

SARGODHIAN SPIRIT TRUST

**SARGODHIAN SPIRIT INSTITUTE FOR
PROFESSIONAL DEVELOPMENT**

**FINANCIAL STATEMENTS WITH
ACCOMPANYING INFORMATION**

30 JUNE 2023

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 2023, 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 2023, 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: 30 December 2023

ISLAMABAD

Name of engagement partner: Raheel Arshad

UDIN: AR202310187dT95xqEGf

SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	2023 Rupees	2022 Rupees
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets	3	10,645,428	11,189,234
Long term deposit	4	55,125	55,125
		<u>10,700,553</u>	<u>11,244,359</u>
CURRENT ASSETS			
Taxation recoverable		14,199	-
Cash and bank balances	5	166,724,516	186,490,817
		<u>166,738,715</u>	<u>186,490,817</u>
TOTAL ASSETS		<u><u>177,439,268</u></u>	<u><u>197,735,176</u></u>
FUND AND LIABILITIES			
FUND			
General fund		1,814,404	1,564,200
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred credit - grants	6	175,459,884	195,897,503
CURRENT LIABILITIES			
Accrued liabilities		164,980	133,455
Due to Sargodhian Spirit Trust - Head Office		-	140,018
		<u>164,980</u>	<u>273,473</u>
TOTAL LIABILITIES		<u>175,624,864</u>	<u>196,170,976</u>
CONTINGENCIES AND COMMITMENTS		-	-
TOTAL FUND AND LIABILITIES		<u><u>177,439,268</u></u>	<u><u>197,735,176</u></u>

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


 CHAIRMAN


 CHIEF EXECUTIVE

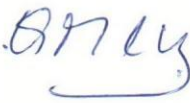

 TRUSTEE

SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 Rupees	2022 Rupees
INCOME			
Donation		230,456	1,564,200
Amortization of deferred credit grants	6	20,437,619	19,279,335
Profit on bank deposit		19,748	-
		20,687,823	20,843,535
EXPENDITURE			
Salaries and benefits		15,352,215	13,716,676
Utilities		842,244	934,598
Communication		423,430	285,209
Repair and maintenance		506,030	566,504
Travelling		1,147,122	891,422
Printing and stationery		130,780	104,887
Entertainment		159,161	348,999
Professional fee		65,454	-
Auditor's remuneration	7	146,300	133,000
Depreciation	3	1,661,433	1,562,776
Advertisement expenses		3,170	532,336
Accommodation charges		-	200,000
Finance cost - bank charges		280	2,928
		(20,437,619)	(19,279,335)
SURPLUS FOR THE YEAR		250,204	1,564,200

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


CHAIRMAN


CHIEF EXECUTIVE


TRUSTEE

SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED 30 JUNE 2023

	Rupees
Balance as at 30 June 2021	
Surplus for the year	1,564,200
Balance as at 30 June 2022	<u>1,564,200</u>
Surplus for the year	250,204
Balance as at 30 June 2023	<u><u>1,814,404</u></u>

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



CHAIRMAN

CHIEF EXECUTIVE

TRUSTEE

SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT

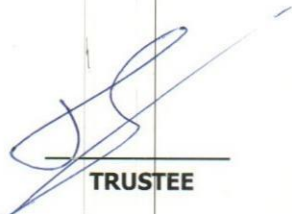
**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023 Rupees	2022 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		250,204	1,564,200
Adjustments for non-cash charges and other items:			
Depreciation	3	1,661,433	1,502,776
Amortization of grants	6	(20,437,619)	(19,279,335)
Profit on bank deposit		(19,748)	-
Cash used in operations before working capital changes		<u>(18,545,730)</u>	<u>(16,152,359)</u>
Working capital changes			
Decrease in advances		-	29,552
Increase / (decrease) in current liabilities			
Accrued payables		31,525	455
Due to Sargodhian Spirit Trust Head Office		(140,018)	11,594,813
		<u>(108,493)</u>	<u>11,595,268</u>
Net cash used in from operations		<u>(18,654,223)</u>	<u>(4,527,539)</u>
Tax paid		(14,199)	-
Net cash generated used in operating activities		<u>(18,668,422)</u>	<u>(4,527,539)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on operating fixed assets	3	(1,117,627)	(2,043,194)
Additions in capital work in progress		-	(9,283,948)
Interest received		19,748	-
Net cash used in investing activities		<u>(1,097,879)</u>	<u>(11,327,142)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants from Sargodhian Spirit Trust - Head Office	6	-	192,893,772
Net cash from financing activities		-	192,893,772
Net (decrease) / increase in cash and cash equivalents		<u>(19,766,301)</u>	177,039,091
Cash and cash equivalents at the beginning of the year		186,490,817	9,451,726
Cash and cash equivalents at the end of the year	5	<u>166,724,516</u>	<u>186,490,817</u>

