



**TRUST FOR DEMOCRATIC EDUCATION
AND ACCOUNTABILITY**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

EY Ford Rhodes
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF TRUSTEES

We have audited the accompanying financial statements of the **Trust for Democratic Education and Accountability (the "Trust")**, which comprise of the balance sheet as at **30 June 2016**, and the income and expenditure account, statement of comprehensive income, cash flow statement and statement of changes in funds for the year then ended, and a summary of significant accounting policies and other explanatory information (here-in-after referred to as the "financial statements").

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements 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 Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As disclosed in note 20.1.4 to the financial statements, the expenditure amounting to PKR 108.691 million, was incurred by The Asia Foundation, an implementing partner of TDEA, for the Citizen's Voice Project (CVP). In respect of the aforesaid amount, we were unable to verify the underlying supporting documents/records. Consequently, we were unable to determine the completeness and accuracy of expenditure, reported by the implementing partner, and whether any adjustment to this amount was necessary.





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working world

Qualified Opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Trust as at 30 June 2016, and of its surplus, its cash flows and changes in reserves for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Other Matter

The financial statements of the Trust for the year ended 30 June 2015, were audited by another firm of Chartered Accountants, who expressed a qualified opinion on those financial statements on 18 March 2017.

Ey Fird Roshdy

Chartered Accountants

Audit Engagement Partner's Name: Khayyam Mushir

Date: 20 July 2017

Place: Islamabad



TRUST FOR DEMOCRATIC EDUCATION AND ACCOUNTABILITY
BALANCE SHEET
AS AT 30 JUNE 2016

	Note	2016 -----Rupees-----	2015
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets	6	20,876,916	26,354,270
Intangible assets	7	33,486	708,250
		<u>20,910,402</u>	<u>27,062,520</u>
CURRENT ASSETS			
Advances	8	2,590,268	2,696,657
Deposits and short-term prepayments	9	12,068,710	5,399,486
Receivable from gratuity fund	10	1,320,517	1,259,219
Other receivables	11	2,040,067	4,024,162
Advance taxation		1,542,540	1,612,848
Cash and bank balances	12	28,776,114	123,380,566
		<u>48,338,216</u>	<u>138,372,938</u>
TOTAL ASSETS		<u>69,248,618</u>	<u>165,435,458</u>
RESERVES AND LIABILITY			
RESERVES / FUNDS			
Endowment fund	13	10,376,731	10,172,853
Restricted reserve fund	14	15,487,742	6,025,755
Accumulated surplus		1,855,159	1,810,588
		<u>27,719,632</u>	<u>18,009,196</u>
NON-CURRENT LIABILITIES			
Deferred capital grant	15	15,443,865	24,700,456
Restricted grant	16	3,198,099	109,238,926
		<u>18,641,964</u>	<u>133,939,382</u>
CURRENT LIABILITIES			
Trade and other payables	17	22,887,022	13,486,880
		<u>69,248,618</u>	<u>165,435,458</u>
CONTINGENCIES AND COMMITMENTS			
	18		

The annexed notes, from 1 to 28, form an integral part of these financial statements.



CHAIRPERSON



CHIEF EXECUTIVE OFFICER

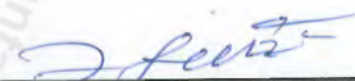
TRUST FOR DEMOCRATIC EDUCATION AND ACCOUNTABILITY
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 -----Rupees-----	2015
INCOME			
Grant	16	911,958,264	516,578,831
Amortization of deferred capital grant	15	14,127,993	6,611,586
Other income	19	37,884,173	34,104,093
		963,970,430	557,294,510
EXPENDITURE			
Projects' expenses	20	911,958,264	516,578,831
Administrative expenses	21	42,301,730	42,023,226
		954,259,994	558,602,057
Surplus / (Deficit) before appropriation		9,710,436	(1,307,547)
Appropriation:			
Transfer to endowment fund	13	203,878	598,858
Transfer to restricted reserve fund	14	9,461,987	(1,927,353)
SURPLUS FOR THE YEAR		44,571	20,948

The annexed notes, from 1 to 28, form an integral part of these financial statements.



CHAIRPERSON



CHIEF EXECUTIVE OFFICER

TRUST FOR DEMOCRATIC EDUCATION AND ACCOUNTABILITY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	-----Rupees-----	
Surplus for the year	44,571	20,948
Other comprehensive income for the year	-	-
Total comprehensive income for the year	44,571	20,948

The annexed notes, from 1 to 28, form an integral part of these financial statements.



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 CHIEF EXECUTIVE OFFICER



TRUST FOR DEMOCRATIC EDUCATION AND ACCOUNTABILITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 -----Rupees-----	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus / (Deficit) before appropriation		9,710,436	(1,307,547)
Adjustment for:			
Depreciation		15,576,719	6,607,817
Amortization		699,764	342,683
Grant income		(911,958,264)	(516,578,831)
Amortization of deferred capital grant		(14,127,993)	(6,611,586)
Interest / return on bank balances		(926,542)	(646,857)
Interest on short-term investment		(61,298)	(85,165)
Loss from disposal of property and equipment		26,126	67,942
		(910,771,488)	(516,903,997)
Operating deficit before working capital changes		(901,061,052)	(518,211,544)
Changes in working capital cycle:			
Advances		106,389	23,824,429
Deposits and short-term prepayments		(6,669,224)	705,643
Other receivables		(166,428)	1,568,874
Trade and other payables		9,331,060	(13,903,289)
		2,601,797	12,195,657
Restricted grant received		813,008,445	608,273,680
Income taxes		70,308	(5,136,593)
Net cash (used in) / generated from operating activities		(85,380,502)	97,121,200
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to fixed assets		(10,125,492)	(3,505,501)
Additions to intangible assets		(25,000)	(25,000)
Profit on deposit accounts received		926,542	646,857
Proceeds from disposal of fixed assets		-	20,948
Net cash used in investing activities		(9,223,950)	(2,862,696)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of short-term borrowings		-	(8,500,000)
Net cash used in from financing activities		-	(8,500,000)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(94,604,452)	85,758,504
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		123,380,566	37,622,062
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	28,776,114	123,380,566

The annexed notes, from 1 to 28, form an integral part of these financial statements.



