

## INDEPENDENT AUDITOR'S REPORT

### TO THE GOVERNING BODY OF POPULATION SERVICES INTERNATIONAL

#### Opinion

We have audited the financial statements of Population Services International ("the Society"), which comprise the Balance Sheet as at March 31, 2021, and the Statement of Income and Expenditure for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Society as at March 31, 2021, and of its financial performance for the year then ended in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI").

#### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) issued by ICAI. 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 Society in accordance with the Code of Ethics issued by ICAI and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of matters

We draw attention to the following matters in the Notes to the financial statements:

- a) Note 17 which states that the Society entered into an agreement with Ministry of Health & Family Welfare, Department of AIDS Control (NACO) during the financial year 2014-15. The Society, pursuant to the agreement, incurred certain expenditure amounting to INR 221,785,299 in relation to human resources, trade promotion and communication activities. However, NACO did not fulfil its supply commitment of commodities, as per the contract resulting in limiting the achievement of program deliverables. The Society subsequently received INR 133,064,731 out of the outstanding amount of INR 221,785,299 on April 2, 2016. During the year 2018-19, the management had initiated arbitration proceedings to recover balance amount of INR 88,720,568. Subsequent to the year ended 2020-21, the arbitration proceedings have been awarded in the favour of the Society vide arbitrator's order dated June 17, 2021. The management, considering arbitrator's order and legal advise, believes that there are appropriate grounds available with the Society to recover the money from NACO and therefore, no provision is considered necessary at this stage.
- b) Note 18 which states that the Commissioner of Income-tax (exemptions), vide its order dated March 16, 2021, rescinded the exemption from taxability of income of the Society under Income Tax Act, 1961 (the "Act"), granted under section 10 (23C)(iv) of the Act read with Rule 2CA of Income Tax Rules, 1962, due to alleged non-fulfilment of terms and conditions underlying such exemption, including carrying on of the operations of the Society with objective of earning profits. The management has challenged the order before Income Tax Appellate Tribunal ("ITAT") vide its application dated April 13, 2021, denying the charges with due cognizance to the facts of the matter. Consequent to this, the Income Tax department passed assessment orders for Assessment Years (AY) 2016-17, AY 2017-18 and AY 2018-19 and served demand notices to the Society with a cumulative tax demand of Rs. 1,631,501,954, and has also initiated re-assessment proceedings for AY 2013-14, AY 2014-15, AY 2016-17 and assessment proceedings for AY 2020-21 which are currently in progress and the outcome of such assessments are dependent



upon the outcome of the appeal filed against revocation/cancellation order of Sec10(23C) in ITAT.

Based on opinion obtained from legal counsels and assessment of facts of the case, the management believes that the Society has sufficient and appropriate grounds to substantiate its case with the income tax authorities and therefore, no additional tax liability has been accrued in the financial statements.

Our opinion is not modified in respect of these matters.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the aforesaid Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

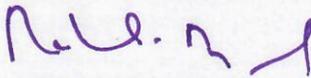
Those charged with governance are responsible for overseeing the Society's financial reporting process.

#### **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 SAs 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 based on these financial statements.

We give in "Annexure A" a detailed description of Auditor's responsibilities for Audit of the Financial Statements.

For **MSKA & Associates**  
Chartered Accountants  
ICAI Firm Registration No. 105047W



**Rahul Aggarwal**  
Partner  
Membership No. 505676  
UDIN: 22505676ACLVXE7215

Place: Gurugram  
Date: February 15, 2022

**ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT ON EVEN DATE ON THE FINANCIAL STATEMENTS OF POPULATION SERVICES INTERNATIONAL**

**Auditor's Responsibilities for the Audit of the Financial Statements**

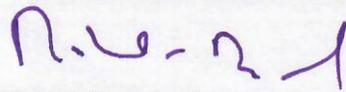
As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For **MSKA & Associates**  
Chartered Accountants  
ICAI Firm Registration No. 105047W



**Rahul Aggarwal**  
Partner  
Membership No.505676  
UDIN: 22505676ACLVXE7215

Place: Gurugram  
Date: February 15, 2022

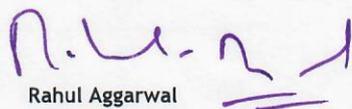
POPULATION SERVICES INTERNATIONAL  
BALANCE SHEET AS AT MARCH 31, 2021  
(All amounts in INR, unless specified)

