

Pakistan Children's Heart Foundation

Financial Statements for the year ended
30st June 2017



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Chartered Accountants
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Auditors' Report to the Members

We have audited the annexed balance sheet of **Pakistan Children's Heart Foundation** ("a Company setup under section 42 of the Companies Ordinance, 1984") as at 30 June 2017 and the related statement of income and expenditure, statement of comprehensive income, cash flow statement and statement of changes in funds together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as indicated in note 2.2 with which we concur;
 - ii the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

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- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, statement of comprehensive income, cash flow statement and statement of changes in funds together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the surplus, its comprehensive surplus, its cash flows and changes in funds for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw attention to note 1.2 to the financial statements which highlights that the license for not for profit organisation ("License") under section 42 of the Companies Ordinance, 1984 of the Foundation was due for renewal on or before 16 July 2017. On 20 May 2017, the Foundation applied to Securities and Exchange Commission of Pakistan for renewal of License which is under process.

Our opinion is not qualified in respect of this matter.

Lahore

Date: 31 October 2017


KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Pakistan Children's Heart Foundation

(A Company setup under section 42 of repealed Companies Ordinance, 1984)

Balance sheet


As at 30 June 2017

ASSETS	Note	2017 Rupees	2016 Rupees
<u>Non-current assets</u>			
Property and equipment	5	50,553,040	397,468
<u>Current assets</u>			
Deposit and receivable	6	86,311	58,083
Cash and bank balances	7	24,361,022	12,763,731
		24,447,333	12,821,814
		<u>75,000,373</u>	<u>13,219,282</u>
EQUITY AND LIABILITIES			
<u>Equity</u>			
Capital fund		1,200,000	1,200,000
General fund		5,964,023	74,245
Restricted fund		14,608,022	11,680,653
Fund against non depreciable assets	8	50,000,000	-
Total equity		<u>71,772,045</u>	<u>12,954,898</u>
<u>Non current liabilities</u>			
Capital grants - restricted	9	167,562	-
<u>Current liabilities</u>			
Other payables	10	3,060,766	264,384
Contingencies and commitments	11		
		<u>75,000,373</u>	<u>13,219,282</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.

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Lahore


Chief Executive Officer


Director

Pakistan Children's Heart Foundation

(A Company setup under section 42 of repealed Companies Ordinance, 1984)

Statement of Income and Expenditure

For the year ended 30 June 2017

	Note	2017			2016
		General Fund	Restricted Funds	Total	Total
----- Rupees -----					
Donation		12,523,807	6,637,646	19,161,453	4,337,501
Zakat		-	51,055,315	51,055,315	50,413,965
Amortization of capital grants - restricted	9	-	47,438	47,438	-
		12,523,807	57,740,399	70,264,206	54,751,466
Heart surgeries expenses paid to hospitals		-	(54,813,030)	(54,813,030)	(41,068,062)
		12,523,807	2,927,369	15,451,176	13,683,404
General and administrative expenses	12	(6,634,029)	-	(6,634,029)	(2,136,529)
Surplus/ (deficit) before taxation		5,889,778	2,927,369	8,817,147	11,546,875
Taxation	13	-	-	-	(98,746)
Surplus after taxation		5,889,778	2,927,369	8,817,147	11,448,129

The annexed notes from 1 to 17 form an integral part of these financial statements.

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Chief Executive Officer

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Director

Pakistan Children's Heart Foundation

(A Company setup under section 42 of repealed Companies Ordinance, 1984)

Statement of Comprehensive Income

For the year ended 30 June 2017

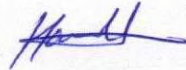
	2017 Rupees	2016 Rupees
Surplus after taxation	8,817,147	11,448,129
Other comprehensive income	-	-
Total comprehensive surplus for the year	8,817,147	11,448,129

The annexed notes from 1 to 17 form an integral part of these financial statements.

