



INDEPENDENT AUDITOR'S REPORT

To the members of Saleem Memorial Trust Hospital (a Company set up under section 42 of the Companies Act, 2017)

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Saleem Memorial Trust Hospital (the Company), which comprise the statement of financial position as at June 30, 2019, and the income and expenditure statement, the statement of comprehensive income, the statement of changes in fund, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2019 and of the surplus and other comprehensive income, the changes in fund and its cash flows for the year then ended.

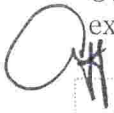
Basis for opinion

We conducted our audit in accordance with 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 Company 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.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.


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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines 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, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company'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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures 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 Company'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 Company 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 a manner that achieves fair presentation.

We communicate with the board of directors 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.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Khurram Akbar Khan.

Other Matter

Prior Year Financial Statements Audited by Predecessor Auditor

The financial statements of the Company for the year ended June 30, 2018 were audited by another firm of accountants, M/s EY Ford Rhodes, Chartered Accountants, whose report dated September 11, 2018 expressed an unmodified opinion thereon.

Chartered Accountants

Lahore

Date: September 12, 2019

SALEEM MEMORIAL TRUST HOSPITAL
(a Company set up under section 42 of the Companies Act, 2017)

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
Non-current assets			
Property and equipment	5	1,509,212,189	788,409,937
Current assets			
Advances and short term prepayments	6	1,869,270	623,308
Income tax recoverable		2,217,316	2,412,781
Other receivables	7	-	535,462
Cash and bank balances	8	224,904,455	249,627,562
		228,991,041	253,199,113
		<u>1,738,203,230</u>	<u>1,041,609,050</u>
FUND AND LIABILITIES			
Fund balance		228,775,029	217,587,886
Non-current liability			
Deferred grants	9	1,463,794,962	808,662,709
Current liability			
Trade and other payables	10	45,633,239	15,358,455
		<u>1,738,203,230</u>	<u>1,041,609,050</u>
CONTINGENCIES AND COMMITMENTS	11		

The annexed notes 1 to 19 form an integral part of these financial statements.

Puanzady Sam
Chief Executive

Director

SALEEM MEMORIAL TRUST HOSPITAL
(a Company set up under section 42 of the Companies Act, 2017)

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Grant income	9	5,838,488	2,200,023
Administrative expenses	12	(5,838,488)	(2,200,023)
Bank charges		(140,553)	(7,331)
Other income	13	11,647,852	11,931,827
Other expenses	14	(320,156)	-
Surplus before taxation		<u>11,187,143</u>	<u>11,924,496</u>
Taxation	15	-	-
Surplus for the year		<u><u>11,187,143</u></u>	<u><u>11,924,496</u></u>

The annexed notes 1 to 19 form an integral part of these financial statements.

Off


Chief Executive



Director

SALEEM MEMORIAL TRUST HOSPITAL
(a Company set up under section 42 of the Companies Act, 2017)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
Surplus for the year	11,187,143	11,924,496
Other comprehensive income:		
<i>Items that may be reclassified subsequently to income and expenditure statement</i>	-	-
<i>Items that will not be reclassified subsequently to income and expenditure statement</i>	-	-
	-	-
Total comprehensive surplus for the year	<u>11,187,143</u>	<u>11,924,496</u>

The annexed notes 1 to 19 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 Act, 2017)

STATEMENT OF CHANGES IN FUND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Rupees</u>
Balance as on July 1, 2017	205,663,390
Surplus for the year	11,924,496
Other comprehensive income for the year	-
Total comprehensive income for the year	11,924,496
Balance as on June 30, 2018	217,587,886
Surplus for the year	11,187,143
Other comprehensive income for the year	-
Total comprehensive income for the year	11,187,143
Balance as on June 30, 2019	<u>228,775,029</u>

The annexed notes 1 to 19 form an integral part of these financial statements.