CHAIRPERSON

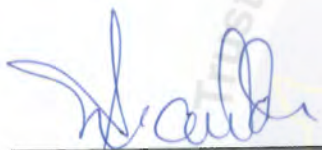


CHIEF EXECUTIVE OFFICER

TRUST FOR DEMOCRATIC EDUCATION AND ACCOUNTABILITY
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 30 JUNE 2016

	ENDOWMENT FUND	RESTRICTED RESERVE FUND	ACCUMULATED SURPLUS	TOTAL
	-----Rupees-----			
Balance at 01 July 2014	9,573,995	7,953,108	1,789,640	19,316,743
Total comprehensive income for the year				
Surplus for the year	598,858	(1,927,353)	20,948	(1,307,547)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	598,858	(1,927,353)	20,948	(1,307,547)
Balance at 30 June 2015	10,172,853	6,025,755	1,810,588	18,009,196
Total comprehensive income for the year				
Surplus for the year	203,878	9,461,987	44,571	9,710,436
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	203,878	9,461,987	44,571	9,710,436
Balance as at 30 June 2016	10,376,731	15,487,742	1,855,159	27,719,632

The annexed notes, from 1 to 28, form an integral part of these financial statements.



CHAIRPERSON



CHIEF EXECUTIVE OFFICER

TDEA

TRUST FOR DEMOCRATIC EDUCATION AND ACCOUNTABILITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. LEGAL STATUS AND OPERATIONS

The Trust for Democratic Education and Accountability ("TDEA" or the "Trust") was established in October 2008 under the Trust Act, 1882, after a spin-off of the Free and Fair Election Network (FAFEN). The Trustees of TDEA consult the General Council comprising representatives of all FAFEN member organizations on programmatic matters. TDEA is situated at Building No. 1, Street No. 5 (off) Jasmine Road, G-7/2, Islamabad.

The objectives of TDEA are as follows:

- To educate people of all ages, gender, race, ethnicity, creed and religion about their democratic rights and responsibilities.
- To educate people of all ages, gender, race, ethnicity, creed and religion about the significance of engaging in all forms of democratic accountabilities for democratic governance.
- To educate and engage people and non-political civil society groups in carrying out democratic accountabilities such as election observation, oversight of legislatures and legislators, monitoring of government functioning and any other as may be decided by the board.
- To undertake research and bring out periodic print and online publication in areas it deems fit in order to inform its work and for education of general public.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS), issued by International Accounting Standard Board (IASB) and as are notified under the Companies Ordinance, 1984, and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, shall prevail.

3. BASIS OF PREPARATION

3.1 These financial statements have been prepared under the historical cost convention.

3.2 Items included in the financial statements are measured using the currency of the primary economic environment in which TDEA operates. These financial statements are presented in Pakistan Rupees which is the functional and presentation currency of TDEA.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying TDEA's accounting policies. The estimates / judgments and associated assumptions are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgments, which are significant to the financial statements:

	<u>Note</u>
a) Useful lives of assets, residual value and methods of depreciation and amortization;	5.3 & 5.4
b) Taxation; and	5.8
c) Provisions;	5.9

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Changes in accounting policies and disclosures resulting from adoption of standards, interpretations and amendments during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

Amendments

TDEA has adopted the following amendments to standards, which became effective during the year:

IFRS 10, IFRS 12 & IAS 28	- Consolidated Financial Statements, Disclosure of interest in other entities and Investment in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendment)
IFRS 11	- Joint Arrangements – Accounting for Acquisition of Interest in Joint Operation (Amendment)
IFRS 13	- Fair Value Measurement
IAS 1	- Presentation of Financial Statements – Disclosure Initiative (Amendment)
IAS 16 & IAS 41	- Property, Plant and Equipment and Agriculture – Agriculture: Bearer Plants (Amendment)
IAS 27	- Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)
IAS 16 & IAS 38	- Property, Plant and Equipment and intangible assets – Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

The adoption of the above amendments did not have any effect on the financial statements.

In addition to the above standards and amendment, certain improvements to the following standards have also been made through the Annual Improvements 2012 - 2014 cycle, which are applicable for the year:

IFRS 5	- Non-Current Assets Held for Sale and Discontinued Operations – Change in method of disposal
IFRS 7	- Financial Instruments – Disclosures (i. Servicing contracts, ii. Applicability of the amendments to IFRS 7 to condensed interim financial reporting)
IAS 19	- Employees Benefits – Discount rate: regional market issue
IAS 34	- Interim Financial Reporting – Disclosure of information elsewhere in the interim financial report

Adoption of the above improvements to the standards did not have any impact on the TDEA's financial statements.

5.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, interpretations and amendments with respect to the approved accounting standards, as applicable in Pakistan, will be effective from the dates mentioned below against the respective standard or interpretation:



Standards, interpretations and amendments to the accounting standards	Effective date (annual periods Beginning on or after)
IFRS 2 - Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	January 01, 2018
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 7 - Statement of Cash Flows (Amendments) – Disclosure initiative, liability arising from financing activities	January 01, 2017
IAS 12 - Income Taxes (Amendments) Recognition of Deferred Tax Assets for unrecognized losses	January 01, 2017
IAS 40 - Investment Property: Transfers of Investment Property (Amendments)	January 01, 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	January 01, 2018

TDEA expects that the adoption of the above amendments to the standards will not affect TDEA's financial statements, in the period of initial application.

In addition to the above, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after January 01, 2017. TDEA expects that such improvements to the standards will not have any impact on TDEA's financial statements in the period of initial application.

