

**THE AGA KHAN RURAL SUPPORT
PROGRAMME
(AKRSP)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2020**



INDEPENDENT AUDITOR'S 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 December 31, 2020, and the statement of income and expenditure, the statement of income and expenditure and other comprehensive income, the statement of changes in fund balance, 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 statement of income and expenditure, the statement of income and expenditure and other comprehensive income, the statement of changes in fund balance 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 December 31, 2020 and of the deficit and other comprehensive income, the changes in fund balance and its cash flows for the year then ended.

Basis for Opinion

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

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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- 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 statement of income and expenditure, the statement of income and expenditure and other comprehensive income, the statement of changes in fund balance 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).

Other Matter

Prior Year Financial Statements Audited by Predecessor Auditor

The financial statements of the Company for the year ended December 31, 2019 were audited by another auditor, who expressed an unmodified opinion on those statements on June 23, 2020.

The engagement partner on the audit resulting in this independent auditor's report is Asim Masood Iqbal.


Chartered Accountants
Islamabad

Date: April 23, 2021

THE AGA KHAN RURAL SUPPORT PROGRAMME
(A company incorporated under section 42 of the Companies Act, 2017)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

ASSETS	Note	2020 Rupees	(Restated) 2019 Rupees	(Restated) 2018 Rupees
NON-CURRENT ASSETS				
Property and equipment	5	18,336,696	11,524,903	18,894,498
Long-term investments	6	1,209,946,517	991,094,640	991,094,640
Long-term loan to subsidiaries	7	-	-	-
Loans to businesses	8	9,844,635	12,950,028	12,141,667
		<u>1,238,127,848</u>	<u>1,015,569,571</u>	<u>1,022,130,805</u>
CURRENT ASSETS				
Loans and advances	9	6,573,766	11,643,583	7,948,758
Deposits, prepayment and other receivables	10	13,708,472	3,826,866	2,316,049
Receivable from related parties	11	7,593,930	1,096,931	193,790
Contract assets	12	119,693,616	74,981,168	-
Receivable from donors	15	45,735,534	60,589,887	128,581,085
Short-term investments	13	362,394,776	363,959,589	380,718,822
Bank balances	14	178,769,397	90,872,383	122,486,414
		<u>734,469,491</u>	<u>606,970,407</u>	<u>642,244,918</u>
		<u>1,972,597,339</u>	<u>1,622,539,978</u>	<u>1,664,375,723</u>
FUND BALANCE AND RESERVE				
Fund balance		787,881,299	885,698,064	860,983,680
Surplus on re-measurement of investments classified as fair value through other comprehensive income		773,851,877	555,000,000	555,000,000
		<u>1,561,733,176</u>	<u>1,440,698,064</u>	<u>1,415,983,680</u>
NON-CURRENT LIABILITIES				
Deferred capital grant	16	16,253,075	9,044,205	16,542,562
Revolving fund for Accelerate Prosperity	17	27,035,104	27,243,167	14,758,985
		<u>43,288,179</u>	<u>36,287,372</u>	<u>31,301,547</u>
CURRENT LIABILITIES				
Restricted grants	15	175,823,907	43,065,386	107,998,721
Other payables	18	191,752,077	102,489,156	109,091,775
		<u>367,575,984</u>	<u>145,554,542</u>	<u>217,090,496</u>
		<u>1,972,597,339</u>	<u>1,622,539,978</u>	<u>1,664,375,723</u>
CONTINGENCIES AND COMMITMENTS				
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The annexed notes 1 to 38 form an integral part of these financial statements.

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Chairman

Director

Chief Executive Officer

THE AGA KHAN RURAL SUPPORT PROGRAMME
(A company incorporated under section 42 of the Companies Act, 2017)
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2020


	Note	2020 Rupees	2019 Rupees
INCOME			
Grant income recognised	15	470,624,135	700,757,898
Amortization of deferred capital grant	16	4,201,485	6,925,813
Income from Microhydel Projects	20	166,071,627	8,747,687
Other income	21	86,703,364	60,676,802
Unrestricted grant	22	-	64,473,750
		<u>727,600,611</u>	<u>841,581,950</u>
EXPENDITURE			
Civil society development	23	67,222,388	107,229,627
Gender and development	24	25,320,701	45,136,684
Resource development	25	426,533,558	393,861,483
Market development	26	74,371,467	124,311,564
COVID-19 projects	27	88,216,126	-
		<u>681,664,240</u>	<u>670,539,358</u>
Management and administration	28	145,529,250	150,386,536
		<u>827,193,490</u>	<u>820,925,894</u>
(Reversal of loss allowance) / loss allowance for expected credit losses	29	(1,776,114)	6,033,885
(DEFICIT) / SURPLUS FOR THE YEAR		<u><u>(97,816,765)</u></u>	<u><u>14,622,171</u></u>

The annexed notes 1 to 38 form an integral part of these financial statements.

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Chairman



Director



Chief Executive Officer

THE AGA KHAN RURAL SUPPORT PROGRAMME
(A company incorporated under section 42 of the Companies Act, 2017)
STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020


	2020 Rupees	2019 Rupees
(Deficit) / surplus for the year	(97,816,765)	14,622,171
Items that are or may be reclassified subsequently to statement of income and expenditure		
Gain on fair value of investments classified as fair value through other comprehensive income	218,851,877	-
Total comprehensive income for the year	<u>121,035,112</u>	<u>14,622,171</u>

The annexed notes 1 to 38 form an integral part of these financial statements.