	Note	As at March 31, 2021	As at March 31, 2020
<b>SOURCES OF FUNDS</b>			
Corpus fund	3	98,44,684	98,44,684
Reserves and surplus	4	15,16,69,530	12,06,20,789
		<u>16,15,14,214</u>	<u>13,04,65,473</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets, net</b>			
Property, plant and equipment	8	2,16,52,368	1,42,72,887
Intangible assets	8	1,76,292	1,87,047
		<u>2,18,28,660</u>	<u>1,44,59,934</u>
<b>Current assets</b>			
Cash and bank balances	5	11,23,65,468	6,77,25,179
Other current assets	6	4,181	8,64,645
		<u>11,23,69,649</u>	<u>6,85,89,824</u>
<b>Loans and advances</b>			
	7	11,44,12,081	11,27,68,783
		<u>11,44,12,081</u>	<u>11,27,68,783</u>
<b>Current liabilities and provisions</b>			
Current liabilities and provisions	9	7,68,85,746	4,41,70,772
		<u>7,68,85,746</u>	<u>4,41,70,772</u>
<b>Non - Current liabilities and provisions</b>			
Provision	10	1,02,10,430	2,11,82,296
		<u>1,02,10,430</u>	<u>2,11,82,296</u>
		<u>16,15,14,214</u>	<u>13,04,65,473</u>
Summary of Significant accounting policies	2		

The accompanying notes form an integral part of these financial statements.

As per our report of even date.

For **MSKA & Associates**  
Chartered Accountants  
Firm registration number: 105047W

  
Rahul Aggarwal  
Partner

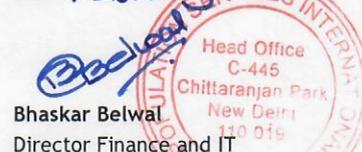
Membership number: 505676  
Place: Gurugram

Date: February 15, 2022

For and on behalf of the Governing Body of  
**Population Services International**

  
Mukesh Sharma  
Executive Director

Place: New Delhi  
Date: February 15, 2022

  
Bhaskar Belwal  
Director Finance and IT

Place: New Delhi  
Date: February 15, 2022

  
Kaushik Dutta  
Treasurer

Place: New Delhi  
Date: February 15, 2022

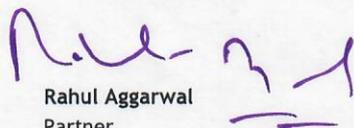
POPULATION SERVICES INTERNATIONAL  
 STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 2021  
 (All amounts in INR, unless specified)

	Note	Year ended March 31, 2021	Year ended March 31, 2020
<b>INCOME</b>			
Donation and grants		31,94,57,328	64,14,45,927
Other income	11	57,83,642	62,80,583
		<u>32,52,40,970</u>	<u>64,77,26,510</u>
<b>EXPENDITURE</b>			
Employee benefits expense	12	15,64,78,742	22,00,17,366
Other expenses	13	13,52,11,291	43,05,73,182
Depreciation and amortisation	8	25,02,196	33,27,378
		<u>29,41,92,229</u>	<u>65,39,17,926</u>
(Deficit)/ Surplus carried to the balance sheet		<u>3,10,48,741</u>	<u>(61,91,416)</u>
Summary of Significant accounting polices	2		

The accompanying notes form an integral part of these financial statements.

As per our report of even date.

For MSKA & Associates  
 Chartered Accountants  
 Firm registration number: 105047W

  
 Rahul Aggarwal  
 Partner

Membership number: 505676  
 Place: Gurugram

Date: February 15, 2022

For and on behalf of the Governing Body of  
 Population Services International

  
 Mukesh Sharma  
 Executive Director

Place: New Delhi

Date: February 15, 2022

  
 Bhaskar Belwal  
 Director Finance and IT

Place: New Delhi

Date: February 15, 2022

  
 Kaushik Dutta  
 Treasurer

Place: New Delhi

Date: February 15, 2022

**POPULATION SERVICES INTERNATIONAL**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
(All amounts in INR, unless specified)

**1. Background**

Population Services International ('PSI' or 'the Society') is a non-profit and non-governmental organisation established in 1980 with a mandate to assist in the fields of reproductive health, HIV/AIDS prevention and maternal child health.

The Society is registered with the Income-tax department under Section 10(23C)(iv) of Income-tax Act, 1961 vide tax exemption certificate received vide Notification No.18/2007 dated January 31, 2007.

PSI's mission is to empower low income people to lead healthy lives through the informed use of health products and services, made accessible and affordable to them through social marketing activities. PSI has long-term commitment to the people of India and to maximising its impact through advocacy, networking and collaboration with other organisations. PSI's activities are consistent with and complementary to those of the Government of India.