Further, the following new standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan:

Standards	IASB Effective date (annual periods Beginning on or after)
IFRS 1 – First-time adoption of International Financial Reporting Standards	July 01, 2009
IFRS 9 – Financial Instruments	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contract with Customers	January 01, 2018
IFRS 16 – Leases	January 01, 2019

The following interpretations issued by the IASB have been waived off by SECP:

- IFRS 4 – Determining whether an arrangement contains lease
- IFRS 12 – Service concession arrangements

TDEA expects that the adoption of the above standards will have no material effect on TDEA's financial statements, in the period of initial application, except for IFRS 15 and IFRS 16. The management is in the process of determining the effect of application of IFRS 15 and IFRS 16.

5.3 Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost in relation to fixed assets comprises of acquisition and other directly attributable costs.

Depreciation is charged on reducing balance basis at rates specified in note 6 to the financial statements so as to write off the cost of operating fixed assets over their estimated useful lives. Full month's depreciation is charged in the month of purchase while no depreciation is charged in the month of disposal.

Subsequent costs are included in the assets carrying amount when it is probable that future economic benefits associated with the item will flow to TDEA and the cost of the item can be measured reliably. Carrying amount of the replaced part is derecognized. All other repair and maintenance expenses are charged to income and expenditure account during the year.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amounts of operating fixed assets and are recognized within other income in the income and expenditure account.

Change in accounting estimate

Rate per annum of fixed assets

TDEA determines the estimated rate per annum of its fixed assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge would be adjusted where management believes that the useful lives differ from current estimates. The management has reassessed the useful lives of operating fixed assets, with effect from 01 July 2015, as follows:

Fixed Assets	Rate per annum applied up to 30 June 2015	Rate per annum applied from 01 July 2016
Lease hold improvements	33%	35%
Furniture and fixtures	10%	45%
Office equipment	15%	45%
Computer equipment	33%	65%
Mobile phones	33%	75%
Vehicles	20%	45%

The impact of re-assessment of useful economic lives is a decrease in the reported surplus by PKR 8,137,205.

5.4 Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to TDEA and that the cost of such an asset can be measured reliably. These are stated at cost less accumulated amortization and impairment losses, if any.

Intangible assets comprise of computer software. Intangible assets are amortized on a reducing balance basis over their estimated useful lives at the rate specified in note 7 to the financial statements.

5.5 Foreign currency translation

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to income and expenditure account for the year.

5.6 Impairment

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount. 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 assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually 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 or CGUs.

TDEA's assets do not generate separate cash inflows. If there is an indication that an asset may be impaired, then the recoverable amount is determined for the CGU to which the asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in income and expenditure account.

Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's 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.

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income or expense and reflected in an allowance account. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income and expenditure account.

Impairment test for each cash generating unit is performed when there is an indication of impairment. At each year end, an assessment is made to determine whether there are any indications of impairment. TDEA conducts annually an internal review of asset values which is used as a source of information to assess any indications of impairment. If any such indication exists, an estimate of the asset's recoverable amount is calculated being the higher of the fair value of the asset less cost to sell and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the Income and Expenditure Statement so as to reduce the carrying amount of assets to its recoverable amount.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed to the Income and Expenditure Statement net of any depreciation that would have been charged since the impairment.

5.7 Grant**(a) Restricted grants**

Grants received for specific purposes are classified as restricted grants. Such grants are transferred to the income and expenditure account as grant income, to the extent of actual expenditure incurred there against. Expenditure incurred against committed grants but which are yet to be received, is accrued and recognized in income and reflected as a grant receivable, only if the conditions of agreement are met. The unspent portion of such grants are reflected as restricted grants in the balance sheet.

(b) Unrestricted grants

Unconditional grants are recognized as income upon receipt.

(c) Deferred capital grants**(i) Grants related to assets**

Monetary grants received for capital expenditure, are accounted for as deferred capital grants. Amounts equal to the annual charge for depreciation and amortization on assets so acquired, are recognized as income in the income and expenditure account.

(ii) Non-monetary grants

Donations received in the form of non-monetary assets are recognized at fair value and included in the income and expenditure account, when the related conditions are fulfilled.

5.8 Taxation

TDEA is in the process of obtaining the status of a "non-profit organization" under section 2(36) of the Income Tax Ordinance, 2001. Management is confident of such approval being granted before the filing of its tax return for the current tax year. TDEA meets the criteria of a non-profit organization as defined in the Ordinance, and accordingly, management considers that a 100% tax credit under Section 100C of the Ordinance is available to TDEA in respect of incomes specified in the said section. Accordingly, no provision for taxation has been recognized in these financial statements.

5.9 Provisions


Provisions are recognized when TDEA has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle such obligations and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

5.10 Endowment fund

The Endowment fund is established to ensure long-term sustainability of TDEA, and it is funded by income from membership fees, donations, profit on endowment fund's deposit accounts, and the return on investments, if any. The fund is utilized for acquisition of assets for the Trust, capacity building of FAFEN Member organizations, and shortfalls in restricted reserves up to 20% of the endowment fund (excluding interest and investment income).

5.11 Restricted reserve fund

The Restricted reserve fund is established to ensure sustainability of TDEA operational activities and it is funded by management fees, the related profit on the restricted reserve fund's deposit accounts, net receipts from fixed price contracts, and cost recovery from projects through implementing office cost and administrative cost. The fund is utilized for operational expenses (non-recoverable) not chargeable to any donor, bridge financing of operational expenses (recoverable), tax expenses and disallowances and logistical expenses of the Board of Trustees/Executive Council meetings.



5.12 Staff retirement benefits**Gratuity fund**

TDEA maintains a separate contribution fund for all its regular eligible employees. The scheme entitles the members to a lump sum payment at the time of retirement, resignation or death. Gratuity is payable to employees who have completed at least six months of service. The annual provision for gratuity is made on the basis of the last drawn salary and that particular amount is submitted into the fund. A provision is made annually to cover obligations under the scheme by way of a charge to the income and expenditure account.

