



September 30, 2021

1202

The Board of Directors
Saleem Memorial Trust Hospital
Lahore

Ladies and Gentlemen

DRAFT FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

We enclose three copies of the draft financial statements of Saleem Memorial Trust Hospital (the 'company') for the year ended June 30, 2021 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 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";
- d) we have received a signed and stamped copy of the final trial balance that is in agreement with the enclosed financial statements;
- e) the date of authorization for issue of financial statements has been inserted in note 27 to the enclosed financial statements; and
- f) 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:

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,

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
23-C, Aziz Avenue, Canal Bank, Gulberg-V, P.O.Box 39, Lahore-54660, Pakistan
Tel: +92 (42) 3571 5868-71 / 3577 5747-50 Fax: +92 (42) 3577 5754 www.pwc.com/pk

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.

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 10 to the enclosed financial statements, the company has received grants/donations aggregating Rs 295.153 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 Renewal of license

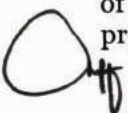
As disclosed in note 1.1 to the enclosed financial statements, during the current year, the company's license under section 42 of the Companies Act, 2017 from the Securities and Exchange Commission of Pakistan ('SECP') expired on September 25, 2020, and the company applied for its renewal within the prescribed time. It is currently in the process of renewal, however, the existing license of the company is deemed valid till the time the license is renewed, according to Regulation 8(2) of the Associations with Charitable and Not for Profit Objects Regulations, 2018, since the company has filed the application for renewal of its license with the SECP, as also acknowledged by the SECP vide its letter dated April 14, 2021 to the company. The management is highly confident that the license will be renewed by the SECP in due course of time. Consequently, we would request the Board to ratify the management's assertion.

Further, we understand that the above matter is of such importance that it is fundamental to users' understanding of the financial statements. Therefore, we have added an emphasis of matter paragraph in our draft audit report regarding the above in line with the requirements of ISA 706 "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report".

4. OTHER MATTER

4.1 Payment of withholding tax

The company is required under the provisions of the Income Tax Ordinance, 2001 (the 'Ordinance') to deduct income tax at source from payments made to suppliers of goods and services, and deposit the same in the government treasury within 15 days of its deduction. It was observed that the company has not deposited such withheld taxes in the government treasury within the prescribed time. In view of the above, tax authorities may initiate penal proceedings against the company under the relevant provisions of the Ordinance.





A·F·FERGUSON & Co.

We recommend that the management adopt such practices and controls to ensure that the tax withheld is deposited in the government treasury within the stipulated time period in order to avoid any adverse action by the tax authorities.

5. 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.

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 that reads "A.F. Ferguson & Co." in a cursive, flowing script.

encls




Annexure "A" to
our letter 1202 dated
September 30, 2021

SALEEM MEMORIAL TRUST HOSPITAL

DRAFT FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

List of items referred to in paragraph 1(b) of our letter 1202 dated September 30, 2021:

	Rupees
Fixed capital expenditure	365,258,664
Advances written off	412,314

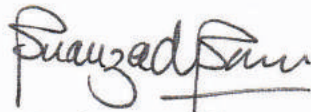
 All related party transactions as disclosed in the enclosed financial statements

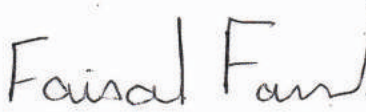
SALEEM MEMORIAL TRUST HOSPITAL
(a Company set up under section 42 of the Companies Act, 2017)

