

Riaz Ahmad & Company

Chartered Accountants

SARGODHIAN SPIRIT TRUST

SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

30 JUNE 2022

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 2022, 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 2022, 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: 22 February 2023

ISLAMABAD

Name of engagement partner: Raheel Arshad


UDIN: AR202210187qac8v3IDG

SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	2022 Rupees	2021 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	3	11,189,234	282,155,700
Long term deposit	4	55,125	55,125
		<u>11,244,359</u>	<u>282,210,825</u>
CURRENT ASSETS			
Advances		-	29,552
Cash and bank balances	5	186,490,817	9,451,726
		<u>186,490,817</u>	<u>9,481,278</u>
TOTAL ASSETS		<u><u>197,735,176</u></u>	<u><u>291,692,103</u></u>
FUND AND LIABILITIES			
FUND			
General fund		1,564,200	-
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred credit - grants	6	195,897,503	22,283,066
CURRENT LIABILITIES			
Accrued liabilities		133,455	133,000
Due to Sargodhian Spirit Trust - Head Office		140,018	269,276,037
		<u>273,473</u>	<u>269,409,037</u>
TOTAL LIABILITIES		<u>196,170,976</u>	<u>291,692,103</u>
CONTINGENCIES AND COMMITMENTS			
TOTAL FUND AND LIABILITIES		<u><u>197,735,176</u></u>	<u><u>291,692,103</u></u>

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


 CHAIRMAN


 CHIEF EXECUTIVE

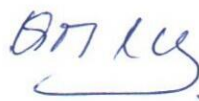

 TRUSTEE

SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 Rupees	2021 Rupees
INCOME			
Donation		1,564,200	-
Amortization of deferred credit grants	6	19,279,335	13,579,103
		<u>20,843,535</u>	<u>13,579,103</u>
EXPENDITURE			
Salaries and benefits		13,716,676	11,609,000
Utilities		934,598	321,016
Communication		285,209	227,322
Repair and maintenance		566,504	161,674
Travelling		891,422	146,280
Printing and stationery		104,887	25,480
Entertainment		348,999	2,511
Auditor's remuneration		133,000	133,000
Depreciation	3.1	1,562,776	611,820
Advertisement expenses		532,336	-
Accommodation charges		200,000	341,000
Finance cost - bank charges		2,928	-
		<u>(19,279,335)</u>	<u>(13,579,103)</u>
SURPLUS FOR THE YEAR		<u>1,564,200</u>	<u>-</u>

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


CHAIRMAN


CHIEF EXECUTIVE


TRUSTEE

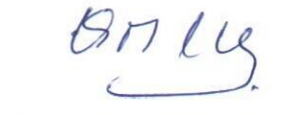
SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED 30 JUNE 2022

	Rupees
Balance as at 30 June 2020	-
Surplus for the year ended 30 June 2021	-
Balance as at 30 June 2021	<hr style="border-top: 1px solid black;"/>
Surplus for the year ended 30 June 2022	1,564,200
Balance as at 30 June 2022	<hr style="border-top: 1px solid black;"/> <hr style="border-top: 3px double black;"/>

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



CHAIRMAN



CHIEF EXECUTIVE



TRUSTEE

SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022**

	2022	2021
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	1,564,200	-
Adjustments for non-cash charges and other items:		
Depreciation	1,562,776	611,820
Amortization of grants	(19,279,335)	(13,579,103)
Cash used in operations before working capital changes	<u>(16,152,359)</u>	<u>(12,967,283)</u>
Working capital changes		
Decrease in advances	29,552	47,110
Increase / (decrease) in current liabilities		
Accrued payables	455	13,000
Payable to suppliers	-	(598,033)
Due to Sargodhian Spirit Trust Head Office	11,594,813	66,514,107
	<u>11,595,268</u>	<u>65,929,074</u>
Net cash (used in) / generated from operations	<u>(4,527,539)</u>	<u>53,008,901</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on operating fixed assets	(2,043,194)	(8,141,631)
Additions in capital work in progress	(9,283,948)	(69,829,523)
Net cash used in investing activities	<u>(11,327,142)</u>	<u>(77,971,154)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Grants from Sargodhian Spirit Trust - Head Office	192,893,772	23,141,631
Net cash from financing activities	<u>192,893,772</u>	<u>23,141,631</u>
Net increase / (decrease) in cash and cash equivalents	177,039,091	(1,820,622)
Cash and cash equivalents at the beginning of the year	9,451,726	11,272,348
Cash and cash equivalents at the end of the year	<u>186,490,817</u>	<u>9,451,726</u>

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



CHAIRMAN



CHIEF EXECUTIVE



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SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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. The registered office of the Trust is situated at House No. 507-G, Street 32, MPCHS E 11/3 E-11, Islamabad.

2 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:

2.1 Basis of preparation

a) 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.

b) Accounting convention

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

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Institute's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Institute's financial statements or where judgments were exercised in application of accounting policies are as follows:

d) Useful lives, patterns of economic benefits and impairment

Estimates with respect to residual values, useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Institute. Further, the Institute reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property and equipment, with a corresponding effect on the depreciation charge and impairment.

2.2 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.

