

# **SARGODHIAN SPIRIT TRUST**

## **SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT**

### **FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION**

**30 JUNE 2019**

## **INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF TRUSTEES**

### **Opinion**

We have audited the financial statements of Sargodhian Spirit Institute for Professional Development ("the Institute"), which comprise the statement of financial position as at 30 June 2019, and the statement of income and expenditure, statement of changes in fund and statement of cash flows 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 present fairly, in all material respects, the financial position of the Institute as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

### **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 Institute 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 approved accounting and reporting standards as applicable in Pakistan, and for such internal control as the 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 Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute 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

# Riaz Ahmad & Company

Chartered Accountants

detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute'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 Institute'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 Institute 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 statements represent 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.

*Riaz Ahmad 3 2*  
*Rahe*

**RIAZ AHMAD & COMPANY**  
Chartered Accountants

Date: 28 JAN 2020

**ISLAMABAD**

**Name of engagement partner: Raheel Arshad**

**SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	NOTE	2019 Rupees	2018 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	4	103,000,597	8,388,501
Long term deposits		55,125	55,125
		<u>103,055,722</u>	<u>8,443,626</u>
<b>CURRENT ASSETS</b>			
Advances		316,069	587,409
Cash and bank balances	5	67,754,646	496,333
		68,070,715	1,083,742
<b>TOTAL ASSETS</b>		<u><u>171,126,437</u></u>	<u><u>9,527,368</u></u>
<b>FUND AND LIABILITIES</b>			
<b>FUND</b>			
General fund		-	-
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Deferred credit - grants	6	10,989,322	9,283,645
<b>CURRENT LIABILITIES</b>			
Accrued and other payables	7	120,000	243,723
Due to Sargodhian Spirit Trust - Head Office		160,017,115	-
		160,137,115	243,723
<b>TOTAL LIABILITIES</b>		<u>171,126,437</u>	<u>9,527,368</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	8	-	-
<b>TOTAL FUND AND LIABILITIES</b>		<u><u>171,126,437</u></u>	<u><u>9,527,368</u></u>

The annexed notes form an integral part of these financial statements. *Revised*

*Chairman*

CHAIRMAN

*Chief Executive*

CHIEF EXECUTIVE

*Trustee*

TRUSTEE

**SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT**  
**STATEMENT OF INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	NOTE	2019 Rupees	2018 Rupees
<b>INCOME</b>			
Amortization of grants	6	13,495,033	13,145,096
<b>EXPENDITURE</b>			
Salaries and wages		11,246,859	10,291,334
Utilities		202,629	108,736
Communication		217,852	119,110
Repair and maintenance		157,215	109,860
Insurance vehicles		61,975	-
Travelling		214,366	705,977
Printing and stationery		118,982	161,329
Entertainment		48,206	420,545
Advertisement		827	91,719
Office maintenance		10,330	18,726
Professional charges		60,670	26,678
Auditor's remuneration		120,000	120,000
Office consumables		920	42,490
Depreciation	4.1	735,415	642,386
Accommodation charges		293,000	274,290
Bank charges		5,787	11,916
		(13,495,033)	(13,145,096)
<b>SURPLUS FOR THE YEAR</b>		<u>-</u>	<u>-</u>

The annexed notes form an integral part of these financial statements. *Page*



**CHAIRMAN**



**CHIEF EXECUTIVE**



**TRUSTEE**

**SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT**  
**STATEMENT OF CHANGES IN FUND**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Rupees
<b>Balance as at 30 June 2017</b>	-
Surplus for the year ended 30 June 2018	-
<b>Balance as at 30 June 2018</b>	<hr/> -
Surplus for the year ended 30 June 2019	-
<b>Balance as at 30 June 2019</b>	<hr/> <hr/> -

The annexed notes form an integral part of these financial statements. *Page 7*

  
\_\_\_\_\_  
CHAIRMAN

  
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CHIEF EXECUTIVE

  
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TRUSTEE

**SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019**

	2019 Rupees	2018 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus for the year	-	-
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	735,415	642,386
Amortization of grants	(13,495,033)	(13,145,096)
<b>Cash used in operations before working capital changes</b>	<u>(12,759,618)</u>	<u>(12,502,710)</u>
<b>Working capital changes</b>		
Advances	271,340	(587,409)
Accrued and other payables	(123,723)	243,723
Due to Sargodhian Spirit Trust Head Office	160,017,115	-
<b>Net cash generated from / (used in) operating activities</b>	<u>147,405,114</u>	<u>(12,846,396)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on operating fixed assets	(460,885)	(4,717,393)
Additions in capital work in progress	(94,886,626)	(4,313,494)
Long term deposits	-	(55,125)
<b>Net cash used in investing activities</b>	<u>(95,347,511)</u>	<u>(9,086,012)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Grant from Sargodhian Spirit Trust - Head Office	15,200,710	22,428,741
<b>Net cash from financing activities</b>	<u>15,200,710</u>	<u>22,428,741</u>
<b>Net increase in cash and cash equivalents</b>	67,258,313	496,333
<b>Cash and cash equivalents at the beginning of the year</b>	496,333	-
<b>Cash and cash equivalents at the end of the year</b>	<u>67,754,646</u>	<u>496,333</u>