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	2,261,816,667	1,867,362,555
Intangible assets	6	2,885,006	-
		2,264,701,673	1,867,362,555
CURRENT ASSETS			
Advances, deposits, prepayments and other receivables	7	130,129,536	1,864,082
Income tax recoverable		3,029,026	2,369,257
Short term investment	8	-	200,000,000
Cash and bank balances	9	533,087,796	455,433,670
		666,246,258	659,667,009
		<u>2,930,948,031</u>	<u>2,527,029,564</u>
FUND AND LIABILITIES			
Fund balance		242,184,135	246,548,691
NON-CURRENT LIABILITIES			
Deferred grants	10	2,093,597,320	1,816,015,804
Long term finances from banking companies - secured	11	325,718,512	309,036,192
Deferred income - Government grants	12	111,229,116	89,548,103
		2,530,544,948	2,214,600,099
CURRENT LIABILITIES			
Current portion of long term finances from banking companies - secured	11	74,589,825	18,557,794
Trade and other payables	13	80,217,123	46,856,560
Accrued finance cost		3,412,000	466,420
		158,218,948	65,880,774
		<u>2,930,948,031</u>	<u>2,527,029,564</u>
CONTINGENCIES AND COMMITMENTS			
	14		

The annexed notes 1 to 28 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, 2021

	Note	2021	2020
Grant income	10	17,571,544	11,692,067
Administrative expenses	15	(17,571,544)	(11,692,067)
Finance cost	16	(37,995,628)	(3,336,027)
Other income	17	34,483,090	21,278,847
Other expenses	18	(852,018)	(169,158)
(Deficit)/surplus of income over expenditure before taxation for the year		<u>(4,364,556)</u>	<u>17,773,662</u>
Taxation	19	-	-
(Deficit)/surplus of income over expenditure after taxation for the year		<u><u>(4,364,556)</u></u>	<u><u>17,773,662</u></u>

The annexed notes 1 to 28 form an integral part of these financial statements.

Fauzad Sam
Chief Executive

Faisal Farid
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, 2021

	2021	2020
(Deficit)/surplus of income over expenditure after taxation for the year	(4,364,556)	17,773,662
Other comprehensive income:		
<i>Items to be reclassified to profit or loss in subsequent periods</i>	-	-
<i>Items not to be reclassified to profit or loss in subsequent periods</i>	-	-
Other comprehensive income for the year	-	-
Total comprehensive (loss)/income for the year	<u>(4,364,556)</u>	<u>17,773,662</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

Fauzad Sam
Chief Executive

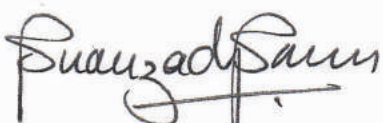
Faisal Faisal
Director

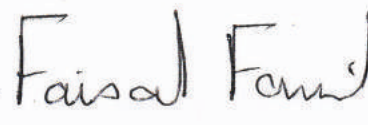
SALEEM MEMORIAL TRUST HOSPITAL
(a Company set up under section 42 of the Companies Act, 2017)

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2021

	<u>Rupees</u>
Balance as on July 1, 2019	228,775,029
Surplus of income over expenditure for the year	17,773,662
Other comprehensive income for the year	-
Total comprehensive income for the year	17,773,662
Balance as on June 30, 2020	246,548,691
Deficit of income over expenditure for the year	(4,364,556)
Other comprehensive income for the year	-
Total comprehensive loss for the year	(4,364,556)
Balance as on June 30, 2021	<u>242,184,135</u>

The annexed notes 1 to 28 form an integral part of these financial statements.


Chief Executive

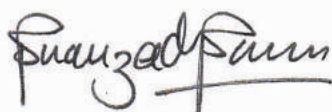

Director

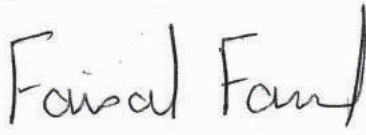
SALEEM MEMORIAL TRUST HOSPITAL
(a Company set up under section 42 of the Companies Act, 2017)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
Cash flows from operating activities			
Cash used in operations	20	(105,640,350)	(9,779,271)
Income tax paid		(659,769)	(151,941)
Finance cost paid		(4,359,257)	(767,518)
Net cash outflow from operating activities		(110,659,376)	(10,698,730)
Cash flows from investing activities			
Fixed capital expenditure		(365,258,664)	(358,722,449)
Profit received on bank deposits		29,786,056	20,952,754
Net cash outflow from investing activities		(335,472,608)	(337,769,695)
Cash flows from financing activities			
Grants received		260,407,835	363,912,909
Net proceeds from long term finances		63,264,868	415,040,000
Net cash inflow from financing activities		323,672,703	778,952,909
Net (decrease)/increase in cash and cash equivalents		(122,459,281)	430,484,484
Cash and cash equivalents at the beginning of the year		655,433,670	224,904,455
Effects of exchange rate changes on cash and cash equivalents		113,407	44,731
Cash and cash equivalents at the end of the year		533,087,796	655,433,670
Non-cash financing activities	22		