2.3 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.

2.4 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.

2.5 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.

2.6 **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.

2.7 **Accrued and other liabilities**

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

2.8 **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.

2.9 **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.

2.10 **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.

2.11 **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.

3 PROPERTY AND EQUIPMENT

	Note	2022 Rupees	2021 Rupees
Operating fixed assets	3.1	11,189,234	10,708,816
Capital work in progress	3.2	-	271,446,884
		<u>11,189,234</u>	<u>282,155,700</u>

3.1 OPERATING FIXED ASSETS

	Furniture and fittings	Office equipment	Computer equipment	Electrical equipment	Vehicles	Total
----- Rupees -----						
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>
Year ended 30 June 2021						
Opening net book value	1,044,497	257,853	344,771	496,380	1,035,504	3,179,005
Additions	5,116,082	171,000	-	2,854,549	-	8,141,631
Depreciation charge	(147,084)	(40,816)	(68,954)	(147,865)	(207,101)	(611,820)
Closing net book value	<u>6,013,495</u>	<u>388,037</u>	<u>275,817</u>	<u>3,203,064</u>	<u>828,403</u>	<u>10,708,816</u>
At 30 June 2021						
Cost	6,470,687	582,415	601,740	3,770,567	1,903,500	13,328,909
Accumulated depreciation	(457,192)	(194,378)	(325,923)	(567,503)	(1,075,097)	(2,620,093)
Net book value	<u>6,013,495</u>	<u>388,037</u>	<u>275,817</u>	<u>3,203,064</u>	<u>828,403</u>	<u>10,708,816</u>
Year ended 30 June 2022						
Opening net book value	6,013,495	388,037	275,817	3,203,064	828,403	10,708,816
Additions	244,715	640,272	311,145	847,062	-	2,043,194
Depreciation charge	(602,100)	(77,886)	(74,504)	(642,606)	(165,680)	(1,562,776)
Closing net book value	<u>5,656,110</u>	<u>950,423</u>	<u>512,458</u>	<u>3,407,520</u>	<u>662,723</u>	<u>11,189,234</u>
At 30 June 2022						
Cost	6,715,402	1,222,687	912,885	4,617,629	1,903,500	15,372,103
Accumulated depreciation	(1,059,292)	(272,264)	(400,427)	(1,210,109)	(1,240,777)	(4,182,869)
Net book value	<u>5,656,110</u>	<u>950,423</u>	<u>512,458</u>	<u>3,407,520</u>	<u>662,723</u>	<u>11,189,234</u>
Depreciation rate (%)	10	15	20	20	20	

	2022 Rupees	2021 Rupees
3.2 Capital work in progress		
Balance as at 01 July	271,446,884	201,617,361
Add: additions during the year	9,283,948	69,829,523
Less: transferred to Head office	<u>(280,730,832)</u>	<u>-</u>
Balance as at 30 June	<u><u>-</u></u>	<u><u>271,446,884</u></u>

4 LONG TERM DEPOSIT

It represents interest free deposit made to fuel pump for provision of fuel. It is not being carried at amortized cost as required by section 11 of IFRS for SMEs as it will have immaterial impact and thus carried at historical cost.

	2022 Rupees	2021 Rupees
5 CASH AND BANK BALANCES		
Cash in hand	499,634	13,823
Cash at bank - current account	<u>185,991,183</u>	<u>9,437,903</u>
	<u><u>186,490,817</u></u>	<u><u>9,451,726</u></u>

6 DEFERRED CREDIT - GRANTS

DESCRIPTION	2022			2021
	Capital nature	Revenue nature	Total	Total
	----- Rupees -----			
Balance at the start of the year	15,173,244	7,109,822	22,283,066	12,720,538
Grant received from Government of Sindh (Note 6.1)	2,043,194	186,367,990	188,411,184	-
Grant received from Sargodhian Spirit Trust - Head Office (Note 6.1)	2,500,000	1,982,588	4,482,588	23,141,631
Grant amortized during the year	(1,562,776)	(17,716,559)	(19,279,335)	(13,579,103)
Balance at the end of the year	<u>18,153,662</u>	<u>177,743,841</u>	<u>195,897,503</u>	<u>22,283,066</u>

6.1 It represents grant received from Government of Sindh for training of educational institutions of Sindh and also from Sargodhian Spirit Trust - Head Office for operations and teachers training programme.

7 NUMBER OF EMPLOYEES

	2022	2021
Number of employees as at 30 June	24	12
Average number of employees during the year	30	11

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	
	2022 Rupees	2021 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 FINANCIAL INSTRUMENTS BY CATEGORIES

	Amortized cost	
	2022 Rupees	2021 Rupees
As at 30 June		
Assets as per statement of financial position		
Advances	-	29,552
Cash and bank balances	186,490,817	9,451,726
	<u>186,490,817</u>	<u>9,481,278</u>
Liabilities as per statement of financial position		
Accrued liabilities	<u>133,455</u>	<u>133,000</u>

11 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 19 JAN 2023 by the Board of Trustees.

12 CORRESPONDING FIGURES

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

13 GENERAL

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



CHAIRMAN



CHIEF EXECUTIVE



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