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, 2022, income and expenditure account, statement of changes in general fund and statement of cash flows for the year July 1, 2021 to June 30, 2022 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, 2022, 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.

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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. RHQ Chartered Accountants

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

Dated: December 09, 2022

RHQ & Co. Chartered Accountants

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Generating Employment Alternative for Self Reliance (GEAR)
Statement of Financial Position
As at June 30, 2022

	Note	2022	2021
		---------- Rupees ----------	
ASSETS			
Fixed assets	4	310,428	209,662
Long term deposits		5,000,000	10,000,000
Microloans receivable	5	39,795,971	41,041,092
Cash and cash equivalents	6	78,277,641	20,323,565
Advance withholding tax		888,519	852,539
Total assets		124,272,559	72,426,858
FUND BALANCE			
General fund		124,197,559	72,336,858
LIABILITIES			
Trade and other payables	7	75,000	90,000
Total liabilities		75,000	90,000
Total fund balance and liabilities		124,272,559	72,426,858

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

Member

GEAR TRUST

Chairman of Board

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Generating Employment Alternative for Self Reliance (GEAR)
Income and Expenditure Account
For the year ended June 30, 2022

	Note	For the year ended Jun-22	Jun-21
		---------- Rupees ----------	
INCOME			
Donations	8	161,155,765	79,738,041
Other income		536,540	167,684
Total income		161,692,305	79,905,725
EXPENDITURES			
Business funding		52,612,700	19,677,500
Sustenance funding		8,587,561	9,006,540
Higher education funding		8,102,002	5,275,086
Infaq program		10,229,221	-
Other projects and activities		15,126,841	7,547,200
Salaries and other benefits		8,213,600	6,428,000
Bad debt expense		3,043,200	1,740,700
Registration, certification and related expenses		1,520,700	1,516,800
Other operational expenses		379,792	-
Other administrative expenses	9	2,015,987	1,845,165
		109,831,604	53,036,991
Excess of income over expenditure		**51,860,701**	**26,868,734**

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

Member

G.E.A.R. TRUST

Chairman of Board

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Generating Employment Alternative for Self Reliance (GEAR)
Statement of Changes In General Fund
For the year ended June 30, 2022

	For the year ended	
	Jun-22	Jun-21
	---------- Rupees ----------	
Fund balance as at beginning of the year	72,336,858	45,468,124
Excess of income over expenditure	51,860,701	26,868,734
Balance as at the end of year	124,197,559	72,336,858

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

Member

GENERATING EMPLOYMENT ALTERNATIVE FOR SELF RELIANCE
G.E.A.R. TRUST

Chairman of Board

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Generating Employment Alternative for Self Reliance (GEAR)
Statement of Cash Flows
For the year ended June 30, 2022

	For the year ended Jun-22	Jun-21
	---------- Rupees ----------	
Cash flow from operating activities		
Surplus for the year	51,860,701	26,868,734
Non cash items		
- Depreciation expense	96,077	64,809
- Bad debt expense	3,043,200	1,740,700
Taxes paid	(35,980)	(107,059)
Effect on cash flow due to working capital changes		
- Increase in microloans receivable	(1,798,079)	(16,489,114)
- Decrease in trade and other payables	(15,000)	(611,000)
Net cash generated from operating activities	53,150,919	11,467,070
Cash flow from investing activities		
- Purchase of furniture, fixture and equipment	(196,843)	(42,500)
- Settlement of long term deposits	5,000,000	(10,000,000)
Net cash used in investing activities	4,803,157	(42,500)
Net increase in cash and cash equivalents	57,954,076	1,424,570
Cash and cash equivalents at the beginning of the year	20,323,565	18,898,995
Cash and cash equivalents at the end of the year	78,277,641	20,323,565

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

Member

GENERATING EMPLOYMENT ALTERNATIVE FOR SELF-RELIANCE
G.E.A.R. TRUST

Chairman of Board

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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 the Trust'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 Trust 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

The Trust 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.