The annexed notes 1 to 28 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, 2021

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 and hereinafter referred to as the 'Act') 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.

1.1 During the current year, the company's license under section 42 of the Companies Act, 2017 from the Securities and Exchange Commission of Pakistan ('SECP') expired on September 25, 2020, and the company applied for its renewal within the prescribed time. It is currently in the process of renewal, however, the existing license of the company is deemed valid till the time the license is renewed, according to Regulation 8(2) of the Associations with Charitable and Not for Profit Objects Regulations, 2018, since the company has filed an application for renewal of its license with the SECP, as also acknowledged by the SECP vide its letter dated April 14, 2021 to the company. The management is highly confident that the license will be renewed by the SECP in due course of time.

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 for financial reporting. The accounting and reporting standards as 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 (the 'Act');
- Accounting Standard for Not-for-Profit Organizations ('Accounting Standard for NPOs') issued by the Institute of Chartered Accountants of Pakistan ('ICAP') as notified under the Act; and
- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the requirements of IFRS for SMEs or the Accounting Standard for NPOs, the provisions of and directives issued under the Act have been followed, however, where the requirements of IFRS for SMEs differ from those of Accounting Standard for NPOs, the requirements of the IFRS for SMEs prevail.

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 accounting 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, however, there was no area that involved a higher degree of judgement or complexity.

04

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 years presented, unless otherwise stated.

4.1 Property and equipment

4.1.1 Operating fixed assets

Operating fixed assets except 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. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on operating fixed assets is charged to income and expenditure statement using the reducing balance method so as to write off the cost of an asset over its estimated useful life at annual rates mentioned in note 5.1 to these financial statements after taking into account their residual values.

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 as mentioned in note 4.3 to these financial statements.

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 Intangible assets

Expenditure incurred to acquire computer software and license fee for the right of its use are capitalised as intangible assets and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the reducing balance method so as to write off the cost of an asset over its estimated useful life the annual rate mentioned in note 6 to these financial statements.

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 (as explained in note 4.3 to these financial statements).

4.3 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

4.4 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. Trade and other payables are presented as current liabilities unless payment is not due within twelve months after the reporting period.

4.5 Donations in kind

Assets received as donations are recognised in property and equipment or intangibles account at fair value at the date of acquisition.

4.6 Income recognition

Income is recognised when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of income, and the associated cost incurred, or to be incurred can be measured reliably.

Return on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

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.
- Income from grants that are related to non-depreciable assets are recognized as a direct increase in the fund balance (net assets).
- 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.
- 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.

4.6.1 Restricted grants

Restricted grants 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 grant will be received, and the conditions stipulated for its receipt have been complied with. Such grants are recognized only to the extent that the company has provided the relevant services or performance. On receiving any restricted grant, the grant is credited to '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.

4.6.2 Unrestricted grants

Unrestricted grants 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.

4.7 Financial liabilities

All financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the transaction price (including transaction costs except in case of initial measurement of financial liabilities that are subsequently measured at fair value through income or expenditure), unless the arrangement constitutes, in effect, a financing transaction. If the arrangement constitutes a financing transaction, the financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument as determined at initial recognition.

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 derecognition 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.

4.8 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.

4.9 Taxation

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

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.