The annexed notes form an integral part of these financial statements. *Raw*

*Amin Hussian*

CHAIRMAN

*Enshir Ihsan*

CHIEF EXECUTIVE

*[Signature]*

TRUSTEE

# **SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

### **1 LEGAL STATUS AND OPERATIONS**

Sargodhian Spirit Institute for Professional Development ("the Institute") is a project of Sargodhian Spirit Trust, Islamabad. The Institute commenced its operations from July 2017 and its registration is still in process with concerned authorities. The objectives of the Institute are to provide training to teachers for better education, to undertake research and evaluation in relation to education and developing a network of teachers in Sindh.

### **2 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the Accounting Standard for Not-for-Profit Organisations issued by the Institute of Chartered Accountants of Pakistan and International Financial Reporting Standards for Small and Medium-Sized Entities (SMEs) issued by International Accounting Standards Board as adopted by the Institute of Chartered Accountants of Pakistan.

### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

#### **3.1 Basis of preparation**

##### **a) Accounting convention**

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

##### **b) Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the Accounting Standard for Not-for-Profit Organisations issued by the Institute of Chartered Accountants of Pakistan and International Financial Reporting Standards for Small and Medium-Sized Entities (SMEs) issued by International Accounting Standards Board as adopted by the Institute of Chartered Accountants of Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets. However, assumptions and judgments made by the management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

#### **3.2 Property and equipment**

##### **Cost**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost of property and equipment consists of historical cost and other directly attributable cost of bringing the asset to working condition.



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 Institute and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of income and expenditure during the year in which they are incurred.

### **Depreciation**

Depreciation on all property and equipment is charged to statement of income and expenditure on reducing balance method after taking into account residual value, if any, so as to write off the depreciable amount of an asset over its estimated useful life at the rates given in Note 4.1. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged for the month in which the assets are disposed off. The residual values and useful lives of assets are reviewed by the management at each financial year end and adjusted if impact on depreciation is significant.

### **De-recognition**

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of income and expenditure in the year the asset is de-recognized.

## **3.3 Deferred credit - grants**

Grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Institute will comply with all attached conditions. Fair value signifies the amount received in cash and current market value in case of grant received in kind. Grants related to expenses are deferred and recognized in the statement of income and expenditure over the period necessary to match them with the expenses that they are intended to compensate. Grants related to assets are also recognized in deferred credit. An amount equivalent to the depreciation for each year on such assets is credited to statement of income and expenditure in the same year in which the depreciation is charged. Amount equal to book value of assets relating to grant is also transferred to statement of income and expenditure in the same year in which asset is disposed off.

Restricted contribution for the purchase of capital assets that will not be amortized is recognized as direct increase in fund.

## **3.4 Revenue recognition**

Donations are recognized on the receipt basis.

Return on investments is recognized on accrual basis at the rates specified in respective investment scheme assuming that such investment will be held till maturity.

Interest on bank deposits is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

Revenue from restricted funds is recognized, using deferral method in statement of income and expenditure over the period necessary to match them with the expenses that they are intended to compensate.

## **3.5 Foreign currencies**

These financial statements are presented in Pak Rupees, which is the Institute's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at the exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the statement of income and expenditure.

### **3.6 Financial instruments**

Financial instruments carried on the balance sheet include deposits, loans and advances, other receivables, cash and bank balances, interest accrued and other payables etc. Financial assets and liabilities are recognized when the Institute becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition.

Financial assets are de-recognized when the Institute loses control of the contractual rights that comprise the financial asset. The Institute loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Institute surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is charged to the statement of income and expenditure. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item and in the accounting policy of investments.

### **3.7 Accrued and other liabilities**

Accrued and other amounts payable are initially recognized at fair value which is normally the transaction cost.

### **3.8 Cash and cash equivalents**

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

### **3.9 Provisions**

Provisions are recognized when the Institute has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

### **3.10 Taxation**

Income of Not for Profit Organisations is allowed a tax credit equal to one hundred percent of the tax payable under section 100c of the Income Tax Ordinance, 2001. Accordingly, no provision for taxation has been made in these financial statements.