GENERATING EMPLOYMENT ALTERNATIVE FOR SELF RELIANCE G.E.A.R. TRUST

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 Financial instruments

Financial assets:

The Trust classifies its financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Trust's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

a) Financial assets at amortised cost

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

b) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Equity instrument financial assets / mutual funds are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss.

Dividends from such investments continue to be recognised in profit or loss when the Trust's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Trust has transferred substantially all risks and rewards of ownership. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Trust.

GENERATING EMPLOYMENT ALTERNATIVE FOR SELF-RELIANCE G.E.A.R. TRUST

The Trust assesses on a forward looking basis the expected credit losses associated with its financia assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Trust applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Trust recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

Financial liabilities

All financial liabilities are recognised at the time when the Trust becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the financial statements if the Trust has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously

3.5 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Trust; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability

3.6 Contingent assets

Contingent assets are disclosed when there is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust. Contingent assets are not recognised until their realisation become virtually certain.

3.7 Taxation

The Trust 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%.

GENERATING EMPLOYMENT ALTERNATIVE FOR SELF-RELIANCE G.E.A.R. TRUST

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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.

3.8 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, 2020			
Cost	292,800	32,630	325,430
Accumulated depreciation	(83,670)	(9,789)	(93,459)
Net book value as at June 30, 2020	209,130	22,841	231,971
Year ended June 30, 2021			
Additions	11,000	31,500	42,500
Depreciation charge for the year	(45,570)	(19,239)	(64,809)
Net book value as at June 30, 2021	174,560	35,102	209,662
Year ended June 30, 2022			
Additions	185,232	11,611	196,843
Depreciation charge for the year	(73,355)	(22,722)	(96,077)
Net book value as at June 30, 2022	286,437	23,991	310,428
At June 30, 2021			
Cost	303,800	64,130	367,930
Accumulated depreciation	(129,240)	(29,028)	(158,268)
Net book value	174,560	35,102	209,662
Annual rates of depreciation	15%	30%	
At June 30, 2022			
Cost	489,032	75,741	564,773
Accumulated depreciation	(202,595)	(51,750)	(254,345)
Net book value	286,437	23,991	310,428
Annual rates of depreciation	15%	30%	

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		Note	2022	2021
			---------- Rupees ----------	
5.	**Microloans receivable**			
	Opening balance		41,041,092	26,292,678
	Loan disbursements during the year		55,164,504	53,696,901
	Repayments received		(53,366,425)	(37,237,587)
	Loan written off		(3,043,200)	(1,710,900)
	Closing balance		39,795,971	41,041,092
6.	**Cash and cash equivalents**			
	Bank balances			
	- In saving account	6.1	12,528,476	8,117,154
	- In current account		65,749,165	12,206,411
	Cash in hand		-	-
			78,277,641	20,323,565

6.1 These deposits are held in saving accounts and carry return ranging from 5.32% to 10.26%.

		2022	2020
		---------- Rupees ----------	
7.	**Trade and other payables**		
	Accrual for auditor's remuneration	75,000	90,000
		75,000	90,000

		Note	For the year ended Jun-22	Jun-20
			---------- Rupees ----------	
8.	**Donations**			
	- Donated funds		100,125,288	35,036,812
	- Zakat donations		61,030,477	44,701,229
			161,155,765	79,738,041
9.	**Other administrative expenses**			
	Legal and professional expenses	9.1	964,122	642,021
	Rent and other office expenses		278,200	275,000
	Printing and stationery expense		148,687	79,144
	IT and other related expenses		351,900	200,000
	Depreciation expense		96,077	75,909
	Other expenses		177,001	584,191
			2,015,987	1,856,265
9.1	Professional consultancy		889,122	582,021
	Auditor's remuneration		75,000	60,000
			964,122	642,021

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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 the Trust in their meeting held on _____.

Member **Chairman of Board**

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