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**Pakistan Children's Heart Foundation**

Audit of financial statements for  
the year ended 30 June 2018



KPMG Taseer Hadi & Co.  
Chartered Accountants  
351 Shadman-1, Jail Road,  
Lahore 54000 Pakistan  
+92 (42) 111-KPMGTH (576484), Fax +92 (42) 3742 9907

## INDEPENDENT AUDITOR'S REPORT

To the members of Pakistan Children's Heart Foundation

Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of **Pakistan Children's Heart Foundation** [the Company setup under section 42 of the Companies Ordinance, 1984 (now Companies Act, 2017)], which comprise the statement of financial position as at 30 June 2018, and the statement of income and expenditure, the statement of comprehensive income, the statement of changes in funds, 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, statement of income and expenditure, statement of comprehensive income, the statement of changes in funds 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 Foundation's affairs as at 30 June 2018 and of the loss and other comprehensive loss, the changes in equity 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 Foundation 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.

### Emphasis of Matter

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 (now Companies Act, 2017) 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 the License which is under process as at year end. The SECP issued S.R.O 733(I) 2018, 'Association with Charitable and Not for profit object Regulations, 2018', dated 07 July 2018, whereunder, the Commission made general clarification that till the time license is renewed, the existing license shall be deemed as valid provided that the said 'Not for Profit Organisation' has applied within three months before the expiry of the license. The management asserted that all the initial requirements have been complied with and the license will be renewed within due time. Our opinion is not modified in respect of this matter.

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**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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Foundation'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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- 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 Foundation as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity 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 Foundation'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 Mr. Bilal Ali.

Lahore

Date: 31 December 2018

*KPMG Taseer Hadi & Co.*  
KPMG Taseer Hadi & Co.  
Chartered Accountants

# Pakistan Children's Heart Foundation

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

## Statement of Financial Position

As at 30 June 2018

ASSETS	Note	2018 Rupees	2017 Rupees
<b><u>Non-current assets</u></b>			
Property and equipment	5	55,428,140	50,553,040
Capital work-in-progress	6	1,000,000	-
		56,428,140	50,553,040
<b><u>Current assets</u></b>			
Deposit and other receivable	7	1,251,583	50,000
Investment in term deposit receipts - net	8	11,600,000	-
Income tax receivable		83,367	36,311
Cash and bank balances	9	27,253,200	24,361,022
		40,188,150	24,447,333
		96,616,290	75,000,373
<b>EQUITY AND LIABILITIES</b>			
<b><u>Equity</u></b>			
Capital fund		1,200,000	1,200,000
General fund		9,728,861	6,273,883
Restricted fund		15,773,196	14,298,162
Fund against non depreciable assets	10	50,000,000	50,000,000
<b>Total equity</b>		76,702,057	71,772,045
<b><u>Non current liabilities</u></b>			
Capital donations and grants - restricted	11	7,768,634	167,562
Long term musharaka - secured	12	3,368,045	-
Staff retirement benefits - gratuity		1,093,540	-
		12,230,219	167,562
<b><u>Current liabilities</u></b>			
Current portion of long term musharaka	12	763,360	-
Short term borrowings - unsecured	13	250,000	-
Other payables	14	6,645,398	3,060,766
Accrued markup		25,256	-
		7,684,014	3,060,766
<b>Contingencies and commitments</b>	15	96,616,290	75,000,373

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

KPMG

Lahore

Chief Executive Officer



Directors

# 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 2018

	Note	2018			2017
		General fund	Restricted funds	Total	Total
-----Rupees-----					
Donation		11,333,989	6,705,802	18,039,791	19,161,453
Zakat		-	56,512,036	56,512,036	51,055,315
Amortization of capital grants - restricted	11	-	70,950	70,950	47,438
		11,333,989	63,288,788	74,622,777	70,264,206
Heart surgeries expenses	16	-	(62,055,270)	(62,055,270)	(54,813,030)
<b>Gross Surplus</b>		11,333,989	1,233,518	12,567,507	15,451,176
General and administrative expenses	17	(7,736,719)	-	(7,736,719)	(6,629,497)
		3,597,270	1,233,518	4,830,788	8,821,679
Finance cost	18	(142,292)	-	(142,292)	(4,532)
Other income		-	241,516	241,516	-
		(142,292)	241,516	99,224	(4,532)
<b>Surplus before taxation</b>		3,454,978	1,475,034	4,930,012	8,817,147
Taxation	19	-	-	-	-
<b>Surplus after taxation</b>		3,454,978	1,475,034	4,930,012	8,817,147

