

**SALEEM MEMORIAL
TRUST HOSPITAL**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020**



A·F·FERGUSON&CO.

September 2, 2020

480

The Board of Directors
Saleem Memorial Trust Hospital
Lahore

Ladies and Gentlemen

DRAFT FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

We enclose three copies of the draft financial statements of Saleem Memorial Trust Hospital (the 'company') for the year ended June 30, 2020 together with our draft audit report to the members thereon, initialed by us for the purposes of identification. We shall be pleased to sign our report in the present or amended form after:

- a) the enclosed financial statements have been approved by the Board of Directors (Board) and signed by the Chief Executive and another director designated by the Board for this purpose;
- b) we have seen the Board's specific approval for the items referred to in Annexure "A" to this letter;
- c) we have received direct confirmations from the parties referred to in Annexure 'B' to this letter;
- d) we have received the final draft of 'Other Information' as defined in paragraph 12 of International Standards on Auditing ('ISA') 720 (Revised), "The Auditor's Responsibilities Relating to Other Information";
- e) we have received a signed and stamped copy of the final trial balance that is in agreement with the enclosed financial statements;
- f) the date of authorization for issue of financial statements has been inserted in note 25 to the enclosed financial statements; and
- g) we have received the management representation letter signed by the Chief Executive and Chief Financial Officer of the company on the lines of the draft provided by us.

We take this opportunity to draw your attention to certain accounting and related matters, which are set forth in the following paragraphs:

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2. RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND AUDITORS 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, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in accordance with International Standards on Auditing”. 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 in accordance with applicable financial reporting framework, which includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error. The management’s responsibilities include to provide the auditor with (i) all information, such as records and documentation, and other matters that are relevant to the preparation and presentation of the financial statements; (ii) any additional information that the auditor may request from the management and, where appropriate, those charged with governance; and (iii) unrestricted access to those within the entity from whom the auditor determines it necessary to obtain audit evidence. The audit of the 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.

We would like to inform the Board that unless we have signed the auditor’s report on these draft financial statements, the same shall remain and be deemed unaudited.

3. SIGNIFICANT MATTERS

We set forth below significant matters, noted by us during the audit, which in our view warrant attention of the Board:

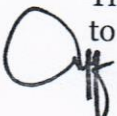
3.1 Deferred grants

As referred to in note 9 to the enclosed financial statements, the company has received grants/donations aggregating Rs 363.913 million during the year. Management has informed us that such grants have been treated as ‘restricted funds’ for the construction of the company’s hospital and for meeting the operating expenses in relation thereto on the basis of a verbal understanding with the donors that such grants/donations shall be used for the abovementioned purposes only, however, there is nothing in writing that restricts the use of such grants. Accordingly, such grants have been accounted for under the deferral method as per the requirements of Accounting Standard for Not-for-Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan.

Under these circumstances, we would request the Board to ratify the management’s assertions.

3.2 Deferred government grants

As stated in note 11 to the enclosed financial statements, the company has obtained long term loans during the year from commercial banks at concessional market interest rates under Circular No. 04 of 2020 dated March 7, 2020 issued by the State Bank of Pakistan (‘SBP’). The facility letters of these loans state that the concessional market interest rates are subject to the written approval by SBP that is not yet available, however, the commercial banks have





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confirmed the markup at the concessional market interest rates. Consequently, in accordance with the requirements of IFRS for SMEs, the management has recognized government grants of Rs 89.548 million being the difference between the loan proceeds and the present value of future cash outflows of these loans, computed using the market interest rate for similar loans.

Under these circumstances, we would request the Board to ratify the management's assertions.

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

Yours truly

A handwritten signature in black ink, appearing to read 'A.F. Ferguson & Co.', written in a cursive style.

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**Annexure "A" to
our letter 480 dated
September 2, 2020**

SALEEM MEMORIAL TRUST HOSPITAL

DRAFT FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

List of items referred to in paragraph 1(b) of our letter 480 dated September 2, 2020:

Rupees

Fixed capital expenditure

358,722,449

All related party transactions as disclosed in the enclosed financial statements

Accounting policies as referred to in notes 4.14 to 4.16 to the enclosed financial statements

Off



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Annexure "B"
to our letter 480 dated
September 2, 2020

SALEEM MEMORIAL TRUST HOSPITAL

DRAFT FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

List of parties referred to in paragraph 1(c) of our letter 480 dated September 2, 2020:

Legal Advisors

Riaz Ahmed, Saqib, Gohar & Co.
Zulfiqar Ahmed & Co.
Faisal & Partners

Suppliers

Haji Muhammad Shafi & Sons
DWP
Engineering Air Product
Engineering Control System

A handwritten signature in black ink, appearing to be a stylized 'O' followed by a flourish.