Provident Fund

The TDEA maintains a funded contributory provident fund for all regular eligible employees. The employees contribute a monthly amount at the rate of 4.17% of their basic salary. TDEA's corresponding contributions also (at the rate of 4.17% of basic salary) is charged to the income and expenditure account.

5.13 Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise of cash in hand and at banks.

5.14 Financial instruments**Non-derivative financial assets**

These are initially recognized on the date that they are originated i.e. on the trade date, which is the date that TDEA becomes a party to the contractual provisions of the instrument. Investments are recognized on settlement date.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or when TDEA transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by TDEA is recognized as a separate asset or liability.

TDEA classifies non-derivative financial assets into the following categories: held to maturity and loans and receivables:

Held-to-maturity

If TDEA has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held to maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment loss, if any. Held-to-maturity financial assets comprise term deposit receipt.

Loans and receivables

Loans and receivables comprise deposits, advances, other receivables and cash and cash equivalents.

Deposits, advances and other receivable are stated initially at the fair value, subsequent to initial recognition these are stated at their amortized cost as reduced by appropriate provision for impairment. Known impaired receivables are written off, while receivables considered doubtful of recovery are fully provided for.

The provision for doubtful accounts is based on TDEA's assessment of the collectability of counterparty accounts. TDEA regularly reviews its receivables that remain outstanding past their applicable payment terms and establishes provision and potential write-offs by considering factors such as historical experience, credit quality, age of the receivable balances, and current economic conditions that may affect a customer's ability to pay.

Cash and cash equivalents comprise cash balances and are subject to an insignificant risk of changes in their fair value, and are used by TDEA in the management of its short-term commitments.

Non-derivative financial liabilities

TDEA initially recognizes non derivative financial liabilities on the date that they are originated or the date that TDEA becomes a party to the contractual provisions of the instrument. TDEA derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Non derivative financial liabilities comprise short term borrowings and trade and other payables.

5.15 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if TDEA has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

5.16 Income recognition

Grants and donations

Grants and donations are recognized as income as and when received and when the related conditions are fulfilled.

Membership and management fees

Membership fees are recognized when they become due, while management fees are recognized as and when the related conditions are fulfilled.

Administration fees

TDEA recognizes administration fees, if any, on a receipt basis.

Interest income on bank deposits and investments

Interest on bank deposits and investments is recognized using the effective interest rate method.

5.17 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by TDEA. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

TDEA uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

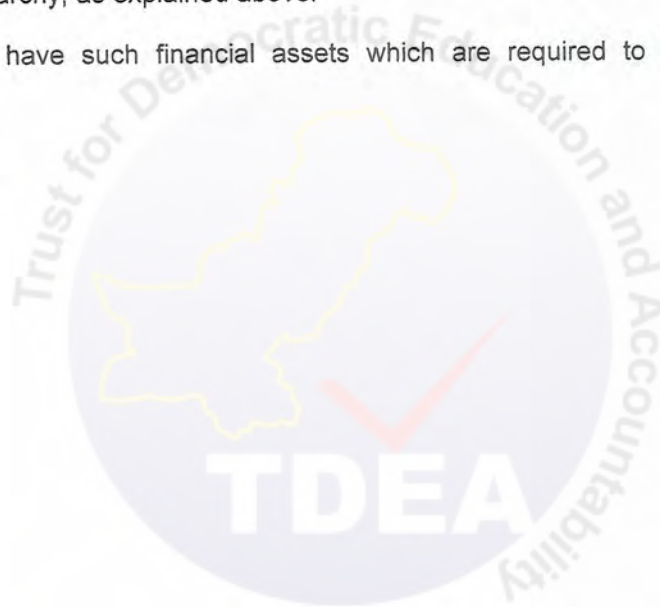
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the TDEA determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

TDEA's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. External valuers may be involved for valuation of significant assets and significant liabilities. For the purpose of fair value disclosures, TDEA determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

TDEA does not have such financial assets which are required to be classified in above given hierarchies.

3



6 OPERATING FIXED ASSETS

	Cost				Accumulated Depreciation				NET BOOK VALUE	
	At 01 July	Additions	Disposals	At 30 June	Rate per annum %	At 01 July	Charge for the year	On Disposals	At 30 June	At 30 June
	Rupees				Rupees				Rupees	
2016										
Lease hold improvements	-	7,461,427	-	7,461,427	35	-	954,516	-	954,516	6,506,911
Furniture and fixtures	5,065,093	394,875	-	5,459,968	45	1,584,415	1,655,152	-	3,239,567	2,220,401
Office equipment	14,371,941	1,315,179	-	15,687,120	45	5,856,085	3,989,226	-	9,845,311	5,841,809
Computer equipment	20,013,841	954,011	(65,800)	20,902,052	65	14,025,470	4,495,567	(39,674)	18,481,363	2,420,689
Mobile phones	4,174,551	-	(463,400)	3,711,151	75	2,872,198	1,302,103	(463,400)	3,710,901	250
Vehicles	10,913,253	-	-	10,913,253	45	3,846,242	3,180,155	-	7,026,397	3,886,856
	54,538,679	10,125,492	(629,200)	64,134,971		28,184,410	15,576,719	(503,074)	43,258,055	20,876,916
2015										
Furniture and fixtures	5,051,593	13,500	-	5,065,093	10	1,198,173	386,242	-	1,584,415	3,480,678
Office equipment	14,344,042	48,847	(20,948)	14,371,941	15	4,364,230	1,496,945	(5,090)	5,856,085	8,515,856
Computer equipment	18,941,291	1,072,550	-	20,013,841	33	11,517,805	2,507,665	-	14,025,470	5,988,371
Mobile phones	4,316,551	-	(142,000)	4,174,551	33	2,293,404	647,762	(68,968)	2,872,198	1,302,354
Vehicles	8,542,649	2,370,604	-	10,913,253	20	2,277,039	1,569,203	-	3,846,242	7,067,011
	51,196,126	3,505,501	(162,948)	54,538,679		21,650,651	6,607,817	(74,058)	28,184,410	26,354,270

