

**SARGODHIAN SPIRIT TRUST**

**CONSOLIDATED FINANCIAL STATEMENTS  
WITH  
ACCOMPANYING INFORMATION**

**30 JUNE 2020**

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

### **Opinion**

We have audited the consolidated financial statements of Sargodhian Spirit Trust ("the Trust"), which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of income and expenditure, consolidated statement of changes in funds and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at 30 June 2020, 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 Consolidated Financial Statements section of our report. We are independent of the Trust 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 Consolidated Financial Statements**

The management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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

# Riaz Ahmad & Company

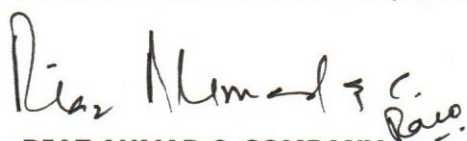
Chartered Accountants

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 consolidated 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 consolidated 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 Trust'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 Trust'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 consolidated 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 Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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

**RIAZ AHMAD & COMPANY**  
Chartered Accountants

Date: 26 NOV 2020

ISLAMABAD

Name of engagement partner: Raheel Arshad

**SARGODHIAN SPIRIT TRUST**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	NOTE	2020 Rupees	2019 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	4	602,979,210	464,459,322
Intangible assets	5	2,421,733	2,605,258
Long term deposit		510,125	510,125
		605,911,068	467,574,705
<b>CURRENT ASSETS</b>			
Loan to employee	6	1,000,000	22,000,000
Advances, deposits and prepayments	7	14,483,043	9,748,721
Receivable from students		5,418,357	6,446,948
Other receivables		2,055,658	2,206,688
Taxation recoverable		5,133,567	2,443,425
Short term investments	8	23,085,515	77,507,595
Cash and bank balances	9	351,772,856	276,148,626
		402,948,996	396,502,003
<b>TOTAL ASSETS</b>		1,008,860,064	864,076,708
<b>FUNDS AND LIABILITIES</b>			
<b>FUNDS</b>			
General fund		140,224,892	117,404,459
Endowment fund		58,698,876	54,116,187
<b>TOTAL FUNDS</b>		198,923,768	171,520,646
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Deferred credit - grants	10	716,105,545	595,142,280
Students' security deposits	11	12,631,264	11,253,329
		728,736,809	606,395,609
<b>CURRENT LIABILITIES</b>			
Accrued and other payables	12	42,583,193	39,709,698
Payable to suppliers		598,033	-
Current portion of students' security deposits	11	550,000	900,000
Advance fee		37,468,261	45,550,755
		81,199,487	86,160,453
<b>TOTAL LIABILITIES</b>		809,936,296	692,556,062
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
<b>TOTAL FUNDS AND LIABILITIES</b>		1,008,860,064	864,076,708

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

  
**CHAIRMAN**

  
**CHIEF EXECUTIVE**

  
**TRUSTEE**


**SARGODHIAN SPIRIT TRUST**  
**CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Rupees	2019 Rupees
<b>INCOME</b>			
Fee income	14	119,672,592	135,614,864
Donations	15	22,883,030	5,293,683
Amortization of grants	10	49,036,735	45,119,086
Return on investments		-	8,328,927
Profit on bank deposits		21,796,898	8,165,661
Other income	16	2,332,579	4,817,047
		<u>215,721,834</u>	<u>207,339,268</u>
<b>EXPENDITURE</b>			
Salaries, wages and other benefits	17	122,309,961	116,356,969
Students boarding, lodging and living	18	17,350,944	28,270,856
Utilities		12,257,544	12,688,205
Communication		1,840,923	1,558,043
Repair and maintenance		4,462,658	3,623,993
International General Certificate of Secondary Education fee		4,135,979	4,622,648
Advertisement expenses		1,251,935	1,669,810
Travelling		2,531,444	3,303,893
Insurance		804,879	884,559
Staff professional development fee		55,938	113,086
Printing and stationery		1,424,455	886,160
Consumables		718,001	933,680
Fuel		782,562	916,200
Entertainment		365,621	438,022
Office maintenance		81,175	10,330
Special functions		932,348	1,050,930
Professional and legal charges		815,924	464,466
Auditor's remuneration	19	360,000	360,000
Depreciation	4.1	16,398,422	16,430,309
Amortization	5	263,525	289,473
Loss on disposal of fixed asset		-	2,219,231
Postage		286,950	250,181
Office rent		1,645,757	1,487,961
Accommodation charges		372,000	293,000
Bank charges		13,726	131,971
Others		1,438,730	217,914
		<u>(192,901,401)</u>	<u>(199,471,890)</u>
<b>SURPLUS FOR THE YEAR</b>		<u>22,820,433</u>	<u>7,867,378</u>