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Chief Executive Officer


Director

Pakistan Children's Heart Foundation

(A Company setup under section 42 of repealed Companies Ordinance, 1984)

Statement of Changes in Funds


For the year ended 30 June 2017

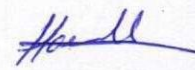
	Capital fund	General fund	Restricted funds	Fund against non depreciable assets	Total
	----- Rupees -----				
Balance as at 30 June 2015	1,200,000	171,426	135,343	-	1,506,769
Total comprehensive (deficit) / surplus	-	212,679	11,235,450	-	11,448,129
Balance as at 30 June 2016	1,200,000	384,105	11,370,793	-	12,954,898
Total comprehensive surplus	-	5,889,778	2,927,369	-	8,817,147
Donation of land	-	-	-	50,000,000	50,000,000
Balance as at 30 June 2017	1,200,000	6,273,883	14,298,162	50,000,000	71,772,045

The annexed notes from 1 to 17 form an integral part of these financial statements.

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Chief Executive Officer


Director

Pakistan Children's Heart Foundation

(A Company setup under section 42 of repealed Companies Ordinance, 1984)

Statement of Cash Flows


For the year ended 30 June 2017

	Note	2017 Rupees	2016 Rupees
<u>Cash flows from operating activities</u>			
Surplus before tax for the year		8,817,147	11,546,875
<i>Adjustment for non-cash Items:</i>			
Deferred contribution charge on fixed assets		(47,438)	-
Depreciation on property and equipments		131,423	46,737
Surplus before working capital changes		8,901,132	11,593,612
<i>Effect on cash flow due to working capital changes:</i>			
Increase in security deposit and other receivables		(28,228)	(52,796)
Increase/ (decrease) in other payables		2,796,382	(11,393,678)
		2,768,154	(11,446,474)
Cash generated from operations		11,669,286	147,138
Income tax paid		-	(98,746)
Net cash generated from operating activities		11,669,286	48,392
<u>Cash flows from investing activities</u>			
Fixed capital expenditures		(71,995)	(398,750)
Net cash used in investing activities		(71,995)	(398,750)
Net cash flow from financing activities		-	-
Net increase/ (decrease) in cash and cash equivalents		11,597,291	(350,358)
Cash and cash equivalents at the beginning of the year		12,763,731	13,114,089
Cash and cash equivalents at the end of the year	7	24,361,022	12,763,731

The annexed notes from 1 to 17 form an integral part of these financial statements.

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Lahore


Chief Executive Officer


Director

Pakistan Children's Heart Foundation

(A Company setup under section 42 of repealed Companies Ordinance, 1984)

Notes to The Financial Statements

For the year ended 30 June 2017

1 Legal status and nature of business

- 1.1 Pakistan Children's Heart Foundation ("the Foundation") is a Company limited by guarantee not having share capital, incorporated on 31 August 2012 and licensed as a non-profit organization under section 42 of Companies Ordinance, 1984 (now Companies Act, 2017). The Company is principally engaged in raising funds in Pakistan and abroad and expending them on heart surgeries of children of poor and needy families. The objective of the Company is to build and administer a hospital and research centre for children's heart diseases. The registered office of the company is situated at 565-A, Faisal Town, Lahore.
- 1.2 On 17 July 2012, the Securities and Exchange Commission of Pakistan ("SECP") accorded approval of license for not for profit organisation ("License") under section 42 of the Companies Ordinance, 1984 to the Foundation. The License is valid for five years and due for renewal on or before 16 July 2017. On 20 May 2017, the Foundation applied to SECP for renewal of License which is under process.

2 Basis of accounting

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board and Accounting Standard for Not for Profit Organization issued by Institute of Chartered Accountant of Pakistan, as are notified under the Companies Ordinance, 1984 provisions of and directives issued thereunder. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

On 30 May 2017, the Companies Act, 2017 was enacted which replaced the Companies Ordinance, 1984 ('repealed Ordinance'). However, the Securities and Exchange Commission of Pakistan vide its circular 17, dated 20 July 2017, has clarified that the Companies whose financial year, including quarterly and interim period, closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Ordinance.

2.2 Change in accounting policy

As mentioned in note 2.1, the Foundation has prepared these financial statements in accordance with IFRS for SMEs issued by the International Accounting Standards Board and Accounting Standards for Not for Profit Organizations issued by Institute of Chartered Accountants of Pakistan. Previously, the financial statements were prepared only in accordance with IFRS for SMEs issued by the International Accounting Standards Board. The change resulted in significant additional disclosures in the financial statements of the Foundation, however, there has been no effect on the carrying values of assets and liabilities of the Foundation.

