

**October 13, 2014**

**645A**

The Board of Directors  
Saleem Memorial Trust Hospital ('Company')  
Lahore

Ladies and Gentlemen

**FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

We enclose three copies of the above financial statements together with our initialed report to the members thereon. We shall be pleased to sign our report in the present or amended form after:

- (i) these financial statements have been approved by the Board and signed by the Chief Executive and another director designated by the Board for this purpose;
- (ii) we have seen the Board's specific approval for the donation income of Rs 176,134,000;
- (iii) the date of authorisation for issue of financial statements has been inserted in note 13; and
- (iv) we have received management's representation letter on the lines of the draft provided to the Company's Chief Financial Officer.

**2. RESPONSIBILITIES OF THE AUDITORS AND THE MANAGEMENT IN RELATION TO THE FINANCIAL STATEMENTS**

The responsibilities of the independent auditors, in a usual examination of financial statements, are explained in the International Standard on Auditing - 200. While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for preparation of the financial statements is primarily that of the Company's management. The management's responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding the assets of the Company and prevention and detection of frauds and irregularities. The audit of financial statements does not relieve the management of its responsibilities. Accordingly, our examination of the books of account and records should not be relied upon to disclose all the errors or irregularities in relation to the financial statements.

3. We would like to inform the Board that unless we have signed the auditors' report on these financial statements, the same shall remain and be deemed un-audited.

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**A. F. FERGUSON & CO.**

We wish to place on record, our appreciation for the courtesy and cooperation extended to us by the company's personnel during the course of our audit.

Yours truly

A handwritten signature in blue ink, consisting of a stylized, cursive name followed by a horizontal line and a small flourish.

## **HONORARY AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Saleem Memorial Trust Hospital (a company set up under section 42 of the Companies Ordinance, 1984) as at June 30, 2014 and the related income and expenditure account, statement of comprehensive income, statement of changes in accumulated funds and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes in accounting policies as stated in note 2.2.1 to the annexed financial statements with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

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**A. F. FERGUSON & CO.**

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, statement of comprehensive income, statement of changes in accumulated funds and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2014 and of the surplus, its cash flows and changes in accumulated funds for the year then ended;
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980); and
- (e) we draw attention to note 1.1 to the annexed financial statements which describes the matter regarding a condition contained in the conditions for grant of license to the company. Our opinion is not qualified in respect of this matter.

  
**Chartered Accountants**

**Lahore, October 14, 2014**

**Engagement partner: Muhammad Masood**

**SALEEM MEMORIAL TRUST HOSPITAL**  
(a company set up under section 42 of the Companies Ordinance, 1984)

**BALANCE SHEET AS AT JUNE 30, 2014**

	Note	2014 Rupees	2013 Rupees
<b>RESERVES</b>			
Fund balance	5	<u>176,093,461</u>	<u>13,251</u>
<b>REPRESENTED BY:</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	174,439,902	-
<b>CURRENT ASSETS</b>			
Income tax receivable		38,816	54
Cash and bank balances	7	2,057,318	13,197
		2,096,134	13,251
<b>LESS: NON-CURRENT LIABILITY</b>			
Retention money		442,575	-
		<u>176,093,461</u>	<u>13,251</u>

The annexed notes 1 to 14 form an integral part of these financial statements.

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*Ruzaqat Sami*  
**Chief Executive**

*Yehya*  
**Director**

**SALEEM MEMORIAL TRUST HOSPITAL**

(a Company set up under section 42 of the Companies Ordinance, 1984)

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014**

	Note	General Fund Rupees	Hospital Fund Rupees	For the year ended June 30, 2014 Rupees	For the period from October 11, 2012 to June 30, 2013 Rupees
Other income	8	114,076,275	62,160,000	176,236,275	125,541
<b>Less: Expenditure</b>					
Administrative expenses		154,440	-	154,440	111,940
Bank charges		1,625	-	1,625	350
		156,065	-	156,065	112,290
<b>Surplus of income over expenditure before taxation</b>		<b>113,920,210</b>	<b>62,160,000</b>	<b>176,080,210</b>	<b>13,251</b>
Provision for taxation	9	-	-	-	-
<b>Surplus of income over expenditure after taxation</b>		<b>113,920,210</b>	<b>62,160,000</b>	<b>176,080,210</b>	<b>13,251</b>

The annexed notes 1 to 14 form an integral part of these financial statements.

