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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors of the Malala Fund (An INGO Registered in Pakistan)
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Malala Fund (an INGO Registered in Pakistan) (herein after referred as 'the INGO'), which comprise the statement of financial position as at March 31, 2022 and the statement of income and expenditure, statement of comprehensive income, statement of cash flows and the statement of changes in funds for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the INGO as at March 31, 2022, and of its financial performance and its cash flows and changes in funds for the period then ended in accordance with International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB).

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

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

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRSs) issued by International Accounting Standard Board (IASB), and for such internal control as the management determine 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 INGO'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 INGO or to cease operations, or has no realistic alternative but to do so.

Directors are responsible for overseeing the INGO'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 the 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 INGO'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 the material uncertainty exists related to events or conditions that may cast significant doubt on the INGO'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 and conditions may cause the INGO to cease to continue as a going concern.

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

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.

The engagement partner on the audit resulting in this independent auditor's report is Arqum Naveed.

Muniff Ziauddin & Co
Chartered Accountants
Lahore
Date: 02 NOV 2022

UNID: AR2022101230p3BhKloN

THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022

	Note	March 31, 2022 Rupees
ASSETS		
Non-current assets		
Property and equipment	5	4,125,914
Right-of-use assets	6	6,007,091
Long term deposits	7	650,000
		10,783,005
Current assets		
Advances and other receivables	8	56,599,611
Cash and bank balances	9	-
		56,599,611
Total assets		67,382,616
LIABILITIES		
Non-current liabilities		
Deferred credits	10	58,828,408
Lease liabilities	11	2,438,442
		61,266,850
Current liabilities		
Trade and other payables	12	2,729,951
Current portion of lease liabilities	11	3,385,816
		6,115,767
Total liabilities		67,382,616
Net assets		-
Represented by:		
Accumulated funds		
General funds		-
		-
Contingencies and commitments	13	

The annexed notes, from 1 to 25, form an integral part of these financial statements.

Suzanne Ehlers
Chief Executive Officer

Javed Ahmed Malik
Programme Director

THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
STATEMENT OF INCOME AND EXPENDITURE
FOR THE PERIOD FROM JUNE 08, 2021 TO MARCH 31, 2022

	Note	June 08, 2021 to March 31, 2022 Rupees
Amortization of deferred credits	10	293,516,803
		293,516,803
Program expenditures	14	(250,008,018)
Administrative expenses	15	(43,322,432)
Finance cost	16	(186,353)
		(293,516,803)
Surpus / (deficit) before taxation		-
Taxation		-
Surpus / (deficit) for the period		-

The annexed notes, from 1 to 25, form an integral part of these financial statements.

Suzanne Ehlers
Chief Executive Officer

Javed Ahmed Malik
Programme Director

THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM JUNE 08, 2021 TO MARCH 31, 2022

	Note	June 08, 2021 to March 31, 2022 Rupees
Surpus / (deficit) for the period		-
Other comprehensive income / (loss)		
Items that will not be subsequently reclassified to income and expenditure		-
Items that may be subsequently reclassified to income and expenditure		-
		-
Total comprehensive income/ (loss) for the period		-

The annexed notes, from 1 to 25, form an integral part of these financial statements.

Suzanne Ehlers
Chief Executive Officer

Javed Ahmed Malik
Programme Director

THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JUNE 08, 2021 TO MARCH 31, 2022

	Note	June 08, 2021 to March 31, 2022 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Surpus / (deficit) before taxation		-
Adjustment for non cash and other items:		
Amortization of deferred credits	10	(293,516,803)
Depreciation on right-of-use assets		1,580,814
Interest cost on lease liabilities	16	186,353
		(291,749,636)
Working capital changes:		
Increase in advances and other receivables		(56,599,611)
Increase in trade and other payables		2,729,951
		(53,869,660)
Cash used in operations		(345,619,296)
Finance costs paid	16	-
Net cash used in operating activities		(345,619,296)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for capital work-in-progress		(4,125,914)
Long term deposits		(650,000)
Net cash used in investing activities		(4,775,914)
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant received	10	352,345,211
Payment against lease liabilities		(1,950,000)
Net cash generated from financing activities		350,395,211
Net increase in cash and cash equivalents		-
Cash and cash equivalents at the beginning of the year		-
Cash and cash equivalents at the end of the year	9	-

The annexed notes, from 1 to 25, form an integral part of these financial statements.