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

KPMG

Lahore

Chief Executive Officer



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 2018

	2018 Rupees	2017 Rupees
Surplus after taxation	4,930,012	8,817,147
Other comprehensive income	-	-
<b>Total comprehensive surplus for the year</b>	<b>4,930,012</b>	<b>8,817,147</b>

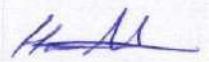
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Lahore



Chief Executive Officer



Directors

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 2018

	Capital Reserve	Revenue Reserves			Total
	Capital fund	General fund	Restricted funds	Fund against non depreciable assets	
-----Rupees-----					
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
<b>Balance as at 30 June 2017</b>	<b>1,200,000</b>	<b>6,273,883</b>	<b>14,298,162</b>	<b>50,000,000</b>	<b>71,772,045</b>
Total comprehensive surplus	-	3,454,978	1,475,034	-	4,930,012
<b>Balance as at 30 June 2018</b>	<b>1,200,000</b>	<b>9,728,861</b>	<b>15,773,196</b>	<b>50,000,000</b>	<b>76,702,057</b>

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

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Lahore

Chief Executive Officer



Directors



# 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 2018

	Note	2018 Rupees	2017 Rupees
<b><u>Cash flows from operating activities</u></b>			
Surplus before tax for the year		4,930,012	8,817,147
<i>Adjustment for non-cash Items:</i>			
Deferred contribution charge on fixed assets		(70,950)	(47,438)
Depreciation on property and equipments		482,805	131,423
Finance cost		142,292	-
Provision for gratuity expense		1,093,540	-
Other income		(241,516)	-
<b>Surplus before working capital changes</b>		<b>6,336,183</b>	<b>8,901,132</b>
<i>Effect on cash flow due to working capital changes:</i>			
Increase in deposit and other receivables		(991,937)	(28,228)
Increase in other payables		3,584,632	2,796,382
		2,592,695	2,768,154
<b>Cash generated from operations</b>		<b>8,928,878</b>	<b>11,669,286</b>
Income tax paid		(47,056)	-
Finance cost - net		(85,166)	-
<b>Net cash generated from operating activities</b>		<b>8,796,656</b>	<b>11,669,286</b>
<b><u>Cash flows from investing activities</u></b>			
Fixed capital expenditures		(1,840,280)	(71,995)
<b>Net cash used in investing activities</b>		<b>(1,840,280)</b>	<b>(71,995)</b>
<b><u>Cash flows from financing activities</u></b>			
Donations for purchase of depreciable asset		7,672,022	-
Payment of diminishing musharaka		(386,220)	-
Short term borrowings		250,000	-
<b>Net cash generated from financing activities</b>		<b>7,535,802</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>14,492,178</b>	<b>11,597,291</b>
<b>Cash and cash equivalents at the beginning of the year</b>	20	<b>24,361,022</b>	<b>12,763,731</b>
<b>Cash and cash equivalents at the end of the year</b>	20	<b>38,853,200</b>	<b>24,361,022</b>

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

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Lahore

Chief Executive Officer

Directors

# 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 2018

### 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 the Companies Act, 2017). The Foundation 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 Foundation is to build and administer a hospital and research centre for children's heart diseases. The registered office of the Foundation is situated at 565-A, Faisal Town, Lahore.

1.2 On 17 July 2012, the Securities and Exchange Commission of Pakistan ("Commission") accorded approval of license for not for profit organization ("License") under section 42 of the Companies Ordinance, 1984 (now Companies Act, 2017) to the Foundation. The License was valid for five years and due for renewal on or before 16 July 2017. On 20 May 2017, the Foundation applied to the Commission for renewal of the License which is still under process. The SECP issued S.R.O 733(I) 2018, 'Association with Charitable and Not for profit object Regulations, 2018', dated 07 July 2018, where under the Commission made the general clarification that till the time license is renewed, the existing license shall be deemed as valid provided that the said 'Not for Profit Organisation' has applied within three months before the expiry of the license. The management asserted that all initial requirements have been complied with and the license will be renewed within due time.

### 1.3 Summary of significant events and transactions in the current reporting period

The Foundation's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Invested Rs. 11.60 million from the Hospital construction fund in the Term deposit receipts with Faysal Bank Limited which carry mark-up at the rate ranging from 5.65% to 5.90%. This is reflected in note 8 'Investments in term deposits'.
- Started operating children's heart surgeries at the University of Lahore Teaching Hospital, 1-KM Defence Road, Lahore. The Foundation operated 47 children for heart surgeries whereon incurred Rs. 13,325,306. This is reflected in note 15 'Heart surgeries expenses'.