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Chairman



Director



Chief Executive Officer

THE AGA KHAN RURAL SUPPORT PROGRAMME
 (A company incorporated under section 42 of the Companies Act, 2017)
 STATEMENT OF CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Fund Balance Rupees	Surplus on re- measurement of investments classified as fair value through other comprehensive income Rupees	Total Rupees
Balance as at January 1, 2019	871,075,893	555,000,000	1,426,075,893
Total comprehensive income for the year			
Surplus for the year	14,622,171	-	14,622,171
Balance as at December 31, 2019	<u>885,698,064</u>	<u>555,000,000</u>	<u>1,440,698,064</u>
Total comprehensive income for the year			
(Deficit) for the year	<u>(97,816,765)</u>	<u>-</u>	<u>(97,816,765)</u>
Other comprehensive income	<u>-</u>	<u>218,851,877</u>	<u>218,851,877</u>
	<u>(97,816,765)</u>	<u>218,851,877</u>	<u>121,035,112</u>
Balance as at December 31, 2020	<u><u>787,881,299</u></u>	<u><u>773,851,877</u></u>	<u><u>1,561,733,176</u></u>

The annexed notes 1 to 38 form an integral part of these financial statements.

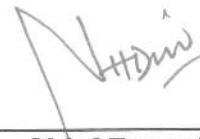
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Chairman



Director



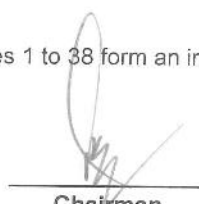
Chief Executive Officer

THE AGA KHAN RURAL SUPPORT PROGRAMME
(A company incorporated under section 42 of the Companies Act, 2017)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

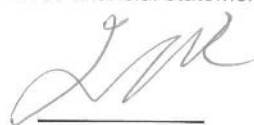
	Note	2020 Rupees	2019 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
(Deficit) / surplus for the year		(97,816,765)	14,622,171
Adjustment for non-cash items:			
Depreciation		4,884,396	6,714,817
Interest income on financial assets		(47,578,910)	(46,446,826)
Income from Microhydel Projects		(166,071,627)	(8,747,687)
Grant income recognized		(470,624,135)	(700,757,898)
Amortization of deferred capital grant		(4,201,485)	(6,925,813)
Exchange gain		(98,673)	(186,735)
Loss on transfer of fixed assets		-	1,795,900
Gain on sale of property and equipment		(105,996)	(9,598)
Impact of change in accounting policy on opening balance of Fund Balance		-	10,092,213
(Reversal) / loss allowance for expected credit losses		(1,776,114)	6,033,885
		(685,572,544)	(738,437,742)
		(783,389,309)	(723,815,571)
Working capital changes			
(Increase) / decrease in current assets			
Loans and advances		5,069,817	(5,341,516)
Deposits, prepayments and other receivables		(9,881,606)	(1,510,817)
Receivable from related parties		(6,496,999)	(903,141)
Contract assets		121,359,179	(74,981,168)
Receivable from donors		16,630,467	64,403,003
Increase / (decrease) in current liabilities			
Restricted grants		603,382,656	644,572,251
Other payables		89,262,921	(6,602,619)
		819,326,435	619,635,993
Cash generated from / (used in) operations		35,937,126	(104,179,578)
Change in deferred capital grant		11,410,355	(572,544)
Change in revolving fund		(208,063)	12,484,182
Net cash from / (used in) operating activities		47,139,418	(92,267,940)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(12,066,205)	(1,189,120)
Interest received on investments		60,143,723	33,206,059
Proceeds from sale of property and equipment		476,012	63,952
Investments made during the year - net		(11,000,000)	30,000,000
Loans extended to businesses - net		3,105,393	(1,613,717)
Net cash from investing activities		40,658,923	60,467,174
Effect of foreign currency exchange gain on cash and cash equivalents		98,673	186,735
Net increase / (decrease) in cash and cash equivalents		87,897,014	(31,614,031)
Cash and cash equivalents at beginning of the year		90,872,383	122,486,414
Cash and cash equivalents at end of the year		178,769,397	90,872,383

The annexed notes 1 to 38 form an integral part of these financial statements.

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Chairman



Director



Chief Executive Officer

36 IMPACT OF COVID - 19 ON THE FINANCIAL STATEMENTS

The spread of COVID - 19 as a pandemic and consequently imposition of lock down by Federal and Provincial Governments of Pakistan (Authorities) caused an overall economic slow down and disruption to various businesses. It resulted in decrease in grants funding and related expenditures during the lockdown period. Based on management's assessment there is no material impact on carrying values of assets and liabilities as of December 31, 2020. However, the businesses have now resumed as per relaxation given by the Authorities. Accordingly, as of the date of these financial statements, we have not observed any particular material adverse impact to the Company, financial conditions and results of operations. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

37 RESTATEMENT OF PRIOR PERIOD FINANCIAL INFORMATION

From the current year, 'Restricted grants' has been presented under current liabilities to reflect more appropriate presentation in accordance with applicable financial accounting and reporting standards. Previously, 'Restricted grants' were presented under non-current liabilities. This change has been accounted for retrospectively and comparative figures have been restated as follows:

Statement of financial position	Cumulative upto December 31, 2019	Cumulative upto December 31, 2018
Decrease in non-current liabilities	<u>43,065,386</u>	<u>107,998,721</u>
Increase in current liabilities	<u>43,065,386</u>	<u>107,998,721</u>

Consequent to this restatement, a third statement of financial position has been presented at the beginning of preceding period as per the requirements of International Accounting Standard 1, Presentation of Financial Statements (IAS-1). Restatement does not have impact on statement of income and expenditure and statement of cashflows.

38 GENERAL

38.1 Corresponding figures have been rearranged and reclassified, wherever necessary, to conform to current year basis and presentation.

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

APRIL 23, 2021

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Chairman



Director



Chief Executive Officer