RHQ

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANAGEMENT COMMITTEE OF TRUST

Opinion

We have audited the financial statements of Generating Employment Alternative for Self-Reliance, here-in-after referred to as "the Trust", which comprise the statement of financial position as at June 30, 2020, income and expenditure account, statement of changes in general fund and statement of cash flows for the year July 1, 2019 to June 30, 2020 together with the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the statement of financial position of the Trust as at June 30, 2020, income and expenditure account, statement of changes in general fund and statement of cash flows for the year then ended in accordance with Revised Accounting and Financial Reporting Standards (AFRS) for Small Sized Entities issued by the Institute of Chartered Accountants of Pakistan (ICAP).

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 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 Financial Statements

Members of management committee are responsible for the preparation and fair presentation of the financial statements in accordance with the Revised Accounting and Financial Reporting Standard for Small Sized Entities (AFRS for SSEs) issued by the Institute of Chartered Accountants of Pakistan, and for such internal control as the members determine 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, members of management committee are 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 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 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures (if any) 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in the 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.

Rajlain H. Qazi & Co.

Rajlain H. Qazi
Rajlain H. Qazi & Co.,
Chartered Accountants
Karachi

Dated: December 31, 2020

RHO & Co Chartered Accountants

Generating Employment Alternative for Self Reliance (GEAR)
Statement of Financial Position
As at June 30, 2020

	Note	2020	2019
		---------- Rupees ----------	
ASSETS			
Fixed assets	4	231,971	225,250
Microloans receivable	5	26,292,678	20,599,200
Cash and cash equivalents	6	18,898,995	9,803,715
Advance withholding tax		745,480	268,472
Total assets		46,169,124	30,896,637
FUND BALANCE			
General fund		45,468,124	30,735,977
LIABILITIES			
Trade and other payables	7	701,000	160,660
Total liabilities		701,000	160,660
Total fund balance and liabilities		**46,169,124**	**30,896,637**

The annexed notes from 1 to 11 form an integral part of these financial statements.

Member **Chairman of Board**

Generating Employment Alternative for Self Reliance (GEAR)
Income and Expenditure Account
For the year ended June 30, 2020

	Note	For the year ended Jun-20	Jun-19
		---------- Rupees ----------	
INCOME			
Donations	8	59,600,976	30,935,121
Other income		157,212	85,302
Total income		59,758,188	31,020,423
EXPENDITURES			
Business funding		7,202,960	4,117,320
Sustenance funding		19,347,160	1,663,110
Higher education funding		1,734,665	-
Ration distribution		8,778,325	-
Garment and cloth donations		102,100	-
Salaries and other benefits		5,675,340	3,378,820
Other administrative expenses	9	2,185,491	1,862,032
		45,026,041	11,021,282
Excess of income over expenditure		**14,732,147**	**19,999,141**

The annexed notes from 1 to 11 form an integral part of these financial statements.

Member

Chairman of Board

Generating Employment Alternative for Self Reliance (GEAR)
Statement of Changes in General Fund
For the year ended June 30, 2020

	For the year ended	
	Jun-20	Jun-19
	---------- Rupees ----------	
Fund balance as at beginning of the year	30,735,977	10,736,836
Excess of income over expenditure	14,732,147	19,999,141
Balance as at the end of year	45,468,124	30,735,977

The annexed notes from 1 to 11 form an integral part of these financial statements.

Member

Chairman of Board

Generating Employment Alternative for Self Reliance (GEAR)
Statement of Cash Flows
For the year ended June 30, 2020

	For the year ended Jun-20	Jun-19
	Rupees	
Cash flow from operating activities		
Surplus for the year	14,732,147	19,999,141
Non cash items		
- Depreciation expense	53,709	39,750
- Bad debt expense	1,011,600	527,800
Taxes paid	(477,008)	(268,472)
Effect on cash flow due to working capital changes		
- Increase in microloans receivable	(6,705,078)	(16,078,700)
- Decrease in trade and other payables	540,340	(21,840)
Net cash generated from operating activities	9,155,710	4,197,679
Cash flow from investing activities		
- Purchase of furniture, fixture and equipment	(60,430)	(265,000)
Net cash used in investing activities	(60,430)	(265,000)
Net increase in cash and cash equivalents	9,095,280	3,932,679
Cash and cash equivalents at the beginning of the year	9,803,715	5,871,036
Cash and cash equivalents at the end of the year	18,898,995	9,803,715

The annexed notes from 1 to 11 form an integral part of these financial statements.

Member

Chairman of Board

Generating Employment Alternative for Self-Reliance (GEAR)
Notes to the Financial Statements
For the year ended June 30, 2020

1. STATUS AND NATURE OF OPERATIONS

Generating Employment Alternative for Self Reliance (GEAR) was registered on April 27, 2017 as a charitable / non-profit trust under a registered deed of Trust. The principal activities of GEAR are to provide platform for supporting generation of employment alternatives for self reliance amongst financially challenged families through provision of funding interalia for acquisition of tools, equipment, inventory stock and training.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such Revised Accounting and Financial Reporting Standards (AFRS) for Small Sized Entities issued by the Institute of Chartered Accountants of Pakistan (ICAP).