The company is allowed a tax credit equal to 100% of the tax payable under section 100C of the Income Tax Ordinance, 2001 on the following sources of income:

- Donations;
- Income from investments in the securities of the Federal Government;
- Profit on debt from scheduled and microfinance banks; and
- Income chargeable under the head 'income from business' as is expended in Pakistan for the purposes of carrying out welfare activities.

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 balance in which case it is included in other comprehensive income or fund balance.

Deferred tax has not been provided in these financial statements as the company's management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the company is allowed a tax credit equal to one hundred per cent of the tax payable under section 100C of the Income Tax Ordinance, 2001 on the sources of income mentioned above.

4.10 Provisions

Provisions for legal claims and make good obligations 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 will be required to settle the obligation and the amount can be reliably estimated. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.11 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.

4.12 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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.

4.13 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 - Provident Fund

There is a defined contributory provident fund for all permanent employees. Equal monthly contributions were made by the company and the employees to the fund at the rate of 5 percent of basic salary upto February 2021, however, the rate was revised to 7.5 percent of basic salary from March 2021. The company has no future payment obligations once the contributions to defined contribution plan have been paid. Obligations for contributions to defined contribution plan is recognised as an expense in the income and expenditure statement as and when incurred.

4.14 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.

4.15 Government grants

Government grants are recognised by the company as follows:

- a grant that does not impose specified future performance conditions on the company is recognised in income when the grant proceeds are receivable;
- a grant that imposes specified future performance conditions on the company is recognised in income only when the performance conditions are met; and
- a grant received before the revenue recognition criteria are satisfied is recognised as a liability.

4.16 Borrowings

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the lender, 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.

4.17 Borrowing costs

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

5.	Property and equipment		2021 Rupees	2020 Rupees
	Operating fixed assets	- note 5.1	217,076,631	197,400,079
	Capital work-in-progress	- note 5.2	2,044,740,036	1,669,962,476
			<u>2,261,816,667</u>	<u>1,867,362,555</u>

		2021						
		COST			ACCUMULATED DEPRECIATION			Book value
Annual rate of depreciation		Cost as at July 1, 2020	Additions during the year	Cost as at June 30, 2021	Accumulated depreciation as at July 1, 2020	Depreciation charge for the year	Accumulated depreciation as at June 30, 2021	as at June 30, 2021
		Rupees			Rupees			
	Freehold land - note 5.1.1	194,623,550	-	194,623,550	-	-	-	194,623,550
10%	Electrical installations	510,021	20,442,535	20,952,556	64,221	1,065,955	1,130,176	19,822,380
10%	Furniture and fixtures	896,057	51,100	947,157	149,199	74,967	224,166	722,991
10%	Office equipment	478,453	283,900	762,353	89,414	64,526	153,940	608,413
33%	Computers	2,159,776	554,455	2,714,231	964,944	532,030	1,496,974	1,217,257
20%	Vehicles	-	87,900	87,900	-	5,860	5,860	82,040
		<u>198,667,857</u>	<u>21,419,890</u>	<u>220,087,747</u>	<u>1,267,778</u>	<u>1,743,338</u>	<u>3,011,116</u>	<u>217,076,631</u>
		2020						
		COST			ACCUMULATED DEPRECIATION			Book value
Annual rate of depreciation		Cost as at July 1, 2019	Additions during the year	Cost as at June 30, 2020	Accumulated depreciation as at July 1, 2019	Depreciation charge for the year	Accumulated depreciation as at June 30, 2020	as at June 30, 2020
		Rupees			Rupees			
	Freehold land - note 5.1.1	194,623,550	-	194,623,550	-	-	-	194,623,550
10%	Electrical installations	399,026	110,995	510,021	25,537	38,684	64,221	445,800
10%	Furniture and fixtures	896,057	-	896,057	86,753	62,446	149,199	746,858
10%	Office equipment	177,000	301,453	478,453	36,816	52,598	89,414	389,039
33%	Computers	1,342,416	817,360	2,159,776	546,589	418,355	964,944	1,194,832
		<u>197,438,049</u>	<u>1,229,808</u>	<u>198,667,857</u>	<u>695,695</u>	<u>572,083</u>	<u>1,267,778</u>	<u>197,400,079</u>

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.