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

  
**CHAIRMAN**

  
**CHIEF EXECUTIVE**

  
**TRUSTEE**

**SARGODHIAN SPIRIT TRUST**  
**CONSOLIDATED STATEMENT OF CHANGES IN FUND**  
**FOR THE YEAR ENDED 30 JUNE 2020**

Description	General fund	Endowment fund	Total
	----- Rupees -----		
<b>Balance as at 30 June 2018</b>	159,537,081	-	159,537,081
Surplus for the year ended 30 June 2019	7,867,378	-	7,867,378
Transferred from general fund to endowment fund	(50,000,000)	50,000,000	-
Return on endowment fund investment	-	2,236,187	2,236,187
Contributions received from students during the year	-	1,880,000	1,880,000
<b>Balance as at 30 June 2019</b>	<u>117,404,459</u>	<u>54,116,187</u>	<u>171,520,646</u>
Surplus for the year ended 30 June 2020	22,820,433	-	22,820,433
Return on endowment fund investment	-	2,922,689	2,922,689
Contributions received from students during the year	-	1,660,000	1,660,000
<b>Balance as at 30 June 2020</b>	<u><u>140,224,892</u></u>	<u><u>58,698,876</u></u>	<u><u>198,923,768</u></u>

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


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**CHAIRMAN**


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**CHIEF EXECUTIVE**

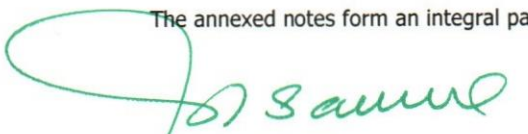

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**TRUSTEE**

**SARGODHIAN SPIRIT TRUST**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	2020 Rupees	2019 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus for the year	22,820,433	7,867,378
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	16,398,422	16,430,309
Amortization of intangible assets	263,525	289,473
Amortization of grants	(49,036,735)	(45,119,086)
Loss / (gain) on disposal of fixed asset	-	2,219,231
Liabilities written back	(115,956)	(195,222)
Stores written off	-	271,141
Profit on bank deposits	(1,477,501)	(558,410)
<b>Cash used in operations before working capital changes</b>	<u>(11,147,812)</u>	<u>(18,795,186)</u>
<b>Working capital changes</b>		
<b>(Increase) / decrease in current assets:</b>		
Advances and prepayments	(4,734,322)	(2,953,279)
Loan to employees	21,000,000	(22,000,000)
Receivable from students	1,028,591	(1,454,462)
Other receivables	151,030	(591,894)
	<u>17,445,299</u>	<u>(26,999,635)</u>
<b>Increase / (decrease) in current liabilities</b>		
Accrued and other payables	2,989,451	9,012,567
Advance fee	(8,082,494)	(510,997)
Payable to suppliers	598,033	-
	<u>(4,495,010)</u>	<u>8,501,570</u>
<b>Net cash generated from / (used in) operations</b>	<u>1,802,477</u>	<u>(37,293,251)</u>
Increase in students' security deposits	1,027,935	(770,130)
Tax paid	(2,690,142)	(1,459,575)
<b>Net cash generated from / (used in) operating activities</b>	<u>140,270</u>	<u>(39,522,956)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on operating fixed assets	(48,173,127)	(24,919,045)
Capital expenditure on intangible assets	(80,000)	-
Proceeds from sale of fixed asset	-	11,175,769
Additions in capital work in progress	(106,745,183)	(97,053,820)
Short term investments encashed - net	54,422,080	213,454,374
Proceeds from endowment fund	4,582,689	4,116,187
Interest received	1,477,501	558,410
<b>Net cash (used in) / from investing activities</b>	<u>(94,516,040)</u>	<u>107,331,875</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Grants received - net	170,000,000	86,230,000
<b>Net cash from financing activities</b>	<u>170,000,000</u>	<u>86,230,000</u>
<b>Net increase in cash and cash equivalents</b>	<u>75,624,230</u>	<u>154,038,919</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>276,148,626</u>	<u>122,109,707</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>351,772,856</u></u>	<u><u>276,148,626</u></u>

