

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2023



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, 2023, and the statement of income and expenditure, the statement of income and expenditure and other comprehensive income, the statement of changes in fund and reserve, the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information 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, statement of income and expenditure, the statement of income and expenditure and other comprehensive income, the statement of changes in fund and reserve 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, 2023 and of the deficit and other comprehensive loss, the changes in fund and reserve 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 and reserve 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 auditor's report is Aftab Ahmad.

Afferguson & Co

Chartered Accountants

Islamabad

Date: April 8, 2024

UDIN: AR2023106104CgZDMqITt

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, 2023

ASSETS	Note	2023 Rupees	2022 Rupees
NON-CURRENT ASSETS			
Property and equipment	6	96,231,774	80,575,458
Long-term investments	7	611,503,790	736,488,496
Long-term loan to subsidiaries	8	-	-
		<u>707,735,564</u>	<u>817,063,954</u>
CURRENT ASSETS			
Loans and advances	9	17,700,168	13,055,922
Deposits, prepayment and other receivables	10	56,927,976	8,602,143
Receivable from related parties	11	28,455,197	4,409,948
Contract assets	12	-	46,374,452
Receivable from donors	15	143,625,389	62,347,636
Short-term investments	13	499,734,152	332,618,520
Bank balances	14	719,167,015	901,681,538
		<u>1,465,609,897</u>	<u>1,369,090,159</u>
		<u>2,173,345,461</u>	<u>2,186,154,113</u>
FUND AND RESERVE			
General fund		742,540,187	759,941,316
Surplus on re-measurement of investments classified as fair value through other comprehensive income		<u>176,503,790</u>	<u>284,461,856</u>
		<u>919,043,977</u>	<u>1,044,403,172</u>
NON-CURRENT LIABILITIES			
Deferred capital grant	16	95,273,768	79,381,053
Revolving fund for Accelerate Prosperity	17	22,717,354	30,073,436
		<u>117,991,122</u>	<u>109,454,489</u>
CURRENT LIABILITIES			
Restricted grants	15	820,600,581	830,216,824
Other payables	18	315,709,781	202,079,628
		<u>1,136,310,362</u>	<u>1,032,296,452</u>
		<u>2,173,345,461</u>	<u>2,186,154,113</u>
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 36 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 Act, 2017)
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 Rupees	2022 Rupees
INCOME			
Grant income recognized - restricted grants	15	2,348,031,281	1,387,511,388
Amortization of deferred capital grant	16	26,160,087	14,832,521
Income from Microhydel Projects	20	275,184,945	422,473,147
Other income	21	116,276,821	51,698,365
		<u>2,765,653,134</u>	<u>1,876,515,421</u>
EXPENDITURE			
Civil society development	22	742,464,991	295,090,304
Gender and development	23	-	2,252,277
Resource development	24	1,218,840,785	1,134,611,430
Market development	25	237,978,545	75,585,530
Accelerate prosperity	26	209,020,683	175,899,188
COVID-19 projects	27	107,270,624	66,437,254
		<u>2,515,575,628</u>	<u>1,749,875,983</u>
Management and administration	28	265,585,425	184,383,014
		<u>2,781,161,053</u>	<u>1,934,258,997</u>
Loss allowance for expected credit losses / (Reversal) of impairment loss	29	1,893,210	(5,049,600)
(DEFICIT) FOR THE YEAR		<u><u>(17,401,129)</u></u>	<u><u>(52,693,976)</u></u>

The annexed notes 1 to 36 form an integral part of these financial statements.

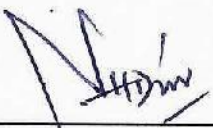
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 Chairman



 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, 2023

	2023 Rupees	2022 Rupees
(DEFICIT) FOR THE YEAR	(17,401,129)	(52,693,976)
OTHER COMPREHENSIVE (LOSS) FOR THE YEAR		
Items that may be subsequently reclassified in statement of income and expenditure:		
(Loss) on remeasurement of investments classified as fair value through other comprehensive income	(107,958,066)	(171,854,373)
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR	<u>(125,359,195)</u>	<u>(224,548,349)</u>

The annexed notes 1 to 36 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 AND RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2023

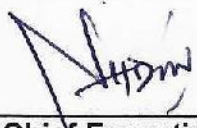
	General fund Rupees	Surplus / (deficit) on re- measurement of investments classified as fair value through other comprehensive income Rupees	Total Rupees
Balance as at January 1, 2022	812,635,292	456,316,229	1,268,951,521
Total comprehensive loss for the year			
(Deficit) for the year	(52,693,976)	-	(52,693,976)
Other comprehensive (loss) for the year	-	(171,854,373)	(171,854,373)
	(52,693,976)	(171,854,373)	(224,548,349)
Balance as at December 31, 2022	759,941,316	284,461,856	1,044,403,172
Total comprehensive loss for the year			
(Deficit) for the year	(17,401,129)	-	(17,401,129)
Other comprehensive (loss) for the year	-	(107,958,066)	(107,958,066)
	(17,401,129)	(107,958,066)	(125,359,195)
Balance as at December 31, 2023	742,540,187	176,503,790	919,043,977

The annexed notes 1 to 36 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, 2023

	Note	2023 Rupees	2022 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
(Deficit) for the year		(17,401,129)	(52,693,976)
Adjustment for non-cash items:			
Depreciation	8	26,657,175	15,071,974
Interest income on financial assets	21	(87,408,685)	(46,959,878)
Income from Microhydel Projects	20	(275,184,945)	(422,473,147)
Grant income recognized	15	(2,348,031,281)	(1,387,511,388)
Amortization of deferred capital grant	16	(26,160,087)	(14,832,521)
Loss on disposal of property and equipment		-	96,906
Loss allowance for expected credit losses / (Reversal) of impairment loss	29	1,893,210	(5,049,600)
		<u>(2,708,234,613)</u>	<u>(1,861,657,654)</u>
		<u>(2,725,635,742)</u>	<u>(1,914,351,630)</u>
Working capital changes:			
(Increase) / decrease in current assets			
Loans and advances		(5,256,413)	(6,153,067)
Deposits, prepayments and other receivables		(32,783,694)	(5,095,720)
Receivable from related parties		(24,045,249)	1,210,310
Contract assets		321,559,397	503,394,176
Receivable from donors		(83,170,963)	(19,912,305)
Increase in current liabilities			
Restricted grants		2,338,415,038	1,733,035,339
Other payables		114,724,793	5,689,642
		<u>2,629,442,909</u>	<u>2,212,168,375</u>
Cash (used in) / generated from operations		<u>(96,192,833)</u>	<u>297,816,745</u>
Change in deferred capital grant		42,052,802	57,425,283
Change in revolving fund		(7,356,082)	1,380,955
Bank balance held under lien		(174,037,000)	(27,825,000)
Net cash (used in) / generated from operating activities		<u>(235,533,113)</u>	<u>328,797,983</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(42,313,491)	(57,768,583)
Interest received		20,682,914	68,776,295
Proceeds from sale of property and equipment		-	415,582
Investments in term deposit receipts during the year - net		(100,000,000)	(2,000,000)
Loans extended to businesses - net		612,167	6,432,243
Repayments of long-term loan by subsidiaries		-	4,050,000
Proceeds from divestment of long-term investments		-	999,600
Net cash (used in) / from investing activities		<u>(121,018,410)</u>	<u>20,905,137</u>
Net (decrease) / increase in cash and cash equivalents		<u>(356,551,523)</u>	<u>349,703,120</u>
Cash and cash equivalents at beginning of the year		833,777,538	484,074,418
Cash and cash equivalents at end of the year	14.3	<u>477,226,015</u>	<u>833,777,538</u>

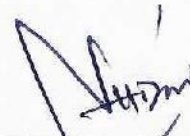
The annexed notes 1 to 36 form an integral part of these financial statements.



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Director



Chief Executive Officer

THE AGA KHAN RURAL SUPPORT PROGRAMME
(A company incorporated under section 42 of the Companies Act, 2017)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1 CORPORATE AND GENERAL INFORMATION

1.1 Status and nature of activities

The 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 places of activity are 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 are under five themes specifically Civil Society Development, Resource Development, Market Development, Accelerate Prosperity and COVID-19 Projects.

The business units of the Company include the following:

Business units	Geographical location
Registered office	Second Floor, New Jubilee Insurance building, I. I. Chundrigar Road, Karachi.
Liaison office	Level 9, Serena Business Complex, Islamabad.
Regional offices	
Core Office	Baber Road, Kashrote, Gilgit.
Regional Office, Gilgit	Opposite Supreme Appellate Court, Jutial, Gilgit.
Regional Office, Chitral	Near Shahi Qilla, Chitral.
Regional Office, Baltistan	Sadpara Road, Skardu.
District offices	
Astore Office	Near Eidgah, Astore, Gilgit.
Ghizer Office	Opposite Green Palace Hotel, Gahkooch, Ghizer, Gilgit.
Diامر Office	Circle road, Chilas, Diامر.
Area offices	
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.
Program office	
Accelerate Prosperity	Professional Development Center North (PDCN), Konodas, Gilgit.

