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NASIR JAVAID MAQSOOD IMRAN
Chartered Accountants

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Independent Auditor's Report to the Management

Opinion

We have audited the financial statements of **Indus heritage Trust's--RANG Project** for the year ended June 30, 2018 which comprises of the Statement of Financial Position and Statement of Receipts and Disbursements for the year then ended, together with notes including a summary of significant accounting policies (here-in-after referred to as the financial statements).

In our opinion, the accompanying financial statements of the **Indus heritage Trust's--RANG Project** are prepared, in all respects, in accordance with note **2** to the financial statements.

Basis for Opinion

We conducted our audit in accordance with the 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 audit report. We are independent of the entity in accordance with the International Ethic Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Management is responsible for the preparation of the financial statements in accordance with note **2** to the financial statements and for such internal control as the Management determines is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the entity'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 statement.

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

- Identify and assess the risks of material misstatement of the financial statement, 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 of 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 controls.
- 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of Management 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 entity's ability to continue as a going concern. If we conclude that a material misstatement exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement 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 entity to cease to continue as a going concern.

We communicate with those charged with governance 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.

Place: **Lahore**

Dated: January 28, 2019

NASIR JAVAID MAQSOOD IMRAN ★ CHARTERED ACCOUNTANTS ★ LAHORE

Nasir Javaid Maqsood Imran

Nasir Javaid Maqsood Imran
Chartered Accountants
(Muhammad Maqsood)

INDUS HERITAGE TRUST - RANG PROJECT
DEVELOPING ARTISANAL LIVELIHOODS IN RURAL PAKISTAN
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Notes	June 2018 Rupees	June 2017 Rupees	July 01 2016 Rupees
			Restated	
ASSETS				
Non Current Assets				
Property plant and equipment	5	-	-	-
		-	-	-
Current Assets				
Inventory	6	-	-	-
Advances, deposits and other receivables	7	-	-	-
Cash and bank balances	8	19,350,986	17,336,955	2,566,241
		19,350,986	**17,336,955**	**2,566,241**
		19,350,986	**17,336,955**	**2,566,241**
LIABILITIES				
Deferred Grant		-	-	-
Accrued and other Liabilities	9	-	-	-
		-	-	-
REPRESENTED BY:				
Fund Balances	10	19,350,986	17,336,955	2,566,241
		19,350,986	**17,336,955**	**2,566,241**
Contingencies and commitments	11			

The annexed notes 1 to 20 forms an integral part of these financial statements.

Chairperson **Trustee**

INDUS HERITAGE TRUST - RANG PROJECT
DEVELOPING ARTISANAL LIVELIHOODS IN RURAL PAKISTAN
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	Notes	June 2018 Rupees	June 2017 Rupees Restated	June 2017 Rupees Actual
Receipts				
Grants	*12*	89,475,216	80,341,401	68,231,209
Sales	*13*	4,523,739	820,418	-
Exchange gain/(Loss)		113,357	48,916	12,504
Other income	*14*	102,577	-	820,418
		94,214,889	81,210,735	69,064,131
Disbursements				
Project expenses	*15*	(92,200,857)	(66,440,022)	(68,231,209)
Surplus before taxation for the year		**2,014,032**	**14,770,714**	**832,922**
Taxation	*16*	-	-	-
Surplus after taxation for the year		**2,014,032**	**14,770,714**	**832,922**

The annexed notes 1 to 20 forms an integral part of these financial statements.

Chairperson

Trustee

INDUS HERITAGE TRUST - RANG PROJECT
DEVELOPING ARTISANAL LIVELIHOODS IN RURAL PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1 LEGAL STATUS AND OBJECTS

Developing Artisanal Livelihoods in Rural Pakistan project is funded by Japan Social Development Fund and is administered by the World Bank. The project is being executed under the umbrella of Indus Heritage Trust. The project was approved on May 21, 2014 for a period of four years. However, through letter dated May 21, 2018 the project was extended for a period of one year till May 21, 2019.

Main objective of this project is to improve the livelihood opportunities for rural artisans. It will demonstrate to policy makers the effectiveness of a crafts-based cluster approach to poverty alleviation and to improve living conditions for weavers and embroiderers (especially women and girls) and their families in targeted communities in Punjab and Sindh.

The project is to assist an estimated 2,600 vulnerable artisan families, mainly women headed households as is common in project districts, at the bottom of the pyramid to help them rebuild their lives and access sustainable livelihoods through establishing their own artisan institutions. The project is expected to benefit an overall population of about 18,200 individuals. Out of the total number of beneficiaries, 70% of the beneficiaries are expected to be women.

2 STATEMENT OF COMPLIANCE

Theses financial statements have been prepared on cash basis of accounting and in accordance with the Generally Accepted Accounting Principles.