6.1 Depreciation charge has been allocated as follows:

Projects' expenses
Administrative expenses

6.2 This depreciation charge includes:

Depreciation on owned assets
Deferred capital grant

6.3 Operating fixed assets include the cost of assets amounting to PKR 55,360,906 (2015: PKR 50,489,504) having a net book value of PKR 15,443,865 (2015: PKR 24,700,456) purchased from the deferred capital grants received from the United States Agency for International Development (USAID), the European Union (EU), The Asia Foundation (TAF), the Development Alternatives Incorporation (DAI) and the British Council (BC). Upon completion of relevant projects, these assets will be disposed off/ transferred as per the instructions of the Donors.

6.4 Lease hold improvements relate to the new office building obtained on lease during the current financial year.

7 INTANGIBLE ASSETS

	Cost				Accumulated Depreciation				NET BOOK VALUE	
	At 01 July	Additions	Disposals	At 30 June	Rate per annum %	At 01 July	Charge for the year	On Disposals	At 30 June	At 30 June
	Rupees				Rupees				Rupees	
2016										
Computer software	2,459,322	25,000	-	2,484,322	33	1,751,072	699,764	-	2,450,836	33,486
2015										
Computer software	2,434,322	25,000	-	2,459,322	33	1,408,389	342,683	-	1,751,072	708,250

7.1 This mainly represents intangible assets purchased from deferred capital grants received from USAID, the European Union, The Asia Foundation and the British Council. Upon completion of relevant projects, these assets will be disposed off / transferred as per the instructions of the Donors.

		2016	2015
		-----Rupees-----	
8	ADVANCES - considered good		
	Advances to employees	2,590,268	2,135,647
	Advances to implementing partners	-	561,010
		<u>2,590,268</u>	<u>2,696,657</u>
9	DEPOSITS AND SHORT-TERM PREPAYMENTS		
	Security deposits	1,878,000	952,653
	Prepayments	9.1 <u>10,190,710</u>	<u>4,446,833</u>
		<u>12,068,710</u>	<u>5,399,486</u>
9.1	This includes prepaid rent relating to the new office building obtained on lease during the current financial year.		
		2016	2015
		-----Rupees-----	
		Note	
10	RECEIVABLE FROM GRATUITY FUND		
	Term Deposit Receipt (TDR)	10.1 <u>1,000,000</u>	<u>1,000,000</u>
	Accrued interest	<u>320,517</u>	<u>259,219</u>
		<u>1,320,517</u>	<u>1,259,219</u>
10.1	These represent investment in TDR made with Habib Bank Limited, through TDEA's related party, the TDEA Employees Gratuity Fund, carrying interest at rates ranging from 5% to 6.55% (2015: 6.22%) per annum, with a maturity of up to one year.		
		2016	2015
		-----Rupees-----	
		Note	
11	OTHER RECEIVABLES		
	Receivable from donors	16 <u>1,313,639</u>	<u>3,464,162</u>
	Membership fees receivable	<u>710,000</u>	<u>560,000</u>
	Others	<u>16,428</u>	<u>-</u>
		<u>2,040,067</u>	<u>4,024,162</u>
12	CASH AND BANK BALANCES		
	Cash in hand	18,900	18,245
	Cash at bank		
	- Current accounts	12.1 <u>143,506</u>	<u>4,107,261</u>
	- Savings accounts	<u>28,613,708</u>	<u>119,255,060</u>
		<u>28,757,214</u>	<u>123,362,321</u>
		<u>28,776,114</u>	<u>123,380,566</u>
12.1	These carry interest at rates ranging from 3.5% to 5.75% (2015: 4% to 6%) per annum.		

	Note	2016 -----Rupees-----	2015
13 ENDOWMENT FUND			
Opening balance		10,172,853	9,573,995
Add: Income transferred to the fund			
Membership fees		405,000	385,000
Profit on deposit accounts		54,139	128,693
Return on investment		61,298	85,165
		520,437	598,858
Less: Expenses charged to the fund			
Repairs and maintenance - deposit charged off		(315,000)	-
Bank charges		(1,559)	-
		(316,559)	-
Transferred to Endowment Fund during the year		203,878	598,858
		10,376,731	10,172,853
14 RESTRICTED RESERVE FUND			
Opening balance		6,025,755	7,953,108
Add: Income transferred to the fund			
Profit on deposit accounts		872,404	518,164
Administrative fees		2,775,836	12,888,124
Management fees		33,739,123	12,413,767
Consultancy fees		-	4,510,511
Unspent balances recognized as income		-	132,611
Liabilities written back		-	3,099,106
Others		2,500	10,894
		37,389,863	33,573,177
Less: Expenses charged to the fund			
Administrative expenses		(26,919,713)	(35,072,726)
Depreciation on owned assets	6.2	(1,002,663)	(427,804)
Amortization on owned assets	7	(5,500)	-
		(27,927,876)	(35,500,530)
Transferred to Restricted Reserve Fund during the year		9,461,987	(1,927,353)
		15,487,742	6,025,755
15 DEFERRED CAPITAL GRANTS			
Opening balance		24,700,456	30,152,145
Assets purchased from restricted grants	16	4,871,402	1,159,897
Depreciation on items of operating fixed assets	6.2	(13,407,603)	(6,180,013)
Amortization of intangible assets	7	(694,264)	(342,683)
Loss on disposal of operating fixed assets	19	(26,126)	(67,942)
Proceeds from disposal of operating fixed assets		-	(20,948)
		(14,127,993)	(6,611,586)
		15,443,865	24,700,456

18

---Rupees

Grant income recognizedUnspent balances recognized as income

		2016	2015
		-----Rupees-----	
17	TRADE AND OTHER PAYABLES		
	Accrued liabilities	3,230,087	1,727,940
	Accounts payable	8,163,394	6,542,422
	Payable to implementing partners	10,856,706	4,248,357
	Payable to provident fund	15,599	22,656
	Payable to gratuity fund	598,815	-
	Withholding tax payable	22,421	945,505
		<u>22,887,022</u>	<u>13,486,880</u>

17.1 This includes PKR 7,111,530 payable to The Asia Foundation by TDEA under the Citizen's Voice Project.

18 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments at the year end.