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, 2020, 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, 2020 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.

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.

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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



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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.

A. F. Ferguson & Co.
Chartered Accountants

Lahore

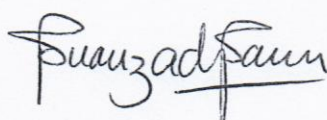
Date: September 3, 2020

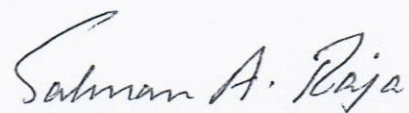
SALEEM MEMORIAL TRUST HOSPITAL
(a Company set up under section 42 of the Companies Act, 2017)

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

ASSETS	Note	2020 Rupees	2019 Rupees
Non-current assets			
Property and equipment	5	1,867,362,555	1,509,212,189
Current assets			
Advances and short term prepayments	6	1,864,082	1,869,270
Income tax recoverable		2,369,257	2,217,316
Short term investment	7	200,000,000	-
Cash and bank balances	8	455,433,670	224,904,455
		659,667,009	228,991,041
		<u>2,527,029,564</u>	<u>1,738,203,230</u>
FUND AND LIABILITIES			
Fund balance		246,548,691	228,775,029
Non-current liabilities			
Deferred grants	9	1,816,015,804	1,463,794,962
Long term finances	10	309,036,192	-
Deferred income - Government grants	11	89,548,103	-
		2,214,600,099	1,463,794,962
Current liabilities			
Current portion of long term finances	10	18,557,794	-
Trade and other payables	12	46,856,560	45,633,239
Accrued markup		466,420	-
		65,880,774	45,633,239
		<u>2,527,029,564</u>	<u>1,738,203,230</u>
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 26 form an integral part of these financial statements.


Chief Executive

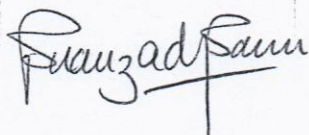

Director

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

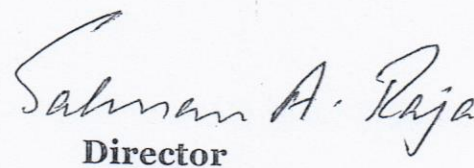
INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Grant income	9	11,692,067	5,838,488
Administrative expenses	14	(11,692,067)	(5,838,488)
Finance cost	15	(3,336,027)	(140,553)
Other income	16	21,278,847	11,647,852
Other expenses	17	(169,158)	(320,156)
Surplus before taxation		<u>17,773,662</u>	<u>11,187,143</u>
Taxation	18	-	-
Surplus for the year		<u><u>17,773,662</u></u>	<u><u>11,187,143</u></u>

The annexed notes 1 to 26 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 COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees
Surplus for the year	17,773,662	11,187,143
Other comprehensive surplus:		
<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>17,773,662</u>	<u>11,187,143</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

Fauzad Sam
Chief Executive

Salman A. Raja
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, 2020

	<u>Rupees</u>
Balance as on July 1, 2018	217,587,886
Surplus for the year	
Other comprehensive surplus for the year	11,187,143
Total comprehensive surplus for the year	-
	11,187,143
Balance as on June 30, 2019	228,775,029
Surplus for the year	
Other comprehensive surplus for the year	17,773,662
Total comprehensive surplus for the year	-
	17,773,662
Balance as on June 30, 2020	<u>246,548,691</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