Suzanne Ehlers
Chief Executive Officer

Javed Ahmed Malik
Programme Director

THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
STATEMENT OF CHANGES IN FUNDS
FOR THE PERIOD FROM JUNE 08, 2021 TO MARCH 31, 2022

	General Fund
	Rupees
Balance as at June 08, 2021	-
Total comprehensive loss for the period:	
Other comprehensive income / (loss)	-
Surpus / (deficit) for the period	-
	-
Balance as at March 31, 2022	-

The annexed notes, from 1 to 25, form an integral part of these financial statements.

Suzanne Ehlers
Chief Executive Officer

Javed Ahmed Malik
Programme Director

1 LEGAL STATUS AND OPERATIONS

The Malala Fund is a non-for-profit organization registered in the United States of America and situated at 1923 Vermont Ave NW, Suite 100, Washington DC, 20001. The Malala Fund entered into Memorandum of Understanding (MoU) dated June 08, 2021 with the Government of Pakistan through the Ministry of Interior (MoI) to work as international non-government organization in Pakistan. [redacted]O registered in Pakistan) is situated in Islamabad at [redacted]

The INGO desires to undertake work for the socio-economic development in the field of vocational education and training, health, poverty alleviation, culture, environmental protection, natural disaster reduction and management, science and technology, sports and other areas approved by the Government of Pakistan.

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 applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) as applicable in Pakistan;

- Accounting Standard for Not for Profit Organizations (Accounting standards for NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP);

- Policies for regulation of International Non-governmental Organizations (INGOs) in Pakistan; and

- The requirements of Memorandum of Understanding (MoU) signed with Ministry of Interior(MoI) on June 08, 2021.

Where the requirements signed under the MoU and policies for regulations of INGOs, differ from the IFRS Standards and Accounting standards for NPOs, the requirements signed under the MoU with government and policy for regulations of INGOs shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except as otherwise disclosed in the respective accounting policies notes.

2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of primary economic environment in which the INGO operates. These financial statements are presented in Pakistan Rupee (Rs. / Rupees) which is the INGO's functional and presentation currency.

2.4 New standards, interpretations and amendments to published and approved accounting and reporting standards

2.4.1 Standards, interpretations and amendments to published and approved accounting and reporting standards that are effective but are not relevant

There are new and amended standards and interpretations that are mandatory for accounting period beginning on or after April 01, 2021 but are considered not to be relevant or do not have any significant effect on the INGO's financial statements and therefore are not stated in these financial statements.

2.4.2 Standards, interpretations and amendments to published and approved accounting and reporting standards that are not yet effective

The following Standards, interpretations and amendments to published and approved accounting and reporting standards that are effective for accounting periods, beginning on or after the date mentioned against each to them.

Standards	Particulars	Effective dates
IAS-1	Presentation of Financial Statements & Accounting Policies -Amendments regarding the classification of liabilities.	January 1, 2022
IAS-8	Accounting Policies, changes in Accounting Estimates and Errors (Amendment regarding the definition of accounting estimates).	January 1, 2023
IAS-12	Income Taxes (The amendments to narrow the scope of the initial recognition exemption).	January 1, 2023
IAS-16	Property, Plant and Equipment- Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.	January 1, 2022
IAS-37	Provisions, Contingent Liabilities and Contingent Assets-Amendments regarding	January 1, 2022

	the costs to include when assessing whether a contract is onerous.	
IAS-41	Amendment resulting from Annual Improvements to IFRS Standards 2018-2020 (the amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique).	January 1, 2022
IFRS-1	First-time Adoption of International Financial Reporting Standards-Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (subsidiary as a first-time adopter).	January 1, 2022
IFRS-9	Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities)	January 1, 2022
IFRS-16	Leases (Extension in respect of the practical expedient for COVID-19 related rent concession by one year)	July 1, 2021
IFRS-16	Amendment resulting from Annual Improvements to IFRS Standards 2018-2020 (to resolve any potential confusion that might arise in lease incentives)	January 1, 2022

The management expects that the adoption of the above revision, amendments and interpretation of the standards will not materially effect the INGO's financial statements in the period of initial application.