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

  
**CHAIRMAN**

  
**CHIEF EXECUTIVE**

  
**TRUSTEE**

**SARGODHIAN SPIRIT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**1 LEGAL STATUS AND OPERATIONS**

These consolidated financial statements of Sargodhian Spirit Trust comprise of the financial statements of Sargodhian Spirit Trust - Head Office, Sargodhian Spirit Trust Public School ("the School") and Sargodhian Spirit Institute For Professional Development ("the Institute") here-in-after referred to as the Trust.

**Sargodhian Spirit Trust**

Sargodhian Spirit Trust having its registered office at Islamabad, was created on 02 July 1998 by the PAF School Sargodha, Old Boys Association ("the Association"), principally to provide education to the general public, including members and children of the Association, and to create awareness amongst people for improved education and health. The Trust is managing the Sargodhian Spirit Trust Public School Rashidabad ("the School") and Sargodhian Spirit Institute for Professional Development ("the Institute").

**Sargodhian Spirit Trust Public School**

Sargodhian Spirit Trust Public School ("the School") is a project of Sargodhian Spirit Trust, Islamabad. The School commenced its operations from July, 2005 and was registered on 17 August 2005 with the District Education Department, Hyderabad under section 6 of the Sindh Private Educational Institutions (Regulation and Control) Ordinance, 2001. The objectives of the School are to offer courses of International standard and to undertake, organize, and disseminate knowledge in Rashidabad, Sindh.

**Sargodhian Spirit Institute for Professional Development**

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 consolidated financial statements have been prepared in accordance with the Accounting Standard for Not-for-Profit Organizations 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 consolidated 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 consolidated financial statements have been prepared under the historical cost convention, except for the certain financial instruments which are carried at their fair values.



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

The preparation of consolidated financial statements in conformity with the Accounting standard for Not-For-Profit Organizations issued by the Institute of Chartered Accountants of Pakistan and International Financial Reporting Standards for Small and Medium-Sized Entities 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 consolidated financial statements relate to the useful life of depreciable / amortizable assets. However, assumptions and judgments made by the management in the application of accounting policies that have significant effect on the consolidated 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 Trust and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to consolidated statement of income and expenditure during the year in which they are incurred.

### **Depreciation**

Depreciation on all property and equipment is charged to consolidated 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. 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 consolidated statement of income and expenditure in the year the asset is de-recognized.

## 3.3 **Intangible assets**

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditure relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less amortization and impairment losses, if any.

Intangible assets are amortized from the year, when these assets are available for use while no amortization is charged in the year of deletion, amortization is charged using the reducing balance method, whereby the cost of the intangible asset is amortized over its estimated useful life at the rate given in Note 5. The useful life and amortization method is reviewed and adjusted, if appropriate, at each financial position date.

### 3.4 **Investments**

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis. Investments are initially measured at fair value plus transaction costs directly attributable to acquisition.

#### **Equity instruments**

The Trust subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

#### **Fair value through other comprehensive income (FVTOCI)**

Where the Trust's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

#### **Fair value through profit or loss**

Changes in the fair value of equity investments at fair value through profit or loss are recognized in other income / (other expenses) in the statement of income and expenditure as applicable.

Dividends from such investments continue to be recognized in statement of income and expenditure as other income when the Trust's right to receive payments is established.

#### **Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in statement of income and expenditure and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of income and expenditure.