1.2 These financial statements are the separate financial statements of the holding Company (AKRSP). In addition to these separate financial statements, the holding Company also prepares consolidated financial statements to consolidate its three subsidiaries i.e. Ozhor Utility Company Limited, Yadgar Utility Company Limited and Shandur Utility Company Limited.

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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:

- 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 (NPOs) issued by the Institute of Chartered Accountants of Pakistan.

Where the provisions of and directives issued under the Companies Act, 2017 differ from IFRS Standards or the Accounting Standard for NPOs 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 investments through other comprehensive income, 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 recognized in the financial statements are included in the following notes:

- i) Estimated useful life of property and equipment - note 4.1 and note 6
- ii) Measurement of expected credit loss allowance - note 4.7, note 16 and note 29
- iii) Provision for impairment against investments - note 4.7 and note 7
- iv) Fair value of investments through other comprehensive income - note 4.2 and note 7

2.5 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 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.

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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 AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

3.1 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

There are certain amendments to existing accounting and reporting standards that have become applicable to the Company for accounting periods beginning on or after January 1, 2023. These are considered either not to be relevant or do not have any significant impact on these financial statements, except as disclosed in note 4 below.

3.2 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The following other standards, interpretations of and amendments to approved accounting standards are effective for accounting periods beginning on or after January 1, 2024:

Standards, interpretations and amendments		Effective date (annual reporting periods beginning on or after)
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2024
IAS 7	Statement of Cash Flows (Amendments)	January 1, 2024
IAS 21	The Effects of Changes in Foreign Exchange Rates (Amendments)	January 1, 2025
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 1, 2024
IFRS 16	Leases (Amendments)	January 1, 2024

The Company expects that the adoption of the above standards, interpretations or amendments will have no material effect on the Company's financial statements.

Other than the aforementioned standards, interpretations and amendments, International Accounting Standards Board (IASB) has also issued the following standards and interpretations, which have not been notified locally or declared exempt, in relation to the Company, by Securities and Exchange Commission of Pakistan (SECP) as at December 31, 2023.

IFRS 1	First-time adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts
IFRIC 12	Service Concession Arrangements

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4 MATERIAL ACCOUNTING POLICY INFORMATION

The Company adopted disclosure of Accounting Policies (Amendments to IAS 1 and IFRS practice statements 2) from January 1, 2023. Although amendments did not results in any changes to the accounting policies themselves, they impact the accounting policy information disclosed in the financial statements.

The amendments require disclosure of 'material', rather than 'significant' accounting policies. The amendments also provide the guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful entity specific accounting policy information that user need to understand other information in the financial statements.

The material accounting policy information set out below have been applied consistently to all periods presented in these financial statements.

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 recognized in the statement of income and expenditure.

Depreciation is calculated on the straight line method and charged to the statement of income and expenditure 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 6 to the 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 statement of income and expenditure as incurred.

4.2 Investments

a) Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are initially recognized 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 recognized as expense in the statement of income and expenditure. 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 recognized 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 recognized at cost and carried at fair value at the reporting date. 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.

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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 16 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 August 4, 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 (now 54 projects after drop out of Drasun project in the year 2020) in District Chitral'. Income from such contracts are recognized as follows:

(i) Feasibility study and design submission

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

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

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 hydel power plant.

(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 related entities of Aga Khan Foundation. Income against these grant funds is recognized as per policy mentioned in note 4.5 (a) (ii).

(c) Interest income on bank deposits

Return on bank saving account is recognized on a time proportion basis using the applicable rate of interest.

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 16.9 for disclosure of transaction price allocated to remaining performance obligations for ongoing service contracts and welfare projects at the reporting date, which falls under the ambit of IFRS 15.

4.5.2 Contract asset

The contract asset primarily relates to the Company's rights to consideration for delivery of services provided that are not yet billed at the reporting date or for which related performance obligations has not yet been completely satisfied. 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 4.7 for measurement of ECL against receivable from donors.

4.6 Financial instruments

4.6.1 Financial assets

Classification

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

- amortized cost;
- fair value through other comprehensive income (FVTOCI); 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.

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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 (FVTOCI)

A debt investment is measured at FVTOCI 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 FVTOCI 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 income and expenditure. Any gain or loss on de-recognition is recognized in the statement of income and expenditure.

Debt investments at FVTOCI

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 income and expenditure. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to income and expenditure.

Financial assets at FVTPL

Measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in income and expenditure.

Equity investment at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in income and expenditure 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 income and expenditure.

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.



4.6.2 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 the statement of income and expenditure. 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 the statement of income and expenditure. Any gain or loss on de-recognition is also recognized in the statement of income and expenditure.

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

4.6.3 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.

4.7 Impairment

4.7.1 Financial assets

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost. 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.

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.

4.7.2 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").

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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 statement of income and expenditure. 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.

5 SUMMARY OF OTHER ACCOUNTING POLICIES

Other than material accounting policies applied in the preparation of these financial statements are set out below for ease of user's understanding of these financial statements. These policies have been applied consistently for all periods presented in these financial statements.

5.1 Leases

5.1.1 Right of use asset

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

5.1.2 Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses incremental borrowing rate (i.e. KIBOR + % spread) as the discount rate.

Lease payments in the measurement of the lease liability comprise the following:

- a) fixed payments, including in-substance fixed payments;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) amounts expected to be payable under a residual value guarantee; and
- d) the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income and expenditure if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has opted not to recognize right of use assets for short-term leases i.e. leases with a term of twelve (12) months or less. The payments associated with such leases are recognized in the statement of income and expenditure when incurred.

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5.2 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 contract salary. 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.

5.3 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.

5.4 Taxation

The income of the Company is exempt under clause (66) (I) Table - I sub-clause (VIII) of Second Schedule to the Income Tax Ordinance, 2001, being an Institution of Aga Khan Development Network, Pakistan. Further, the Company is also exempt from payment of minimum tax u/s 113, as per clause (16) of Part - IV of Second Schedule to the Income Tax Ordinance, 2001.

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6 PROPERTY AND EQUIPMENT

	Equipment and appliances	Computers and accessories	Furniture and fixture	Vehicles	Total
	-----Rupees-----				
As at January 1, 2022					
Cost	39,439,349	51,142,911	12,692,161	179,930,836	283,205,257
Accumulated depreciation	(35,492,184)	(42,432,300)	(8,176,922)	(158,712,514)	(244,813,920)
Net book value	<u>3,947,165</u>	<u>8,710,611</u>	<u>4,515,239</u>	<u>21,218,322</u>	<u>38,391,337</u>
Year ended December 31, 2022					
Opening net book value	3,947,165	8,710,611	4,515,239	21,218,322	38,391,337
Additions during the year	5,480,774	11,415,865	5,377,094	35,494,850	57,768,583
Disposals					
Cost	(9,951)	-	(952,685)	-	(962,636)
Accumulated depreciation	6,822	-	443,326	-	450,148
Depreciation charge	(3,129)	-	(509,359)	-	(512,488)
Net book value	<u>7,561,915</u>	<u>14,752,777</u>	<u>8,054,337</u>	<u>50,206,429</u>	<u>80,575,458</u>
As at January 1, 2023					
Cost	44,910,172	62,558,776	17,116,570	215,425,686	340,011,204
Accumulated depreciation	(37,348,257)	(47,805,999)	(9,062,233)	(165,219,257)	(259,435,746)
Net book value	<u>7,561,915</u>	<u>14,752,777</u>	<u>8,054,337</u>	<u>50,206,429</u>	<u>80,575,458</u>
Year ended December 31, 2023					
Opening net book value	7,561,915	14,752,777	8,054,337	50,206,429	80,575,458
Additions during the year	10,384,791	10,684,300	749,500	20,494,900	42,313,491
Depreciation charge	(2,283,114)	(8,129,274)	(1,456,808)	(14,787,979)	(26,657,175)
Net book value	<u>15,663,592</u>	<u>17,307,803</u>	<u>7,347,029</u>	<u>55,913,350</u>	<u>96,231,774</u>
As at December 31, 2023					
Cost	55,294,963	73,243,076	17,866,070	235,920,586	382,324,695
Accumulated depreciation	(39,631,371)	(55,935,273)	(10,519,041)	(180,007,236)	(286,092,921)
Net book value	<u>15,663,592</u>	<u>17,307,803</u>	<u>7,347,029</u>	<u>55,913,350</u>	<u>96,231,774</u>
Rate of depreciation per annum - %	20	33.33	10	20	

6.1 For the year 2022, HBL Microfinance Bank Limited (HBLMFB), an associated undertaking, was using a vehicle of AKRSP having net book value of Rs 1.