The International Accounting Standards Board (IASB) has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements which develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers to develop consistent accounting policies, if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

3 KEY JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

-Useful lives, residual values and depreciation method of property and equipment – Note 4.1
-Right-of-use assets – Note 4.3 & 6
-Impairment of non financial assets– Note 4.2
-Impairment of financial assets other than trade receivables – Note 4.4.5
-Estimation of provisions - Note 4.8
-Taxation - Note 4.10
-Estimation of contingent liabilities - Note 4.11 & 13.1
-Lease Liabilities - Note 4.13

The revisions to accounting estimates (if any) are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Property and equipment

4.1.1 Cost

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Capital work in progress, if any, is stated at cost less accumulated impairment loss. Capital work in progress is transferred to respective item of property and equipment when available for intended use.

Cost in relation to property and equipment comprises acquisition and other directly attributable cost incurred in bringing the asset to its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of income and expenditure during the period in which they are incurred.

Gains and losses on disposal of property and equipment are included in current period's statement of income and expenditure.

4.1.2 Depreciation

Depreciation on all items of operating property and equipment is charged to statement of income and expenditure applying the straight line method so as to write-off the depreciable amount of an asset over its useful life. Depreciation on additions to operating property and equipment is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off. The residual value and useful lives are reviewed by the management at each financial year end and adjusted if impact on depreciation is significant.

4.1.3 Derecognition

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount in the period the asset is derecognized) is charged to statement of income and expenditure.

4.2 Impairment of non financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss (if any) is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses (if any) are recognized in statement of income and expenditure. A previously recognized impairment loss (if any) is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income and expenditure.

4.3 Right-of-use assets

The right-of-use asset is initially measured based on 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 incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4.4 Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when the INGO becomes a party to the contractual provisions of the instrument.

4.4.1 Initial recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortized cost or cost as the case may be.

4.4.2 Classification of financial assets

The INGO classifies its financial instruments in the following categories:

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

The management of the INGO determines the classification of financial assets at initial recognition. The classification of instruments is driven by the INGO's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets except those mentioned above are subsequently measured at FVTPL.

4.4.3 Classification of financial liabilities

The INGO classifies its financial liabilities in the following categories:

- at fair value through profit or loss ("FVTPL"); or

- at amortized cost.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the INGO has opted to measure them at FVTPL.

4.4.4 Subsequent measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost, and in the case of financial assets, less impairment, if any.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of income and expenditure. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of income and expenditure in the period in which they arise.

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in other comprehensive income.

4.4.5 Impairment of financial assets

The INGO recognizes loss allowance for expected credit loss (ECL) on financial assets measured at amortized cost except for debts due directly / ultimately from Government of Pakistan, if any. For trade debts, if any, the INGO applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected allowance. The INGO uses General 3 stage approach for deposits and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12 month ECL, if credit risk on a financial instruments has not increased significantly since initial recognition.

Life time ECLs are the ECLs that results from all possible default events over the expected life of a financial instrument. 12 months' ECL are portion of ECL that result from default events that are possible within 12 months after the reporting date.

ECLs are probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the INGO expects to receive).

The gross carrying amount of a financial asset is written off when the INGO has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

In respect of financial assets due directly / ultimately from Government of Pakistan, if any, the financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

4.4.6 Derecognition

Financial assets

The INGO derecognizes financial assets only when the contractual rights to cash flows from the financial assets expires or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognized in the statement of income and expenditure.

In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to the statement of income and expenditure. In contrast, on derecognition of an investment in equity instrument which the INGO has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to the statement of income and expenditure, but is transferred to statement of changes in funds.

Financial liabilities

The INGO derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of income and expenditure.

4.4.7 Off setting of financial assets and financial liabilities

Financial assets and liabilities are off-set and the net amount is reported in the statement of financial position, if the INGO has legally enforceable right to set-off the recognized amounts and the INGO intends to settle on a net basis or realize the asset and settle the liability simultaneously.