Off


Chief Executive


Director

SALEEM MEMORIAL TRUST HOSPITAL
(a Company set up under section 42 of the Companies Act, 2017)

STATEMENT OF CASH FLOW FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Cash generated from operations			
Surplus for the year		11,187,143	11,924,496
Adjustment for non-cash charges and other items:			
Amortisation of deferred grant		(5,838,488)	(2,200,023)
Exchange loss/(gain)		309,123	(1,224,566)
Loss on disposal of operating fixed assets		11,033	-
Depreciation on operating fixed assets		408,902	215,586
Profit on bank deposits		(11,382,852)	(10,017,261)
Surplus/(deficit) before working capital changes		<u>(5,305,139)</u>	<u>(1,301,768)</u>
Effect on cash flow due to working capital changes			
Increase in advances and short term prepayments		(1,245,961)	(574,270)
Decrease/(increase) in other receivables		535,462	(535,462)
Increase in trade and other payables		27,581,663	7,787,732
Cash generated from operations		<u>21,566,025</u>	<u>5,376,232</u>
Profit received on bank deposits		11,382,852	10,017,261
Income tax refunded/(paid)		195,465	(909,681)
Net cash inflow from operating activities		<u>33,144,342</u>	<u>14,483,812</u>
Cash flows from investing activities			
Purchase of property and equipment		(721,252,188)	(259,599,158)
Sale proceeds from property and equipment disposed off		30,000	-
Net cash outflow from operating activities		<u>(721,222,188)</u>	<u>(259,599,158)</u>
Cash flows from financing activities			
Grants received		660,970,741	401,975,000
Net (decrease)/increase in cash and cash equivalents		<u>(27,107,105)</u>	<u>156,859,654</u>
Cash and cash equivalents at the beginning of the year		249,627,562	91,543,342
Effects of exchange rate changes on cash and cash equivalents		2,383,998	1,224,566
Cash and cash equivalents at the end of the year		<u><u>224,904,455</u></u>	<u><u>249,627,562</u></u>

The annexed notes 1 to 19 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 Act, 2017)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1. Legal status and nature of business

Saleem Memorial Trust Hospital (the 'Company') is a public company limited by guarantee not having share capital and was incorporated in Pakistan under section 42 of the repealed Companies Ordinance, 1984 (now Companies Act, 2017) on October 11, 2012. The registered office of the Company is situated at 31-Q, Gulberg II, Lahore, Pakistan. 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 surplus and income towards the above objects and prohibits the payment of any dividend or surplus to its members. The Company is a Not-For-Profit organisation under section 2(36) of the Income Tax Ordinance, 2001 and its surplus, if any, is carried forward to the subsequent year, and is not available for appropriation. The Company is currently constructing a hospital at Mauza Chung Panjgrain, Lahore.

The Company was granted a License dated September 25, 2012 under section 42 of the repealed 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 objects of the Company and shall not be reverted back to the subscribers, directly or indirectly through any means. As of 30 June 2019, the subscribers have contributed Rs 301,077,782 (2018: Rs 298,955,563) against an aggregate requirement of Rs 300,000,000 under the aforesaid clause. Based on this, Securities and Exchange Commission of Pakistan ('SECP') through its letter dated November 6, 2018 has ordered that the aforementioned clause has been complied with. Further, during the year, the Company's license under section 42 of the Companies Act, 2017 has been renewed by the SECP for a term of three years upto September 25, 2020.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standard for Small and Medium Sized Entities ('IFRS for SMEs') issued by the International Accounting Standards Board ('IASB') as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations ('Accounting Standard for NPOs') issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from IFRS for SMEs or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. Basis of measurement

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

3.2 Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

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Suuzad Faruq

This note provides an overview of the area that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to the estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

Depreciation, residual values and useful lives of operating fixed assets - note 4.1

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

4. Summary of 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 the years presented, unless otherwise stated.

4.1 Property and equipment

4.1.1 Operating fixed assets

Operating fixed assets, except for freehold land, are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss.

Depreciation is charged to income applying reducing balance method to write off the cost over estimated useful life of the asset. Depreciation on additions to operating fixed assets is charged from the month in which the asset is available for use, while no depreciation is charged for the month in which the asset is disposed off.

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 statement 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.

4.1.2 Capital work-in-progress

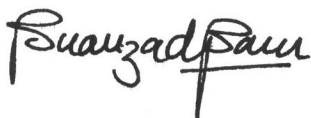
Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available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

4.2 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.3 Donations in kind

Assets received as donations are recognised at fair value at the date of acquisition.

Off 

4.4 Income recognition

The company follows deferral method of accounting for contributions and grants.