  
Chief Executive

  
Director

**SALEEM MEMORIAL TRUST HOSPITAL**

(a Company set up under section 42 of the Companies Ordinance, 1984)

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund Rupees	Hospital Fund Rupees	For the year ended June 30, 2014 Rupees	For the period from October 11, 2012 to June 30, 2013 Rupees
Surplus of income over expenditure	113,920,210	62,160,000	176,080,210	13,251
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-	-	-
<i>Items that will not be reclassified subsequently to profit or loss</i>	-	-	-	-
<b>Total comprehensive income</b>	<u>113,920,210</u>	<u>62,160,000</u>	<u>176,080,210</u>	<u>13,251</u>

The annexed notes 1 to 14 form an integral part of these financial statements.

*M. Ruzaqat Sami*

Chief Executive

*Y. J. J.*  
Director

**SALEEM MEMORIAL TRUST HOSPITAL**

(a Company set up under section 42 of the Companies Ordinance, 1984)

**STATEMENT OF CHANGES IN ACCUMULATED FUNDS FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund Rupees	Hospital Fund Rupees	Total Rupees
Total comprehensive income for the period from October 11, 2012 to June 30, 2013	13,251	-	13,251
Surplus of income over expenditure	-	-	-
Other comprehensive income	-	-	-
<b>Balance as on June 30, 2013</b>	13,251	-	13,251
Hospital funds received	-	62,160,000	62,160,000
Funds transferred to Income and Expenditure Account	-	(62,160,000)	(62,160,000)
Total comprehensive income for the year ended June 30, 2014	113,920,210	62,160,000	176,080,210
Surplus of income over expenditure	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year	113,920,210	62,160,000	176,080,210
Transfer from "Hospital Fund" to "General Fund"	62,160,000	(62,160,000)	-
<b>Balance as on June 30, 2014</b>	<b>176,093,461</b>	<b>-</b>	<b>176,093,461</b>

The annexed notes 1 to 14 form an integral part of these financial statements.

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*Fauzad Sam*  
Chief Executive

*Yousef*  
Director



**SALEEM MEMORIAL TRUST HOSPITAL**  
(a company set up under section 42 of the Companies Ordinance, 1984)

**CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014**

	Note	For the year ended June 30, 2014 Rupees	For the period from October 11, 2012 to June 30, 2013 Rupees
<b>Cash flows from operating activities</b>			
Surplus of income over expenditure before tax		176,080,210	13,251
Income tax paid		(38,762)	(54)
<b>Net cash inflow from operating activities</b>		<u>176,041,448</u>	<u>13,197</u>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(173,997,327)	-
<b>Net cash outflow from investing activities</b>		<u>(173,997,327)</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>		<u>2,044,121</u>	<u>13,197</u>
<b>Cash and cash equivalents at the beginning of the year / period</b>		13,197	-
<b>Cash and cash equivalents at the end of the year / period</b>	7	<u><u>2,057,318</u></u>	<u><u>13,197</u></u>

The annexed notes 1 to 14 form an integral part of these financial statements.

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**Chief Executive**

  
**Director**

**SALEEM MEMORIAL TRUST HOSPITAL**  
**(a company set up under section 42 of the Companies Ordinance, 1984)**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

**1. Legal status and nature of business**

**1.1 Constitution and ownership**

Saleem Memorial Trust Hospital (the 'Company') was incorporated as an association not having share capital without addition of the words "(Guarantee) Limited" to its name under section 42 of the Companies Ordinance, 1984 on October 11, 2012. The registered office of the Company is situated at 31-Q, Gulberg II, Lahore.

The Company was granted a License dated September 25, 2012 under section 42 of the Companies Ordinance, 1984. Clause 5 of the Conditions of Grant of License to the Company requires that each subscriber to the Memorandum and Articles of Association of the Company shall contribute a reasonable amount but not less than Rs 75,000,000 as a start up donation and the same shall be deposited in the Company's account within a period of six months of the date of its incorporation which will be used for the attainment of the object and shall not be reverted back to the subscribers, directly or indirectly through any means. However, as of June 30, 2014, the subscribers have contributed Rs 114.099 million as referred to in note 8.1 to these financial statements against an aggregate requirement of Rs 300 million under the aforesaid clause and the management is taking steps to resolve this.