4.5 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current accounts, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amount of cash and which are subject to insignificant risk of changes in values.

4.6 Deferred credits

Grants from The Malala Fund are recognized at their fair value where there is a reasonable assurance that the grant will be received and the INGO will comply with all attached conditions.

Grants relating to expenses are deferred and recognized in the statement of income and expenditure over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to the purchase of property and equipment are included in non current liabilities as deferred income and are credited to statement of income and expenditure on a straight-line basis over the expected lives of the related assets.

4.7 Trade and other payables

These are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method. Trade and other payables are presented as current liabilities unless payment is not due within the 12 months after the reporting period.

4.8 Provisions

Provisions are recognized when the INGO has present legal or constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect current best estimates.

4.9 Foreign currency transactions and translations

The foreign currency transactions are translated into functional currency using the exchange rates prevailing on the date of transactions. The closing balance of monetary items are translated using the exchange rate prevailing on the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income and expenditure.

4.10 Taxation

4.10.1 Current taxation

The charge for current taxation is based on taxable income for the year determined in accordance with prevailing law for taxation at the current rate of taxation after taking into account applicable tax credits, tax losses, and exemptions available, if any, or minimum taxation at the specified applicable rate for the turnover or Alternative Corporate Tax, whichever is higher and tax paid on final tax regime. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

The INGO is in the process of obtaining a income tax exemption certificate, subject to certain conditions and the INGO will be entitled to 100% tax credit of the income tax payables, including minimum and final taxes payable, under section 100C of the income tax ordinance 2001.Therefore no provision for current income tax has been accounted for in these financial statements.

4.10.2 Deferred taxation

Deferred income tax is provided using the balance sheet liability method for all temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liability is recognized for all taxable temporary differences and deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses and unused tax credits, if any, to the extent it is probable that future taxable profits will be available against which these can be utilized. Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the periods when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to income except to the extent that it relates to items recognized in other comprehensive income or directly in the changes in funds. In this case, the tax is also recognized in other comprehensive income or directly to changes in funds , respectively.

Deferred has not been provided in these financial statements as the INGO income's will be exempt under the income tax ordinance, 2001 and consequently temporary differences do not arise.

4.11 Contingent liabilities

A contingent liability is disclosed when the INGO has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the INGO; or the INGO has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.12 Related party transactions

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

The INGO has related party relationships with The Malala Fund and key management personnel of the INGO. Related party transactions, if any, are recorded on arm's length basis unless otherwise stated in relevant notes.

4.13 Lease liabilities

At inception of a contract, the INGO assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the INGO.

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 INGO's incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable / received. The extension and termination options are incorporated in determination of lease term only when the INGO is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or rate, change in the INGO's estimate of the amount expected to be payable under a residual value guarantee. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in the statement of income and expenditure if the carrying amount of right-to-use asset has been reduced to zero.

The INGO has lease contracts that include extension and termination options. the INGO applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the INGO reassesses the lease term, if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

When there is the change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, the change is accounted for as a lease modification. The lease modification is accounted for as a separate lease, if modification increase the scope of lease by adding one or more underlying right-to-use assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

		Note	March 31, 2022 Rupees
5	**PROPERTY AND EQUIPMENT**		
	Capital work-in-progress	5.1	4,125,914
5.1	**Capital work-in-progress**		
	Opening balance		-
	Additions	5.1.1	4,125,914
			4,125,914
	Closing balance		4,125,914

5.1.1 This represents renovation work by S.A Mirza Enterprises (Pvt.) Ltd and interior design by Sohail A. Khan Associates in head office situated at [redacted]

		Note	March 31, 2022 Rupees
6	**RIGHT-OF-USE ASSET**		
	Reconciliation of the carrying amount is as follows:		
	Cost		
	Opening balance		-
	Additions	6.1	7,587,905
	Closing balance		7,587,905
	Less: Accumulated depreciation		
	Opening balance		-
	Charge for the period	6.2	1,580,814
	Closing balance		1,580,814
	Net book value		6,007,091

6.1 This represent right-of-use asset relating to rental premises situated at [redacted] The lease term of the rental premises is 2 years.