5.1.3 There was no disposal of operating fixed assets during the current and last year.

5.2	Capital work-in-progress	2021 Rupees	2020 Rupees
	Advances to suppliers	20,195,162	50,187,590
	Civil works	1,554,566,298	1,205,676,078
	Machinery and equipment	457,418,924	413,185,308
	Intangible assets under development	4,180,050	913,500
	Capital stores	8,379,602	-
		<u>2,044,740,036</u>	<u>1,669,962,476</u>

5.2.1 The reconciliation of the carrying amount is as follows:

Opening balance		1,669,962,476	1,312,469,835
Additions during the year		399,165,534	357,492,641
Transfers to operating fixed assets during the year		(20,581,535)	-
Transfers to intangible assets during the year		(3,394,125)	-
Charged to expenses during the year	- note 18	(412,314)	-
Closing balance	- note 5.2.1	<u>2,044,740,036</u>	<u>1,669,962,476</u>

5.3 All property and equipment is pledged as security for long term finances as referred to in note 11.

6. Intangible assets

Computer software

2021
Rupees

Cost

Opening balance		-
Additions during the year		3,394,125
Closing balance		<u>3,394,125</u>

Accumulated amortisation

Opening balance		-
Charge for the year	- note 15	509,119
Closing balance		<u>509,119</u>

Book value as at June 30, 2021

2,885,006

Annual amortisation rate

30%

6.1 Amortisation for the year has been charged to administrative expenses.

7.	Advances, deposits, prepayments and other receivables	2021 Rupees	2020 Rupees
	Advances to employees	115,000	10,000
	Prepayments	1,157,084	740,416
	Receivable from contractors	73,843	837,933
	Accrued profit on bank deposits	1,620,270	275,733
	Security deposits	899,495	-
	Margin against letters of credit	125,303,508	-
	Other receivables	960,336	-
		<u>130,129,536</u>	<u>1,864,082</u>

8. This represented Term Deposit Receipt with a commercial bank, which carried markup at the rates ranging from 3.652% to 6.948% (2020: 6.948%) per annum.

		2021 Rupees	2020 Rupees
9.	Cash and bank balances		
At banks - saving accounts	- notes 9.1 to 9.3	533,071,296	455,381,213
Cash in hand		16,500	52,457
		<u>533,087,796</u>	<u>455,433,670</u>

9.1 These bear markup at the rates ranging from 5.50% to 6.50% (2020: 3.28% to 12.65%) per annum.

9.2 This includes deposits held with the following related parties:

		2021 Rupees	2020 Rupees
MCB Bank Limited		8,523,229	870,593
MCB Islamic Bank Limited		23,023,141	45,522,166
		<u>31,546,370</u>	<u>46,392,759</u>

9.3 This includes an amount of Rs 13,400,000 (2020: Rs 13,400,000) under lien of the bank against guarantees issued on behalf of the company as referred to in note 14.1.

		2021 Rupees	2020 Rupees
10.	Deferred grants		
Opening balance - net of accumulated amortisation		1,816,015,804	1,463,794,962
Received during the year	- notes 10.1 to 10.3	295,153,060	363,912,909
Amortised during the year	- note 10.4	(17,571,544)	(11,692,067)
Closing balance - net of accumulated amortisation		<u>2,093,597,320</u>	<u>1,816,015,804</u>