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

	Note	2023 Rupees	2022 Rupees
Civil Society Development	22	11,040,159	3,988,060
Gender and Development	23	-	36,748
Resource Development	24	1,672,717	819,744
Market Development	25	1,576,857	983,368
Accelerate Prosperity	26	6,446,513	5,820,527
COVID-19 Projects	27	332,139	-
Management and administration	28	5,588,790	3,423,527
		<u>26,657,175</u>	<u>15,071,974</u>

6.3 Written down value of disposals during the year fully funded by donors was Rs Nil (2022: Rs 509,359).

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7	LONG-TERM INVESTMENTS	Note	2023 Rupees	2022 Rupees
	Investments held at cost - unquoted shares			
	Subsidiaries			
	Ozhor Utility Company Limited			
	99,996 (2022: 99,996) fully paid ordinary shares of Rs 100 each		9,999,600	9,999,600
	Shares held 55.08% (2022: 55.08%)			
	Yadgar Utility Company Limited			
	99,996 (2022: 99,996) fully paid ordinary shares of Rs 100 each		9,999,600	9,999,600
	Shares held 50.03% (2022: 50.03%)			
	Shandur Utility Company Limited			
	99,996 (2022: 99,996) fully paid ordinary shares of Rs 100 each		9,999,600	9,999,600
	Shares held 49.74% (2022: 49.74%)			
	Cost of investment in subsidiaries	7.1	<u>29,998,800</u>	<u>29,998,800</u>
	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)
			<u>(29,998,800)</u>	<u>(29,998,800)</u>
	Cost less provision for impairment loss		-	-
	Investments in Term Deposit Receipts (TDRs)			
	- at amortised cost			
	NRSP Microfinance Bank Limited	7.2	-	15,932,000
	Investments classified as fair value through other			
	comprehensive income - unquoted shares			
	HBL Microfinance Bank Limited			
	30,000,000 (2022: 30,000,000) fully paid ordinary shares			
	of Rs 10 each	7.3	611,503,790	719,461,856
	Shares held 4.46% (2022: 5.23%)			
	MOGH Limited			
	Nil (2022: 109,464) fully paid ordinary shares of Rs 10 each		-	1,094,640
	Shares held Nil (2022: 13.74%)			
			<u>611,503,790</u>	<u>736,488,496</u>

7.1 All subsidiaries are incorporated inside Pakistan.

7.2 For the year 2022, this includes interest accrued on Term Deposit Receipt (TDR) amounting to Rs 932,000 and carried markup at the rate of 16.10% per annum. During the year, this TDR was encashed on July 6, 2023.

7.3 This represents investment classified as fair value through other comprehensive income recognized at a fair value of Rs 20.38 per share (2022: Rs 23.98 per share). Related underlying assumptions used for fair valuation have been disclosed in note 32.2 to the financial statements. During the year, HBL Microfinance Bank Limited increased its share capital by issuing right shares. The Company has not subscribed to such shares which resulted in decrease in its holding in HBL Microfinance Bank Limited from 5.23% to 4.46%.

As at year end, 30,000,000 shares owned by the Company are held in freeze account with Central Depository Company of Pakistan.

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8	LONG-TERM LOAN TO SUBSIDIARIES	Note	2023 Rupees	2022 Rupees
	Ozhor Utility Company Limited		25,793,335	25,793,335
	Yadgar Utility Company Limited		9,029,168	9,029,168
	Shandur Utility Company Limited		<u>12,188,886</u>	<u>12,188,886</u>
			<u>47,011,389</u>	<u>47,011,389</u>
	Less: provision against impairment			
	Ozhor Utility Company Limited		<u>(25,793,335)</u>	<u>(25,793,335)</u>
	Yadgar Utility Company Limited		<u>(9,029,168)</u>	<u>(9,029,168)</u>
	Shandur Utility Company Limited		<u>(12,188,886)</u>	<u>(12,188,886)</u>
			<u>(47,011,389)</u>	<u>(47,011,389)</u>
	Less: current maturity of long-term loan to subsidiaries	9	-	-
			<u>-</u>	<u>-</u>

8.1 These represent un-secured loans to subsidiaries of the Company at an interest rate of 9% per annum, payable on semi-annual basis. Tenure of these loans was 7 years which ended 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.

9	LOANS AND ADVANCES	Note	2023 Rupees	2022 Rupees
	Unsecured and considered good			
	Loan to Local Support Organization (LSOs)		1,701,887	1,701,887
	Loans to businesses - secured	9.1	1,189,024	1,801,191
	Advances to staff		4,783,848	2,176,397
	Advances to implementing partner/ LSOs	9.2	9,804,381	1,491,440
	Advances to suppliers		1,922,915	7,586,894
	Current portion of long-term loan to subsidiaries	8	-	-
			<u>19,402,055</u>	<u>14,757,809</u>
	Less: loss allowance for loans and advances		<u>(1,701,887)</u>	<u>(1,701,887)</u>
			<u>17,700,168</u>	<u>13,055,922</u>

9.1 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 3 businesses (2022: 8 businesses).

9.2	This represents advances to following implementing partner/ LSOs:	2023 Rupees	2022 Rupees
	Karakorum Area Development Organization (KADO)	6,643,732	-
	Pakistan Centre for Philanthropy (PCP)	1,942,813	-
	Biyar Local Support Organisation (BLSO)	-	1,491,440
	Others	1,217,836	-
		<u>9,804,381</u>	<u>1,491,440</u>

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	Note	2023 Rupees	2022 Rupees
10 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Unsecured and considered good			
Security deposits		1,192,000	1,167,000
Prepayments		14,858,018	5,080,906
Accrued interest on bank accounts		15,542,139	-
Receivable from PEDO	10.1	20,742,869	-
Other receivables		4,592,950	2,354,237
		<u>56,927,976</u>	<u>8,602,143</u>
10.1	This represents receivable on account of liquidated damages deducted in prior years related to the PEDO project. Subsequent to the year end, on January 31, 2024, the amount has been received from PEDO in full.		
11 RECEIVABLE FROM RELATED PARTIES		2023 Rupees	2022 Rupees
Unsecured and considered good			
Aga Khan Foundation (AKF), Pakistan		13,828,743	3,992,615
HBL Microfinance Bank Limited		-	417,333
Aga Khan Agency for Habitat, Pakistan		14,626,454	-
		<u>28,455,197</u>	<u>4,409,948</u>
11.1	The maximum aggregate amount outstanding from related parties at any time during the year calculated by reference to month-end balances were as follows:		
		2023 Rupees	2022 Rupees
Aga Khan Foundation (AKF), Pakistan		13,828,743	3,992,615
HBL Microfinance Bank Limited		417,333	4,612,904
Pamir Utility (Private) Limited		-	432,000
Aga Khan Agency for Habitat, Pakistan		14,626,454	-
		<u>28,872,530</u>	<u>9,037,519</u>
12 CONTRACT BALANCES			
Following table provides information about contract assets and contract liabilities from contracts with customers:			
		2023 Rupees	2022 Rupees
Contract assets		-	307,710,698
Contract liabilities		-	(261,336,246)
		<u>-</u>	<u>46,374,452</u>
12.1	Revenue related to 8 (2022: 22) completed projects was recognized during the year that was included in contract liability at the beginning of the year. During the year, all projects relating to 'Construction of 55 Mini/Micro Hydro Power Projects (now 54 projects after drop out of Drasun project in the year 2020) in District Chitral' funded by PEDO have been fully completed.		

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12.2 For the year 2022, the contract assets primarily related to the Company's right to consideration for work done but for which performance obligations were not completely satisfied at the reporting date against the project, 'Construction of 55 Mini/Micro Hydro Power Projects (now 54 projects after drop out of Drasun project in the year 2020) in District Chitral' funded by PEDO. The contract assets are transferred to receivables when the right to receive become unconditional. The contract liabilities primarily related to advance consideration received from customer for PEDO Project, for which revenue has been recognized upon completion of each micro-hydel project after formal taking over certificate has been issued by the customer.