6.2 Depreciation charge on right-of-use asset has been allocated to administrative expenses.

		Note	March 31, 2022 Rupees
7	**LONG TERM DEPOSIT**		
	Security deposit	7.1	650,000

7.1 This represents security deposit paid to landlord of leasehold premise

		Note	March 31, 2022 Rupees
8	**ADVANCE AND OTHER RECEIVABLES**		
	Advances to grantees		53,869,660
	Grant receivable against consultant's fee	8.1	2,729,951
			56,599,611

8.1 This represents grant receivable from the The Malala Fund against consultancy fee.

9 CASH AND BANK BALANCES

The INGO is in process of opening local bank account.

		Note	March 31, 2022 Rupees
10	**DEFERRED CREDITS**		
	Deferred grants		
	Advance Balance		57,017,982
	Grant received during the period against:		
	Right-of-use asset		1,950,000
	Capital work-in-process		4,125,914
	Consultancy fee		114,456,860
	Projects expenditure		174,144,455
	Others		650,000
			295,327,229
	Amortised to statement of income and expenditure against:		
	Right-of-use asset		(1,767,167)
	Capital work-in-process		-
	Consultancy fee		(114,456,860)
	Projects expenditure		(177,292,776)
	Others		-
			(293,516,803)
	Closing Balance		58,828,408

10.1 During the year, the INGO received grant of Rs.352 million from The Malala Fund to finance its operating activities and the projects it is carrying out in Pakistan.

10.2 The Malala Fund had already been sending donations to local NGOs/grantees in Pakistan before the MoU being signed with the government of Pakistan through Ministry of Interior. Prior to signing of MoU, the Malala Fund had donated Rs. 276,392,007 (USD 1,808,000) to local grantees, of which Rs. 219,374,025 had been utilized for the operation of the projects mentioned in Note-14. Subsequenty, the unspent funds have been rolled over to local grantees for the same projects.

		Note	March 31, 2022 Rupees
11	**LEASE LIABILITY**		
	Lease liability	11.1	5,824,258
11.1	Reconciliation of the carrying amount is as follows:		
	Opening balance		-
	Additions during the period		5,637,905
	Finance cost on lease liabilities		186,353
			5,824,258
	Current portion shown under current liabilities		(3,385,816)
	Long term portion of lease liabilities		2,438,442
11.2	**Maturity Analysis**		
	Lease liabilities - minimum undiscounted lease payments:		
	Not later than 1 year		3,737,500
	Later than 1 year but not later than 5 years		2,502,500
			6,240,000
12	**TRADE AND OTHER PAYABLES**		
	Payables to consultants		2,729,951

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There are no contingencies as at the reporting date.

13.2 Commitments

The Pakistan office has signed agreement for the renovation project, the approximate outstanding balance of the commitment as on reporting date is as follows:

	March 31, 2022 Rupees
Capital expenditure relating to renovation	9,038,187

MALALA FUND (AN INGO INCORPORATED IN PAKISTAN)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JUNE 08, 2021 TO MARCH 31, 2022

14 PROGRAM EXPENDITURES

	June 08, 2021 to March 31, 2022					
	Rupess					
	Education Champion Network	COVID-19 Initiative	Girl Programme	Legacy Projects	Strategic Partnership Awards	Total
Consultancy fees	4,465,112	-	8,607,634	44,938,848	959,782	58,971,376
Grant related projects expenditures	55,597,020	50,939,263	7,115,329	63,641,164	-	177,292,776
Travelling and Lodgings	117,748	-	127,189	346,675	-	591,612
Training expenses	-	-	339,640	-	-	339,640
Advocacy expenditures	-	-	-	-	-	12,812,614
	60,179,880	50,939,263	16,189,792	108,926,687	959,782	250,008,018

Suzanne Ehlers
Chief Executive Officer

Javed Ahmed Malik
Programme Director

15 ADMINISTRATIVE EXPENSES

Consultancy fees		3,331,427
Legal and professional charges		33,760,327
Travelling and lodgings		1,724,782
Postages charges		37,645
Auditors' remuneration	15.1	2,887,438
Depreciation		1,580,814
		43,322,432

15.1 Auditors' remuneration

Audit services	
Annual audit fee	635,506
Non-audit services	
Tax and consultancy fee	2,251,932
	2,887,438

16 FINANCE COSTS

Finance cost on lease liabilities	186,353

17 FINANCIAL RISK MANAGEMENT

The Organization's activities expose it to a variety of financial risks: market risk (including other price risk, interest rate risk, currency risk and equity price risk), credit risk and liquidity risk. The Office's overall risk management program focuses on prudent handling of financial operations in line with approved budgetary grants and support from it's head office.