10.1 This includes the grants received from the following related parties:

Mr Shahzad Saleem - Chief Executive		125,000,000	20,000,000
Mrs Farhat Saleem - Director		50,000,000	-
Mr Raza Mansha - former Director		-	10,000,000
Ms Sehar Adil - Director		1,830,000	2,500,000
Mr Zain Shahid - Director		1,250,000	-
Mr Yahya Saleem - Director		32,335	3,813,747
Ms Shermeen Yahya - close family member of Director		2,500,000	20,000
Mr Adil Mehmood - close family member of Director		-	1,250,000
Ms Ayesha Shahzad - close family member of Chief Executive		35,000,000	-
Ms Mehak Adil - close family member of Director		550,000	460,000
SMTH (UK)	- note 10.1.1	-	1,888,980
Friends of SMTH USA	- note 10.1.2	34,745,225	-
NC Entertainment (Private) Limited - due to common directorship		-	110,000,000
MCB Bank Limited - due to common directorship		-	95,000,000
MCB Islamic Bank Limited - due to common directorship		6,500,000	3,000,000
Adamjee Insurance Company Limited - due to common directorship		-	10,000,000
		<u>257,407,560</u>	<u>267,932,727</u>

10.1.1 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.

10.1.2 The company's director is member of this entity. The registered office of Friends of SMTH (USA) is situated at Cooke Street Providence, Rhode Island. It is incorporated in Rhode Island, United States of America.

10.2 Includes donations in kind amounting to Rs 34,745,225 (2020: Rs 11,888,980) that represent medical equipment and construction material. These have been received from foreign countries, while the remaining donations have been received from local sources.

	2021 Rupees	2020 Rupees
10.3 Donations by major sources		
Corporate entities	68,545,225	307,622,312
Foundations/NPOs	-	8,000,000
Individuals	226,607,335	48,290,597
	<u>295,153,060</u>	<u>363,912,909</u>

10.4 Accumulated amortisation on deferred grants

Opening balance	228,315,606	216,623,539
Amortized during the year	17,571,544	11,692,067
Closing balance	<u>245,887,150</u>	<u>228,315,606</u>

11. Long term finances from banking companies - secured

These have been obtained from the following:

Habib Bank Limited	- note 11.1	162,456,804	174,781,655
Meezan Bank limited	- note 11.2	146,706,284	152,812,331
Askari Bank Limited	- note 11.3	91,145,249	-
		400,308,337	327,593,986
Current portion shown under current liabilities		(74,589,825)	(18,557,794)
		<u>325,718,512</u>	<u>309,036,192</u>

11.1 This represents the following:

Refinance facility for combating COVID-19	- note 11.1.1	152,680,804	159,741,655
Term loan for renewable energy	- note 11.1.2	9,776,000	15,040,000
		<u>162,456,804</u>	<u>174,781,655</u>

11.1.1 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% (2020: 1.5%) per annum, payable quarterly. The remaining principal amount is repayable in 8 equal semi-annual installments ending on June 30, 2025. This facility is secured against charge over the fixed assets of the company and personal guarantee of the Chief Executive. The present value of cash flows under the loan agreement have been discounted at a rate of 9.22% per annum.

		2021 Rupees	2020 Rupees
The reconciliation of the carrying amount of loan is as follows:			
Opening balance		159,741,655	-
Receipts during the year		-	200,000,000
Repayments during the year		(20,000,000)	-
Discounting adjustment	- note 12	572,541	(40,298,686)
Unwinding of discount on liability	- note 16	12,366,608	40,341
Closing balance		<u>152,680,804</u>	<u>159,741,655</u>

11.1.2 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 8.50% to 8.84% (2020: 12.47% to 14.8%) per annum. The principal amount is repayable in 13 equal semi-annual installments ending on December 16, 2027. This facility is secured against charge over the fixed assets of the company and personal guarantee of the Chief Executive.

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

		2021 Rupees	2020 Rupees
Opening balance		15,040,000	-
Receipts during the year		-	15,040,000
Repayments during the year		(5,264,000)	-
Closing balance		<u>9,776,000</u>	<u>15,040,000</u>

11.2 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 is interest free. The remaining principal amount is repayable in 16 equal semi-annual installments ending on May 2, 2025. 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:

		2021 Rupees	2020 Rupees
Opening balance		152,812,331	-
Receipts during the year		-	200,000,000
Repayments during the year		(22,222,222)	-
Discounting adjustment	- note 12	-	(49,249,417)
Modification of loan	- notes 11.2.1 and 18	439,559	-
Unwinding of discount on liability	- note 16	15,676,616	2,061,748
Closing balance		<u>146,706,284</u>	<u>152,812,331</u>

11.2.1 This represents modification loss recognised due to rescheduling of loan during the year.

11.3 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 1.75% per annum, payable quarterly. The principal amount is repayable in 9 equal semi-annual installments ending on March 12, 2026. This facility is secured against charge over the fixed assets of the company and personal guarantee of the Chief Executive. The present value of cash flows under the loan agreement have been discounted at a rate of 9.34% per annum.