The Society is also registered under the Foreign Contribution (Regulation) Act, 2010 for carrying out social activities. The registration is valid till March 31, 2022.

**2. Significant accounting policies**

**2.1 Basis of preparation**

The financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) under the historical cost convention on an accrual basis in compliance with all material aspects of the applicable Accounting Standards issued by the Institute of Chartered Accountants of India ('ICAI'). The accounting policies adopted in the preparation of financial statements have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy until now (hitherto) in use with those of previous year.

**2.2 Use of estimates**

The preparation of financial statements requires the Management to make judgments, estimates and assumptions that affect the reported amounts of income, expenditure, assets and liabilities and disclosure of contingent liabilities, at the end of the reporting period. Although, these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods:

**2.3 Fixed assets**

**(a) Property, plant and equipment**

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any cost attributable to bringing the assets to its working condition for its intended use which includes taxes, freight, and installation and allocated incidental expenditure.

Subsequent expenditure relating to tangible assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.



**POPULATION SERVICES INTERNATIONAL**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
(All amounts in INR, unless specified)

**(b) Intangible assets**

Intangibles are stated at historical cost less accumulated amortisation and represents computer software required for internal use and these are recognised as assets if it is probable that future economic benefits attributable to such assets will flow to the Society and the cost of the assets can be measured reliably.

**2.4 Depreciation and amortisation**

Depreciation on tangible assets is provided on written down value method at the per annum rates specified below:

<b>Assets</b>	<b>Rates</b>
Buildings	10%
Furniture and fixtures	15%
Computers	60%
Office equipment	25%
Electrical equipment	25%
Vehicles	20%

Individual assets costing less than INR 5,000 per unit are expensed off in the year of purchase.

Intangible assets are being amortised over their effective useful life of 5 years. Depreciation on additions is provided on pro-rata basis from the month of purchase when the asset has been in use for 20 days or more. Similarly, depreciation on assets sold/disposed off during the year is being provided up to the month of sale when the asset has been in use for 20 days or more.

**2.5 Impairment of assets**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets' net selling price and value in use. In assessing value in use, the estimated future cash flows are on the basis of reasonable estimate.

After impairment, depreciation/amortisation is provided on the revised carrying amount of the asset over its remaining useful life.

**2.6 Revenue recognition**

**(a) Distribution receipts**

Revenue from distribution receipts is recognised when all significant risks and rewards of the ownership are transferred to the buyer as per the terms of distribution which coincide with the dispatch of the goods. Revenue is recorded net of tax and returns, if any.



**POPULATION SERVICES INTERNATIONAL**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
(All amounts in INR, unless specified)

**(b) Donation and grants**

Donations and grants received are recorded as income when it is reasonably certain that the ultimate collection will be made, other than grants received for a specific purpose, which are recognised as income to the extent of expenditure incurred during the year. Donations received in kind are not valued or accounted for in the books of account.

**(c) Interest**

Interest income is accounted for on time proportionate basis at the applicable rate of interest.

**2.7 Inventories**

Distributable goods are valued at cost (inclusive of packaging cost) or net realisable value, whichever is lower. The cost of such products is determined on a First In First Out basis, and is taken at subsidised rates in case of purchases made from the Government of India.

Items such as testing kits and contraceptives purchased for the purpose of distribution to beneficiaries free of cost or at a nominal value, are valued at lower of cost or replacement cost.

**2.8 Cash and bank balances**

Cash and bank balances include cash in hand, bank balances in savings accounts and fixed deposits held with scheduled banks.

**2.9 Leases**

**Operating leases:** Lease rentals in respect of assets taken under operating lease are charged to the statement of Income and Expenditure on straight line basis over the period of lease.

**2.10 Foreign currency transactions**

**Initial recognition:** Foreign currency transactions are recorded in the reporting currency by applying the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

**Conversion:** Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when such values were determined.

**Exchange differences:** Exchange differences arising on the settlement of monetary items or on reporting the Society's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they occur.



**POPULATION SERVICES INTERNATIONAL**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
(All amounts in INR, unless specified)

**2.11 Retirement benefits**

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 - Employee Benefits (Revised 2005) issued by the ICAI.

**(a) Defined contribution plan**

The Society makes defined contribution to Government Employee Provident Fund, Government Employee Pension Fund which are recognised in the statement of Income and Expenditure on accrual basis.