### 3.5 **Inventories**

These are valued at lower of cost and net realizable value, less provision for any slow moving and obsolete items, if any.

### 3.6 **Endowment fund**

The Trust operates endowment fund. The fund sources include receipts from students and surplus funds of the school. The management is in process of finalizing rules and regulations of the fund.

Contributions and utilizations of endowment fund are directly recorded as increase or decrease in endowment fund.

### 3.7 **Deferred credit - grants**

Grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Trust 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 consolidated 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 recognized as deferred credit. An amount equivalent to the depreciation for each year on such assets is credited to consolidated 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 consolidated 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.

### 3.8 **Revenue recognition**

Tuition, processing and registration fee are recognized on accrual basis.

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 income and expenditure account over the period necessary to match them with the expenses that they are intended to compensate.

### 3.9 **Employees benefits - contributory provident fund**

The Trust operates contributory provident fund scheme for its regular employees. Equal contributions are made to the fund by the Trust and the employees at the rate of 7.5% of their basic salaries. The income of the fund is distributed to members at the rate of 6%. The fund has not yet been approved under the provisions of Income Tax Ordinance, 2001.

### 3.10 **Foreign currencies**

These consolidated financial statements are presented in Pak Rupees, which is the Trust'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 consolidated statement of income and expenditure.

### 3.11 **Financial instruments**

Financial instruments carried on the consolidated statement of financial position include investments, deposits, loans and advances, other receivables, cash and bank balances, interest accrued and other payables etc. Financial assets and liabilities are recognized when the Trust 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 Trust loses control of the contractual rights that comprise the financial asset. The Trust loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Trust 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 consolidated 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.

### **3.12 Accrued and other liabilities**

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

### **3.13 Receivables**

Receivables are recognized and carried at cost less an allowance for any uncollectible amounts. Carrying amounts of receivables are assessed on regular basis and if, there is any doubt about reliability of these receivables, appropriate amount of provision is made.

### **3.14 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving 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.

### **3.15 Provisions**

Provisions are recognized when the Trust 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.

### **3.16 Taxation**

Income of Not for Profit Organizations 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 consolidated financial statements.

### **3.17 Offsetting**

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

4	PROPERTY AND EQUIPMENT	NOTE	2020	2019
			Rupees	Rupees
	Operating fixed assets	4.1	382,960,547	351,185,842
	Capital work in progress	4.2	220,018,663	113,273,480
			<u>602,979,210</u>	<u>464,459,322</u>