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is also GEAR's functional currency. All financial information presented in Pak Rupees has been rounded off to the nearest Pak Rupees.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work-in-progress which is stated at cost.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other subsequent costs including repair and maintenance are charged to the profit or loss account as and when incurred.

Depreciation is charged at the rates specified in Note 4 using the straight line method on all items of equipment. Depreciation is charged from the year the asset is available for use while no depreciation is charged in the year of disposal.

Gains and losses on disposal of assets, if any, are included in the profit or loss account in the year in which the disposal is made.

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any changes in estimate is accounted for on a prospective basis.

3.2 Microloans portfolio

GEAR initially recognises microloans on the date they are originated. Microloans are stated at initial loan amount, minus principal repayments and allowance for uncollectible amount. An estimate is for doubtful balances is made when collection of full amount is no longer probable. Bad debts are written off when identified.

3.3 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.4 Taxation

GEAR has been granted approval as not for profit organisation under section 2(36) of the Income Tax Ordinance (the Ordinance) by the Commissioner of Income Tax.

Through Finance Act, 2017, sub-sections (1A) and (1B) have been inserted within section 100C of the Income Tax Ordinance (the Ordinance) which state that surplus funds, as defined in the said section, of all not for profit organisations will be taxed at 10%.

Surplus funds mean funds or monies:

(a) not spent on charitable and welfare activities during the tax year;

(b) received during the tax year as donations, voluntary contributions, subscriptions and other incomes;

(c) which are more than twenty-five percent of the total receipts of the non-profit organization received during the tax year; and

(d) are not part of restricted funds.

3.5 Revenue recognition

Donated funds:

Donations received from general public are recognized on receipt basis and are used for providing microloans. Donations received in kind are measured at the market value prevailing at the time of the transaction.

Zakat funds:

Zakat received from general public under the Zakat fund are recognized on receipt basis and are used for paying sustenance and business funding to needy families.

Return on bank deposits:

Return on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

4. Fixed assets

	Furniture & Fixtures	Equipment & Accessories	Total
	---------- Rupees ----------		
At June 30, 2019			
Cost	265,000	-	265,000
Accumulated depreciation	(39,750)	-	(39,750)
Net book value as at June 30, 2019	225,250	-	225,250
Year ended June 30, 2020			
Additions	27,800	32,630	60,430
Depreciation charge for the year	(43,920)	(9,789)	(53,709)
Net book value as at June 30, 2020	209,130	22,841	231,971
At June 30, 2020			
Cost	292,800	32,630	325,430
Accumulated depreciation	(83,670)	(9,789)	(93,459)
Net book value	209,130	22,841	231,971
Annual rates of depreciation	15%	30%	

		Note	2020	2019
			---------- Rupees ----------	
5.	**Microloans receivable**			
	Opening balance		20,599,200	5,048,300
	Loan disbursements during the year		30,720,578	27,486,000
	Repayments received		(24,015,500)	(11,407,300)
	Loan written off		(1,011,600)	(527,800)
	Closing balance		26,292,678	20,599,200
6.	**Cash and cash equivalents**			
	Bank balances			
	- In saving account	6.1	1,212,264	(40,791)
	- In current account		17,516,731	9,657,006
	Cash in hand		170,000	187,500
			18,898,995	9,803,715

6.1 These deposits are held in saving accounts and carry return ranging from 2.40% to 6.30%.

		2020	2019
		---------- Rupees ----------	
7.	**Trade and other payables**		
	Salaries payable	671,000	130,660
	Accrual for auditor's remuneration	30,000	30,000
		701,000	160,660

		Note	For the year ended Jun-20	Jun-19
			---------- Rupees ----------	
8.	**Donations**			
	- Donated funds		37,229,949	19,187,600
	- Zakat donations		22,371,027	11,747,521
			59,600,976	30,935,121
9.	**Other administrative expenses**			
	Bad debt expense		1,011,600	527,800
	Legal and professional expenses	9.1	556,477	487,700
	Rent and other office expenses		252,175	298,700
	Printing and stationery expense		35,750	126,280
	IT and other related expenses		44,550	35,778
	Depreciation expense		53,709	39,750
	Other expenses		231,230	346,024
			2,185,491	1,862,032
9.1	Professional consultancy		526,477	457,700
	Auditor's remuneration		30,000	30,000
			556,477	487,700

10. **Corresponding figures**

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan.

11. **Date of authorisation**

These financial statements were authorised by members of GEAR in their meeting held on June 28, 2020.

Member

Chairman of Board