IRHQ

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, 2019, income and expenditure account, statement of changes in general fund and statement of cash flows for the year July 1, 2018 to June 30, 2019 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, 2019, 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 28, 2019

RHQ & Co. Chartered Accountants

Generating Employment Alternative for Self Reliance (GEAR)
Statement of Financial Position
As at June 30, 2019

	Note	2019	2018
		---------- Rupees ----------	
ASSETS			
Fixed assets	4	225,250	-
Microloans receivable	5	20,599,200	5,048,300
Cash and cash equivalents	6	9,803,715	5,871,036
Advance withholding tax		268,472	-
Total assets		30,896,637	10,919,336
FUND BALANCE			
General fund		30,735,977	10,736,836
LIABILITIES			
Trade and other payables	7	160,660	182,500
Total liabilities		160,660	182,500
Total fund balance and liabilities		**30,896,637**	**10,919,336**

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, 2019

	Note	For the year ended Jun-19	For the period Apr-17 to Jun-18
		---------- Rupees ----------	
INCOME			
Donations	8	30,935,121	19,608,891
Other income		85,302	12,442
Total income		31,020,423	19,621,333
EXPENDITURES			
Business funding		4,117,320	5,965,940
Sustenence funding		1,663,110	498,000
Salaries and other benefits		3,378,820	1,885,589
Other administrative expenses	9	1,862,032	534,968
		11,021,282	8,884,497
Excess of income over expenditure		**19,999,141**	**10,736,836**

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, 2019

	For the year ended Jun-19	For the period Apr-17 to Jun-18
	---------- Rupees ----------	
Fund balance as at beginning of the year / period	10,736,836	-
Excess of income over expenditure	19,999,141	10,736,836
Balance as at the end of year / period	30,735,977	10,736,836

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, 2019

	For the year ended Jun-19	For the period Apr-17 to Jun-18
	---------- Rupees ----------	
Cash flow from operating activities		
Surplus for the year / period	19,999,141	10,736,836
Non cash items:		
- Depreciation expense	39,750	-
- Bad debt expense	527,800	92,000
Effect on cash flow due to working capital changes:		
- Increase in microloans receivable	(16,078,700)	(5,140,300)
- Increase in advance withholding tax	(268,472)	-
- Decrease in trade and other payables	(21,840)	182,500
Net cash generated from operating activities	4,197,679	5,871,036
Cash flow from investing activities		
- Purchase of furniture, fixtures and equipments	(265,000)	-
Net cash used in investing activities	(265,000)	-
Net increase in cash and cash equivalents	3,932,679	5,871,036
Cash and cash equivalents at the beginning of the year / period	5,871,036	-
Cash and cash equivalents at the end of the year / period	9,803,715	5,871,036

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, 2019

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

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

(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	Total
	---------- Rupees ----------	
Year ended June 30, 2019		
Additions	265,000	265,000
Depreciation charge for the year	(39,750)	(39,750)
Net book value as at June 30, 2019	225,250	225,250
At June 30, 2019		
Cost	265,000	265,000
Accumulated depreciation	(39,750)	(39,750)
Net book value	225,250	225,250
Annual rates of depreciation	15%	

Generating Employment Alternative for Self Reliance (GEAR)
Notes to the Financial Statements
For the year ended June 30, 2019

		Note	2019	2018
			---------- Rupees ----------	
5.	**Microloans receivable**			
	Opening balance		5,048,300	-
	Loan disbursements during the year / period		27,486,000	10,738,300
	Repayments received		(11,407,300)	(5,598,000)
	Loan written off		(527,800)	(92,000)
	Closing balance		20,599,200	5,048,300
6.	**Cash and cash equivalents**			
	Bank balances			
	- In saving account	6.1	(40,791)	1,362,173
	- In current account		9,657,006	4,508,863
	Cash in hand		187,500	-
			9,803,715	5,871,036

6.1 These deposits are held in musharaka saving accounts and carry return ranging from 3.1% to 4.65%.

		2019	2018
		--------- Rupees ---------	
7.	**Trade and other payables**		
	Salaries payable	130,660	152,500
	Accrual for auditor's remuneration	30,000	30,000
		160,660	182,500

		Note	For the year ended Jun-19	For the period Apr-17 to Jun-18
			---------- Rupees ----------	
8.	**Donations**			
	- Donated funds		19,187,600	11,244,310
	- Zakat donations		11,747,521	8,364,581
			30,935,121	19,608,891
9.	**Other administrative expenses**			
	Bad debt expense		527,800	92,000
	Legal and professional expenses	9.1	487,700	65,200
	Rent and other office expenses		298,700	10,000
	Printing and stationery expense		126,280	68,810
	IT and other related expenses		35,778	126,175
	Depreciation expense		39,750	-
	Other expenses		346,024	172,783
			1,862,032	534,968
9.1	Professional consultancy		457,700	35,200
	Auditor's remuneration		30,000	30,000
			487,700	65,200

Generating Employment Alternative for Self Reliance (GEAR)
Notes to the Financial Statements
For the year ended June 30, 2019

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 27/12/2019.

Member **Chairman of Board**