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

		2021	2020
		Rupees	Rupees
Opening balance		-	-
Receipts during the year		114,511,090	-
Repayments during the year		(3,760,000)	-
Discounting adjustment	- note 12	(22,253,554)	-
Unwinding of discount on liability	- note 16	2,647,713	-
Closing balance		<u>91,145,249</u>	<u>-</u>

12. Deferred income - Government grants

As referred to in note 11 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:

		2021	2020
		Rupees	Rupees
Habib Bank Limited - Refinance facility for combating COVID-19	- note 11.1.1	39,726,145	40,298,686
Meezan Bank Limited - Refinance facility for combating COVID-19	- note 11.2	49,249,417	49,249,417
Askari Bank Limited - Refinance facility for combating COVID-19	- note 11.3	22,253,554	-
		<u>111,229,116</u>	<u>89,548,103</u>

13. Trade and other payables

Payable to contractors and suppliers		52,620,576	30,517,894
Payable to Employees' Provident Fund		222,746	110,472
Withholding tax payable		2,340,371	1,042,501
Accrued liabilities	- note 13.1	25,033,430	15,185,693
		<u>80,217,123</u>	<u>46,856,560</u>

13.1 This includes an amount of Nil (2020: Rs 20,773) payable to Nishat (Chunian) Limited, a related party (due to common directorship) on account of shared expenses.

14. Contingencies and commitments**14.1 Contingencies**

- (i) Banks have issued the following guarantees on behalf of the company in favor of:
- Director Excise and Taxation, Karachi amounting to Rs 5,000,000 (2020: Rs 5,000,000)
 - Collector of Customs, Karachi amounting to Rs 8,400,000 (2020: Rs 8,400,000)

14.2 Commitments in respect of

- (i) Letters of credit for capital expenditure of Rs 510,370,716 (2020: Rs 5,697,000).

15. Administrative expenses		2021 Rupees	2020 Rupees
Salaries and other benefits	- note 15.1	6,520,249	5,189,949
Legal and professional charges	- note 15.2	1,261,133	1,798,141
Fee and subscription		614,648	-
Travelling and conveyance		698,469	13,837
Insurance		2,572,748	2,270,306
Advertisement		416,269	352,614
Depreciation on operating fixed assets	- note 5.1	1,743,338	572,083
Amortisation on intangible assets	- note 6	509,119	-
Entertainment		232,397	389,184
Information technology related cost		727,635	-
Miscellaneous expenses		2,275,039	1,105,953
		<u>17,571,544</u>	<u>11,692,067</u>

15.1 Salaries and other benefits include Rs 217,999 (2020: Nil) in respect of provident fund contribution by the company.

15.2 Legal and professional charges		2021 Rupees	2020 Rupees
Legal and professional charges include the following in respect of auditor's services (excluding sales tax) for:			
- Statutory audit		660,000	600,000
- Reimbursement of expenses		64,116	29,946
		<u>724,116</u>	<u>629,946</u>

16. Finance cost

Unwinding of discount on liability	- notes 11.1, 11.2 and 11.3	30,690,937	2,102,089
Interest on long term finances		7,136,079	998,660
Bank charges		168,612	235,278
		<u>37,995,628</u>	<u>3,336,027</u>

17. Other income

Profit on bank deposits		31,130,593	21,228,487
Profit on short term investments		2,911,227	-
Exchange gain		113,407	-
Income from tenders		-	5,000
Scrap sales		327,863	45,360
		<u>34,483,090</u>	<u>21,278,847</u>