3 ADAPTION OF NEW ACCOUNTING POLICIES

Till June 2017, the Trust prepared the RANG Project accounts using accrual basis of accounting. In June 2018, the Trust prepared the RANG Project accounts using cash basis accounting in accordance with the Generally Accepted Accounting Principles.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Fixed capital expenditure

Fixed capital expenditures are expensed out in the year of purchase

4.2 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost in case of local currency and at closing exchange rate in case of foreign currency. Cash and cash equivalents comprise cash in hand and Cash at Bank.

4.3 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is the functional and presentation currency for the project RANG.

4.4 Foreign currency Transactions

Transactions in foreign currencies are accounted for in Pak. Rupee at the rate of exchange ruling on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak. Rupee at the rate of exchange ruling at the balance sheet date. Exchange gains or losses are dealt in the income and expenditure account.

4.5 Income Recognition

Income from grants is recognized on receipt basis. Income from sale of goods is accounted for on cash basis. Interest income on bank deposits is accounted for on cash basis.

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INDUS HERITAGE TRUST - RANG PROJECT
DEVELOPING ARTISANAL LIVELIHOODS IN RURAL PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

5 PROPERTY AND EQUIPMNET AND INTANGIBLE - RESTATED

	Notes	June 2018 Rupees	June 2017 Rupees	June 2016 Rupees
			Restated	
Operating fixed assets	5.1	-	-	-
		-	-	-

5.1 Property, plant and equipment

Description	COST				Rate	DEPRECIATION				WDV as at June 30, 2018
	As at July 01, 2017	Additions	(Deletions)	As at June 30, 2018		As at July 01, 2017	For the year	Deletion / Adjustment	As at June 30, 2018	
Computer & IT Equipment	-	-	-	-		-	-	-	-	-
Office Equipment	-	-	-	-		-	-	-	-	-
Furniture and fixtures	-	-	-	-		-	-	-	-	-
30-Jun-18	-	-	-	-		-	-	-	-	-
30-Jun-2017- restated	-	-	-	-		-	-	-	-	-
30-Jun-16	-	-	-	-		-	-	-	-	-

6 INVENTORY

	Notes	June 2018 Rupees	June 2017 Rupees	June 2016 Rupees
			Restated	
Finished Goods inventory		-	-	-
Raw Materials (Fabric and supplies)		-	-	-
		-	-	-

7 ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Advances for workshops		-	-	-
Other advances		-	-	-
Receivable from Indus Heritage Trust		-	-	-
Security Deposits- Office Premises		-	-	-
		-	-	-

8 CASH AND BANK BALANCES

	Notes	June 2018 Rupees	June 2017 Rupees	June 2016 Rupees
Cash in hand		106,586	95,000	125,000
Cash at bank	8.1	19,244,400	17,241,955	2,441,241
		19,350,986	**17,336,955**	**2,566,241**

8.1 Cash at bank:

in Pak Local Currency (PKR)				
Al-Baraka Bank-Current		11,490,632	14,178,000	1,877,844
Mobilink Bank-Saving	8.1.1	3,706,846	1,323,760	503,518
Mobilink Bank-Current	8.1.2	1,592,001		-
UBL Bank-Current	8.1.3	1,651,870		-
in US I International Currency ($)				
Al-Baraka Bank-Current	8.1.4	803,052	1,740,195	59,879
		19,244,400	**17,241,955**	**2,441,241**

8.1.1 This carries interest at 6% (2017: 6%). This account is used to deposit local sale proceeds.

8.1.2 This account is used to disburse payments to artisans.

8.1.3 This account is used to deposit international sale proceeds.

8.1.4 Balance 2018: USD 6,597@121.73, (2017: USD 16,597@104.85)

9 ACCRUED AND OTHER LIABILITIES

	Notes	June 2018 Rupees	June 2017 Rupees	June 2016 Rupees
			Restated	
Audit Fee payable		-	-	-
Exchange gain loss (unrealized)		-	-	-
Advance Tax deducted		-	-	-
Withholding sales Tax		-	-	-
Accrued Office Rent		-	-	-
		-	-	-

10 FUND BALANCES

	Notes	June 2018 Rupees	June 2017 Rupees	June 2016 Rupees
			Restated	Restated
Opening Balance		17,336,955	2,566,241	198,465
Surplus/(Deficit) for the year		2,014,032	14,770,714	2,367,776
Closing Balance		**19,350,986**	**17,336,955**	**2,566,241**

11 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments at the balance sheet date.

	Notes	June 2018 Rupees	June 2017 Rupees Restated	June 2017 Rupees Actual
12 GRANTS				
Developing Artisanal Livelihoods in Rural Pakistan		89,475,216	80,341,401	68,231,209
		89,475,216	**80,341,401**	**68,231,209**

Project RANG grant is funded by Japan Social Development Fund and is administered by the World Bank. Grant received during the FY 2017-18 is USD 815,999.62 (FY 2016-17 USD: 786,711).