4.1 Operating fixed assets

	Freehold land (Note - 4.1.1)	Building and infrastructure	Furniture and fittings	Office equipment	Computer equipment	Electrical equipment	Library books	Kitchen utensils and equipment	Science laboratory equipment	Sports equipment	Other equipment	Vehicles	Total
----- Rupees -----													
<b>At 30 June 2018</b>													
Cost	131,640,073	296,419,383	34,875,157	8,548,608	19,898,759	13,933,546	3,392,237	2,255,608	4,226,278	1,381,119	1,212,017	12,120,582	526,572,667
Accumulated depreciation	-	(115,975,791)	(16,573,267)	(4,038,659)	(14,283,413)	(8,384,865)	(2,072,836)	(1,473,850)	(3,405,866)	(700,570)	(712,366)	(6,189,778)	(173,811,261)
Net book value	<u>131,640,073</u>	<u>180,443,592</u>	<u>18,301,890</u>	<u>4,509,949</u>	<u>5,615,346</u>	<u>5,548,681</u>	<u>1,319,401</u>	<u>781,758</u>	<u>820,412</u>	<u>680,549</u>	<u>499,651</u>	<u>5,930,804</u>	<u>356,092,106</u>
<b>Year ended 30 June 2019</b>													
Opening net book value	131,640,073	180,443,592	18,301,890	4,509,949	5,615,346	5,548,681	1,319,401	781,758	820,412	680,549	499,651	5,930,804	356,092,106
Additions	700,500	17,318,223	1,698,317	676,861	540,460	213,500	93,824	91,868	9,500	139,880	91,017	3,345,095	24,919,045
Disposals:													
Cost	(13,395,000)	-	-	-	-	-	-	-	-	-	-	-	(13,395,000)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>(13,395,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,395,000)</u>
Depreciation charge	-	(8,968,419)	(1,930,341)	(893,621)	(1,182,519)	(1,139,186)	(139,101)	(166,188)	(164,715)	(161,755)	(111,738)	(1,572,726)	(16,430,309)
Closing net book value	<u>118,945,573</u>	<u>188,793,396</u>	<u>18,069,866</u>	<u>4,293,189</u>	<u>4,973,287</u>	<u>4,622,995</u>	<u>1,274,124</u>	<u>707,438</u>	<u>665,197</u>	<u>658,674</u>	<u>478,930</u>	<u>7,703,173</u>	<u>351,185,842</u>
<b>At 30 June 2019</b>													
Cost	118,945,573	313,737,606	36,573,474	9,225,469	20,439,219	14,147,046	3,486,061	2,347,476	4,235,778	1,520,999	1,303,034	15,465,677	541,427,412
Accumulated depreciation	-	(124,944,210)	(18,503,608)	(4,932,280)	(15,465,932)	(9,524,051)	(2,211,937)	(1,640,038)	(3,570,581)	(862,325)	(824,104)	(7,762,504)	(190,241,570)
Net book value	<u>118,945,573</u>	<u>188,793,396</u>	<u>18,069,866</u>	<u>4,293,189</u>	<u>4,973,287</u>	<u>4,622,995</u>	<u>1,274,124</u>	<u>707,438</u>	<u>665,197</u>	<u>658,674</u>	<u>478,930</u>	<u>7,703,173</u>	<u>351,185,842</u>
<b>Year ended 30 June 2020</b>													
Opening net book value	118,945,573	188,793,396	18,069,866	4,293,189	4,973,287	4,622,995	1,274,124	707,438	665,197	658,674	478,930	7,703,173	351,185,842
Additions	5,675,430	32,397,356	5,329,819	575,000	479,925	2,676,785	213,760	131,227	178,960	141,460	373,405	-	48,173,127
Depreciation charge	-	(9,443,089)	(1,872,551)	(684,915)	(1,022,008)	(1,121,265)	(139,932)	(154,611)	(154,665)	(142,937)	(121,814)	(1,540,635)	(16,398,422)
Closing net book value	<u>124,621,003</u>	<u>211,747,663</u>	<u>21,527,134</u>	<u>4,183,274</u>	<u>4,431,204</u>	<u>6,178,515</u>	<u>1,347,952</u>	<u>684,054</u>	<u>689,492</u>	<u>657,197</u>	<u>730,521</u>	<u>6,162,538</u>	<u>382,960,547</u>
<b>At 30 June 2020</b>													
Cost	124,621,003	346,134,962	41,903,293	9,800,469	20,919,144	16,823,831	3,699,821	2,478,703	4,414,738	1,662,459	1,676,439	15,465,677	589,600,539
Accumulated depreciation	-	(134,387,299)	(20,376,159)	(5,617,195)	(16,487,940)	(10,645,316)	(2,351,869)	(1,794,649)	(3,725,246)	(1,005,262)	(945,918)	(9,303,139)	(206,639,992)
Net book value	<u>124,621,003</u>	<u>211,747,663</u>	<u>21,527,134</u>	<u>4,183,274</u>	<u>4,431,204</u>	<u>6,178,515</u>	<u>1,347,952</u>	<u>684,054</u>	<u>689,492</u>	<u>657,197</u>	<u>730,521</u>	<u>6,162,538</u>	<u>382,960,547</u>
<b>Depreciation rate (%)</b>	-	5	10	15	20	20	10	20	20	20	20	20	

4.1.1 It includes freehold land purchased for the School amounting to Rupees 63 million title of which is in the name of the Principal of the School.