**(b) Defined benefit plan - Gratuity**

The Society provides for retirement benefits in the form of Gratuity. Benefits payable to eligible employees of the Society with respect to gratuity, a defined benefit plan is accounted for on the basis of an actuarial valuation as at the Balance Sheet date. The plan provides for lump sum payments to vested employees on retirement, death while in service or on termination of employment an amount equivalent to 15 days basic salary for each completed year of service. Vesting occurs upon completion of five years of service. The present value of such obligation is determined by the projected unit credit method and adjusted for past service cost and fair value of plan assets as at the balance sheet date through which the obligations are to be settled. The resultant actuarial gain or loss on change in present value of the defined benefit obligation or change in return of the plan assets is recognised as an income or expense in the statement of Income and Expenditure. The expected return on plan assets is based on the assumed rate of return of such assets. The Society contributes to a fund set up by Life Insurance Company of India.

**(c) Other long-term benefits - Compensated absences and leave encashment**

Liability in respect of compensated absences becoming due or expected to be availed within one year from the balance sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability in respect of compensated absences becoming due or expected to be availed or encashed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method.

The employees are entitled to ten sick leave in a year. Such leaves can be accumulated upto 45 days however encashment is not allowed. The Society provides for the liability at year end on account of unavailed leaves as per the actuarial valuation using the projected unit credit method.

**2.12 Contingent liability, provisions and contingent asset**

The Society creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

Contingent assets are neither recorded nor disclosed in the financial statements.



*M. Menon*



POPULATION SERVICES INTERNATIONAL  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
(All amounts in INR, unless specified)

	As at March 31, 2021	As at March 31, 2020
<b>3 CORPUS FUND</b>		
Opening and closing balance	98,44,684	98,44,684
	<b>98,44,684</b>	<b>98,44,684</b>
<b>4 RESERVES AND SURPLUS</b>		
Surplus in Income and Expenditure Account		
Balance brought forward	12,06,20,789	12,68,12,205
Add: Transfer from Income and Expenditure Account	3,10,48,741	(61,91,416)
	<b>15,16,69,530</b>	<b>12,06,20,789</b>
<b>5 CASH AND BANK BALANCES</b>		
<u>Cash and Cash Equivalents</u>		
(a) Balance with scheduled banks		
- Savings accounts	2,14,67,438	1,08,50,547
- Term deposits	9,08,98,030	5,68,74,632
(b) Cash in hand	-	-
	<b>11,23,65,468</b>	<b>6,77,25,179</b>
<b>6 OTHER CURRENT ASSETS</b>		
(Unsecured, considered good, unless stated otherwise)		
Interest accrued on term deposits	4,181	8,64,645
	<b>4,181</b>	<b>8,64,645</b>
<b>7 LOANS AND ADVANCES</b>		
(Unsecured, considered good, unless stated otherwise)		
(a) Security and other deposits		
- considered good	14,20,275	13,87,959
- considered doubtful	-	-
(b) Other loans and advances		
Advances recoverable in cash or in kind or for value to be received		
- considered good	59,05,716	19,58,490
- considered doubtful	1,19,31,691	1,23,52,293
Gratuity Overfunded Balance (Refer Note 15)	1,15,410	-
Donation receivable (Refer Note 17)	8,67,25,150	8,93,86,898
TDS receivable		
- considered good	2,02,45,530	2,00,35,436
- considered doubtful	31,78,976	31,78,976
(b)	<b>12,81,02,473</b>	<b>12,69,12,093</b>
(c)	<b>1,51,10,667</b>	<b>1,55,31,269</b>
Less: Provision for doubtful balances		
<b>Total (a)+(b)-(c)</b>	<b>11,44,12,081</b>	<b>11,27,68,783</b>



POPULATION SERVICES INTERNATIONAL  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
(All amounts in INR, unless specified)

