBER OF PERSONS EMPLOYED

36.1 REGION-WISE

	No. of permanent employees	
	2019	2018
Baltistan	16	28
Chitral	25	41
Gilgit	26	40
Core	32	43
<b>Total</b>	<b>99</b>	<b>152</b>
<b>Average employees during the year (Number)</b>	<b>126</b>	<b>178</b>

37 RECLASSIFICATION

- 37.1 Management has reclassified 'Monitoring and Evaluation' expenses which was being previously reported as separate line item in the Income and Expenditure Statement which has now been merged with 'Management and administration' expenses. Accordingly, corresponding figures have been reclassified as follows:

	Management and administration expenses 31 December 2018		
	Previously reported amounts	Effect of reclassification	Amounts after reclassification
	(Rupees)		
<b>Reclassification of Monitoring and Evaluation to Management and Administration</b>			
Staff salaries and benefits	86,974,427	17,890,006	104,864,433
Staff training	93,139	22,000	115,139
Research, survey and studies	-	31,225	31,225
Consultancies	200,000	1,032,000	1,232,000
Staff travel	6,609,465	1,539,486	8,148,951
Vehicle operations	5,476,241	361,465	5,837,706
Rent and maintenance	13,148,632	621,318	13,769,950
Depreciation	3,600,139	351,676	3,951,815
Utilities	2,129,549	88,590	2,218,139
Office supplies	1,055,397	28,430	1,083,827
Communication	917,383	15,457	932,840
Office meals and refreshment	1,888,811	38,176	1,926,987
Grant to subsidiary companies (note 37.2)	10,659,740	(10,659,740)	-
Other Management and Administration expenses	7,551,410	-	7,551,410
<b>Total</b>	<b>140,304,333</b>	<b>11,360,089</b>	<b>151,664,422</b>

37.2 **Reclassification of Management and Administration to Resource Development**

	Resource Development expenses 31 December 2018		
	Previously reported amounts	Effect of reclassification	Amounts after reclassification
	(Rupees)		
Other Resource Development expenses	748,756,525	-	748,756,525
Grant to subsidiary companies (Note 26)	-	10,659,740	10,659,740



**THE AGA KHAN RURAL SUPPORT PROGRAMME**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**38 EVENTS AFTER THE REPORTING DATE**

Subsequent to the year-end, the COVID-19 pandemic emerged which impacted the economy in general. At this stage, the management believes that this event may not significantly impact the operations and financials of the Company in subsequent periods; however, since the situation is still developing and changing rapidly, the assessment of potential impact cannot be ascertained. Management believes that the COVID – 19 will not have any impact on the underlying assumption for its assessment of going concern and impairment of non-current assets.

**39 DATE OF AUTHORIZATION FOR APPROVAL OF FINANCIAL STATEMENTS**

These financial statements have been authorized for issue by the Board of Directors of the Company on

06 JUNE 2020

*Umr*



Chairman



Director



Chief Executive Officer