RHQ

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

Opinion

We have audited the financial statements of Generating Employment Alternative for Self-Reliance, here-in-after referred to as "the association", which comprise the statement of financial position as at June 30, 2018, income and expenditure account, statement of changes in general fund and statement of cash flows for the period April 1, 2017 to June 30, 2018 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 association as at June 30, 2018, income and expenditure account, statement of changes in general fund and statement of cash flows for the period 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 association 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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

RHQ

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 Association'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 Association'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 Association 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 18, 2018

Generating Employment Alternative for Self-Reliance (GEAR)
Statement of Financial Position
As at 30 June 2018

	Note	As at 30-Jun-18 --- Rupees ---
ASSETS		
Microloans receivable	4	5,048,300
Cash and cash equivalents	5	5,871,036
Total assets		10,919,336
FUND BALANCE		
General fund		10,736,836
LIABILITIES		
Trade and other payables	6	182,500
Taxes payable		-
Total liabilities		182,500
Total fund balance and liabilities		**10,919,336**

The annexed notes from 1 to 9 form an integral part of these financial statements.

RHQ.

Member

Chairman of Board

Generating Employment Alternative for Self-Reliance (GEAR)
Income and Expenditure Account
For the period April 2017 to June 2018

	Note	For the period Apr-17 to Jun-18 --- Rupees ---
INCOME		
Donations	7	19,608,891
Other income		12,442
Total income		19,621,333
EXPENDITURES		
Business funding		5,965,940
Sustenence funding		498,000
Salaries and other benefits		1,885,589
Other administrative expenses	8	534,968
		8,884,497
Excess of income over expenditure		**10,736,836**

The annexed notes from 1 to 9 form an integral part of these financial statements.

RHQ.

Member

Chairman of Board

Generating Employment Alternative for Self-Reliance (GEAR)
Statement of Changes in General Fund
For the period April 2017 to June 2018

	As at 30-Jun-18 --- Rupees ---
Fund balance as at April 27, 2017	-
Excess of income over expenditure	10,736,836
Balance as at June 30, 2017	10,736,836

The annexed notes from 1 to 9 form an integral part of these financial statements.

RHQ.

Member

Chairman of Board

Generating Employment Alternative for Self-Reliance (GEAR)
Statement of Cash Flows
For the period April 2017 to June 2018

	Note	For the period Apr-17 to Jun-18 --- Rupees ---
Surplus for the period		10,736,836
(Increase) / decrease in current assets		
- Microfinance loans receivable		(5,048,300)
Increase / (decrease) in current liabilities		
- Trade and other payables		182,500
- Taxes payable		-
Cash generated from operating activities		5,871,036
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		5,871,036

The annexed notes from 1 to 9 form an integral part of these financial statements.

RHQ.

Member

Chairman of Board

Generating Employment Alternative for Self-Reliance (GEAR)
Notes to the Financial Statements
For the period April 2017 to Jun 2018

1. STATUS AND NATURE OF OPERATIONS

Generating Employment Alternative for Self-Reliance (GEAR) was registered on April 27, 2017 under the Societies Registration Act, 1860. 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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 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.

3.2 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.

3.3 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.

RHQ.

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

(c) which are more than twenty-five percent of the total receipts of the non-profit organization

(d) are not part of restricted funds.

3.4 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.

	Note	As at 30-Jun-18 --- Rupees ---
4. Microloans receivable		
Opening balance		-
Loan disbursements during the period		10,738,300
Repayments received		(5,598,000)
Loan written off		(92,000)
Closing balance		5,048,300
5. Cash and Cash Equivalents		
- In saving account	5.1	1,362,173
- In current account		4,508,863
		5,871,036

5.1 These deposits are held in musharaka saving accounts and carry return ranging from 3% to 4.16%.

RHQ.

Generating Employment Alternative for Self-Reliance (GEAR)
Notes to the Financial Statements
For the period April 2017 to Jun 2018

		As at 30-Jun-18 --- Rupees ---
6. Trade and other payables		
Salaries Payable to employees and volunteers		152,500
Accrual for auditor's remuneration		30,000
		182,500

	Note	For the period Apr-17 to Jun-18 --- Rupees ---
7. Donations		
- Donated funds		11,244,310
- Zakat donations		8,364,581
		19,608,891
8. Other administrative expenses		
IT and other related expenses		126,175
Bank charges		35,540
Legal and professional expense	8.1	65,200
Rent expense		10,000
Other expenses		298,053
		534,968
8.1 Professional consultancy		35,200
Auditor's remuneration		30,000
		65,200

9. Date of authorisation

These financial statements were authorised by members of GEAR in their meeting held on _____.

RHQ.

Member

Chairman of Board