2.3 Basis of measurement

These financial statements have been prepared under historical cost convention. All transaction reflected in these financial statements are on accrual basis except for those reflected in cash flow statements.

2.4 Functional and presentation currency

Items included in the financial statements 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 Foundation's functional and presentation currency. All the financial information presented in Rupees has been rounded off to the nearest rupee, unless otherwise agreed.

3 Use of estimates and judgements

The preparation of financial statement in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

	<i>Note</i>
- Useful lives and residual values of depreciable assets	4.1
- Impairment of financial instrument	4.3
- Provisions and contingencies	4.7

4 Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. Except for a change mentioned in note 2.2, the policies have been consistently applied to all the years presented.

4.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any identified impairment loss, except for freehold land which are stated at cost. Cost comprises of acquisition and other directly attributable costs.

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Depreciation on all property and equipment is charged to income and expenditure on reducing balance method so as to write off the historical cost of an asset over its estimated useful life at the rates referred to in note-5 to the financial statements.

Depreciation on additions to property and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

Depreciation methods, residual values and the useful lives of the assets are reviewed at least at each financial year end and adjusted prospectively, if impact on depreciation is significant.

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

An item of equipment is derecognized upon disposal when no future economic benefits are expected from its use or disposal. Gain or loss on sale of an item of property and equipment are determined by comparing the proceeds from sale with the carrying amount of property and equipment and is recognised in income and expenditure account.

4.2 Financial instruments

Financial instruments comprises long term deposits, trade debts, advances and prepayments, trade and other payables and cash and bank balances.

All financial assets and liabilities are recognized at the time when the Foundation becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the Foundation loses control of the contractual right that comprise the financial assets. Financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to income and expenditure account currently. The particular measurement methods, if any, adopted are disclosed in the individual policy statements associated with each item.

4.3 Impairment

Financial Assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non- financial Assets

The carrying amounts of the Foundation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

Impairment losses are recognized in income and expenditure account.

4.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are set off 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 Foundation intends either to settle on net basis, or to realize the assets and to settle the liabilities simultaneously.

4.5 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks in current and saving accounts.

4.6 Other payables

Other payables are non derivative financial liabilities and are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method if applicable. The Foundation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

4.7 Provisions and contingencies

Provisions are recognized when the Foundation 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 can be made of the amount of obligation. However provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate. Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

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4.8 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Foundation at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognized in income and expenditure account.

4.9 Income recognition

Charity, donation and zakat

Charity and donations are recognized in income and expenditure account when received either in cash or in bank account. Charity and donations are used for running expenses of the Foundation.

Zakat and donations explicitly received for heart surgeries are recognised in income and expenditure account as internally restricted fund.

Grant related to assets

Grant related to non-current assets, including non-monetary grants at fair value are presented in balance sheet under "Capital grants - restricted". An amount equivalent to the depreciation for each year on such asset is charged to "capital grants - restricted" and credited to income and expenditure account in the same year in which depreciation is charged.

In case of donation or purchase of non depreciable assets from restricted capital grants, an amount equivalent to market value or cost of the asset respectively is transferred directly to the net assets of the

4.10 Taxation

Income tax expense represents tax expense for current and prior years. Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates, if any.

The Foundation is entitled to 100% tax credit of the income tax payable, including minimum and final taxes payable, under section 100(C) of the Income Tax Ordinance, 2001. Therefore, no provision of current income tax has been accounted for in these financial statements.

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5 Property and equipment

Note	Cost			Depreciation			Net book value as at 30 June 2017
	As at 01 July 2016	Additions during the year	Disposals during the year	As at 30 June 2017	As at 01 July 2016	For the year	
	Rupees			Rupees			
					Rate	On disposals	
					%		
5.1		50,000,000	-	50,000,000	-	-	50,000,000
Land							
Furniture and fixtures	180,100	15,000	-	195,100	20%	26,722	121,890
Computers and accessories	34,925	215,000	-	249,925	33%	56,427	185,814
Office equipments	279,025	56,995	-	336,020	20%	48,274	245,336
30 June 2017	494,050	50,286,995	-	50,781,045		131,423	50,553,040