### 2 Basis of accounting

#### 2.1 Statement of Compliance

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

- International Financial Reporting Standards 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 Institute of Chartered Accountant 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 the IFRS for SMEs or the Accounting Standards for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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## 2.2 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.

## 2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Foundation 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	4.8
- Staff retirement benefits - Gratuity	4.10

## 4 Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below which 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 is stated at cost. Cost comprises of acquisition and other directly attributable costs.

Depreciation on all property and equipment is charged to income and expenditure statement 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 statement 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 statement.

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#### 4.2 Financial instruments

Financial instruments comprises deposits, advances, receivables, investments, cash and bank balances, other payables, borrowing and mark-up on these borrowings.

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.

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 statement.

#### 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 statement of financial position at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand, cash with banks in current and saving accounts and other short term financial assets with original term of upto one month and are valued at specific nominal values.

#### 4.6 Mark- up bearing borrowings

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the statement of income and expenditures over the period of the borrowings using the effective interest method

#### 4.7 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.

#### 4.8 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 statement of financial position 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.

#### 4.9 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 statement.

#### 4.10 Staff retirement benefits - Gratuity

The Foundation maintains an unfunded gratuity plan for its employees as end of service benefits. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

#### 4.11 Income recognition

##### Charity, donation and zakat

Charity and donations are recognized in income and expenditure statement 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 statement as internally restricted fund.

##### Grant and donations related to assets

Grant and donations related to non-current assets, including non-monetary grants at fair value are presented in balance sheet under "Capital grants and donations - restricted". An amount equivalent to the depreciation for each year on such asset is charged to "capital grants and donations - 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 and donations, an amount equivalent to market value or cost of the asset respectively is transferred directly to the net assets

#### 4.12 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.

Subject to certain conditions, the Foundation is entitled to 100% tax credit of the income tax payable, including minimum and final taxes payable, under section 100C 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

	30 June 2018									
	Cost			Depreciation			Net book			
	At 01 July 2017	Additions during the year	Disposals during the year	At 30 June 2018	Rate %	At 01 July 2017	Charge for the year	Disposals during the year	At 30 June 2018	value as at 30 June 2018
	-----Rupees-----			-----Rupees-----			-----Rupees-----			
<b><u>Owned assets</u></b>										
Land	50,000,000	-	-	50,000,000	-	-	-	-	-	50,000,000
Furniture and fixtures	195,100	153,550	-	348,650	20%	73,210	37,138	-	110,348	238,302
Computers and accessories	249,925	93,240	-	343,165	33%	64,111	66,968	-	131,079	212,086
Office equipments	336,020	75,990	-	412,010	20%	90,684	55,399	-	146,083	265,927
Surgical equipment	-	450,000	-	450,000	50%	-	18,750	-	18,750	431,250
Vehicles-Motor bike	-	67,500	-	67,500	20%	-	3,375	-	3,375	64,125
<b><u>Diminishing musharaka asset</u></b>										
Vehicle-Toyota Hiace	-	4,517,625	-	4,517,625	20%	-	301,175	-	301,175	4,216,450
<b>2018</b>	<b>50,781,045</b>	<b>5,357,905</b>	<b>-</b>	<b>56,138,950</b>		<b>228,005</b>	<b>482,805</b>	<b>-</b>	<b>710,810</b>	<b>55,428,140</b>

	30 June 2017									
	Cost			Depreciation			Net book			
	At 01 July 2016	Additions during the year	Disposals during the year	At 30 June 2017	Rate %	At 01 July 2016	Charge for the year	Disposals during the year	At 30 June 2017	value at 30 June 2017
	-----Rupees-----			-----Rupees-----			-----Rupees-----			
<b><u>Owned assets</u></b>										
Land	-	50,000,000	-	50,000,000	-	-	-	-	-	50,000,000
Furniture and fixtures	180,100	15,000	-	195,100	20%	46,488	26,722	-	73,210	121,890
Computers and accessories	34,925	215,000	-	249,925	33%	7,684	56,427	-	64,111	185,814
Office equipments	279,025	56,995	-	336,020	20%	42,410	48,274	-	90,684	245,336
<b>2017</b>	<b>494,050</b>	<b>50,286,995</b>	<b>-</b>	<b>50,781,045</b>		<b>96,582</b>	<b>131,423</b>	<b>-</b>	<b>228,005</b>	<b>50,553,040</b>