Fauzad Samu
Chief Executive

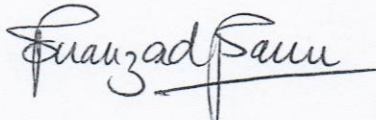
Sahman A. Raja
Director

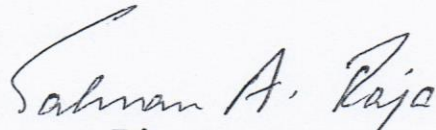
SALEEM MEMORIAL TRUST HOSPITAL
(a Company set up under section 42 of the Companies Act, 2017)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Cash flows from operating activities			
Cash (used in)/generated from operations	19	(9,779,271)	21,566,025
Income tax (paid)/refunded		(151,941)	195,465
Finance cost paid		(767,518)	-
Net cash (outflow)/inflow from operating activities		(10,698,730)	21,761,490
Cash flows from investing activities			
Purchase of property and equipment		(358,722,449)	(721,252,188)
Profit received on bank deposits		20,952,754	11,382,852
Sale proceeds from property and equipment disposed off		-	30,000
Net cash outflow from investing activities		(337,769,695)	(709,839,336)
Cash flows from financing activities			
Grants received		363,912,909	660,970,741
Proceeds from long term finances		415,040,000	-
Net cash inflow from financing activities		778,952,909	660,970,741
Net increase/(decrease) in cash and cash equivalents		430,484,484	(27,107,105)
Cash and cash equivalents at the beginning of the year		224,904,455	249,627,562
Effects of exchange rate changes on cash and cash equivalents		44,731	2,383,998
Cash and cash equivalents at the end of the year		655,433,670	224,904,455

The annexed notes 1 to 26 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, 2020

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 Company's license under section 42 of the Companies Act, 2017 has been renewed by the Securities and Exchange Commission of Pakistan ('SECP') for a term of three years upto September 25, 2020. 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.

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 approved 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, except for recognition of certain financial instruments at amortised cost.

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.

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.

Useful lives and residual values 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.

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 statement 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 comprise cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.2 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.

4.14 Government grants

Grants from the government are recognised at their fair value in income and expenditure statement where there is a reasonable assurance that the grant will be received and the Company has complied with all attached conditions. Grants received where the Company has yet to comply with all attached conditions are recognised as a liability on the statement of financial position and released to income when all attached conditions have been complied with.

4.15 Borrowings

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the bank, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs in the income and expenditure statement.

4.16 Borrowing costs

All borrowing costs are recognised in income and expenditure statement in the period in which they are incurred.

5. Property and equipment

		2020 Rupees	2019 Rupees
Operating fixed assets	- note 5.1	197,400,079	196,742,354
Capital work-in-progress	- note 5.2	1,669,962,476	1,312,469,835
		<u>1,867,362,555</u>	<u>1,509,212,189</u>

5.1 Operating fixed assets

	Annual rate of depreciation %	Cost as at July 1, 2019	Additions during the year	Disposals during the year	Cost as at June 30, 2020	Accumulated depreciation as at		Depreciation charge for the year	Disposals during the year	Accumulated depreciation as at		Book value as at
						July 1, 2019	June 30, 2019			June 30, 2020	June 30, 2020	
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	(75,000)	1,342,416	233,753	346,803	(33,967)	(33,967)	546,589	-	795,827
		196,061,853	1,451,196	(75,000)	197,438,049	320,759	408,903	(33,967)	(33,967)	695,695	-	196,742,354
		197,438,049	1,229,808	-	198,667,857	695,695	572,083	-	-	1,267,778	-	197,400,079
Computers	33	1,342,416	817,360	-	2,159,776	546,589	418,355	-	-	964,944	-	1,194,832
Office equipment	10	177,000	301,453	-	478,453	36,816	52,598	-	-	89,414	-	389,039
Furniture and fixtures	10	896,057	-	-	896,057	86,753	62,446	-	-	149,199	-	746,858
Electrical installation	10	399,026	110,995	-	510,021	25,537	38,684	-	-	64,221	-	445,800
Freehold land - note 5.1.1		194,623,550	-	-	194,623,550	-	-	-	-	-	-	194,623,550

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.

5.2 Capital work-in-progress

	2020 Rupees	2019 Rupees
Opening balance		
Additions during the year	1,312,469,835	592,668,843
Closing balance	<u>357,492,641</u>	<u>719,800,992</u>
	<u>1,669,962,476</u>	<u>1,312,469,835</u>

- note 5.2.1

5.2.1 This comprises of the following:

Advances to suppliers		
Civil works	50,187,590	36,053,064
Machinery and equipment	1,206,589,578	888,928,380
	<u>413,185,308</u>	<u>387,488,391</u>
	<u>1,669,962,476</u>	<u>1,312,469,835</u>

6. Advances and short term prepayments

Advances to employees - considered good	10,000	-
Prepayments	740,416	920,421
Receivable from contractors - considered good	837,933	921,310
Accrued profit on bank deposits	275,733	27,539
	<u>1,864,082</u>	<u>1,869,270</u>

7. This represents a Term Deposit Receipt with a commercial bank carrying mark-up at the rate of 6.948% per annum and will mature on July 31, 2020.