- Externally restricted contributions and grants are deferred as non-current liabilities and recognized as revenue when related expenses are incurred.
- Unrestricted contributions and grants are recognized as received or receivable if the amount to be received can be measured reliably and collection of the same is reasonably assured.
- Income from grants that are related to depreciable assets are recognized in income and expenditure accounts over the periods and in the proportions in which depreciation expense on those assets is recognized.
- Grants that are received or become receivable as compensation for expenses incurred or for the purpose of giving immediate financial support to the company, with no future related costs, are recognized as income in the period in which these are received or become receivable.
- Return on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

4.4.1 Restricted contributions

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 statement, 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 deferred grant on the statement of financial position. Thereafter, on a systematic basis, an amount equivalent to that which has been spent on agreed restricted activities is transferred to the income account in the income and expenditure statement.

4.4.2 Unrestricted contributions

Unrestricted contributions are directly credited to income and expenditure statement if the amount to be received can be measured reliably and collection of the same is reasonably assured.

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 statement.

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 Taxation

Income tax expense comprises current and deferred tax. Income tax is charged or credited to income and expenditure statement except to the extent that it relates to items recognized directly in other comprehensive income or fund, in which case it is recognized in other comprehensive income or fund.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the surplus for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable income. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable income or deficit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on the tax rates that have been enacted or substantially enacted by the reporting date. Deferred tax is charged or credited in the income and expenditure statement, except in the case of items credited or charged directly to other comprehensive income or fund in which case it is included in other comprehensive income or fund.

4.8 Deferred grants

Grants relating to costs are deferred and recognised in the income and expenditure statement over the period necessary to match with the costs that they are intended to compensate.

Grants relating to property and equipment are included in non-current liabilities as deferred grants and are credited to the income and expenditure statement to match the depreciation of the related assets.

4.9 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 reporting date and adjusted to reflect the current best estimate.

4.10 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income and expenditure statement.

4.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and bank balances.

4.12 Employee benefits

a) Short term obligations

Liabilities for wages and salaries including non-monetary benefits that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

b) Post employment benefits

The main features of the plan operated by the Company for its employees are as follows:

Defined contribution plan - Provident Fund

There is a defined contributory provident fund for all permanent employees. Equal monthly contributions are made by the Company and the employees at the rate of 5 percent of basic salary.

4.13 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 Company; 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.

5. Property and equipment

		2019	2018
		Rupees	Rupees
Operating fixed assets	- note 5.1	196,742,354	195,741,094
Capital work-in-progress	- note 5.2	1,312,469,835	592,668,843
		<u>1,509,212,189</u>	<u>788,409,937</u>

5.1 Operating fixed assets

	Annual rate of depreciation %	Cost as at June 30, 2018	Additions / (deletions)	Cost as at June 30, 2019	Accumulated depreciation as at June 30, 2018	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at June 30, 2019	Book value as at June 30, 2019
Freehold land - note 5.1.1		194,623,550	-	194,623,550	-	-	-	194,623,550
Electrical installation	10	97,026	302,000	399,026	14,797	10,740	25,537	373,489
Furniture and fixtures	10	311,354	584,703	896,057	50,969	35,784	86,753	809,304
Office equipment	10	177,000	-	177,000	21,240	15,576	36,816	140,184
Computers	33	852,923	564,493	1,342,416	233,753	346,803	546,589	795,827
		196,061,853	1,451,196 (75,000)	197,438,049	320,759	408,903 (33,967)	695,695	196,742,354
Freehold land - note 5.1.1		194,623,550	-	194,623,550	-	-	-	194,623,550
Electric Installation	10	97,026	-	97,026	5,660	9,137	14,797	82,229
Furniture and fixtures	10	293,854	17,500	311,354	22,037	28,932	50,969	260,385
Office equipment	10	177,000	-	177,000	3,933	17,307	21,240	155,760
Computers	33	328,679	524,244	852,923	73,543	160,210	233,753	619,170
		195,520,109	541,744	196,061,853	105,173	215,586	320,759	195,741,094

5.1.1 Freehold land represents land situated at Mauza Chung Panjgrain, Lahore. The land has an area of 39 Kanals on which the hospital is being constructed.