### **3.11 Offsetting**

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

#### 4 PROPERTY AND EQUIPMENT

	NOTE	2019 Rupees	2018 Rupees
Operating fixed assets	4.1	3,800,477	4,075,007
Capital work in progress	4.2	99,200,120	4,313,494
		<u>103,000,597</u>	<u>8,388,501</u>

#### 4.1 OPERATING FIXED ASSETS

	Furniture and fittings	Office equipment	Computer equipment	Electrical equipment	Vehicles	Total
----- Rupees -----						
<b>Year ended 30 June 2018</b>						
Opening net book value	-	-	-	-	-	-
Additions	690,407	119,246	588,440	851,538	1,903,500	4,153,131
Transfer in:						
Cost	286,292	277,970	-	-	-	564,262
Depreciation charge	(85,035)	(55,941)	(65,529)	(150,356)	(285,525)	(642,386)
Closing net book value	<u>891,664</u>	<u>341,275</u>	<u>522,911</u>	<u>701,182</u>	<u>1,617,975</u>	<u>4,075,007</u>
<b>At 30 June 2018</b>						
Cost	976,699	397,216	588,440	851,538	1,903,500	4,717,393
Accumulated depreciation	(85,035)	(55,941)	(65,529)	(150,356)	(285,525)	(642,386)
Net book value	<u>891,664</u>	<u>341,275</u>	<u>522,911</u>	<u>701,182</u>	<u>1,617,975</u>	<u>4,075,007</u>
<b>Year ended 30 June 2019</b>						
Opening net book value	891,664	341,275	522,911	701,182	1,617,975	4,075,007
Additions	368,906	14,199	13,300	64,480	460,885	460,885
Depreciation charge	(109,268)	(52,118)	(105,247)	(145,187)	(323,595)	(735,415)
Closing net book value	<u>1,151,302</u>	<u>303,356</u>	<u>430,964</u>	<u>620,475</u>	<u>1,294,380</u>	<u>3,800,477</u>
<b>At 30 June 2019</b>						
Cost	1,345,605	411,415	601,740	916,018	1,903,500	5,178,278
Accumulated depreciation	(194,303)	(108,059)	(170,776)	(295,543)	(609,120)	(1,377,801)
Net book value	<u>1,151,302</u>	<u>303,356</u>	<u>430,964</u>	<u>620,475</u>	<u>1,294,380</u>	<u>3,800,477</u>
Depreciation rate (%)	10	15	20	20	20	20

	NOTE	2019 Rupees	2018 Rupees
<b>4.2 Capital work in progress</b>			
Opening capital work in progress		4,313,494	-
Project development expenses	4.2.1	94,886,626	4,313,494
		<u>99,200,120</u>	<u>4,313,494</u>
<b>4.2.1 Project development expenses</b>			
Architect fee	4.2.2	2,143,656	3,742,286
Professional fee for well drilling		111,111	345,208
Soil survey cost		-	226,000
Construction work		92,631,859	-
		<u>94,886,626</u>	<u>4,313,494</u>

4.2.2 This includes an amount of Rupees 279,131 (2018: Rupees 135,475) given to IVCC Engineering (Private) Limited, where a trustee is director.

	2019 Rupees	2018 Rupees
<b>5 CASH AND BANK BALANCES</b>		
Cash in hand	82,184	31,714
Cash at bank - current account	67,672,462	464,619
	<u>67,754,646</u>	<u>496,333</u>

#### 6 DEFERRED CREDIT - GRANTS

DESCRIPTION	2019			2018
	Capital nature	Revenue nature	Total	Total
	----- Rupees -----			
Balance at the start of the year	8,388,500	895,145	9,283,645	-
Grant received from Sargodhian Spirit Trust - Head Office (Note 6.1)	-	15,200,710	15,200,710	22,428,741
Grant amortized during the year	(735,415)	(12,759,618)	(13,495,033)	(13,145,096)
Balance at the end of the year	<u>7,653,085</u>	<u>3,336,237</u>	<u>10,989,322</u>	<u>9,283,645</u>

6.1 It represents grant received from Sargodhian Spirit Trust - Head Office for operations and teachers training programme.

#### 7 ACCRUED AND OTHER PAYABLES

Accrued expenses	120,000	141,000
Others	-	102,723
	<u>120,000</u>	<u>243,723</u>

#### 8 CONTINGENCIES AND COMMITMENTS

<b>Contingencies</b>	Nil	Nil
<b>Commitments</b>		
Commitment against capital expenditure	-	10,661,804

#### 9 NUMBER OF EMPLOYEES

	2019	2018
Number of employees as at 30 June	12	12
Average number of employees during the year	7	7

#### 10 REMUNERATION OF KEY MANAGEMENT PERSONNEL

The aggregate amounts charged in these financial statements in respect of remuneration including certain benefits to the director are given below:

	Director	
	2019 Rupees	2018 Rupees
Managerial remuneration	<u>4,200,000</u>	<u>4,200,000</u>

**11 TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise of Sargodhian Spirit Trust - Head Office, Sargodhian Spirit Trust Public School, key management personnel and entities over which trustees are able to exert significant influence. Transactions with related parties have been disclosed in relevant notes to the financial statements.

**12 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 28 JAN 2020 by the Board of Trustees.

**13 CORRESPONDING FIGURES**

No significant reclassification / re-arrangement of corresponding figures has been made in these financial statements.

**14 GENERAL**

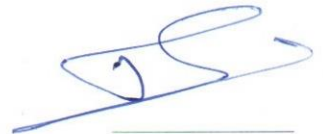
Figures in these financial statements have been rounded off to the nearest Rupee. *Raw*.



CHAIRMAN



CHIEF EXECUTIVE



TRUSTEE