8. Cash and bank balances

	2020 Rupees	2019 Rupees
At banks - saving accounts		
Cash in hand	455,381,213	224,856,103
	<u>52,457</u>	<u>48,352</u>
	<u>455,433,670</u>	<u>224,904,455</u>

- notes 8.1 to 8.3

8.1 These bear mark up at the rates ranging from 3.28% to 12.65% (2019: 4.27% to 11%) per annum.

8.2 This includes deposits held with the following related parties:

	2020 Rupees	2019 Rupees
MCB Bank Limited	871,202	12,644,959
MCB Islamic Bank Limited	45,522,166	956,402
	<u>46,393,368</u>	<u>13,601,361</u>

8.3 This includes an amount of Rs 13,400,000 (2019: Rs 23,400,000) under lien of the bank against guarantees issued on behalf of the Company as referred to in note 13.1.

	2020 Rupees	2019 Rupees
9. Deferred grants		
Opening balance - net of accumulated amortisation		
Received during the year	1,463,794,962	808,662,709
Amortised during the year	363,912,909	660,970,741
Closing balance	<u>(11,692,067)</u>	<u>(5,838,488)</u>
	<u>1,816,015,804</u>	<u>1,463,794,962</u>

- notes 9.1 to 9.4

- note 9.5

- note 9.6

	2020 Rupees	2019 Rupees
9.1 Includes amounts received from the following related parties:		
Mr Shahzad Saleem - Chief Executive	20,000,000	22,122,219
Mr Raza Mansha - former Director	10,000,000	12,000,000
Mr Faisal Farid - Director	-	1,000,000
Ms Sehar Adil - Director	2,500,000	-
Mr Yahya Saleem - Director	3,813,747	-
Ms Shermeen Yahya - close family member of Director	20,000	-
Mr Adil Mehmood - close family member of Director	1,250,000	-
Ms Ayesha Shahzad - close family member of Chief Executive	-	20,000,000
Ms Mehak Adil - close family member of Director	460,000	-
SMTH (UK) - note 9.1.1	11,888,980	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	110,000,000	50,000,000
MCB Bank Limited - due to common directorship	95,000,000	-
MCB Islamic Bank Limited - due to common directorship	3,000,000	-
Adamjee Insurance Company Limited - due to common directorship	10,000,000	-
	<u>267,932,727</u>	<u>406,179,077</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 11,888,980 (2019: Rs 10,758,858) that represent medical equipment and construction material.

9.3 Includes donations amounting to Rs 11,888,980 (2019: 10,758,858) received from foreign countries while the remaining Rs 352,023,929 (2018: Rs 650,211,883) is from local sources.

9.4 Contributions by major sources	2020 Rupees	2019 Rupees
Corporate entities	307,622,312	503,269,358
Foundations/NPOs	8,000,000	19,000,000
Individuals	48,290,597	138,701,383
	<u>363,912,909</u>	<u>660,970,741</u>

9.5 Accumulated amortisation on deferred grants

Opening balance	216,623,539	210,785,051
Amortized during the year	11,692,067	5,838,488
Closing balance	<u>228,315,606</u>	<u>216,623,539</u>

9.6 This represents grant for construction of the hospital and its current and future operating expenses.

10. Long term finances	2020 Rupees	2019 Rupees
These have been obtained from the following financial institutions:		
Habib Bank Limited - note 10.1	174,781,655	-
Meezan Bank limited - note 10.2	152,812,331	-
	327,593,986	-
Current portion shown under current liabilities	(18,557,794)	-
	<u>309,036,192</u>	<u>-</u>

10.1 This represents the following:

Refinance facility for combating COVID-19 - note 10.1.1	159,741,655	-
Term loan for renewable energy - note 10.1.2	15,040,000	-
	<u>174,781,655</u>	<u>-</u>

10.1.1 This represents long term loan under State Bank of Pakistan's Refinance facility for combating COVID-19 obtained for the purpose of financing against existing equipment of hospital and purchase of refurbished equipment, provided the same are used in creation of special facilities/isolation wards to deal with COVID-19. It carries a fixed mark-up at 1.5% per annum, payable quarterly. The principal amount is repayable in 9 equal semi-annual installments commencing from June 30, 2021. This facility is secured against charge over the fixed assets of the Company and personal guarantee of the Chief Executive Officer. The present value of cash flows under the loan agreement have been discounted at a rate of 9.22% per annum.