5.1.2 Depreciation for the year has been charged to administrative expenses.

Off

5.2 Capital work-in-progress	2019	2018
	Rupees	Rupees
Opening balance	592,668,843	333,611,429
Additions during the year	<u>719,800,992</u>	<u>259,057,414</u>
Closing balance	- note 5.2.1 <u><u>1,312,469,835</u></u>	<u><u>592,668,843</u></u>

5.2.1 This comprises of the following:

Advances to suppliers	36,053,064	1,098,302
Civil works	888,928,380	591,570,541
Machinery and equipment	387,488,391	-
	<u><u>1,312,469,835</u></u>	<u><u>592,668,843</u></u>

6. Advances and short term prepayments

Advances to employees - considered good	-	623,308
Prepayments	920,421	-
Receivable from contractors - considered good	921,310	-
Accrued profit on bank deposits	27,539	-
	<u><u>1,869,270</u></u>	<u><u>623,308</u></u>

7. This represents receivable from the Chief Executive of the Company.

8. Cash and bank balances

At banks - saving accounts	- notes 8.1 to 8.3	224,856,103	249,627,562
Cash in hand		48,352	-
		<u><u>224,904,455</u></u>	<u><u>249,627,562</u></u>

8.1 These bear mark up at the rates ranging from 4.27% to 11% (2018: 4.9% to 5.55%) per annum.

8.2 This includes deposit with MCB Bank Limited, a related party (due to common directorship) amounting to Rs 13,601,361 (2018: Rs 231,626,514).

8.3 This includes an amount of Rs 23,400,000 (2018: Nil) under lien of the bank against guarantees issued on behalf of the Company.

9. Deferred grants		2019	2018
		Rupees	Rupees
Opening balance - net of accumulated amortisation		808,662,709	408,887,732
Received during the year	- notes 9.1, 9.2, 9.3 & 9.4	660,970,741	401,975,000
Amortised during the year	- note 9.5	(5,838,488)	(2,200,023)
Closing balance		<u><u>1,463,794,962</u></u>	<u><u>808,662,709</u></u>

	2019	2018
	Rupees	Rupees
9.1	Includes amounts received from the following related parties:	
Mr Shahzad Saleem - Chief Executive	22,122,219	20,400,000
Mr Raza Mansha - Director	12,000,000	-
Mr Faisal Farid - Director	1,000,000	2,000,000
Ms Sehar Adil - Director	-	18,000,000
Ms Farhat Saleem - Director	-	100,000,000
Mr Zain Shahzad - Director	-	-
Mr Nadeem Babar - Former Director	-	10,000,000
Ms Ayesha Shahzad - close family member of Chief Executive	20,000,000	-
SMTH (UK) - note 9.1.1	1,056,858	-
Nishat (Chunian) Limited - due to common directorship	100,000,000	-
Nishat Chunian Power Limited - due to common directorship	200,000,000	-
NC Entertainment (Private) Limited - due to common directorship	50,000,000	-
	<u>406,179,077</u>	<u>150,400,000</u>

9.1.1 The Company's chief executive is member of this entity. The registered office of SMTH (UK) is situated at 2 Higher Drive, PURLEY, CR8 2HE. It is incorporated in Wales, United Kingdom.

9.2 Includes donations in kind amounting to Rs 10,758,858 (2018: Nil) that represent medical equipment and construction material.

9.3 Includes donations amounting to Rs 10,758,858 (2018: Nil) received from foreign countries while the remaining Rs 650,211,883 (2018: Rs 401,975,000) is from local sources.

	2019	2018
	Rupees	Rupees
9.4	Contributions by major sources	
Corporate entities	503,269,358	67,800,000
Foundations/NPOs	19,000,000	16,000,000
Individuals	138,701,383	318,175,000
	<u>660,970,741</u>	<u>401,975,000</u>

9.5 **Accumulated amortisation on deferred grants**

Opening balance	210,785,051	208,585,028
Amortized during the year	5,838,488	2,200,023
Closing balance	<u>216,623,539</u>	<u>210,785,051</u>

10. Trade and other payables

Payable to contractors and suppliers	40,556,147	12,478,789
Provident fund payable - note 10.1	1,871,828	1,233,100
Withholding tax payable	639,638	65,518
Accrued liabilities - note 10.2	2,565,626	1,581,048
	<u>45,633,239</u>	<u>15,358,455</u>

10.1 Since the Provident Fund has been recently established, the Company is in the process of opening a separate bank account for it in which the contributions shall be deposited. Consequently, there are no investments of the Provident Fund and the only asset of the Provident Fund is the amount receivable from the Company.