	Notes	June 2018 Rupees	June 2017 Rupees Restated	June 2017 Rupees Actual
13 SALES				
Sales revenue		4,523,739	820,418	-
		4,523,739	**820,418**	**-**
14 OTHER INCOME				
Profit on bank deposits		102,577	-	-
		102,577	**-**	**-**
15 PROJECT EXPENSES				
Developing Artisanal Livelihoods in Rural Pakistan				
Salaries		28,673,251	18,266,494	18,266,494
Consultant's fee/ services		8,479,148	19,152,558	18,245,660
Non consulting services		-	-	872,978
Workshops	15.1	9,723,542	11,959,566	12,552,801
Depreciation		-	-	1,061,858
Materials	15.2	9,290,921	266,307	-
Events & meetings		2,033,964	-	-
Travelling and running expenses			106,513	5,013,385
Boarding and lodging		7,420,099	5,013,385	-
Fuel		533,643	199,018	199,018
Office rent		3,614,103	6,745,080	7,087,670
Utilities		541,410	310,906	310,906
Sample Development		-	-	951,608
Communication		598,041	427,562	427,562
Office supplies		794,330	566,812	566,812
Security expenses		1,443,339	918,485	918,485
Repairs & maintenance		2,882,990	261,934	261,932
Printing & stationery		816,300	742,622	742,622
Postage & courier		943,000	68,740	68,740
Advertisement		857,875	188,011	188,011
Website expense		200,000	-	-
Legal and Professional Fees		-	-	33,920
Misc. expenses		174,550	200,402	200,402
Bank charges		34,501	30,840	30,840
Audit fee		1,483,350	198,000	198,000
Insurance		5,764,643	31,505	31,505
Computer & IT equipment		1,297,893	175,155	175,155
Office equipment		2,091,465	-	-
Furniture and fixtures		1,041,800	45,960	45,960
Accounting software	15.3	258,420	-	-
Advance tax		1,208,279	564,166	-
		92,200,857	**66,440,022**	**68,452,324**

15.1 Workshops

Skill Assessment Workshop	451,043	38,120	239,039
Home Workshop	6,275,662	7,467,307	7,467,307
Sample Development Workshop	1,908,895	3,838,878	3,846,838
Capacity Building Workshop	971,198	562,932	562,932
Institution Building Workshop	116,744	52,329	52,329
Other workshop	-	-	384,356
	9,723,542	**11,959,566**	**12,552,801**

15.2 Materials

Fabric	7,043,114	-	-
Threads	1,655,846	-	-
Others	591,961	266,307	266,307
	9,290,921	**266,307**	**266,307**

15.3 Accounting software

Quick Books enterprise version was purchased and implemented during the year to maintain the financial records of the Project RANG. Earlier a non licensed version of the software was being used.

16 TAXATION

The Trust was granted approval under Rule 212 of Income Tax Rules 2002 in terms of Section 2 (36) of Income Tax Ordinance 2001. The management of Trust also obtained certification from Pakistan Center for Philanthropy in this regard. Therefore, provision for current taxation has not been provided for in these financial statements.

17 RECLASSIFICATION

Following corresponding figures have been reclassified for better presentation.

	From	To	Rs.
1. Non- Consulting Services	Project Expenses- Non- consulting services	Project Expenses -Consultant's fee/ services	872,978
2. Travelling and Running expenses	Project Expenses- Travelling and Running expenses	Project Expenses Boarding and Lodging	5,013,385
3. Sample Development	Project Expenses- Sample Development	Project Expenses- Workshops	951,608

18 RESTATEMENT

Comparative figures of June 30, 2017 are restated due to change in accounting policy from accrual basis to cash basis of accounting to comply with requirements of World Bank. Effects of restatement has been properly reflected in different line items of the financial statements as detailed below:

18.1 IMPACT ON EQUITY - INCREASE/ (DECREASE) IN EQUITY

	June 2017 Rupees	June 2016 Rupees
Property, plant and equipment	840,743	(2,026,862)
Inventory	(266,307)	(2,231,657)
Advances, deposits and other receivables	1,240,651	(3,100,774)
Total assets	**1,815,087**	**(7,359,293)**
Deferred grant	12,110,461	5,391,524
Accrued and other liabilities	12,244	2,271,346
Total liabilities	**12,122,705**	**7,662,870**
Net impact on equity	**13,937,792**	**303,577**

18.2 Impact on statement of income and expenditures - increase / (decrease) in surplus

	June 2017 Rupees	June 2016 Rupees
Income	29,241,390	8,629,456
Expenditure	(15,303,598)	(8,325,879)
Net Impact on surplus for the year	**13,937,792**	**303,577**

19 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on July 28, 2019 by the Management Board of Developing Artisanal Livelihoods in Rural Pakistan Project.

20 GENERAL

- Figures have been rounded off to the nearest rupee.
- Figures of the previous year have been rearranged, wherever necessary, for the purpose of comparison

NJMI

Chairperson

Trustee