	NOTE	2020 Rupees	2019 Rupees
<b>4.2 Capital work in progress - civil works</b>			
Opening capital work in progress		113,273,480	16,219,660
Project development expenses	4.2.1	105,098,226	97,053,820
School development expenses		1,646,957	-
		<u>220,018,663</u>	<u>113,273,480</u>

#### 4.2.1 Project development expenses

##### Neelab Project - KPK

Salaries and other benefits	1,689,000	1,470,000
Project Development KPK	991,985	697,194
	<u>2,680,985</u>	<u>2,167,194</u>

##### Sargodhian Spirit Institute for Professional Development

Architect fee	-	2,143,656
Professional fee for well drilling	-	111,111
Construction work	102,417,241	92,631,859
	<u>102,417,241</u>	<u>94,886,626</u>
	<u>105,098,226</u>	<u>97,053,820</u>

## 5 INTANGIBLE ASSETS

	Learning management system	Campus management system	Inventory management system	English as a secondary language system	Total
----- Rupees -----					
<b>At 30 June 2018</b>					
Cost	3,022,850	1,484,973	538,229	618,400	5,664,452
Accumulated amortization	(1,692,637)	(510,683)	(263,571)	(302,830)	(2,769,721)
Net book value	<u>1,330,213</u>	<u>974,290</u>	<u>274,658</u>	<u>315,570</u>	<u>2,894,731</u>
<b>Year ended 30 June 2019</b>					
Opening net book value	1,330,213	974,290	274,658	315,570	2,894,731
Amortization charge	(133,021)	(97,429)	(27,466)	(31,557)	(289,473)
Closing net book value	<u>1,197,192</u>	<u>876,861</u>	<u>247,192</u>	<u>284,013</u>	<u>2,605,258</u>
<b>At 30 June 2019</b>					
Cost	3,022,850	1,484,973	538,229	618,400	5,664,452
Accumulated amortization	(1,825,658)	(608,112)	(291,037)	(334,387)	(3,059,194)
Net book value	<u>1,197,192</u>	<u>876,861</u>	<u>247,192</u>	<u>284,013</u>	<u>2,605,258</u>
<b>Year ended June 2020</b>					
Opening net book value	1,197,192	876,861	247,192	284,013	2,605,258
Additions	-	80,000	-	-	80,000
Amortization charge	(119,719)	(90,686)	(24,719)	(28,401)	(263,525)
Closing net book value	<u>1,077,473</u>	<u>866,175</u>	<u>222,473</u>	<u>255,612</u>	<u>2,421,733</u>
<b>At 30 June 2020</b>					
Cost	3,022,850	1,564,973	538,229	618,400	5,744,452
Accumulated amortization	(1,945,377)	(698,798)	(315,756)	(362,788)	(3,322,719)
Net book value	<u>1,077,473</u>	<u>866,175</u>	<u>222,473</u>	<u>255,612</u>	<u>2,421,733</u>
<b>Amortization rate (%)</b>	10	10	10	10	

	NOTE	2020 Rupees	2019 Rupees
<b>6 LOAN TO EMPLOYEE</b>			
Loan to Chief Operating Officer (COO)		-	21,000,000
Mark-up on loan		1,000,000	1,000,000
		<u>1,000,000</u>	<u>22,000,000</u>

## 7 ADVANCES, DEPOSITS AND PREPAYMENTS

Advances to:

- employees against expenses - unsecured	7.1	2,269,016	3,933,516
- employees against salaries - secured		2,053,391	1,915,196
- suppliers - unsecured		8,153,428	3,712,135
		12,475,835	9,560,847
Short term deposits		180,000	180,000
Prepayments	15.1	1,827,208	7,874
		<u>14,483,043</u>	<u>9,748,721</u>

7.1 These are secured against provident fund balances of the employees and carry no interest.

## 8 SHORT TERM INVESTMENTS

**Fair value through profit or loss:**

Meezan Bank Limited - Mutual fund investment 481,431 (2019: 524,442) units	8.1	22,805,394	26,749,403
Prift / (Loss) on remeasurement of investment		280,121	(616,454)
		<u>23,085,515</u>	<u>26,132,949</u>

**Amortized cost:**

Meezan Bank limited - Sukuk Certificates		-	51,374,646
		<u>23,085,515</u>	<u>77,507,595</u>

8.1 It represents investment in Mutual funds of Meezan Bank Limited. This investment has been earmarked for employees contributory provident fund.