8 FIXED ASSETS

A) PROPERTY, PLANT AND EQUIPMENT

B) INTANGIBLE ASSETS

Particulars	Freehold land	Buildings Improvement	Furniture and fixtures	Vehicles	Computers	Office equipments	Electrical equipments	Total	Softwares
<b>Gross block</b>									
As at April 1, 2019	83,70,500	-	27,06,539	69,700	2,20,55,475	41,52,663	-	3,73,54,877	50,84,885
Additions	-	-	1,39,131	-	19,17,058	9,03,585	-	29,59,774	2,08,860
Disposals	-	-	-	-	-	-	-	-	-
<b>As at March 31, 2020</b>	<b>83,70,500</b>	<b>-</b>	<b>28,45,670</b>	<b>69,700</b>	<b>2,39,72,533</b>	<b>50,56,248</b>	<b>-</b>	<b>4,03,14,651</b>	<b>52,93,745</b>
Additions	-	88,46,392	-	-	10,41,334	-	-	98,87,726	63,720
Disposals	-	-	-	-	6,23,918	-	-	6,23,918	-
<b>As at March 31, 2021</b>	<b>83,70,500</b>	<b>88,46,392</b>	<b>28,45,670</b>	<b>69,700</b>	<b>2,43,89,949</b>	<b>50,56,248</b>	<b>-</b>	<b>4,95,78,459</b>	<b>53,57,465</b>
<b>Accumulated Depreciation</b>									
As at April 1, 2019	-	-	11,30,147	34,014	1,95,19,053	20,96,894	-	2,27,80,108	50,40,976
Charge for the year	-	-	2,62,645	7,137	23,40,141	6,51,733	-	32,61,656	65,722
Disposals	-	-	-	-	-	-	-	-	-
<b>As at March 31, 2020</b>	<b>-</b>	<b>-</b>	<b>13,92,792</b>	<b>41,151</b>	<b>2,18,59,194</b>	<b>27,48,627</b>	<b>-</b>	<b>2,60,41,764</b>	<b>51,06,698</b>
Charge for the year	-	1,63,835	2,17,932	5,710	14,63,339	5,76,905	-	24,27,721	74,475
Disposals	-	-	-	-	5,43,394	-	-	5,43,394	-
<b>As at March 31, 2021</b>	<b>-</b>	<b>1,63,835</b>	<b>16,10,724</b>	<b>46,861</b>	<b>2,27,79,139</b>	<b>33,25,532</b>	<b>-</b>	<b>2,79,26,091</b>	<b>51,81,173</b>
<b>Net block as at</b>									
<b>As at March 31, 2020</b>	<b>83,70,500</b>	<b>-</b>	<b>14,52,878</b>	<b>28,549</b>	<b>21,13,339</b>	<b>23,07,621</b>	<b>-</b>	<b>1,42,72,887</b>	<b>1,87,047</b>
<b>As at March 31, 2021</b>	<b>83,70,500</b>	<b>86,82,557</b>	<b>12,34,946</b>	<b>22,839</b>	<b>16,10,810</b>	<b>17,30,716</b>	<b>-</b>	<b>2,16,52,368</b>	<b>1,76,292</b>



POPULATION SERVICES INTERNATIONAL  
 NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
 (All amounts in INR, unless specified)

	As at March 31, 2021	As at March 31, 2020
<b>9 CURRENT LIABILITIES AND PROVISIONS</b>		
Grants/ donations received in advance	5,68,49,846	2,55,27,720
Payable for expenses*	85,10,905	7,71,640
Payable to employees	73,30,480	1,26,54,681
Other liabilities	29,89,840	50,26,852
Provision for Leave encashment	12,04,675	1,89,879
	<u>7,68,85,746</u>	<u>4,41,70,772</u>

\* There are no Micro, Small and Medium Enterprises as defined in the Micro, Small, and Medium Enterprises Development Act, 2006, to whom the Society owes dues on account of principal amount together with interest any time during the year and accordingly no additional disclosures have been made.

	As at March 31, 2021	As at March 31, 2020
<b>10 NON - CURRENT LIABILITIES AND PROVISIONS</b>		
<u>Provision for employee benefits</u>		
Provision for Gratuity (Refer Note 15)	-	47,94,519
Provision for Leave encashment	1,02,10,430	1,63,87,777
	<u>1,02,10,430</u>	<u>2,11,82,296</u>

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POPULATION SERVICES INTERNATIONAL  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
(All amounts in INR, unless specified)