The reconciliation of the carrying amount of loan is as follows:

		2020	2019
		Rupees	Rupees
Opening balance		-	-
Receipts during the year		200,000,000	-
Discounting adjustment	- note 11	(40,298,686)	-
Unwinding of discount on liability	- note 15	40,341	-
		<u>159,741,655</u>	<u>-</u>

10.1.2 This represents a term loan for establishing a solar power plant at hospital site. It carries mark-up at the rate of three months Karachi Inter Bank Offered Rate ('KIBOR') plus 1.25% per annum, payable quarterly. The mark up rate charged during the year on the outstanding balance ranges from 12.47% to 14.80% per annum (2019: Nil). The principal amount is repayable in 20 equal semi-annual installments ending on December 31, 2029. This facility is secured against charge over the fixed assets of the Company and personal guarantee of the Chief Executive Officer.

The reconciliation of the carrying amount of loan is as follows:

		2020	2019
		Rupees	Rupees
Opening balance		-	-
Receipts during the year		15,040,000	-
		<u>15,040,000</u>	<u>-</u>

10.2 This represents long term loan under State Bank of Pakistan's Refinance facility for combating COVID-19 obtained for the purpose of financing against existing equipment of hospital and purchase of refurbished equipment, provided the same are used in creation of special facilities/isolation wards to deal with COVID-19. It carries a mark-up at 0% per annum. The principal amount is repayable in 18 equal semi-annual installments commencing from February 12, 2021. This facility is secured against 2nd ranking charge over all present and future fixed assets of the Company. The present value of cash flows under the loan agreement have been discounted at a rate of 10.12% per annum.

The reconciliation of the carrying amount of loan is as follows:

		2020	2019
		Rupees	Rupees
Opening balance		-	-
Receipts during the year		200,000,000	-
Discounting adjustment	- note 11	(49,249,417)	-
Unwinding of discount on liability	- note 15	2,061,748	-
		<u>152,812,331</u>	<u>-</u>

11. Deferred income - Government grants

As referred to in note 9 to these financial statements, the Company received long term loans at concessional market interest rates under Circular No. 04 of 2020 dated March 7, 2020 issued by State Bank of Pakistan. The purpose of these loans was to help combat the impact of COVID-19 by introducing emergency support for hospitals and medical centers by providing Islamic refinance facility to develop capacity for treatment of infected patients of COVID-19. Since the Company had not complied with the condition of construction of COVID-19 facility as of the reporting date, it has deferred the income relating to the following government grants:

		2020	2019
		Rupees	Rupees
Habib Bank Limited - Refinance facility for combating COVID-19	- note 10.1.1	40,298,686	-
Meezan Bank Limited - Refinance facility for combating COVID-19	- note 10.2	49,249,417	-
		<u>89,548,103</u>	<u>-</u>

12. Trade and other payables	2020	2019
	Rupees	Rupees
Payable to contractors and suppliers	30,517,894	40,556,147
Provident fund payable	110,472	1,871,828
Withholding tax payable	1,042,501	639,638
Accrued liabilities - note 12.1	15,185,693	2,565,626
	<u>46,856,560</u>	<u>45,633,239</u>

12.1 This includes an amount of Rs 20,773 (2019: Rs 12,150) payable to Nishat (Chunian) Limited, a related party (due to common directorship) on account of shared expenses.

13. Contingencies and commitments

13.1 Contingencies

(i) The Additional Commissioner Inland Revenue ('ACIR') through an amendment order dated January 18, 2019 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 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 5,000,000 (2019: Rs 15,000,000)
- Collector of Customs, Karachi amounting to Rs 8,400,000 (2019: Rs 8,400,000)

13.2 Commitments in respect of

(i) Letters of credit for capital expenditure of Rs 5,697,000 (2019: Rs 14,202,937).

14. Administrative expenses	2020	2019
	Rupees	Rupees
Salaries and other benefits	5,189,949	3,325,533
Legal and professional charges - note 14.1	1,798,141	1,055,915
Travelling and conveyance	13,837	176,560
Insurance	2,270,306	-
Advertisement	352,614	208,320
Depreciation on operating fixed assets - note 5.1	572,083	408,902
Entertainment	389,184	663,258
Other expenses	1,105,953	-
	<u>11,692,067</u>	<u>5,838,488</u>

14.1 Legal and professional charges

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

- Statutory audit	600,000	600,000
- Out of pocket expenses	29,946	-
	<u>629,946</u>	<u>600,000</u>

15	Finance cost		2020 Rupees	2019 Rupees
	Unwinding of discount on liability	- notes 10.1.1 and 10.2	2,102,089	-
	Interest on long term finances		998,660	-
	Bank charges		235,278	140,553
			<u>3,336,027</u>	<u>140,553</u>

16	Other income		2020 Rupees	2019 Rupees
	Income on bank deposits		21,228,487	11,382,852
	Income from tenders		5,000	265,000
	Stamp sales		45,360	-
			<u>21,278,847</u>	<u>11,647,852</u>

17	Other expenses		2020 Rupees	2019 Rupees
	Loss on disposal of operating fixed assets		-	11,033
	Exchange loss		169,158	309,123
			<u>169,158</u>	<u>320,156</u>

18. 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.