	NOTE	2020 Rupees	2019 Rupees
<b>9 CASH AND BANK BALANCES</b>			
Cash in hand		76,485	176,383
Cash at bank:			
- Current accounts	9.1	24,254,710	99,342,770
- Saving accounts	9.2 & 9.3 & 9.4	327,441,661	176,629,473
		351,696,371	275,972,243
		<u>351,772,856</u>	<u>276,148,626</u>

9.1 The balances in current account include US \$ 11,983 (2019: US \$ 11,983).

9.2 The balances in saving accounts carry interest rate ranging from 4.6% to 6.5% (2019: 1.5% to 7%) per annum.

9.3 These include funds of Rupees 4,902 (2019: Rupees 4,468) in Askari Bank Limited, account No. 165-050010-4 and Rupees 9,077,995 (2019: Rupees 1,147,905) in Meezan Bank Limited, account No. 0101104053, earmarked for contributory provident fund balances.

9.4 These include funds of Rupees 42,411,032 (2019: Rupees 3,171,433) in Meezan Bank Limited, account No. 0103450263, earmarked for endowment fund balances.

## 10 DEFERRED CREDIT - GRANTS

DESCRIPTION	2020								2019	
	Capital nature						Revenue nature	Total	Total	
	Land (Note 10.1)	Buildings and infrastructure (Note 10.2)	IT equipment and other school related items Note (10.3)	Other assets	Government grant Note (10.4)	Grant for Project Neelab Note (10.5)	Sub - Total			Scholarship (10.4)
----- Rupees -----										
Balance at the beginning of the year	383,941	170,039,442	343,671	12,240,601	404,056,625	8,078,000	595,142,280	-	595,142,280	554,031,366
Grants received during the year	-	-	-	-	170,000,000	-	170,000,000	-	170,000,000	85,000,000
Grants received for Neelab Project	-	-	-	-	-	-	-	-	-	1,230,000
Grants amortized during the year	(19,197)	(9,443,089)	(57,795)	-	(19,516,654)	-	(29,036,735)	(20,000,000)	(49,036,735)	(45,119,086)
Balance at the end of the year	<u>364,744</u>	<u>160,596,353</u>	<u>285,876</u>	<u>12,240,601</u>	<u>554,539,971</u>	<u>8,078,000</u>	<u>736,105,545</u>	<u>(20,000,000)</u>	<u>716,105,545</u>	<u>595,142,280</u>

10.1 It represents grants received and utilized for purchase of land, the remaining amount is amortized at the rate of 5% per annum.

10.2 It includes grants received from the Government of Pakistan, the Sheikh Sultan Trust and China National Aero Technology Import and Export Corporation (CATIC) for construction and maintenance of School building.

10.3 It represents grant received from HBL Foundation for purchase of IT equipment and other school related items.

10.4 It represents grant received from Government of Sindh, for expansion of infrastructure facility, teacher training programme and Scholarships.

10.5 It represents grant received from various members of the Old Boys Association of PAF School Sargodha to create educational facilities at Neelab near Misri Banda, District Nowshera, KPK.

	NOTE	2020 Rupees	2019 Rupees
<b>11 STUDENTS' SECURITY DEPOSITS</b>			
Students' security deposits	11.1	13,181,264	12,153,329
Current portion shown under current liabilities		(550,000)	(900,000)
		<u>12,631,264</u>	<u>11,253,329</u>

11.1 It represents security deposits received from students and repayable upon leaving the School, after deducting any amount due from them.