		2021	2020
		Rupees	Rupees
18.	Other expenses		
	Advances written off	- note 5.2 412,314	-
	Exchange loss	-	169,158
	Modification of long term loan	- note 11.2.1 439,704	-
		<u>852,018</u>	<u>169,158</u>

19. The company is allowed a tax credit equal to one hundred percent of the tax payable, including minimum tax and final taxes, under section 100C of the Income Tax Ordinance, 2001, subject to the fulfilment of certain conditions as stated under the said section. Consequently, no provision for taxation has been made in these financial statements as referred to in note 4.9 to these financial statements.

		2021	2020
		Rupees	Rupees
20.	Cash used in operations		
	(Deficit)/surplus of income over expenditure before taxation for the year	(4,364,556)	17,773,662
	Adjustment for non-cash charges and other items:		
	Amortisation of deferred grant	(17,571,544)	(11,692,067)
	Exchange (gain)/loss	(113,407)	169,158
	Depreciation on operating fixed assets	1,743,338	572,083
	Amortization on intangible assets	509,119	-
	Finance cost	37,995,628	3,336,027
	Modification of long term loan	439,704	-
	Advances written off	412,314	-
	Profit on bank deposits	<u>(31,130,593)</u>	<u>(21,228,487)</u>
	Deficit before working capital changes	(12,079,997)	(11,069,624)
	Effect on cash flow due to working capital changes:		
	- (Increase)/decrease in advances, deposits, prepayments and other receivables	(126,920,917)	280,921
	- Increase in trade and other payables	<u>33,360,564</u>	<u>1,009,432</u>
		(93,560,353)	1,290,353
	Cash used in operations	<u>(105,640,350)</u>	<u>(9,779,271)</u>

21.	Cash and cash equivalents		
	Short term investment	-	200,000,000
	Cash and bank balances	533,087,796	455,433,670
		<u>533,087,796</u>	<u>655,433,670</u>

22.	Non-cash financing activities		
	Medical equipment and construction material received as donation	34,745,225	11,888,980

23. Remuneration of chief executive, directors and executives

The aggregate amount charged in the financial statements for remuneration, allowances including all benefits to the Chief Executive, Directors and Executives of the company is as follows:

	2021			2020		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	-	-	17,713,521	-	-	9,467,612
Car allowance	-	-	725,000	-	-	-
Fuel reimbursement	-	-	841,031	-	-	628,695
Mobile allowance	-	-	69,107	-	-	38,750
Leave encashment	-	-	278,783	-	-	142,396
Post employment benefit						
Provident fund contribution	-	-	449,226	-	-	315,607
	-	-	20,076,668	-	-	10,593,060
Number of persons	1	10	13	1	10	4

24. 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:

		2021	2020
		Rupees	Rupees
Remuneration of key management personnel	- note 24.1	5,676,029	2,120,141
Shared cost charged by Nishat (Chunian) Limited		-	83,899

24.1 This represents remuneration of the Chief Executive and certain executives that is included in the remuneration disclosed in note 23 to these financial statements.

25. Number of employees

	2021	2020
Total number of employees as at June 30	<u>53</u>	<u>30</u>
Average number of employees during the year	<u>42</u>	<u>26</u>

26. Disclosure relating to Provident fund

As of June 30, 2021, there are no investments of the Provident fund and the only assets of the Provident fund represent the bank balance in a special account in a scheduled bank and the amount receivable from the company as referred to in note 13 to these financial statements. Therefore, it is in compliance with section 218 of the Act and the conditions specified thereunder.

27. Date of authorization for issue of financial statements

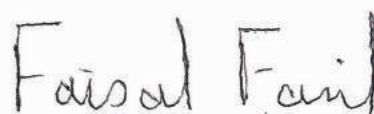
These financial statements were authorized for issue on 07th October, 2021 by the Board of Directors of the company.

28. Corresponding figures

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison and better presentation. However, no significant reclassification has been made.



Chief Executive


Director