19	Cash (used in)/generated from operations		2020 Rupees	2019 Rupees
	Surplus for the year		17,773,662	11,187,143
	Adjustment for non-cash charges and other items:			
	Amortisation of deferred grant		(11,692,067)	(5,838,488)
	Exchange loss		169,158	309,123
	Loss on disposal of operating fixed assets		-	11,033
	Depreciation on operating fixed assets		572,083	408,902
	Finance cost		3,336,027	-
	Profit on bank deposits		(21,228,487)	(11,382,852)
	Deficit before working capital changes		<u>(11,069,624)</u>	<u>(5,305,139)</u>
	Effect on cash flow due to working capital changes:			
	Decrease/(increase) in advances and short term prepayments		280,921	(1,245,961)
	Decrease in other receivables		-	535,462
	Increase in trade and other payables		1,009,432	27,581,663
			<u>1,290,353</u>	<u>26,871,164</u>
			<u>(9,779,271)</u>	<u>21,566,025</u>

20. Cash and cash equivalents

Short term investment	200,000,000	-
Cash and bank balances	455,433,670	224,904,455
	<u>655,433,670</u>	<u>224,904,455</u>

21. 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:

	2020			2019		
	Chief Executive	Directors	Executives	Chief Executive Rupees	Directors	Executives
Managerial remuneration	-	-	9,467,612	-	-	9,396,632
Fuel reimbursement	-	-	628,695	-	-	622,262
Mobile allowance	-	-	38,750	-	-	44,553
Leave encashment	-	-	142,396	-	-	269,277
Post employment benefit						
Provident fund contribution	-	-	315,607	-	-	283,185
	-	-	10,593,060	-	-	10,615,909
Number of persons	1	10	4	1	7	4

22. 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. Related parties with whom the Company had entered into transactions or had arrangements/agreements in place during the year have been disclosed in relevant notes to these financial statements. Significant transactions with related parties have been disclosed in the respective notes to these financial statements other than the following:

	2020 Rupees	2019 Rupees
i) Key management personnel	10,593,060	10,615,909
ii) Shared cost charged by Nishat (Chunian) Limited	83,899	262,792

23. Number of employees

	2020	2019
Total number of employees as at June 30	30	22
Average number of employees during the year	26	18

24. Disclosure relating to Provident fund

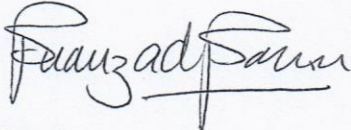
As of June 30, 2020, there are no investments of the Provident fund and the only assets of the Provident fund are a bank balance in a special account opened by the Company for this purpose in a scheduled bank and the amount receivable from the Company as referred to in note 12 to these financial statements. Therefore, it is in compliance with section 218 of the Companies Act, 2017 and the conditions specified thereunder.

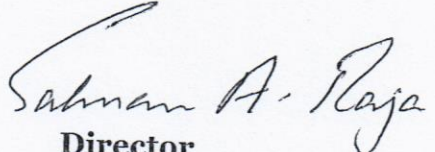
25. **Impact of COVID-19 on the financial statements**

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 23, 2020, Government of the Punjab announced a temporary lockdown as a measure to reduce the spread of the COVID-19 as a result of which construction work at hospital site halted. On April 13, 2020, after implementing all necessary Standard Operating Procedures (SOPs) to ensure the safety of site staff and workers, the Company resumed construction work at the hospital site. The Company also received long term loans at concessional market interest rates under Circular No. 04 of 2020 dated March 7, 2020 issued by State Bank of Pakistan. The purpose of these loans was to help combat the impact of COVID-19 by introducing emergency support for hospitals and medical centers by providing Islamic refinance facility to develop capacity for treatment of infected patients of COVID-19. Under these circumstances, management has assessed the accounting implications of these developments on the financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements other than which is disclosed in note 11 to these financial statements.

26. **Date of approval of financial statements**

These financial statements were approved on 3rd September, 2020 by the Board of Directors of the Company.


Chief Executive


Director

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