	Year ended March 31, 2021	Year ended March 31, 2020
<b>11 OTHER INCOME</b>		
Interest income		
- on term deposits	21,59,382	23,11,649
- on savings accounts	8,89,251	22,20,853
- on tax refund	-	3,070
Liabilities written back	-	14,02,101
Profit on sale of fixed assets	-	70,818
Sale of Scrap	23,14,407	-
Miscellaneous income	-	2,72,092
Provision on doubtful debts written back	4,20,602	-
	<b>57,83,642</b>	<b>62,80,583</b>
<b>12 EMPLOYEE BENEFITS EXPENSE</b>		
Salaries and wages	14,65,92,590	20,25,40,396
Contribution to provident and other funds	85,03,953	1,18,74,568
Gratuity (funded) (Refer Note 15)	12,92,580	48,99,509
Staff welfare	89,619	7,02,893
	<b>15,64,78,742</b>	<b>22,00,17,366</b>
<b>13 OTHER EXPENSES</b>		
Advertising and communications	2,24,60,204	12,23,27,576
Travelling and conveyance	2,22,19,515	6,61,16,693
Legal and professional	5,76,03,549	15,82,26,207
Training, conference and meeting	17,74,115	3,12,52,306
Rent	83,05,472	81,12,418
Communication	33,69,309	38,61,036
Market research	13,22,377	1,72,65,035
Power, electricity and security	68,00,024	1,04,05,913
Repair and maintenance		
- plant and machinery	9,58,132	11,93,642
- others	15,85,482	4,59,121
Printing and stationery	98,675	2,91,041
Rates and taxes	20,89,357	11,90,853
Provision for bad and doubtful advances	-	49,31,424
Insurance	1,25,386	2,25,222
Loss on sale of fixed assets	8,080	-
Donation receivable written off	19,95,418	-
Bank charges	6,858	17,422
Bad debts written off	4,20,602	-
Miscellaneous	40,68,736	46,97,273
	<b>13,52,11,291</b>	<b>43,05,73,182</b>

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POPULATION SERVICES INTERNATIONAL  
 NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
 (All amounts in INR, unless specified)

14 The Society is classified as Level - IV Non Company entity for the purposes of applicability of Accounting Standards as defined by the Council of the Institute of Chartered Accountants of India. Accordingly, the Society has complied with the Accounting Standards as applicable to a Non-Company Entity. Pursuant to the exemptions/ relaxations applicable to Level - IV, Accounting Standard (AS) 3 - Cash Flow Statements, AS 14-Accounting for Amalgamations, AS 17 - Segment Reporting, AS 18 - Related Party Disclosures, AS-20-Earning Per Share, AS 24 - Discontinuing Operations, AS 21 - Consolidated Financial Statements, AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements, AS 25-Interim Financial Reporting and AS 27 - Financial Reporting of Interests in Joint Ventures, AS 28- Impairment of Assets are not applicable to the Society. Further, certain exemptions/ relaxations from recognition, measurement and disclosure requirements in terms of AS-10-Plant Property and Equipment, AS11- The Effects of Change in Foreign Exchange Rates, AS 13- Accounting for Investment, AS 15- Employee Benefits, AS 19 - Leases, AS 22- Accounting for Taxes on Income, AS 26-Intangible Assets and AS 29 - Provisions, Contingent Liabilities and Contingent Assets have been extended to the Society for the current year. Accordingly, the Society has disclosed information to the extent applicable in these financial statements pursuant to the above exemptions/ relaxations.

15 Employee Benefits:

A. Gratuity

a) Amount recognised as expense in the statement of Income and Expenditure:

Description	Year ended	Year ended
	March 31, 2021	March 31, 2020
Current service cost	37,95,354	32,58,590
Interest cost	12,95,743	13,40,514
Expected return on plan assets	(8,38,673)	(9,34,010)
Net actuarial loss/(gain)	(29,59,844)	12,34,415
Past service cost	-	-
Total included in "Employee cost"	<u>12,92,580</u>	<u>48,99,509</u>

b) Amount recognised in the Balance Sheet:

	Year ended	Year ended
	March 31, 2021	March 31, 2020
Present value of the obligation at end of the year	1,05,66,464	1,69,14,073
Fair value of plan assets	1,06,81,874	1,21,19,554
Net liability/(asset) recognised in the Balance Sheet	<u>(1,15,410)</u>	<u>47,94,519</u>

c) Reconciliation of opening and closing balances of defined benefit obligations:

	Year ended	Year ended
	March 31, 2021	March 31, 2020
Present value of defined benefit obligation as at beginning of the year	1,69,14,073	1,74,75,183
Current service cost	37,95,354	32,58,590
Past service cost	-	-
Interest cost	12,95,743	13,40,514
Actuarial loss/(gain) recognised during the year	(32,78,752)	12,68,773
Benefits paid	(81,59,954)	(64,28,987)
Present value of defined benefit obligation as at the end of the year	<u>1,05,66,464</u>	<u>1,69,14,073</u>

d) Reconciliation of opening and closing balances of plan assets:

	Year ended	Year ended
	March 31, 2021	March 31, 2020
Fair value of plan assets as at beginning of the year	1,21,19,554	1,33,42,993
Expected return on plan assets	8,38,673	9,34,010
Actuarial (loss)/gain recognised during the year	(3,18,908)	34,358
Contribution by plan participants	62,02,509	44,29,097
Benefits paid	(81,59,954)	(64,28,987)
Charges deducted	-	(1,91,917)
Fair value of plan assets as at the end of the year	<u>1,06,81,874</u>	<u>1,21,19,554</u>



*M. L. Gupta*



**POPULATION SERVICES INTERNATIONAL**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
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**e) Actuarial gain/loss recognised:**

Description	Year ended March 31, 2021	Year ended March 31, 2020
Actuarial (gain)/loss on defined benefit obligation	(32,78,752)	12,68,773
Actuarial (gain)/loss on plan assets	3,18,908	(34,358)
Actuarial loss/(gain) recognised	<u>(29,59,844)</u>	<u>12,34,415</u>

**f) Actuarial gain/ loss on plan assets:**

	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018	Year ended March 31, 2017
Actual return on plan assets	(5,19,765)	(9,68,368)	(9,75,535)	(9,23,025)	(7,67,821)
Expected return on plan assets	8,38,673	9,34,010	8,77,599	7,77,294	10,10,698
Actuarial (gain)/loss on plan assets	<u>3,18,908</u>	<u>(34,358)</u>	<u>(97,936)</u>	<u>(1,45,731)</u>	<u>2,42,877</u>

**g) Experience adjustments:**

	Year ended March 31, 2021	Year ended March 31, 2020
Experience adjustment on plan assets	3,18,908	(34,358)
Experience adjustment on defined benefit obligation	(32,78,752)	12,68,773

**h) Withdrawal rate:**

Ages	Year ended March 31, 2021	Year ended March 31, 2020
Upto 30 years	3%	3%
31-44 years	2%	2%
Above 44 years	1%	1%

**i) Actuarial valuation of gratuity has been done with the following assumptions:**

	Year ended March 31, 2021	Year ended March 31, 2020
Discount rate (p.a.)	7.09%	6.92%
Rate of increase in compensation levels	6.00%	6.00%
Expected rate of return on plan assets	7.09%	7.00%
Retirement age (years)	60	60
Mortality table	IALM (2012-14)	IALM (2012-14)

The Society made annual contribution to the Life Insurance Corporation of India (LIC) of an amount advised by the LIC. The Society was not informed by LIC of the investment made or the break-down of plan assets by investment type.

**B. Provident fund**

The Society makes contribution to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provision Act, 1952. This is post-employment benefit and is in the nature of defined contribution plan. Contribution made by the Society during the year is INR 8,503,953 (March 31, 2020: INR 11,874,568).

- 16 The Society, based on the opinion obtained from independent legal firm, is of the view that its activities are covered under the definition of "charitable purpose" as defined in Section 2(15) of the Income-tax Act, 1961 and accordingly, has not created any provision for income tax in its books of account.
- 17 The Society entered into an agreement with Ministry of Health & Family Welfare, Department of AIDS Control (NACO) during the financial year 2014-15. The Society, pursuant to the agreement, incurred certain expenditure amounting to INR 221,785,299 in relation to human resources, trade promotion and communication activities. However, NACO did not fulfil its supply commitment of commodities, as per the contract resulting in limiting the achievement of program deliverables. On the basis of the above facts, the management of the Society issued a notice as "Frustration of Contract" to NACO during 2014-15. The Society subsequently received INR 133,064,731 out of the outstanding amount of INR 221,785,299 on April 2, 2016. During the year 2018-19, the management had initiated arbitration proceedings to recover balance amount of INR 88,720,568. Subsequent to the year ended 2020-21, the arbitration proceedings have been ordered in the favour of the Society vide arbitrator's order dated June 17, 2021. Accordingly, the management has recorded the receivable amounting to INR 8,67,25,150 in the books of accounts. Based on the legal opinion obtained from the independent legal counsel and assessment of facts and circumstances of the matter, the management is of the opinion that there are appropriate grounds available with the Society to recover the money from NACO and therefore, no provision is considered necessary at this stage.