Return

	<i>Note</i>	<b>2018 Rupees</b>	<b>2017 Rupees</b>
<b>6 Capital work-in-progress</b>			
Advances to suppliers		<u>1,000,000</u>	<u>-</u>
<b>7 Deposit and other receivable</b>			
Advances to employees against expenses		4,320	-
Security deposit		965,500	50,000
Prepayment		72,117	-
Interest income receivable		209,646	-
		<u>1,251,583</u>	<u>50,000</u>
<b>8 Investments in term deposits-net</b>	<i>8.1</i>	<u>11,600,000</u>	<u>-</u>
<b>8.1</b>	This carry mark-up at the rate ranging from 5.65% to 5.90% (2017 : Nill).		
		<b>2018 Rupees</b>	<b>2017 Rupees</b>
<b>9 Cash and bank balances</b>			
Cash in hand		5,614	103,419
<i>Cash at bank, local currency</i>			
- Saving account		5,000	5,000
- Current accounts		27,242,586	24,252,603
		<u>27,253,200</u>	<u>24,361,022</u>
<b>10 Fund against non depreciable assets</b>			
This represents fund created against donation of a piece of land measuring 9 Kanal, situated at 'Mouza Jhulke, Model Housing, Tehsil Model Town, off Ferozepur Road, Lahore' to the Foundation for building Children Heart Hospital and Research Institute ("CHHRI") during financial year ended on 30 June 2017. The land was capitalised based on valuation report of an external valuer 'Jays Associate' wherein the most significant input is market value.			
	<i>Note</i>	<b>2018 Rupees</b>	<b>2017 Rupees</b>
<b>11 Capital donations and grants - restricted</b>			
Donations for purchase of depreciable asset	<i>11.1</i>	7,672,022	-
Capital grants	<i>11.2</i>	96,612	167,562
		<u>7,768,634</u>	<u>167,562</u>

**11.1** This represent donations received by the Foundation for construction of hospital on the land as disclosed in note 10.

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11.2 Details of capital grants are as follow:	Note	2018 Rupees	2017 Rupees
Capital grants as at 01 July		167,562	-
Capital grants received during the year		-	215,000
Amortization charged during the year		(70,950)	(47,438)
<b>Capital grants as at 30 June</b>	<i>11.2.1</i>	<u><u>96,612</u></u>	<u><u>167,562</u></u>

11.2.1 This represent net book value of six laptops donated by Mr. Farhan Ahmad, Chief Executive Officer of the Foundation.

12 Long term musharaka - secured	2018 Rupees	2017 Rupees
Long term musharaka	4,131,405	-
Current portion of long term musharaka	(763,360)	-
	<u><u>3,368,045</u></u>	<u><u>-</u></u>

*Salient features of the musharaka financing are as follows:*

Discounting factor - %	9.28%	Nil
Musharaka term - Months	48 months	Nil
Security deposits - %	20%	Nil

The Foundation has entered into diminishing musharaka agreement with Faysal Bank Limited for purchase of vehicle as shown in note 5. The liability under this arrangement is payable in monthly instalments. Interest rates implicit in the diminishing musharaka are used as discounting factor to determine the present value of long term musharaka.

Residual value of the musharaka asset has already been paid, at the inception, in the form of security deposit. There are no financial restrictions imposed by Faysal Bank Limited. Taxes, repairs, replacements and insurance costs are borne by the the Foundation.

### 13 Short term borrowings - unsecured

This represents an interest free loan obtained from the Director of the Foundation. This loan is unsecured and repayable on demand.

14 Other payables	Note	2018 Rupees	2017 Rupees
Ittefaq Hospital Trust		499	2,850,000
Accrued expenses	<i>14.1</i>	2,044,191	208,771
Withholding tax payable		1,325,024	1,995
Other Payable	<i>14.2</i>	3,275,684	-
		<u><u>6,645,398</u></u>	<u><u>3,060,766</u></u>

14.1 This mainly includes Rs. 1,833,608 (2017: Nil) as salaries expense payable to admin staff and surgical team.

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14.2 This mainly includes Rs. 2.21 million (2017: Nil) payable to Travelspro (Private) Limited in respect of travelling related expenses and Rs. 830,885 (2017: Nil) payable to Cardiac Care in respect of operation kits and medicine packs.

15 Contingencies and commitments

There are no significant contingencies and commitment as at 30 June 2018.

	Note	2018 Rupees	2017 Rupees
16 Heart surgeries expenses paid to hospitals			
<u>University of Lahore Teaching Hospital</u>			
Surgeon and surgical team fees		4,978,000	-
Medicines		4,513,988	-
Staff salaries	16.1	4,054,795	-
Travel and entertainment		2,520,502	-
Staff uniform		24,000	-
		<u>16,091,285</u>	<u>-</u>
Children heart surgeries from other hospitals	16.2	45,963,985	54,813,030
		<u>62,055,270</u>	<u>54,813,030</u>

16.1 This includes charge in respect of staff retirement benefits amounting to Rs. 0.70 million (2017: Nil) on account of gratuity scheme.

