

SARGODHIAN SPIRIT TRUST

**SARGODHIAN SPIRIT INSTITUTE FOR
PROFESSIONAL DEVELOPMENT**

**FINANCIAL STATEMENTS WITH
ACCOMPANYING INFORMATION**

30 JUNE 2020

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 2020, 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 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 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

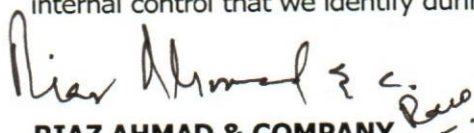
Chartered Accountants

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 & COMPANY
Chartered Accountants

Date: 26 NOV 2020

ISLAMABAD

Name of engagement partner: Raheel Arshad

SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	NOTE	2020 Rupees	2019 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	4	204,796,366	103,000,597
Long term deposits		55,125	55,125
		<u>204,851,491</u>	<u>103,055,722</u>
CURRENT ASSETS			
Advances		76,662	316,069
Cash and bank balances	5	11,272,348	67,754,646
		11,349,010	68,070,715
		<u>216,200,501</u>	<u>171,126,437</u>
TOTAL ASSETS			
FUND AND LIABILITIES			
FUND			
General fund		-	-
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred credit - grants	6	12,720,538	10,989,322
CURRENT LIABILITIES			
Accrued payables		120,000	120,000
Payable to suppliers		598,033	-
Due to Sargodhian Spirit Trust - Head Office		202,761,930	160,017,115
		203,479,963	160,137,115
		<u>216,200,501</u>	<u>171,126,437</u>
TOTAL LIABILITIES			
CONTINGENCIES AND COMMITMENTS			
		-	-
TOTAL FUND AND LIABILITIES			
		<u>216,200,501</u>	<u>171,126,437</u>

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


 CHAIRMAN


 CHIEF EXECUTIVE


 TRUSTEE

SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Rupees	2019 Rupees
INCOME			
Amortization of deferred credit grants	6	13,268,784	13,495,033
EXPENDITURE			
Salaries and benefits		11,278,166	11,246,859
Utilities		285,395	202,629
Communication		239,414	217,852
Repair and maintenance		50,490	157,215
Insurance vehicles		10,000	61,975
Travelling		160,468	214,366
Printing and stationery		63,353	118,982
Entertainment		27,001	48,206
Advertisement		-	827
Office maintenance		11,374	10,330
Professional charges		17,600	60,670
Auditor's remuneration		120,000	120,000
Office consumables		-	920
Depreciation	4.1	630,472	735,415
Accommodation charges		372,000	293,000
Bank charges		3,051	5,787
		<u>(13,268,784)</u>	<u>(13,495,033)</u>
SURPLUS FOR THE YEAR		<u>-</u>	<u>-</u>

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


CHAIRMAN


CHIEF EXECUTIVE


TRUSTEE

SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED 30 JUNE 2020

	Rupees
Balance as at 30 June 2018	-
Surplus for the year ended 30 June 2019	-
Balance as at 30 June 2019	<hr style="width: 100%; border: 0.5px solid black;"/> -
Surplus for the year ended 30 June 2020	-
Balance as at 30 June 2020	<hr style="width: 100%; border: 0.5px solid black;"/> <hr style="width: 100%; border: 0.5px solid black;"/>