**1.2 Activities**

The Company was formed with the primary objective to promote health by establishing, owning, operating, maintaining, funding, supporting and providing health care facilities, establishments, units and products including hospitals and other like facilities or services etc. The Company intends to apply its profits and income towards the above objects and prohibits the payment of any dividend or profit to its members.

**2. Basis of preparation**

**2.1** These financial statements have been prepared in accordance with the Guideline for accounting and financial reporting by non-government organizations (NGOs)/non-profit organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of Guideline for accounting and financial reporting by NGOs/NPOs issued by the ICAP or IFRS, the requirements of the Companies Ordinance, 1984, or the requirements of the said directives prevail.

**2.2 Initial application of standards, amendments or an interpretation to existing standards**

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

**2.2.1 Standards, amendments and interpretations to approved accounting standards that are effective in current year**

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2013 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

**2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company**

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

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### **3. Basis of measurement**

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

### **4. Significant accounting policies**

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### **4.1 Revenue recognition**

Revenue is recognized when it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

Donations are recognized when received. Profit on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

##### **4.1.1 Restricted revenue**

Restricted contributions are based on agreements, contracts, or other understanding, where the conditions for receipt of the funds are linked to a performance, of a service or other process. Revenue is, therefore, not recognized in the income and expenditure account, until there is reasonable assurance that the contribution will be received, and the conditions stipulated for its receipt have been complied with. Such contributions are recognized only to the extent that the company has provided the relevant services or performance. On receiving any restricted contribution, the contribution is credited to the restricted fund account in the balance sheet. Thereafter, on a systematic basis, an amount equivalent to that which has been spent on agreed restricted activities is transferred to the restricted income account in the income and expenditure account.

##### **4.1.2 Unrestricted revenue**

Revenue that arises from general unrestricted resources is treated as general revenue and is directly credited to income and expenditure account when received.

#### **4.2 Property, plant and equipment**

##### **4.2.1 Operating fixed assets**

Freehold land is stated at cost less any identified impairment loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 company and the cost of the item can be measured reliably. All other repair and maintenance costs are included in the income and expenditure account during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

##### **4.2.2 Capital work-in-progress**

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

#### **4.3 Financial assets**

##### **4.3.1 Classification**

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

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**a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise, they are classified as non current.

**b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

**c) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

**d) Held to maturity**

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

**4.3.2 Recognition and measurement**

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income and expenditure account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income and expenditure account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income and expenditure account as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in the Fund are included in the income and expenditure account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income and expenditure account. Dividends on available-for-sale equity instruments are recognised in the income and expenditure account when the Company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from the fund and recognised in the income and expenditure account. Impairment losses recognised in the income and expenditure account on equity instruments are not reversed through the income and expenditure account.

**4.4 Trade and other payables**

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.



#### 4.5 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is de-recognized when the obligation under the liability is discharged, cancelled or expired. When 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 or modification is treated as de-recognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the income and expenditure account.

#### 4.6 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

#### 4.7 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

#### 4.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, pay order in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### 4.9 Funds

##### 4.9.1 General Fund

This is an unrestricted fund. Grants and donations not restricted for a specific purpose or fund are credited to this fund.

##### 4.9.2 Hospital Fund

This fund has been established for hospital purpose. Grants and donations received for hospital are credited to this fund.

#### 5. Fund balance

This is composed of:

	2014 Rupees	2013 Rupees
General Fund	176,093,461	13,251
Hospital Fund	-	-
	<u>176,093,461</u>	<u>13,251</u>

#### 6. Property, plant and equipment

		2014 Rupees	2013 Rupees
Operating fixed assets	- note 6.1	170,014,150	-
Capital work-in-progress	- note 6.2	4,425,752	-
		<u>174,439,902</u>	<u>-</u>

The reconciliation of the carrying amount is as follows:

	Operating fixed assets - Land Rupees	Capital work-in- progress Rupees
Opening balance as on July 1, 2013	-	-
Additions during the year	170,014,150	4,425,752
Closing balance as on June 30, 2014	<u>170,014,150</u>	<u>4,425,752</u>

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6.1 This represents freehold land situated at Mauza Chung Panjgrain, Lahore. The land has been purchased for the purpose of construction of a hospital.