Note	Cost			Depreciation			Net book value as at 30 June 2016
	As at 01 July 2015	Additions during the year	Disposals during the year	As at 30 June 2016	As at 01 July 2015	For the year	
	Rupees			Rupees			
					Rate	On disposals	
					%		
		125,800	-	180,100	20%	18,597	133,612
Furniture and fixtures	54,300	34,925	-	34,925	33%	7,684	27,241
Computers and accessories	-	238,025	-	279,025	20%	20,456	236,615
Office equipments	41,000	398,750	-	494,050		46,737	397,468
30 June 2016	95,300	398,750	-	494,050		46,737	397,468

5.1 During the year, a piece of land measuring 9 Kanal, situated at Mouza Jhulke, Model Housing, Tehsil Model Town, off Ferozpur Road, Lahore has been donated to the Foundation for building Children Heart Hospital and Research Institute ("CHHR"). The land is capitalised based on valuation report of an external valuer 'Jays Associate' wherein the most significant input is market value.

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		2017 Rupees	2016 Rupees
6	Deposit and receivable		
	Security deposit	50,000	50,000
	Income tax receivable	36,311	8,083
		<u>86,311</u>	<u>58,083</u>
7	Cash and bank balances		
	Cash in hand	103,419	3,293
	<i>Cash at bank</i>		
	- saving account	5,000	-
	- current accounts	24,252,603	12,760,438
		<u>24,361,022</u>	<u>12,763,731</u>
8	Fund against non depreciable assets		
	This represents fund created against donation of land as detailed in note 5.1.		
9	Capital grants - restricted		
	Capital grant received during the year	215,000	-
	Amortization charged during the year	(47,438)	-
		<u>167,562</u>	<u>-</u>

9.1 This represent market value of six laptops donated by Mr. Farhan Ahmad, Chief Executive Officer of the Foundation.

	<i>Note</i>	2017 Rupees	2016 Rupees
10	Other payables		
	Ittefaq Hospital Trust	2,850,000	-
	Accrued expenses	208,771	257,331
	Withholding tax payable	1,995	7,053
		<u>3,060,766</u>	<u>264,384</u>

10.1 This represent amount payable against children's heart surgeries expense.

11 Contingencies and commitments

There are no significant contingencies and commitment as at 30 June 2017.

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	Note	2017 Rupees	2016 Rupees
12 General and administrative expenses			
Staff salaries and benefits		2,117,980	476,488
Printing and stationery		90,075	345,729
Fee and subscription		166,785	23,960
Repair and maintenance		105,645	135,853
Office rent		180,000	126,000
Entertainment		109,535	28,182
Advertising		3,321,297	485,938
Legal and professional charges		-	146,500
Utilities		153,192	52,022
Audit fee		200,000	210,000
Depreciation		131,423	46,737
Other expenses		58,097	59,120
		<u>6,634,029</u>	<u>2,136,529</u>
13 Taxation			
Current tax	13.1	-	98,746

13.1 As referred in note 4.10, Company is eligible for 100% tax credit for income tax payable, including minimum and final taxes payable under section 100C of the Ordinance. Therefore, the Company has not recognized any provision in respect of current tax for the year.

14 Related Party transactions

The related parties and associated undertakings comprise associated company, company in which directors are interested, directors and key management personnel. Amounts due from and to related parties, directors and key management personnel if any, are shown under receivables and payables. Other significant transactions with related parties are as follows:

Related party	Relationship	Nature of transaction	2017 Rupees	2016 Rupees
Mr. Farhan Ahmad	Chief Executive Officer	Zakat and donations	1,375,914	1,225,418
Mr. Muhammad Haris Bin Naseer	Director	Zakat and donations	50,000	500,000
Mr. Mujtaba Mehmood Bhatti	Director	Zakat and donations	128,710	95,000
Mr. Hasan Ali Bukhari	Director	Zakat and donations	69,000	

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15 Number of employees

The Company has employed following number of persons including permanent staff:

	2017	2016
	(Number of persons)	
- As at 30 June	7	5
- Average number of employees	6	5

16 Date of authorization

The financial statements were authorized for issue on 31 OCT 2017 by Board of Directors of the Company.

17 Corresponding figures

Corresponding figures have been rearranged, whenever necessary, for the purpose of comparison. However, no significant rearrangements have been made.

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Chief Executive Officer



Director