		2016	2015
		-----Rupees-----	
19	OTHER INCOME		
	Income from financial assets		
	Interest / return on bank balances	926,542	646,857
	Interest on short-term investment	61,298	85,165
		<u>987,840</u>	<u>732,022</u>
	Income from assets other than financial assets		
	Membership fees	405,000	385,000
	Administration fees	2,775,836	12,888,124
	Management fees	33,739,123	12,413,767
	Loss on disposal of operating fixed assets	(26,126)	(67,942)
	Consultancy fees	-	4,510,511
	Unspent balances recognized as income	-	132,611
	Liabilities written back	-	3,099,106
	Others	2,500	10,894
		<u>36,896,333</u>	<u>33,372,071</u>
		<u>37,884,173</u>	<u>34,104,093</u>

19.1 This includes subscriptions received by TDEA from different implementing partners, which ranges from PKR 5,000 to PKR 10,000.

19.2 Administrative fees are recognized on a receipt basis for expenditure incurred on various Projects as per their donor agreements.

19.3 Management fee is charged @ 5.33% of the total Project cost, excluding grants under fixed amount awards and the fee portion of sub-contract costs, under the Citizen's Voice Project.

		2016	2015
		-----Rupees-----	
20	PROJECTS' EXPENSES		
	Citizen Voice Project - CVP	681,526,544	382,306,855
	Take a child to school -ILMPOSSIBLE	25,209,668	19,558,638
	Education for All – Making it Possible - DAI-ILM Idea	1,387,068	12,703,700
	Citizen Action for Democratic Governance Project - DFID	202,777,345	31,473,041
	Every Voice Counts - EVC	1,057,639	-
	Long Term Election Observation and Oversight-LTEOOP	-	37,814,538
	Parliament Watch and Reform Project - PWRP	-	26,129,634
	Strengthening Transparency Accountability of Electoral Process in Pakistan - STAEP	-	5,917,630
	Electoral Violence Monitoring - EVM	-	674,795
		<u>911,958,264</u>	<u>516,578,831</u>

			2016	2015
			-----Rupees-----	
20.1	Citizen voice project - CVP	Note		
	Personnel cost	20.1.1	146,655,359	102,157,232
	Professional services		2,073,608	339,346
	Management fee		33,739,123	12,413,766
	Activity costs	20.1.2	448,531,175	236,424,557
	Office supplies and equipment		2,510,174	2,591,640
	Repairs and maintenance		2,669,541	1,294,367
	Communication charges		1,093,315	938,143
	Office rent		12,628,692	4,825,909
	Security charges		1,910,553	1,973,275
	Vehicle rental and fuel costs		1,725,683	1,339,533
	Utilities		1,031,453	1,021,754
	Audit fee	20.1.3	2,200,000	1,996,000
	Advertisement and printing costs		1,554,570	2,510,116
	Webhosting/I-services		601,977	621,211
	Depreciation		414,601	-
	Insurance Costs		1,838,894	1,008,480
	Travel and accommodation		15,561,678	10,851,526
	Administrative costs		4,786,148	-
			<u>681,526,544</u>	<u>382,306,855</u>
20.1.1	This includes a sum of PKR 2,441,257 (2015: PKR 1,886,920) and PKR 10,662,037 (2015: PKR 7,480,498) on account of contributions to the employees' provident fund and employees' gratuity fund, respectively.			
			2016	2015
20.1.2	Activity costs	Note	-----Rupees-----	
	Capacity building and training of grantees		330,204,508	135,123,466
	Pre-award and post award financial monitoring		118,326,667	101,301,091
			<u>448,531,175</u>	<u>236,424,557</u>
20.1.3	Auditors' remuneration			
	EY Ford Rhodes - 2015 / 2016		1,000,000	-
	KPMG Taseer Hadi - 2014 / 2015	20.1.3.1	1,200,000	-
	KPMG Taseer Hadi - 2013 / 2014		-	1,200,000
	KPMG Taseer Hadi - 2012 / 2013		-	796,000
			<u>2,200,000</u>	<u>1,996,000</u>
20.1.3.1	This represents the audit fee in respect of the annual audit of the Project for the year ended 30 June 2015, accounted for during the year.			
20.1.4	The above project costs include expenses amounting to PKR 329.142 million (2015: PKR 134.940 million) incurred by implementing partners on behalf of TDEA against project activities. It also includes PKR 108.691 million (2015: PKR 94.207 million) incurred by TDEA through The Asia Foundation, a US based NGO, which is subject to annual audit requirements under OMB Circular A-133, and accordingly, such expenditure is not subject to the audit as per the USAID Automated Directives System, Chapter 591.3.2.1.b.			
			2016	2015
20.2	Take a child to school - ILMPOSSIBLE	Note	-----Rupees-----	
	Personnel cost	20.2.1	6,595,952	5,733,323
	Activity costs	20.2.2	15,821,056	11,585,285
	Office supplies		151,812	193,694
	Travel and accommodation		389,720	468,522
	Communication charges		143,754	127,175
	Administrative costs		1,918,642	1,439,428
	Advertisement and printing costs		32,530	11,211
	Office utilities		25,095	-
	Depreciation		55,914	-
	Insurance Costs		6,223	-
	Security costs		30,111	-
	Repairs and maintenance		38,859	-
			<u>25,209,668</u>	<u>19,558,638</u>

20.2.1 This includes a sum of PKR 112,177 (2015: PKR 127,178) and PKR 428,120 (2015: PKR 468,832) on account of contributions to the employees' provident fund and employees' gratuity fund, respectively.