6.2 This represents the mobilization advance for design and equipment planning of the hospital.

		2014 Rupees	2013 Rupees
7.	<b>Cash and bank balances</b>		
	Pay order in hand	- note 7.1	2,000,000
	Cash at bank:		-
	- On saving account	- note 7.2	57,318
			13,197
			<u>13,197</u>
			<u>2,057,318</u>

7.1 The pay order was duly credited to the Company's bank account subsequent to the balance sheet date.

7.2 This represents the balance with MCB Bank Limited, a related party. It bears mark up at the rates ranging from 6.0% to 7.0% (2013: 5.0% to 5.5%) per annum.

		General Fund Rupees	Hospital Fund Rupees	2014 Rupees	2013 Rupees
8.	<b>Other income</b>				
	<b>Income from financial assets</b>				
	Profit on saving account	102,275	-	102,275	541
	<b>Income from non-financial assets</b>				
	Donations - note 8.1	113,974,000	62,160,000	176,134,000	125,000
		<u>114,076,275</u>	<u>62,160,000</u>	<u>176,236,275</u>	<u>125,541</u>

8.1 The donations were received from the related parties. The detail of donations received is as follows :

<b>General Fund</b>		2014 Rupees	2013 Rupees
<b>Directors</b>			
Shahzad Saleem - Chief Executive		51,161,900	125,000
Yahya Saleem		33,821,900	-
Farhat Saleem		12,079,250	-
Sehar Adil		16,910,950	-
		<u>113,974,000</u>	<u>125,000</u>

This represents start up donations by the subscribers to the Memorandum and Articles of Association of the Company.

<b>Hospital Fund</b>		2014 Rupees	2013 Rupees
<b>Associated undertakings</b>			
Nishat Chunian Power Limited		42,160,000	-
Nishat Chunian Limited		20,000,000	-
		<u>62,160,000</u>	<u>-</u>

9. The Company has filed an application for grant of approval in terms of section 2(36) of the Income Tax Ordinance, 2001 in order to be designated as "Non Profit Organization" to avail exemption from income tax. The Company's application is pending with the relevant tax authorities, no provision for taxation has been made in these financial statements there being an excess of expenditure over income chargeable to tax.

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**10. Related party transactions**

The related parties comprise the associated undertakings, directors and key management personnel. Significant related party transactions have been disclosed in respective notes in these financial statements.

**11. Financial risk management**

**11.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board has provided 'Risk Management Policy' covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of this policy.

**(a) Market risk**

**(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to any currency risk.

**(ii) Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The company is not exposed to equity price risk since there are no investments in equity instruments traded in the market at the reporting date. The company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

**(iii) Interest rate risk**

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is not exposed to any significant interest rate risk.

**(b) Credit risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to its balance at bank. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was of cash and cash equivalents of Rs 2,057,318.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	<u>Rating</u> <u>Short term</u>	<u>Long term</u>	<u>Rating</u> <u>Agency</u>	<u>2014</u> <u>Rupees</u>	<u>2013</u> <u>Rupees</u>
<b>Bank balance</b>					
MCB Bank Limited	A1+	AAA	PACRA	57,318	13,197

After giving due consideration to the counter party's strong financial standing, management does not expect non-performance of its obligations to the Company. Accordingly, the credit risk is minimal.

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(c) **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

The Company's financial liability is payable within one to five years from the balance sheet date.

**11.2 Fair values of financial assets and liabilities**

The carrying values of the financial assets and financial liabilities reflected in the financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at the reporting date.

**11.3 Financial instruments by categories**

**Financial assets as per balance sheet**

	<b>Loans and receivables</b>	
	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
Cash and bank balances	<u>2,057,318</u>	<u>13,197</u>

**Financial liability as per balance sheet**

	<b>Financial liability at amortized cost</b>	
	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
Retention money	<u>442,575</u>	<u>-</u>

**12. Number of employees**

The Company did not have any employees during the year and as on June 30, 2014 (2013: Nil).

**13. Date of authorization**

These financial statements were authorized for issue on 14 October, 2014 by the Board of Directors of the Company.

**14. Corresponding figures**

These financial statements have been prepared for the year ended June 30, 2014 and the corresponding figures for the income and expenditure account, statement of comprehensive income, cash flow statement, statement of changes in accumulated funds and the related notes thereof are for the period from October 11, 2012 to June 30, 2013 and hence, not comparable.

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Chief Executive

  
Director