**POPULATION SERVICES INTERNATIONAL**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

(All amounts in INR, unless specified)

18 The Society was served an order from the assessing officer during the financial year 2018-19 for conducting special audit under Section 142(2A) of Income-tax Act, 1961 (the "Act") for AY 2016-17. The special audit report was submitted on 06.06.2019. Thereafter, the Society was served with show cause notice from the office of Commissioner of Income-tax (Exemptions) (prescribed Income Tax authorities) for withdrawal of exemption under Section 10(23C)(iv) of the Act. The Society duly responded to the show cause notice. The Commissioner of Income-tax (Exemptions) vide order dated March 16, 2021 rescinded the approval under sub clause (iv) of clause (23C) of Section 10 of the Income Tax Act, 1961 read with Rule 2CA of Income Tax Rules, 1962, which was granted vide order No. 18/2007 issued from F.No. 197/75/2006-IT dated 30.01.2007, due to alleged non-fulfilment of terms and conditions underlying such exemption, including carrying on the operations of the Society with objective of earning profits. The management has challenged such order before the Delhi bench of the Income Tax Appellate Tribunal ("ITAT") on 13.04.2021 vide ITA No.433/Del/2021 denying the charges with due cognizance to the findings and facts of the matter. Consequent to this, the Income Tax department passed assessment orders for Assessment Years (AY) 2016-17, AY 2017-18 and AY 2018-19 and served demands notices to the Society with a cumulative tax demand of Rs. 1,631,501,954/- (mentioned in the table below), and has also initiated re-assessment proceedings for AY 2013-14, AY 2014-15, AY 2016-17 and assessment proceedings for AY 2020-21 which are currently in progress. The Society has also appealed against the assessment orders on similar grounds as mentioned in appeal against CIT(E) order.

Further, the Society was also granted registration under Section 12A on 06.12.1991, which was valid upto AY 2021-22. The said registration under Section 12A has been renewed in terms of provisions of Section 12AB of the Act vide certificate dated 24.09.2021 for AY 2022-23 to 2026-27. The management believes that the cumulative income tax demand will be nullified, and re-assessments will be closed in the favour of Society in case the 10(23C)(iv) registration of the Society gets restored. While the Society is confident to defend its position for successful restoration of exemption under Section 10 (23C), given that the Society has valid registration available under Section 11 read with Section 12A of the Act which has similar grounds for exemption as under Section 10 (23C), the Society intends to claim this alternate exemption for AY 2021-22 and in assessment/re-assessment proceedings for earlier years in progress wherein tax liability is sought to be determined by the Income-tax authorities. In accordance with the Act, the management believes that the tax liability under both the scenarios is neutral, i.e., wholly exempt.

Based on opinion obtained from independent legal counsels, with detailed assessment of facts including demonstration of various projects' economics (which didn't accrue any profits) undertaken by the Society in the past years, and its own assessment of facts of the case, the Management believes that the Society has sufficient and appropriate grounds to substantiate its case with the income tax authorities and therefore, no income tax is considered for accrual at this stage.

Name of Statute	Nature of Dues	Forum where dispute is pending	Period to which the amount relates	Amount involved	Amount unpaid
Income-tax Act 1961	Income Tax	Commissioner of Income Tax (Appeals), New Delhi	AY 2016-17	1,03,40,10,612	1,03,40,10,612
			AY 2017-18	36,54,21,606	36,54,21,606
			AY 2018-19	23,20,69,736	23,20,69,736

19 The World Health Organization announced a global health emergency because of a new strain of coronavirus ("COVID-19") and classified its outbreak as a pandemic on March 11, 2020. In response, the Indian government have taken various actions and ensured many precautionary measures which posed significant disruption to operations and adversely impacting most of the industries which has resulted in global slowdown.

The full extent and duration of the impact of COVID-19 on the Society's operations and financial performance is currently unknown, and depends on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic and any new information that may emerge concerning the severity of the virus, its spread to other regions and the actions to contain the virus or treat its impact, among others.

Any of these outcomes could have a material adverse impact on Society's financial condition and results of operations and cash flows for the year ended March 31, 2021 and thereafter.

Management currently believes that it has adequate liquidity and plans to continue to operate and mitigate the risks associated with COVID-19 for the next 12 months from the date of this Financial Statements.

20 Previous year figures have been regrouped/reclassified wherever considered necessary to make them comparable with those of the current year.

For MSKA & Associates  
 Chartered Accountants  
 Firm registration number: 105047W

Rahul Aggarwal  
 Partner

Membership number: 505676  
 Place: Gurugram

Date: February 15, 2022

For and on behalf of the Governing Body of  
 Population Services International

Mukesh Sharma  
 Executive Director

Place: New Delhi

Date: February 15, 2022

Bhaskar Belwal  
 Director Finance and IT

Place: New Delhi

Date: February 15, 2022

Kaushik Dutta  
 Treasurer

Place: New Delhi

Date: February 15, 2022