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



CHAIRMAN



CHIEF EXECUTIVE



TRUSTEE

SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	-	-
Adjustments for non-cash charges and other items:		
Depreciation	630,472	735,415
Amortization of grants	(13,268,784)	(13,495,033)
Cash used in operations before working capital changes	<u>(12,638,312)</u>	<u>(12,759,618)</u>
Working capital changes		
Advances	239,407	271,340
Accrued and other payables	-	(123,723)
Payable to suppliers	598,033	-
Due to Sargodhian Spirit Trust Head Office	42,744,815	160,017,115
Net cash generated from operations	<u>30,943,943</u>	<u>147,405,114</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on operating fixed assets	(9,000)	(460,885)
Additions in capital work in progress	(102,417,241)	(94,886,626)
Net cash used in investing activities	<u>(102,426,241)</u>	<u>(95,347,511)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant from Sargodhian Spirit Trust - Head Office	15,000,000	15,200,710
Net cash from financing activities	<u>15,000,000</u>	<u>15,200,710</u>
Net increase in cash and cash equivalents	<u>(56,482,298)</u>	<u>67,258,313</u>
Cash and cash equivalents at the beginning of the year	67,754,646	496,333
Cash and cash equivalents at the end of the year	<u>11,272,348</u>	<u>67,754,646</u>

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



CHAIRMAN



CHIEF EXECUTIVE



TRUSTEE

SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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	2020 Rupees	2019 Rupees
Operating fixed assets	4.1	3,179,005	3,800,477
Capital work in progress	4.2	201,617,361	99,200,120
		<u>204,796,366</u>	<u>103,000,597</u>

4.1 OPERATING FIXED ASSETS

	Furniture and fittings	Office equipment	Computer equipment	Electrical equipment	Vehicles	Total
	----- Rupees -----					
At 30 June 2018						
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>
Year ended 30 June 2019						
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
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>
At 30 June 2019						
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>
Year ended 30 June 2020						
Opening net book value	1,151,302	303,356	430,964	620,475	1,294,380	3,800,477
Additions	9,000	-	-	-	-	9,000
Depreciation charge	(115,805)	(45,503)	(86,193)	(124,095)	(258,876)	(630,472)
Closing net book value	<u>1,044,497</u>	<u>257,853</u>	<u>344,771</u>	<u>496,380</u>	<u>1,035,504</u>	<u>3,179,005</u>
At 30 June 2020						
Cost	1,354,605	411,415	601,740	916,018	1,903,500	5,187,278
Accumulated depreciation	(310,108)	(153,562)	(256,969)	(419,638)	(867,996)	(2,008,273)
Net book value	<u>1,044,497</u>	<u>257,853</u>	<u>344,771</u>	<u>496,380</u>	<u>1,035,504</u>	<u>3,179,005</u>
Depreciation rate (%)	10	15	20	20	20	

	NOTE	2020 Rupees	2019 Rupees
4.2 Capital work in progress			
Opening capital work in progress		99,200,120	4,313,494
Project development expenses	4.2.1	102,417,241	94,886,626
		<u>201,617,361</u>	<u>99,200,120</u>
4.2.1 Project development expenses			
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>
5 CASH AND BANK BALANCES			
Cash in hand		25,930	82,184
Cash at bank - current account		11,246,418	67,672,462
		<u>11,272,348</u>	<u>67,754,646</u>

6 DEFERRED CREDIT - GRANTS

DESCRIPTION	2020			2019
	Capital nature	Revenue nature	Total	Total
	----- Rupees -----			
Balance at the start of the year	7,653,085	3,336,237	10,989,322	9,283,645
Grant received from Sargodhian Spirit Trust - Head Office (Note 6.1)	9,000	14,991,000	15,000,000	15,200,710
Grant amortized during the year	(630,472)	(12,638,312)	(13,268,784)	(13,495,033)
Balance at the end of the year	<u>7,031,613</u>	<u>5,688,925</u>	<u>12,720,538</u>	<u>10,989,322</u>

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

7 NUMBER OF EMPLOYEES

	2020	2019
Number of employees as at 30 June	9	12
Average number of employees during the year	10	7

8 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	
	2020 Rupees	2019 Rupees
Managerial remuneration	<u>4,200,000</u>	<u>4,200,000</u>

9 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.

10 DATE OF AUTHORIZATION FOR ISSUE

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

11 CORRESPONDING FIGURES

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

12 GENERAL

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



CHAIRMAN



CHIEF EXECUTIVE



TRUSTEE