10.2 This includes an amount of Rs 12,150 (2018: Rs 171,844) of Nishat (Chunian) Limited, related party (due to common directorship) on account of shared expenses.

11. Contingencies and commitments

11.1 Contingencies

(i) During the year, the Additional Commissioner Inland Revenue ('ACIR') through an amendment order dated January 18, 2019 has raised a demand of Rs 13,938,716 (including default surcharge of Rs 4,942,339) against the Company for Tax Year 2015 on the basis that the Company did not enjoy the status of a Non Profit Organisation ('NPO') under section 2(36) of the Income Tax Ordinance, 2001 (Ordinance) for the said tax year and hence, it could not claim tax credit of 100% of the tax payable under section 100C of the Ordinance. Being aggrieved, the Company has filed an appeal dated February 2, 2019 before the Commissioner Inland Revenue (Appeals) against the abovementioned order that is pending adjudication. Management believes that there are strong grounds that the matter shall be ultimately decided in the Company's favour. Hence, no provision for the above amount of Rs 13,938,716 has been made in these financial statements.

(ii) Banks have also issued the following guarantees on behalf of the Company in favor of:

- Director Excise and Taxation, Karachi amounting to Rs 15,000,000 (2018: Nil)
- Collector of Customs, Karachi amounting to Rs 8,400,000 (2018: Nil)

11.2 Commitments in respect of

(i) Letters of credit for capital expenditure of Rs 14,202,937 (2018: Nil).

		2019 Rupees	2018 Rupees
12. Administrative expenses			
Salaries and wages		3,325,533	-
Fee and subscription		-	56,540
Legal and professional charges	- note 12.1	1,055,915	491,750
Travelling and conveyance		176,560	-
Insurance		-	645,647
Advertisement		208,320	599,705
Depreciation on operating fixed assets	- note 5.1	408,902	215,586
Entertainment		663,258	190,795
		<u>5,838,488</u>	<u>2,200,023</u>

12.1 Legal and professional charges

Legal and professional charges include the following in respect of auditors' services (excluding sales tax) for:

- Statutory audit	<u>600,000</u>	<u>120,500</u>
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13. Other income

Income on bank deposits	11,382,852	10,017,261
Exchange gain	-	1,224,566
Income from tenders	265,000	690,000
	<u>11,647,852</u>	<u>11,931,827</u>

14. Other expenses

Loss on disposal of operating fixed assets	11,033	-
Exchange loss	309,123	-
	<u>320,156</u>	<u>-</u>

15. Taxation

The Company being a Not-For-Profit organisation is allowed a tax credit equal to one hundred per cent of the tax payable, including minimum tax and final taxes, under section 100C of the Income Tax Ordinance, 2001. Consequently, no provision for taxation has been made in these financial statements.

16. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits to the Chief Executive, directors and executives of the Company are as follows:

	2019			2018		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	-	-	9,396,632	-	-	6,421,632
Fuel reimbursement	-	-	622,262	-	-	462,895
Mobile allowance	-	-	44,553	-	-	-
Leave encashment	-	-	269,277	-	-	179,035
Post employment benefit						
Provident fund contribution	-	-	283,185	-	-	196,787
	<u>-</u>	<u>-</u>	<u>10,615,909</u>	<u>-</u>	<u>-</u>	<u>7,260,349</u>
Number of persons	1	7	4	1	8	3

17. Transactions with related parties

The related parties comprise directors, key management personnel and entities having common directorship with the Company. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables respectively. Significant transactions with related parties have been disclosed in the respective notes to these financial statements. There are no related parties with whom the company had entered into transactions or had arrangements/agreements in place during the year other than those that have been disclosed in these financial statements.

18. Number of employees

	2019	2018
Total number of employees as at June 30	<u>22</u>	<u>14</u>
Average number of employees during the year	<u>18</u>	<u>11</u>

19. Date of approval of financial statements

These financial statements were approved on 12th September, 2019 by the Board of Directors of the Company.

Puanzady Saw

Chief Executive

Director