17.1 Market risk

Market risk is the risk that changes in market prices, interest rates, currency risk and the equity prices may affect the Office'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 optimising returns.

17.1.1 Other price risk

Other price risk represents the risk that the future cash flows of financial instrument will fluctuate because of changes in market price (other than those arising from interest risk or currency risk), whether those changes are caused by changes specific to the individual financial risk, whether these changes are caused by the factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is not exposed to commodity price risk.

17.1.2 Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization has no variables or fixed interest bearing assets / liabilities.

17.1.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk mainly arises from future commercial transactions or receivables or payables that exist due to transactions in foreign currencies.

The Office is exposed to currency risk, primarily with respect to the "United States Dollar". Currently the Office's foreign exchange exposure is restricted to other receivables and trade and other payables in foreign currency. The Company's exposure to currency risk is as follow:

	March 31, 2022
	Rupees
Other receivables	2,729,951
Trade and other payables	(2,729,951)
	-

	Average rate 2022	Spot rate 2022
	...Rupees...	
Rupee per USD	168.4	181.57

Foreign currency sensitivity analysis

At March 31, 2022, if the functional currency had weakened / strengthened by 5% against the USD with all other variables held constant, the statement of income and expenditure would have not been affected.

17.2 Credit risk and concentration of credit risk

Credit risk represent the risk of financial loss being caused if counter party fails to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	March 31, 2022 Rupees
Long term deposits	7	650,000
Cash and bank balances	9	-
		650,000

Credit quality of financial assets

Deposits are secured against contractual terms. The management is of the view that it is not exposed to significant concentration of credit risk.

17.3 Liquidity Risk

Liquidity risk is the risk that the INGO will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the INGO could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

March 31, 2022

	Carrying amount	Contractual cash flows	1 to 3 months	3 to 12 months	1 to 5 years
		<<<<<<<<<<Rupees>>>>>>>>>>			
Lease liabilities	5,824,258	(6,240,000)	(650,000)	(3,087,500)	(2,502,500)
Trade and other payables	2,729,951	(2,729,951)	(2,729,951)	-	-
	8,554,209	(8,969,951)	(3,379,951)	(3,087,500)	(2,502,500)

17.4 Financial instrument by category

	Note	March 31, 2022 Rupees
Financial assets at amortised cost		
Long term deposits	7	650,000
Cash and bank balances		-
		650,000
Financial liabilities at amortized cost		
Lease liabilities		5,824,258
Trade and other payables	12	2,729,951
		8,554,209

17.5 Fair value of financial instruments

The carrying value of all the financial instruments reported in the financial statements approximates their fair value.

18 FUND RISK MANAGEMENT

The INGO's objective when managing fund is to safeguard the INGO's ability to continue as a going concern so that it can continue to provide returns and benefits for stakeholders, and to maintain a strong fund base to support the sustained development of its operations. The INGO manages its fund requirements through grant received from head office.

19 TRANSACTIONS WITH RELATED PARTIES

19.1 Related party transactions comprise of transactions and account balances with The Malala Fund. Following are the transactions and account balances entered into during the period:

Related Party	Relationship	Description	2022 Rupees
The Malala Fund	Head office	Grant received	352,345,211

19.2 The status of outstanding receivables and payables from / to related parties as at March 31, 2022 are included in respective notes to these financial statements.

20 CORRESPONDING FIGURES

No corresponding figures have been presented in these financial statements as these are the first set of financial statements after the incorporation of the INGO.

21 GENERAL

Figures have been rounded off to the nearest rupee, unless otherwise stated.

22 DATE OF AUTHORIZATION OF ISSUE

These financial statements were approved and authorized for issue on ________________.

Suzanne Ehlers
Chief Executive Officer

Javed Ahmed Malik
Programme Director