20.2.2 Activity costs		2016	2015
		-----Rupees-----	
Meetings and press briefings		1,115,687	698,629
Implementing agencies		14,705,369	10,886,656
		15,821,056	11,585,285

20.2.3 The above project costs include expenses amounting to PKR 14,705,369 (2015: PKR 10,886,656) incurred by implementing partners on behalf of TDEA against project activities.

20.3 Education for All – Making it Possible - DAI-ILM Idea	Note	2016	2015
		-----Rupees-----	
Personnel cost	20.3.1	451,199	5,984,095
Activity costs	20.3.2	910,909	4,862,903
Office supplies and communication		12,103	696,533
Fuel expenses		4,164	1,100,609
Security charges		8,693	59,560
		1,387,068	12,703,700

20.3.1 This includes a sum of PKR 6,757 (2015: PKR 67,118) and PKR 14,836 (2015: PKR 354,408) on account of contributions to the employees' provident fund and employees' gratuity fund, respectively.

20.3.2 Activity costs		2016	2015
		-----Rupees-----	
Research consultants		19,823	2,438,896
Training and Capacity Building		753,079	-
Meetings and press briefings		9,330	882,452
Printings and publication		128,677	10,782
Implementing agencies		-	1,530,773
		910,909	4,862,903

20.3.3 The above project costs include expenses amounting to PKR Nil (2015: PKR 1,400,412) incurred by implementing partners on behalf of TDEA against project activities.

20.4 Citizen Action for Democratic Governance Project - DFID	Note	2016	2015
		-----Rupees-----	
Personnel cost	20.4.1	43,649,843	5,656,203
Activity costs	20.4.2	145,314,421	23,603,504
Communication charges		771,760	128,744
Stationery and office supplies		2,119,514	124,646
Repairs and maintenance		1,004,404	60,378
Utilities		443,041	52,706
Office rent		4,028,032	370,142
Fuel expenses		1,176,321	241,050
Registration fee		25,000	-
Insurance costs		19,002	-
Depreciation		647,531	-
Security charges		516,596	60,918
Travel cost		3,061,880	1,174,750
		202,777,345	31,473,041

20.4.1 This includes a sum of PKR 742,731 (2015: PKR 106,646) and PKR 3,079,680 (2015: PKR 360,010) on account of contributions to the employees' provident fund and employees' gratuity fund, respectively.

	2016	2015
	-----Rupees-----	
20.4.2 Activity costs		
Research consultants	21,226,462	7,450,201
Meetings and press briefings	7,550,428	896,220
Printings and Publication	1,794,358	9,405
Implementing agencies	114,743,173	15,247,678
	<u>145,314,421</u>	<u>23,603,504</u>

20.4.3 The above project costs include expenses amounting to PKR 116,323,259 (2015: PKR 15,001,506) incurred by implementing partners on behalf of TDEA against project activities. Out of this amount, PKR 15.005 million were incurred by TDEA through Democracy Reporting International.

		2016	2015
		-----Rupees-----	
20.5 Every Voice Counts - EVC	Note		
Personnel cost	20.5.1	818,297	-
Office rent		105,728	-
Utilities		10,318	-
Fuel expenses		17,162	-
Administrative costs		3,741	-
Office supplies		24,455	-
Depreciation		48,407	-
Insurance Costs		1,293	-
Repairs and Maintenance		17,494	-
Security costs		10,744	-
		<u>1,057,639</u>	<u>-</u>

20.5.1 This includes a sum of PKR 14,839 (2015: Nil) and PKR 50,192 (2015: Nil) on account of contributions to the employees' provident fund and employees' gratuity fund, respectively.

		2016	2015
		-----Rupees-----	
21 ADMINISTRATIVE EXPENSES	Note		
Personnel cost	21.1	9,379,115	14,097,075
Training and capacity building		10,473	-
Consultants and trainers fee		3,551,851	3,019,369
Depreciation	6.1	14,410,266	6,607,817
Amortization	7	699,764	342,683
Travel expenses		304,208	236,410
Fuel expenses		239,332	344,878
Office rent		4,162,334	1,088,497
Communication charges		397,503	1,025,679
Repairs and maintenance		678,749	506,899
Office security		184,116	272,398
Utilities		197,815	330,835
Office supplies and other administrative expenses		1,014,654	2,783,021
Implementing partners		1,199,363	2,126,528
Insurance costs		23,901	54,539
Auditors' remuneration	21.2	1,150,000	-
Exchange loss		-	5,089,228
Receivable from donor written-off		-	3,580,367
Expenses disallowed by the Donors		4,307,838	-
Others		390,448	517,003
		<u>42,301,730</u>	<u>42,023,226</u>

21.1 Included herein is a sum of PKR 186,480 (2015: PKR 310,555) and PKR 537,473 (2015: PKR 1,834,788) on account of contributions to the employees' provident fund and employees' gratuity fund, respectively.

21.2 Auditors' remuneration	Note	2016	2015
		-----Rupees-----	
EY Ford Rhodes - 2015 / 2016		400,000	-
KPMG Taseer Hadi - 2014 / 2015	21.2.1	375,000	-
KPMG Taseer Hadi - 2013 / 2014	21.2.1	375,000	-
		<u>1,150,000</u>	<u>-</u>

21.2.1 This represents the audit fee of TDEA in respect of the annual audit for the years ended 30 June 2014 and 30 June 2015, recognized during the current year.