12.3 Significant changes in the contract assets and contract liabilities balances during the year are as follows:

	Note	December 31, 2023	
		Contract assets Rupees	Contract liabilities Rupees
Increase due to cash received/ adjusted, excluding amounts recognized as revenue during the year	12.3.2	-	13,848,699
Increase as a result of further cost incurred towards project completion	12.3.4	20,430,612	-
		2023 Rupees	2022 Rupees
12.3.1 Movement in contract assets during the year:			
Balance at start of the year		307,710,698	738,779,176
Transferred to expenditure during the year	24.1	(328,141,310)	(488,159,185)
Expenses incurred towards partial completion of performance obligations	12.3.4	20,430,612	57,090,707
Balance at end of the year		-	307,710,698
12.3.2 Movement in contract liability during the year:			
Balance at start of the year		261,336,246	611,483,695
Funds received/ adjusted during the year	12.3.3	13,848,699	72,325,698
Transferred to income during the year		(275,184,945)	(422,473,147)
Balance at end of the year		-	261,336,246
12.3.3 This includes adjustments amounting to Rs 0.6 million (2022: 27 million) relating to liquidated damages and other charges and Rs 4.4 million (2022: 34 million) relating to Drasun Project under 'Micro/mini hydel power project in Chitral' (PEDO Project) which was closed in the year 2020 by PEDO.			
		2023 Rupees	2022 Rupees
12.3.4 Breakup of expenses incurred during the year:			
Staff salaries and benefits		-	2,389,094
Programme grants - infrastructure		14,589,367	24,569,885
Total operations		14,589,367	26,958,979
Staff travel		256,969	1,494,579
Vehicles operations		56,177	182,816
Legal and professional fees		3,030,000	760,000
Liquidated damages and other charges		550,911	27,632,358
Others		1,947,188	61,975
Total support		5,841,245	30,131,728
Grand Total		20,430,612	57,090,707

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	Note	2023 Rupees	2022 Rupees
13	SHORT-TERM INVESTMENTS		
	Amortized cost		
	Investment in Term Deposit Receipts (TDRs)		
	Habib Bank Limited, a related party	100,569,580	-
	HBL Microfinance Bank Limited, a related party	399,164,572	332,618,520
	13.1	<u>499,734,152</u>	<u>332,618,520</u>
13.1	TDRs carry markup ranging from 20.14% to 22.50% (2022: at the rate of 17.00%) per annum, and having maturities ranging from April 17, 2024 to November 4, 2024. This includes interest accrued on term deposit receipts amounting to Rs 52,734,152 (2022: Rs 618,520).		
14	BANK BALANCES		
	In local currency		
	Savings accounts	14.1 717,036,998	897,875,463
	Current accounts	2,130,017	3,806,075
	14.2	<u>719,167,015</u>	<u>901,681,538</u>
14.1	Local currency savings account carry markup at the rates ranging from 14.50% to 20.51% (2022: 7.25% to 14.50%) per annum.		
14.2	This includes an amount of Rs 242 million (2022: Rs 68 million) held under lien by Habib Bank Limited (the Bank) against guarantee given by the Company in respect of loans extended by the Bank as at year end, as detailed in note 19.2.2 to the financial statements.		
14.3	Cash and cash equivalents	2023 Rupees	2022 Rupees
	Bank balances	719,167,015	901,681,538
	Bank balance held under lien	(241,941,000)	(67,904,000)
		<u>477,226,015</u>	<u>833,777,538</u>

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15 RESTRICTED GRANTS

Donor Name	Opening balance as at January 1, 2023		Received during the year	Interest Income	Refund to donors	Transferred to deferred capital grant	Grant income recognized (Project expenditure during the year)	Closing balance as at December 31, 2023	
	Receivable from donors	Restricted grant						Receivable from donors	Restricted grant
Rupees									
Local sources of funding									
Through the Aga Khan Foundation, Pakistan a related party									
The Aga Khan Foundation, Pakistan (AKF)	15.1	(68,129,435)	2,101,156,523	176,320,501	(11,805,398)	(42,052,802)	(2,319,196,564)	140,478,767	785,033,752
Through other sources									
Aga Khan Agency for Habitat, Pakistan, a related party	15.2	(181,684)	25,821,431	-	-	-	(25,137,037)	5,670,173	6,192,863
Pakistan Poverty Alleviation Fund (PPAF)	15.3	(1,733,820)	1,723,023	10,797	-	-	-	-	-
Social Mobilization ET-IFAD	15.4	-	4,070,000	-	-	-	-	-	28,063,368
Rural Support Programmes Network, a related party	15.5	(1,689,912)	-	-	-	-	-	1,689,912	-
Government of Pakistan-GPP	15.6	-	-	-	-	-	-	-	867,718
Government of Pakistan-NAVTTTC	15.7	-	-	-	-	-	-	-	842,860
Sarena Hotels, a related party	15.8	-	1,650,698	-	-	-	(3,697,660)	2,046,362	-
		(66,714,851)	2,132,770,977	176,331,298	(11,805,398)	(42,052,802)	(2,348,031,281)	149,885,814	820,600,581
less: loss allowance for expected credit losses		4,367,215	-	-	-	-	-	(6,260,425)	-
		(62,347,636)	2,132,770,977	176,331,298	(11,805,398)	(42,052,802)	(2,348,031,281)	143,625,389	820,600,581
		(42,435,331)	1,699,374,766	73,171,396	(1,997,845)	(57,425,283)	(1,387,511,368)	62,347,536	830,216,824

Corresponding figures for the year ended December 31, 2022

Donor Name	Opening balance as at January 1, 2023			Received during the year	Interest Income	Refund to donors	Transferred to deferred capital grant	Grant income recognized (Project expenditure during the year)	Receivable from donors	Restricted grant	Closing balance as at December 31, 2023
	Receivable from donors	Restricted grant	Received during the year								
Through the Aga Khan Foundation, Pakistan - a related party											
16.1 The Aga Khan Foundation, Pakistan (AKF)											
AKF - Accelerate Prosperity (AKF - G)	-	10,664,009	-	-	-	-	-	-	-	-	10,664,009
AKF - Accelerate Prosperity (AKF - UK)	-	329,215,848	-	-	76,413,169	-	-	(10,002,552)	-	-	395,626,266
AKF - Accelerate Prosperity (EC)	-	354,513,811	-	-	52,458,506	-	(864,000)	(155,045,534)	-	-	251,252,783
AKF - Programme for resource poor valleys	(31,657,340)	-	504,773,871	-	11,960,485	-	(3,484,752)	(448,116,785)	-	-	33,515,279
AKF - All weather road to Broguli valley	(2,598,846)	-	26,478,000	-	1,298,104	-	-	(32,900,928)	7,725,670	-	-
AKF - Sadpara development project	-	11,430,314	-	-	(11,430,314)	-	(20,000)	(179,466,544)	14,811,073	-	-
AKF - Shahmand Khandaan	(2,925,227)	-	163,365,329	-	4,235,368	-	-	-	-	-	-
AKF - Mental health and psychosocial support and stigma prevention as part of COVID - 19 response (Child Protection)	-	375,084	-	-	-	(375,084)	-	-	-	-	-
AKF - Foundation for health & education	(3,515,864)	-	181,508,000	-	399,528	-	(1,916,400)	(162,079,593)	-	-	14,396,871
AKF - Plantation programme	-	932,605	-	-	-	-	-	(3,600,016)	2,667,411	-	-
AKF - Forestry project	-	395,271	-	-	-	-	-	(147,000)	-	-	248,271
AKF - Building resilience of civil society and youth to COVID-19 in Gilgit-Baltistan and Chitral	-	80,981,861	51,808,369	-	4,422,130	-	(86,000)	(133,212,481)	-	-	3,913,869
AKF - Improved governance of the national parks across the Wakhan corridor	-	4,248,263	31,447,500	-	-	-	-	(48,640,683)	12,944,900	-	-
AKF - Broadening Economic and Social Transformation for Women's Economic Empowerment and Recovery (BESTWEER)	(10,172,533)	-	853,580,652	-	13,950,079	-	(21,737,340)	(663,706,011)	28,095,173	-	-
AKF - Improving Early Childhood Development (ECD) outcomes in Pakistan	-	84,269	21,646,000	-	-	-	-	(22,533,244)	792,975	-	-
AKF - Biodiversity component of the development of hydropower and renewable energy - II project	(7,543,449)	-	16,680,285	-	488,369	-	(305,600)	(50,269,311)	40,950,706	-	-
AKF - KADO IT-Spoke (AKF - G)	-	3,204,191	7,075,000	-	-	-	-	(10,275,000)	-	4,191	-
AKF - CFLI winter sports	-	4,578,240	2,943,140	-	-	-	-	(7,521,380)	-	-	-
AKF - Climate resilience WASH support to floods affected districts in Sindh and KP	-	2,000,000	16,000,000	-	-	-	-	(20,037,098)	37,098	-	777,658
AKF - Quality of life assessment (AKF - G)	(754,963)	-	2,367,300	-	-	-	-	(834,679)	-	-	-
AKF - Miyawaki micro forest (AKF - G)	-	628,814	-	-	-	-	-	(628,614)	-	-	-
AKF - School improvement programme (SIP)	(762,455)	-	48,416,543	-	-	-	(2,598,400)	(51,225,603)	6,199,909	-	-
AKF - Calendars and cash project	(3,199,958)	-	6,537,343	-	-	-	(80,900)	(4,078,632)	801,142	-	-
AKF - Bank Atallah increasing resilience & helping people recover	-	-	24,400,000	-	674,762	-	-	(24,639,452)	-	-	435,310
AKF - Danish increasing communities resilience to climate change	-	-	-	-	-	-	-	(22,950)	22,950	-	-
AKF - Building resilience & addressing vulnerability to megadroughts (BRAVE)	-	-	-	-	-	-	-	(23,813,832)	23,813,832	-	-
AKF - Wild frontiers foundation	-	-	3,015,630	-	-	-	-	(2,715,860)	-	-	300,000
AKF - Climate change initiatives	-	-	327,106,000	-	-	-	(11,198,419)	(254,404,623)	-	-	61,502,967
AKF - UBS recovery of flood affected communities	-	-	-	-	-	-	-	(364,222)	364,222	-	-
AKF - Enhancing craft and culture initiative in GB	-	-	7,009,551	-	-	-	-	(8,301,257)	1,291,706	-	-
AKF - KFW early childhood development	-	-	3,000,000	-	-	-	-	(612,720)	-	-	2,387,280
	(63,129,435)	803,262,160	2,101,156,523	176,320,501	(11,805,359)	(42,052,902)	(2,319,196,584)	140,478,767	785,033,752		