16.2 This represents expenses against children's heart surgeries, operated from the Foundation's approved panel of hospitals. This mainly include Rs. 44,468,500 (2017: Rs 53,117,530) incurred at Ittefaq Hospital Lahore against 286 (2017: 332) children's heart surgeries.

	Note	2018 Rupees	2017 Rupees
17 General and administrative expenses			
Staff salaries and benefits	17.1	3,292,079	2,117,980
Travelling and conveyance		2,217,436	-
Printing and stationery		94,351	90,075
Fee and subscription		97,545	166,785
Repair and maintenance		272,880	105,645
Office rent		258,422	180,000
Entertainment		173,079	109,535
Advertisement		256,426	3,321,297
Legal and professional charges		73,300	-
Utilities		178,074	153,192
Audit fee		210,000	200,000
Depreciation		482,805	131,423
Insurance expense		36,058	-
Other expenses		94,264	53,565
		<u>7,736,719</u>	<u>6,629,497</u>

17.1 This includes charge in respect of staff retirement benefits amounting to Rs. 0.40 million (2017: Nil) on account of gratuity scheme.

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			2018 Rupees	2017 Rupees
<b>18</b>	<b>Fianance cost</b>	<i>Note</i>		
	Bank charges		27,889	4,532
	Profit on diminishing musharaka		114,403	-
			<u>142,292</u>	<u>4,532</u>
<b>19</b>	<b>Taxation</b>			
	Current tax	19.1	-	-
19.1	As referred in note 4.10, subject to certain conditions, the Foundation is eligible for 100% tax credit for income tax payable, including minimum and final taxes payable under section 100C of the Ordinance. Therefore, the Foundation has not recognized any provision in respect of current tax for the year.			
19.2	Since the Foundation is eligible for 100% tax credit as disclosed in note 19.1, comparison of last three years of income tax provisions with the assessments has not been disclosed.			
<b>20</b>	<b>Cash and cash equivalents</b>	<i>Note</i>	<b>2018 Rupees</b>	<b>2017 Rupees</b>
	Investment - Term deposit	8	11,600,000	-
	Cash and bank balances	9	27,253,200	24,361,022
			<u>38,853,200</u>	<u>24,361,022</u>
<b>21</b>	<b>Financial instruments</b>			
	<u><i>Financial assets - not measured at fair value</i></u>			
	Deposit and other receivable	7	1,175,146	50,000
	Investment in term deposit receipts - net	8	11,600,000	-
	Bank balances	9	27,247,586	24,257,603
			<u>40,022,732</u>	<u>24,307,603</u>
	<u><i>Financial liabilities - not measured at fair value</i></u>			
	Long term musharaka - secured	12	4,131,405	-
	Short term borrowings - unsecured	13	250,000	-
	Other payables	14	5,320,374	3,058,771
	Accrued markup		25,256	-
			<u>9,727,035</u>	<u>3,058,771</u>

**22 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	2018 Rupees	2017 Rupees
Mr. Farhan Ahmad	Chief Executive Officer	Zakat and donations	237,316	1,375,914
Mr. Muhammad Haris Bin Naseer	Director	Zakat and donations	140,000	50,000

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Related party	Relationship	Nature of transaction	2018 Rupees	2017 Rupees
Mr. Mujtaba Mehmood Bhatti	Director	Zakat and donations	83,825	128,710
Mr. Hasan Ali Bukhari	Director	Zakat and donations	570,584	69,000

22.1 During the year, the Foundation has also received donations in kind from various third parties of Rs. 1.06 million from various third parties.

### 23 Remuneration of Chief Executive, Directors and Executives

23.1 Total number of directors of the Foundation as at 30 June 2018 were 11 (2017: 11). The directors and chief executive of the Foundation does not withdraw any remuneration or related benefits.

23.2 The Foundation has not employed any executive as at 30 June 2018 (2017: Nil).

### 24 Number of employees

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

	2018 (Number of persons)	2017 (Number of persons)
- As at 30 June	26	7
- Average number of employees	17	6

### 25 Date of authorization

The financial statements were authorized for issue on \_\_\_\_\_ by Board of Directors of the Foundation.

### 26 Corresponding figures

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

*Khan*



*[Signature]*

Lahore

Chief Executive Officer

*[Signature]*

Directors