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


CHAIRMAN


CHIEF EXECUTIVE


TRUSTEE

SARGODHIAN SPIRIT INSTITUTE FOR PROFESSIONAL DEVELOPMENT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1 LEGAL STATUS AND OPERATIONS

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

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 the 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 the application of accounting policies are as follows:

The areas where various assumptions and estimates are significant to the Institute's financial statements or where judgements were exercised in application of accounting policies relate to the useful life of depreciable assets.

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 items of property and equipment, with a corresponding effect on the depreciation charge, amortization of deferred credit and impairment.

e) **Provisions**

As the actual cashflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognized provision is recognized in the statement of income and expenditure unless the provision was originally recognized as part of cost of an asset.

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. 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 OPERATING FIXED ASSETS

	Furniture and fittings	Office equipment	Computer equipment	Electrical equipment	Vehicles	Total
----- Rupees -----						
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	6,013,495	388,037	275,817	3,203,064	828,403	10,708,816
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	5,656,110	950,423	512,458	3,407,520	662,723	11,189,234
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	5,656,110	950,423	512,458	3,407,520	662,723	11,189,234
Year ended 30 June 2023						
Opening net book value	5,656,110	950,423	512,458	3,407,520	662,723	11,189,234
Additions	951,572	166,055	-	-	-	1,117,627
Depreciation charge	(597,028)	(147,864)	(102,492)	(681,504)	(132,545)	(1,661,433)
Closing net book value	6,010,654	968,614	409,966	2,726,016	530,178	10,645,428
At 30 June 2023						
Cost	7,666,974	1,388,742	912,885	4,617,629	1,903,500	16,489,730
Accumulated depreciation	(1,656,320)	(420,128)	(502,919)	(1,891,613)	(1,373,322)	(5,844,302)
Net book value	6,010,654	968,614	409,966	2,726,016	530,178	10,645,428
Depreciation rate (%)	10	15	20	20	20	

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 the impact was considered immaterial.

	Note	2023 Rupees	2022 Rupees
5 CASH AND BANK BALANCES			
Cash in hand		1,481	499,634
Cash at bank:			
- current account		164,360,948	185,988,586
- saving account	5.1	2,362,087	2,597
		166,723,035	185,991,183
		<u>166,724,516</u>	<u>186,490,817</u>

5.1 The balance in saving account carry interest rates of 17.50% (2022: Nil) per annum.

6 DEFERRED CREDIT - GRANTS

DESCRIPTION	2023			2022
	Capital nature	Revenue nature	Total	Total
	----- Rupees -----			
Balance at the start of the year	188,787,197	7,110,306	195,897,503	22,283,066
Grant received from Government of Sindh (Note 6.1)	-	-	-	188,411,184
Grant received from Head Office (Note 6.1)	-	-	-	4,482,588
Grant amortized during the year	(1,661,433)	(18,776,186)	(20,437,619)	(19,279,335)
Balance at the end of the year	<u>187,125,764</u>	<u>(11,665,880)</u>	<u>175,459,884</u>	<u>195,897,503</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.

	2023 Rupees	2022 Rupees
7 AUDITOR'S REMUNERATION		
Audit fee	132,000	120,000
Out of pocket expenses	14,300	13,000
	<u>146,300</u>	<u>133,000</u>

8 NUMBER OF EMPLOYEES

	2023	2022
Number of employees as at 30 June	23	24
Average number of employees during the year	24	30

9 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	
	2023 Rupees	2022 Rupees
Managerial remuneration	4,935,000	4,200,000

10 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.

11 FINANCIAL INSTRUMENTS BY CATEGORIES

	Amortized cost	
As at 30 June	2023 Rupees	2022 Rupees
Assets as per statement of financial position		
Cash and bank balances	166,724,516	186,490,817
Liabilities as per statement of financial position		
Accrued liabilities	164,980	133,455

12 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 27 DEC 2023 by the Board of Trustees.

13 CORRESPONDING FIGURES

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

14 GENERAL

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


CHAIRMAN


CHIEF EXECUTIVE


TRUSTEE