AKF

Donor Name	Opening balance as at January 1, 2023				Closing balance as at December 31, 2023				
	Receivable from donors	Restricted grant	Received during the year	Interest income	Refund to donors	Transferred to deferred capital grant	Grant income recognized (Project expenditure during the year)	Receivable from donors	Restricted grant
	Rupees								
Through other sources									
15.2. Aga Khan Agency for Habitat, Pakistan, a related party	(161,884)	-	18,137,888	-	-	-	(23,846,377)	5,670,173	-
Pakistan extended relief & early recovery AKDN Relocation program in the Badswat of Immit Valley	-	-	7,683,543	-	-	-	(1,480,860)	-	6,192,893
	(161,884)	-	25,821,431	-	-	-	(25,137,037)	5,670,173	6,192,893
15.3. Pakistan Poverty Alleviation Fund (PPAF) Development of Hydropower and Renewable Energy Program in KPK	(1,793,820)	-	1,723,023	10,797	-	-	-	-	-
15.4. Social Mobilization ETI-I/FAD	-	-	-	-	-	-	-	-	-
15.5. Rural Support Programmes Network, a related party	(1,689,912)	23,993,368	4,070,000	-	-	-	-	-	28,063,368
15.6. Government of Pakistan-GPP	-	667,718	-	-	-	-	-	1,689,912	-
15.7. Government of Pakistan-NAVTC	-	642,860	-	-	-	-	-	-	667,718
15.8. Serena Hotels, a related party	-	1,650,698	-	-	-	-	(3,697,650)	2,046,962	642,860
Total	(86,714,851)	830,218,824	2,132,770,977	176,331,298	(11,805,398)	(42,052,802)	(2,348,031,281)	149,885,814	820,900,581

15.9 Transaction Price Allocated to the Remaining Performance Obligations

Construction of 65 Micro / Mini Hydro Power Projects in Chitral funded by PEDO

As of December 31, 2023, the aggregate amount of the transaction price allocated to the remaining performance obligations is Rs Nil (2022: Rs 261,336,246).



16	DEFERRED CAPITAL GRANT	Note	2023 Rupees	2022 Rupees
	Balance as on January 1,		79,381,053	36,788,291
	Cost of assets purchased during the year	15	42,052,802	57,425,283
	Amorlization during the year			
	Depreciation		(26,160,087)	(14,323,162)
	Net book value of donor funded assets disposed off		-	(509,359)
			(26,160,087)	(14,832,521)
	Balance as at December 31,		<u>95,273,768</u>	<u>79,381,053</u>
17	REVOLVING FUND FOR ACCELERATE PROSPERITY			
	Balance as on January 1,		30,073,436	28,692,481
	Add: Additions during the year			
	Interest income on outstanding loans	17.1	-	137,291
	Space rental, training fee and other income	17.2	-	1,243,664
			-	1,380,955
	Less: Deductions during the year			
	Reimbursement of interest expense and others	17.3	(7,356,082)	-
	Balance as on December 31,	17.4	<u>22,717,354</u>	<u>30,073,436</u>
17.1	For the year 2022, this mainly represented interest income on loans extended to enterprises @ 8% per annum.			
17.2	For the year 2022, this represented income generated under Accelerate Prosperity project on account of trainings for business incubation, seminars and events, penalty charges and rental income by subletting the project office premises.			
17.3	This includes an amount of Rs 6.2 million (2022: Nil) relating to reimbursements made by the Company to enterprises for interest expenses paid by them above the approved rate of 8% per annum, under the Accelerate Prosperity project.			
17.4	This represents funds received from related parties i.e. AKF, Geneva, AKF, UK and European Commission (EC) to extend loans to enterprises under Accelerate Prosperity Project.			
18	OTHER PAYABLES	Note	2023 Rupees	2022 Rupees
	Provision for leave encashment		23,722,766	15,868,834
	Retention money payable		19,232,940	28,960,167
	Accrued and other liabilities		140,572,047	31,571,886
	Community support fund		-	1,094,640
	Payable to PEDO		-	2,422,443
	Payable to Provident Fund		282,028	5,161,658
	Other payables	18.1	131,900,000	117,000,000
			<u>315,709,781</u>	<u>202,079,628</u>

18.1 This represents amount received from Aga Khan Foundation - Pakistan, a related party, to meet working capital deficiencies of PEDO project.

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19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

There were no material contingencies as at year end (2022: Nil).

19.2 Commitments

	2023 Rupees	2022 Rupees
19.2.1 Commitment to village / women organizations in respect of programme grants for physical infrastructure projects	<u>102,574,860</u>	<u>172,480,420</u>

19.2.2 The Company has given guarantees of Rs 242 million (2022: Rs 68 million) to Habib Bank Limited (HBL) in respect of loans extended to the borrowers by HBL under "Accelerate Prosperity" project. Such loans were availed by 47 (2022: 18) borrowers as at the year end amounting to Rs 230 million and are secured against lien on bank deposit of the Company maintained with HBL. The impact of recognition of such guarantees at their fair value is immaterial, accordingly has not been recognised in these financial statements.

20 INCOME FROM MICROHYDEL PROJECTS	Note	2023 Rupees	2022 Rupees
Income under PEDO project	20.1	<u>275,184,945</u>	<u>422,473,147</u>

20.1 This relates to income recognized on account of 8 completed projects under 'Micro/mini hydel power project in Chitral' (now 54 projects after drop out of Drasun project in the year 2020) (PEDO Project). During the year, PEDO project have been fully completed.

21 OTHER INCOME	Note	2023 Rupees	2022 Rupees
Income from financial assets	21.1	<u>87,408,685</u>	46,959,878
Income from other than financial assets	21.2	<u>28,868,136</u>	4,738,487
		<u>116,276,821</u>	<u>51,698,365</u>

21.1 Income from financial assets

Interest income on:

Term Deposit Receipts	<u>69,754,627</u>	38,833,957
Local currency savings bank accounts	<u>17,654,058</u>	8,125,921
	<u>87,408,685</u>	<u>46,959,878</u>

21.2 Income from other than financial assets

Vehicle rental income	150,000	3,157,762
Recovery of penalties from PEDO	21.2.1	<u>20,742,869</u>
Reimbursement of interest expenses	21.2.2	<u>6,195,604</u>
Others	<u>1,779,663</u>	1,580,725
		<u>28,868,136</u>

21.2.1 This represents income on account of liquidated damages deducted in prior years related to PEDO project. Subsequent to the year end, on January 31, 2024, the amount has been received from PEDO in full.

21.2.2 This represents reimbursements made by the Company to enterprises for interest expenses paid by them above the approved rate of 8% per annum, under the Accelerate Prosperity project.