22 FINANCIAL INSTRUMENTS

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

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

This note presents information about TDEA's exposure to each of the above risks, and TDEA's objectives, policies and processes for measuring and managing such risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Trustees has overall responsibility for the establishment and oversight of TDEA's risk management framework. The Board is responsible for developing and monitoring TDEA's risk management policies.

TDEA's risk management policies are established to identify and analyze the risks faced by TDEA, 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 TDEA's activities. TDEA, 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 Trustees of TDEA oversee how management monitors compliance with TDEA's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by TDEA.

(a) Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. TDEA's credit risk is primarily attributable to bank balances, advances to employees, security deposits, grants receivable and other receivables. The management believes that TDEA is not exposed to a major concentration of credit risks as the exposure is spread over a number of counter parties, which are mainly receivables from donors and banks with reasonably high credit ratings. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2016	2015
		-----Rupees-----	
Security deposits	9	1,878,000	952,653
Other receivables	11	2,040,067	4,283,381
Receivable for TDEA Gratuity Fund	10	1,000,000	1,000,000
Bank balances	12	28,757,214	123,362,321
		<u>33,675,281</u>	<u>129,598,355</u>

Concentration of credit risk

Geographically there is no concentration of credit risk. TDEA does not have any trade receivables. Based on past experience, management believes that no impairment allowance is necessary in respect of its financial assets.

The maximum exposure to credit risk for financial assets at the reporting date by type of counter party was:

	Note	2016	2015
		-----Rupees-----	
Receivable from donors	11	1,313,639	3,464,162
Banks and financial institutions	10 & 12	29,757,214	124,362,321
Others	9 & 11	2,604,428	1,771,872
		<u>33,675,281</u>	<u>129,598,355</u>

(b) Liquidity risk

Liquidity risk is the risk that TDEA will not be able to meet its financial obligations as they fall due. TDEA's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient funds to meet its liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, applying prudent fund management practices, and the ability to close out market positions favourably. TDEA'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 TDEA's reputation.

Management believes that at the moment there is an insignificant risk of TDEA facing difficulties in meeting its financial obligations, as sufficient funds are available. The carrying amounts of TDEA's financial liabilities approximate the estimated contractual cash outflows, which are due within one year of the balance sheet date.

	Carrying Amount	Contractual cash flows	Maturity up to one year	Maturity after one year and up to five years
	-----Rupees-----			
2016				
Financial liabilities				
Trade and other payables	19,634,514	19,634,514	19,634,514	-
2015				
Financial liabilities				
Trade and other payables	10,813,435	10,813,435	10,813,435	-

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

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect TDEA's income, or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. TDEA is not significantly exposed to market and interest rate risk.

(d) Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	Rupees	Rupees	Rupees	Rupees
Assets carried at amortized cost				
Security deposits	1,878,000	1,878,000	952,653	952,653
Other receivables	2,040,067	2,040,067	4,024,162	4,024,162
Receivable for TDEA Gratuity Fund	1,000,000	1,000,000	1,000,000	1,000,000
Cash and bank balances	28,776,114	28,776,114	123,380,566	123,380,566
	<u>33,694,181</u>	<u>33,694,181</u>	<u>129,357,381</u>	<u>129,357,381</u>
Liabilities carried at amortized cost				
Trade and other payables	<u>19,634,514</u>	<u>19,634,514</u>	<u>10,813,435</u>	<u>10,813,435</u>

Determination of fair values

A number of TDEA's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting

23 FUND MANAGEMENT

TDEA's objective when managing funds is to safe guard TDEA's ability to continue as a going concern so that it can achieve its objectives, provide benefits to other stakeholders, and to maintain a strong fund base to support the sustained development of its activities in line with its objects.

24 RELATED PARTY TRANSACTIONS

All the trustees, entities with common directorship / trustee ship, employee benefit plans, member organizations and key management staff are related parties of TDEA. Outstanding balances of related parties are shown in the relevant notes to the financial statements, while transactions of TDEA with related parties during the year are as follows:

	Note	2016 -----Rupees-----	2015 -----Rupees-----
Transactions and balances with employee benefit plan			
Repayment of short-term loan to gratuity fund		-	8,500,000
Payments to employee benefit plans		25,868,880	22,258,341
Charge for the year relating to employee benefit plans		26,723,586	18,518,785
Transactions with key management personnel			
Remuneration of key management personnel	24.1	32,801,329	27,611,556
24.1 Remuneration, allowances and benefits			
Managerial remuneration and allowances		28,401,480	23,057,547
Provision for gratuity		3,020,713	3,988,677
Provident fund		1,379,136	565,332
		<u>32,801,329</u>	<u>27,611,556</u>
Number of Trustees		<u>7</u>	<u>15</u>

- 25.2** During the year, projects having a cost of PKR 460.17 million (2015: PKR 171.90 million) were executed through the implementing partners who are members of the FAFEN.

25 NUMBER OF EMPLOYEES

The number of total employees at the year end were 110 (2015: 118 employees), and the average number of employees during the year were 120 (2015: 105 employees).

26 CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of comparison. However, no significant reclassifications or restatements have been made.

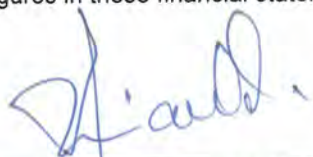
27 DATE OF AUTHORIZATION FOR ISSUE

20 JUL 2017

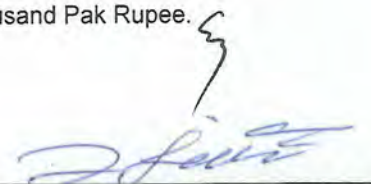
The financial statements have been approved on _____ by the Board of Directors of TDEA.

28 GENERAL

Figures in these financial statements have been rounded off to the nearest thousand Pak Rupee.



CHAIRPERSON



CHIEF EXECUTIVE OFFICER