	NOTE	2019 Rupees	2018 Rupees
<b>12 ACCRUED AND OTHER PAYABLES</b>			
Accrued expenses		372,010	357,410
Due to students		2,952,674	3,448,562
Contributory provident fund payable	12.1	34,909,943	30,133,511
Others		4,348,566	5,770,215
		<u>42,583,193</u>	<u>39,709,698</u>

### 12.1 Contributory provident fund payable

Balance as at 01 July		30,133,511	24,533,708
Contributions for the year		7,051,400	6,575,155
Payment to outgoing members		(2,854,684)	(641,984)
Return / (loss) on investments	12.2	705,672	(138,146)
Liability written back		(115,956)	(195,222)
Balance as at 30 June		<u>34,909,943</u>	<u>30,133,511</u>

12.2 The income of the fund has been distributed to members at the rate of 6% (2018: 6%).

## 13 CONTINGENCIES AND COMMITMENTS

<b>Contingencies</b>		<u>Nil</u>	<u>Nil</u>
<b>Commitments</b>			
Commitment against capital expenditure		<u>5,345,667</u>	<u>-</u>



	2020 Rupees	2019 Rupees
<b>14 FEE INCOME</b>		
Tuition fee	108,250,002	123,871,345
Registration fee	5,460,000	5,700,000
Accommodation charges	2,685,000	2,850,000
Application processing fee	868,000	1,014,000
Fines and penalties	453,419	565,540
Re-admission fee	1,956,171	1,613,979
	<u>119,672,592</u>	<u>135,614,864</u>
<b>15 DONATIONS</b>		
Donations and voluntary contributions	17,551,536	5,293,683
Student scholarships	5,331,494	-
	<u>22,883,030</u>	<u>5,293,683</u>

15.1 It includes Head Office building rent of Rupees 1,827,208 paid by Pakistan Air Force (PAF).

<b>16 OTHER INCOME</b>		
Liabilities written back	115,956	195,222
Mark-up on loan to employee	-	1,000,000
Exchange gain	38,825	510,478
Miscellaneous	2,177,798	3,111,347
	<u>2,332,579</u>	<u>4,817,047</u>

**17 SALARIES, WAGES AND OTHER BENEFITS**

Salaries, wages and other benefits include provident fund contribution of Rupees 3.53 million (2019: Rupees 3.288 million) by the Trust.

	2020 Rupees	2019 Rupees
<b>18 STUDENTS BOARDING, LODGING AND LIVING</b>		
Food	14,486,504	20,013,070
Uniforms	73,549	2,970,110
Study material	251,004	865,685
Travelling	504,192	640,514
Medical	312,260	563,878
Others	1,723,435	3,217,599
	<u>17,350,944</u>	<u>28,270,856</u>
<b>19 AUDITOR'S REMUNERATION</b>		
Audit fee	330,000	330,000
Out of pocket expenses	30,000	30,000
	<u>360,000</u>	<u>360,000</u>

**20 NUMBER OF EMPLOYEES**

	2020	2019
Number of employees as at 30 June	259	266
Average number of employees during the year	263	258

**21 TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise of key management personnel and entities over which trustees are able to exert significant influence. Detail of transactions with related parties, other than those that have been specifically disclosed elsewhere in these consolidated financial statements are as follows:

**Rashid Memorial Welfare Organization**

Payment to RMWO against municipal charges	<u>1,227,500</u>	<u>521,600</u>
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## 22 REMUNERATION TO KEY MANAGEMENT PERSONNEL

The aggregate amount charged in these consolidated financial statements in respect of remuneration to Principal of the School and Director of Sargodhian Spirit Institute for Professional Development is given below while no remuneration was paid to the Chief Executive.

	2020 Rupees	2019 Rupees
Managerial remuneration		
- Principal	5,824,612	5,178,884
- Director	4,200,000	4,200,000
Contribution to provident fund	207,894	183,932
	10,232,506	9,562,816

## 23 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 26 NOV 2020 by the Board of Trustees.

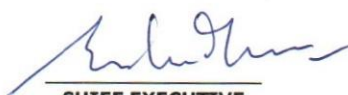
## 24 CORRESPONDING FIGURES

No significant reclassification / rearrangement of corresponding figures have been made in these consolidated financial statements.

## 25 GENERAL

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

  
\_\_\_\_\_  
CHAIRMAN

  
\_\_\_\_\_  
CHIEF EXECUTIVE

  
\_\_\_\_\_  
TRUSTEE