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	Note	2023 Rupees	2022 Rupees
22 CIVIL SOCIETY DEVELOPMENT			
Staff salaries and benefits	28.1	133,957,825	90,864,816
Staff training		486,942	-
Community based trainings		50,703,119	13,700,714
Workshops, conferences and exposure visits		98,841,540	37,001,436
Support to LSOs, CSOs and VBIs		120,073,621	29,241,069
Research, survey and studies		8,198,186	10,255,811
Establishment of adolescent friendly space		117,218,731	25,530,838
Digital solution pilot project		4,615,000	1,200,000
Youth capacity building and support		16,021,069	6,113,361
Early childhood development		22,522,503	5,175,372
Establishment of greenhouses		6,353,951	172,700
Award of microgrants to youth		62,538,758	-
Formation of community based saving groups		6,158,631	-
Total operations		<u>647,689,876</u>	<u>219,256,117</u>
Staff travel		19,032,930	11,278,051
Vehicle operations		30,970,361	26,717,622
Depreciation	6.2	11,040,159	3,988,060
Rent and maintenance		18,201,582	16,220,291
Others		15,113,083	15,963,663
Total support		<u>94,358,115</u>	<u>74,167,687</u>
Consultancies		417,000	1,666,500
		<u>742,464,991</u>	<u>295,090,304</u>
23 GENDER AND DEVELOPMENT			
Staff salaries and benefits	28.1	-	2,179,779
Total operations		<u>-</u>	<u>2,179,779</u>
Staff travel		-	35,750
Depreciation	6.2	-	36,748
Total support		<u>-</u>	<u>72,498</u>
		<u>-</u>	<u>2,252,277</u>

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24	RESOURCE DEVELOPMENT	Note	2023 Rupees	2022 Rupees
	Staff salaries and benefits	28.1	63,790,018	49,077,598
	Foods and nutrition support		2,597,244	2,905,244
	Establishment of green house and orchards		13,498,475	41,953,762
	Livelihood support services		35,100,353	32,587,104
	Community based trainings		420,297	2,104,314
	Workshops, conferences and exposure visits		1,506,060	1,181,019
	Programme grants - infrastructure	24.1	744,041,891	823,966,865
	Plantation and nursery management		70,974,630	59,780,909
	Research, survey and studies		31,625,364	2,502,800
	Support to LSOs, CSO's and VBIs		50,152,738	810,000
	Construction of IT Park & ICT spaces		159,463,679	73,510,120
	Grant to subsidiary companies		9,095,223	15,032,323
	Total operations		1,182,265,972	1,105,412,058
	Staff travel		6,236,044	5,736,640
	Vehicle operations		16,172,021	12,561,569
	Depreciation	6.2	1,672,717	819,744
	Rent and maintenance		5,846,996	5,491,415
	Utilities		1,473,608	1,570,589
	Others		3,137,872	3,019,415
	Total support		34,539,258	29,199,372
	Consultancies		2,035,555	-
			1,218,840,785	1,134,611,430
24.1	Programme grants - infrastructure			
	Bridges		31,723,651	36,588,774
	Hydel power projects		133,565,598	38,856,368
	Irrigation channels		174,398,390	201,768,625
	Link roads		47,649,578	58,593,913
	Hydel power projects - PEDO project	24.1.1	328,141,310	488,159,185
	Flood protection wall		2,665,924	-
	Community resource center		837,500	-
	Animal sheds		25,059,940	-
			744,041,891	823,966,865

24.1.1 This relates to expenditure recognized on account of 8 (2022: 22) completed projects under 'Micro/mini hydel power project in Chitral' (now 54 projects after drop out of Drasun project in the year 2020) (PEDO Project). During the year, PEDO project has been fully completed.

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25 MARKET DEVELOPMENT	Note	2023 Rupees	2022 Rupees
Staff salaries and benefits	28.1	31,438,297	34,724,495
Research, survey and studies		58,090	1,802,996
Community based trainings and capacity building		21,345,373	592,504
Workshops, conferences and exposure visits		3,226,215	1,419,324
Youth skill & Professional development program		38,943,528	18,992,876
Support to entrepreneurs and service providers		126,092,312	7,252,340
Construction of IT Park & ICT spaces		-	1,083,000
Establishment of greenhouses		2,959,577	5,905,975
Total operations		224,063,392	71,773,510
Staff travel		1,876,233	1,021,134
Vehicle operations		2,535,887	966,970
Depreciation	6.2	1,576,857	983,368
Rent and maintenance		2,718,195	367,799
Utilities		409,377	132,475
Others		1,685,604	191,474
Total support		10,802,153	3,663,220
Consultancies		3,113,000	148,800
		237,978,545	75,585,530
26 ACCELERATE PROSPERITY			
Staff salaries and benefits	28.1	74,314,603	74,878,207
Staff training		246,891	30,020
Research, survey and studies		37,754	10,502,858
Reimbursement of interest expenses		6,195,604	-
Support to entrepreneurs and service providers		22,877,103	12,432,163
Incubation and startup		35,843,538	41,392,570
Youth skill & Professional development program		-	-
Community based trainings and capacity building		7,481,286	-
Workshops, conferences and exposure visits		1,328,346	-
Total operations		148,325,125	139,235,818
Staff travel		22,961,221	12,433,961
Vehicle operations		6,929,185	3,733,207
Depreciation	6.2	6,446,513	5,820,527
Rent and maintenance		10,295,498	13,242,593
Utilities		59,793	134,812
Loss on disposal of property and equipment		-	96,906
Others		3,639,222	1,201,364
Total support		50,331,432	36,663,370
Consultancies		10,364,126	-
		209,020,683	175,899,188

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27	COVID-19 PROJECTS	Note	2023 Rupees	2022 Rupees
	Staff salaries and benefits	28.1	22,739,878	19,582,533
	Research, survey and studies		12,239,390	3,157,000
	Community based trainings and capacity building		4,822,801	8,146,753
	Workshops, conferences and exposure visits		2,538,871	1,170,682
	Youth skill & professional development program		11,051,645	5,320,334
	Support to LSOs, CSOs and VBIs		41,474,979	17,143,554
	Total operations		<u>94,867,564</u>	<u>54,520,856</u>
	Staff travel		1,111,592	1,675,768
	Vehicle operations		5,704,248	5,750,256
	Rent and maintenance		2,003,378	2,148,082
	Utilities		586,180	1,369,498
	Depreciation	6.2	332,139	-
	Others		983,223	972,794
	Total support		<u>10,720,760</u>	<u>11,916,398</u>
	Consultancies		1,682,300	-
			<u>107,270,624</u>	<u>66,437,254</u>
28	MANAGEMENT AND ADMINISTRATION			
	Staff salaries and benefits	28.1	190,306,021	131,860,609
	Staff Training		50,000	-
	Consultancies		-	1,232,000
	Board of Directors travel and accommodations		306,015	497,100
	Staff travel		23,527,505	11,005,470
	Vehicle operations		3,024,308	4,295,969
	Rent and maintenance		20,313,147	18,992,363
	Depreciation	6.2	5,588,790	3,423,527
	Utilities		2,375,740	1,028,140
	Office supplies		2,516,931	2,232,321
	Communication		608,123	380,337
	Bank charges		1,033,783	531,444
	Printing and publication		68,896	62,679
	Official meals and refreshment		4,658,803	4,639,151
	Legal and professional fee		4,877,008	1,497,659
	Auditors' remuneration	28.2	6,330,355	2,704,245
			<u>265,585,425</u>	<u>184,383,014</u>
28.1	Salaries and benefits include Rs 31,482,539 (2022: Rs 25,433,778) in respect of staff retirement benefits.			
28.2	Auditor's remuneration		2023 Rupees	2022 Rupees
	Statutory audit		1,200,000	975,000
	Audit / AUP of grants		4,896,325	1,631,745
	Out of pocket expenses		234,030	97,500
			<u>6,330,355</u>	<u>2,704,245</u>
29	LOSS ALLOWANCE FOR EXPECTED CREDIT LOSSES / (REVERSAL) OF IMPAIRMENT LOSS			
	Receivable from donors		1,893,210	-
	Long-term investments		-	(999,600)
	Long-term loan to subsidiaries		-	(4,050,000)
			<u>1,893,210</u>	<u>(5,049,600)</u>

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30	TOTAL EXPENDITURE	Civil society development	Gender and development	Resource development	Market development	Accelerate Prosperity	COVID-19 projects	Management and administration	Total
Through the Aga Khan Foundation, Pakistan - a related party									
30.1	The Aga Khan Foundation, Pakistan (AKF)								
	AKF - Accelerate Prosperity (AKF - G)	-	-	-	-	6,449	-	-	6,449
	AKF - Accelerate Prosperity (AKF - UK)	-	-	-	-	10,000,000	-	2,552	10,002,552
	AKF - Accelerate Prosperity (EC)	-	-	-	-	158,097,750	-	3,204,379	161,302,129
	AKF - Programme for resource poor valleys	940,476	-	403,587,245	39,455	14,057	-	45,554,713	450,135,946
	AKF - All Weather Road to Broguit Valley	30,810	-	30,783,931	-	-	-	2,178,617	32,993,358
	AKF - Sadpara Development Project	-	-	183,738	20,313	-	-	158,609	362,660
	AKF - Shehri and Khandaan	171,007,104	-	-	-	-	50,407	9,676,995	180,734,507
	AKF - Foundation for health & education	145,630,806	-	9,253	698,147	-	813,299	15,481,693	162,633,198
	AKF - Plantation programme	-	-	3,087,471	-	-	-	545,095	3,632,566
	AKF - Building resilience of civil society and youth to COVID-19 in Gilgit-Baltistan and Chitral	11,131,945	-	1,599	21,180	-	106,319,856	16,232,016	133,706,596
	AKF - Improved governance of the national parks across the Wakhan corridor	-	-	45,656,700	-	-	-	3,323,405	48,982,105
	AKF - Broadening Economic and Social Transformation for Women's Economic Empowerment and Recovery (BESTWEER)	315,899,779	-	23,467,510	228,581,492	34,706,010	42,279	74,159,932	676,847,008
	AKF - Improving Early Childhood Development (ECD) outcomes in Pakistan	19,807,603	-	512,296	-	-	-	2,221,145	22,541,044
	AKF - Biodiversity component of the development of hydropower and renewable energy - II project	626,430	-	33,434,568	-	-	-	16,188,042	50,449,040
	AKF - KADO IT - Spoke (AKF - G)	10,275,000	-	-	-	-	-	-	10,275,000
	AKF - CFL winter sports	7,521,380	-	-	-	-	-	-	7,521,380
	AKF - Quality of life assessment (AKF - G)	765,865	-	-	-	-	-	38,813	834,679
	AKF - Miyawaki micro forest (AKF - G)	-	-	628,614	-	-	-	-	628,614
	AKF - School improvement programme (SIP)	49,096,655	-	239	30,000	-	-	2,559,690	51,696,784
	AKF - Calendars and cash project	5,815,282	-	-	-	-	-	456,559	4,270,841
	AKF - CIDAEELY	12,347	-	-	5,637	-	-	72,185	90,170
	AKF - AQCES	1,000	-	-	-	-	-	1,000	2,000
	AKF - Forestry project	3,600	-	147,000	-	-	-	-	3,600
	AKF - Reducing impact of COVID -19 in Gilgit Baltistan (WASH) and KP	-	-	-	-	-	-	-	147,000
	AKF - Climate resilience WASH support to floods affected districts in Sindh and KP	-	-	20,037,088	-	-	-	-	20,037,088
	AKF - Bank Alfalah increasing resilience & helping people recover	647,187	-	23,254,402	21,147	-	-	716,716	24,639,452
	AKF - Danish increasing communities resilience to climate change	-	-	22,950	-	-	-	-	22,950
	AKF - Building resilience & addressing vulnerability to emergencies (BRAVE)	691,491	-	20,664,053	-	-	-	2,458,288	23,813,832
	AKF - Wild frontiers foundation	-	-	2,715,860	-	-	-	-	2,715,860
	AKF - Climate change initiatives	20,059	-	253,260,698	2,000	-	11,430	1,423,971	254,718,158
	AKF - UBS recovery of flood affected communities	-	-	89,552	-	-	-	284,670	364,222
	AKF - Enhancing craft and culture initiative in GB	-	-	-	7,991,603	-	-	309,654	8,301,257
	AKF - KEW early childhood development	612,720	-	-	-	-	-	-	612,720
		738,727,540	-	861,536,783	237,410,974	202,824,266	107,237,271	197,287,941	2,345,034,775

TOTAL EXPENDITURE		Civil society development	Gender and development	Resource development	Market development	Accelerate Prosperity	COVID-19 projects	Management and administration	Total
Rupees									
Through other sources									
30.2	Aga Khan Agency for Habitat Pakistan, a related party	-	-	23,648,377	-	-	-	-	23,646,377
	Pakistan extended relief & early recovery	-	-	1,475,140	15,520	-	-	-	1,490,660
	AKON Relocation program in the Badswat of Immit Valley	-	-	25,121,517	15,520	-	-	-	25,137,037
30.3	Government of Khyber Pakhtunkhwa (PEDO)	-	-	328,141,310	-	-	-	-	328,141,310
30.4	Pakistan Poverty Alleviation Fund (PPAF)	-	-	7,660	-	-	-	-	7,660
	PPAF PPR Phase	-	-	7,660	-	-	-	-	7,660
30.5	Swiss Agency for Development and Cooperation-SDC	-	-	18,513	4,951	-	-	27,830	51,294
	Water and Energy Security through Micro Hydel in Hindukush	-	-	18,513	4,951	-	-	27,830	51,294
30.6	Colombo Plan Drug Advisory	600	-	13,789	-	-	-	2,693	17,082
	Wash Early Restoration Project	600	-	13,789	-	-	-	2,693	17,082
30.7	European Commission								
	The Jewel of Pakistan: Developing and Sustainable Value Chain for Gems and Jewellery Sector in Northern Pakistan	400	-	18,530	2,500	-	-	-	21,430
	Deepening Participatory Governance in Gilgit-Baltistan	12,900	-	-	-	-	-	3,505	16,405
		13,300	-	18,530	2,500	-	-	3,505	37,835
30.8	Social Mobilization ETI-IFAD	126,932	-	-	-	-	-	5,600	132,532
30.9	Ms. Durain Cassim	-	-	-	-	-	-	17,000	17,000
31.10	Government of Pakistan-GPP	-	-	-	-	-	-	3,000	3,000
31.11	United Nations International Children Education Fund (UNICEF)	8,000	-	-	-	-	-	-	8,000
31.12	Serena Hotels, a related party	-	-	3,585,955	-	-	-	133,447	3,734,402
31.13	Food and Agriculture Organization	-	-	9,560	-	-	-	-	9,560
31.14	Multi Input Resettlement Program	-	-	1,200	-	-	-	-	1,200
		738,876,372	-	1,218,464,807	237,433,945	202,024,266	107,237,271	197,496,017	2,702,332,678
	Funded by own sources	3,586,619	-	375,978	544,600	8,196,417	33,353	68,089,408	76,828,375
	Total	742,464,991	-	1,218,840,785	237,978,545	209,020,683	107,270,624	265,585,425	2,781,161,053
	Corresponding figures for year ended December 31, 2022	295,090,304	2,252,277	1,134,611,430	75,585,530	175,399,186	66,437,254	184,383,014	1,934,256,997

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31 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

31.1 Fair values

All financial assets and financial liabilities are initially recognized at fair value of consideration paid or received, net of transaction cost as appropriate and subsequently carried at amortized cost, except for long-term investments in equity securities, as disclosed in note 7.3, which are subsequently carried at fair value through other comprehensive income. Carrying values of all other financial assets and financial liabilities approximates their fair values.

31.2 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 (i.e. long-term equity investments carried at fair value through other comprehensive income), 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 January 1, 2023	720,556,496
Loss included in Other Comprehensive Income - net changes in fair value (unrealized)	(107,958,066)
Investment in MOGH Limited disposed off	(1,094,640)
Balance at December 31, 2023	<u>611,503,790</u>

The Company's management has carried out valuation of equity shares of HBL Micro Finance Bank Limited, based on expected cashflows for the future years and terminal values. The future cash flows for next five years have been discounted at a risk adjusted discount rate of 20.33% per annum and terminal growth rate of 2%. Based on this valuation, management believes that the fair value of shares is Rs. 20.38 per share as at December 31, 2023.

Sensitivity analysis

For the fair values of equity securities - through other comprehensive income, 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 - Investments through other comprehensive income	Other Comprehensive Income	
	1% increase Rupees	1% decrease Rupees
December 31, 2023		
Risk-adjusted discount rate (1% movement)	(49,569,126)	55,876,151
December 31, 2022		
Risk-adjusted discount rate (1% movement)	(43,412,269)	48,978,282

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31.3 Financial instruments by category

December 31, 2023

Financial assets	Amortized cost	Fair value through other comprehensive income
	Rupees	
Maturity up to one year		
Loans and advances	5,972,872	-
Deposits and other receivables	42,069,958	-
Receivable from related parties	28,455,197	-
Contract assets	-	-
Receivable from donors	143,625,389	-
Short-term investments	499,734,152	-
Bank balances	719,167,015	-
	<u>1,439,024,583</u>	<u>-</u>
Maturity after one year		
Long term investments	-	611,503,790
	<u>1,439,024,583</u>	<u>611,503,790</u>
Financial liabilities		
Maturity up to one year		
Other payables	291,987,015	-
	<u>291,987,015</u>	<u>-</u>

December 31, 2022

Financial assets	Amortized cost	Fair value through other comprehensive income
	Rupees	
Maturity up to one year		
Loans and advances	3,977,588	-
Deposits and other receivables	3,521,237	-
Receivable from related parties	4,409,948	-
Contract assets	46,374,452	-
Receivable from donors	62,347,636	-
Short-term investments	332,618,520	-
Bank balances	901,681,538	-
	<u>1,354,930,919</u>	<u>-</u>
Maturity after one year		
Long term investments	15,932,000	720,556,496
	<u>1,370,862,919</u>	<u>720,556,496</u>
Financial liabilities		
Maturity up to one year		
Other payables	186,210,794	-
	<u>186,210,794</u>	<u>-</u>

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31.4 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 VIS Credit Rating Company Limited (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	2023 Rupees	2022 Rupees
	Long Term	Short Term			
Non-current assets					
Long-term investments					
Counterparties with external credit ratings					
HBL Microfinance Bank Limited	A+	A-1	VIS	<u>611,503,790</u>	<u>719,461,856</u>
NRSP Microfinance Bank Limited	A	A-1	PACRA	<u>-</u>	<u>15,932,000</u>
Counterparties without external credit ratings					
MOGH Limited				<u>-</u>	<u>1,094,640</u>
Current assets					
Short-term investments					
Counterparties with external credit ratings					
Habib Bank Limited	AAA	A-1+	VIS	<u>100,569,580</u>	<u>-</u>
HBL Microfinance Bank Limited	A+	A-1	VIS	<u>399,164,572</u>	<u>332,618,520</u>
				<u>499,734,152</u>	<u>332,618,520</u>
Bank balances					
Counterparties with external credit ratings					
Habib Bank Limited	AAA	A-1+	VIS	<u>711,201,593</u>	<u>859,742,040</u>
HBL Microfinance Bank Limited	A+	A-1	VIS	<u>1,456,464</u>	<u>32,535,544</u>
Soneri Bank Limited	AA-	A-1+	PACRA	<u>3,262,113</u>	<u>6,213,328</u>
National Bank of Pakistan	AAA	A-1+	PACRA	<u>2,069,245</u>	<u>2,069,245</u>
Bank Alfalah Limited	AA+	A-1+	PACRA	<u>260</u>	<u>260</u>
NRSP Microfinance Bank Limited	A	A-1	PACRA	<u>1,177,340</u>	<u>1,121,121</u>
				<u>719,167,015</u>	<u>901,681,538</u>
Counterparties without external credit ratings:					
Loans and advances				<u>5,972,872</u>	<u>3,977,588</u>
Deposits and other receivables				<u>42,069,958</u>	<u>3,521,237</u>
Receivable from related parties				<u>28,455,197</u>	<u>4,409,948</u>
Contract assets				<u>-</u>	<u>46,374,452</u>
Receivable from donors				<u>143,625,389</u>	<u>62,374,636</u>
				<u>220,123,416</u>	<u>120,657,861</u>

31.5 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.

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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 including bank balances 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:

	2023 Rupees	2022 Rupees
Loan and advances	5,972,872	3,977,588
Deposits and other receivables	42,069,958	3,521,237
Receivable from related parties	28,455,197	4,409,948
Contract assets	-	46,374,452
Receivable from donors	143,625,389	62,347,636
Short term investments	499,734,152	332,618,520
Bank balances	719,167,015	901,681,538
	<u>1,439,024,583</u>	<u>1,354,930,919</u>

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 optimizing 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.

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

	Carrying Amount	Contractual Cash flows
	Rupees	
As at December 31, 2023		
Other payables	<u>291,987,015</u>	<u>291,987,015</u>
As at December 31, 2022		
Other payables	<u>186,210,794</u>	<u>186,210,794</u>

It is not expected that the cash flows included in the above 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 may be exposed to interest rate and currency risks.

Market risk management is further analyzed 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. At the statement of financial position date the interest rate risk profile of the Company's interest bearing financial instrument is:

	2023 Rupees	2022 Rupees
Long term investments in TDRs	-	15,932,000
Loans and advances	1,189,024	1,801,191
Short-term investments	499,734,152	332,618,520
Bank balances	717,036,998	897,875,463
	<u>1,217,960,174</u>	<u>1,248,227,174</u>

The management of the Company estimates that a 1% increase in the market interest rates, with all other factors remaining constant, would decrease the Company's deficit by Rs 12,179,602 (2022: Rs 12,482,272), and a 1% decrease in the market interest rates would increase the Company's deficit by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(ii) Currency risk management

The currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is not exposed to any currency risk at reporting date.

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.

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33 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:

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

Basis of Relationship	Name of Related Party	Aggregate %age shareholding by the Company
Subsidiary company	Ozhor Utility Company Limited	55.08%
	Yadgar Utility Company Limited	50.03%
	Shandur Utility Company Limited	49.74%
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
	Tourism Promotion Services (Pakistan) Limited	Nil
Others	Long-term investments - HBL Microfinance Bank Limited	4.46%
	The Aga Khan University Hospital, Pakistan	Nil
	Aga Khan Foundation, Pakistan	Nil
	Aga Khan Agency for Habitat, Pakistan	Nil
	Habib Bank Limited	Nil
	Jubilee General Insurance Company Limited	Nil
Staff retirement fund	Aga Khan Rural Support Programme - Staff Provident Fund	Nil

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33.2 Transactions during the year:	2023 Rupees	2022 Rupees
Subsidiaries		
Expenses incurred on behalf of subsidiaries	-	400,000
Payment received on divestment of subsidiary / collection from subsidiaries	-	1,683,740
Grants disbursed during the year including repayment of external debts	9,095,223	15,032,323
Associated undertakings by virtue of common directorship		
Payments made to associated undertakings	16,487,721	11,297,626
Grant received from associated undertakings	-	17,440,000
Others		
Expenses incurred on behalf of related parties	18,678,447	6,881,200
Collection made from related parties on behalf of expenses incurred for them	9,259,652	2,888,585
Payments made to related parties	18,346,079	72,075,500
Grant received from associated undertakings	2,126,977,954	1,613,116,565
Grant refunded through associated undertakings to donor	11,805,398	1,025,825
Insurance premium paid	7,238,236	3,548,775
Interest received on bank deposits and TDRs	174,711,035	113,521,929
Vehicles rental income received	150,000	7,770,666
Premises rental income received	-	1,183,940
Staff Retirement Fund		
Contribution to staff provident fund	31,482,539	25,433,778
Balances with related parties		
Payable to related party	131,900,000	117,000,000
Receivable from related party	28,455,197	4,409,948
Balances with Habib Bank Limited		
Bank balances	711,201,593	859,742,040
Short-term investments in TDRs	100,569,580	-
Balances with HBL Microfinance Bank Limited		
Bank balances	1,456,464	32,535,544
Short-term investments in TDRs	399,164,572	332,618,520

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33.3 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 13.2, the Company has provided cumulative financial assistance to subsidiaries for the years 2017, 2018, 2019, 2020, 2021, 2022 and 2023 which have been charged off to income and expenditure statement in respective years.

	Yadgar Utility Company Limited	Shandur Utility Company Limited Rupees	Ozhor Utility Company Limited
Cumulative amount of such assistance till December 31, 2023	<u>35,171,769</u>	<u>27,646,574</u>	<u>49,816,103</u>

34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2023		
	Chief Executive Officer	Executives	Total
	-----Rupees-----		
Basic pay	10,706,075	80,027,071	90,733,146
Allowances	5,888,341	53,424,660	59,313,001
Contribution to Provident fund	1,382,868	10,522,330	11,905,198
	<u>17,977,284</u>	<u>143,974,061</u>	<u>161,951,345</u>
Number of persons	<u>1</u>	<u>38</u>	<u>39</u>
	-----Rupees-----		
	Chief Executive Officer	Executives	Total
	-----Rupees-----		
Basic pay	9,005,110	58,010,026	67,015,136
Allowances	6,152,810	44,751,514	50,904,324
Contribution to Provident fund	1,395,792	8,821,024	10,216,816
	<u>16,553,712</u>	<u>111,582,564</u>	<u>128,136,276</u>
Number of persons	<u>1</u>	<u>27</u>	<u>28</u>

No remuneration was paid to directors for their services to the Company (2022: Nil)

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

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35 NUMBER OF PERSONS EMPLOYED

35.1 REGION-WISE

	<u>No. of permanent employees</u>	
	<u>2023</u>	<u>2022</u>
Baltistan	51	39
Chitral	78	48
Gilgit	82	73
Core	64	54
Accelerate Prosperity	25	29
Total	300	243
Average employees during the year (Number)	272	233

36 GENERAL

These financial statements have been authorized for issue by the Board of Directors of the Company on 04 APR 2024.

AKH


Chairman


Director


Chief Executive Officer