

THE SULTAN FOUNDATION
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE SULTAN FOUNDATION**

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **THE SULTAN FOUNDATION** (the Company), which comprise the statement of financial position as at June 30, 2018, and income and expenditure statement, 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, income and expenditure statement and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the surplus and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

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

LAHORE; 27 JUL 2018

ShineWing Hameed Chaudhri & Co.
SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

Audit Engagement Partner: Osman Hameed Chaudhri

**THE SULTAN FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
Non-Current Assets			
Property and equipments	7	108,702,317	109,957,856
Intangible assets	8	785,006	1,301,044
Security deposits		889,470	889,470
Long term investments	9	190,000	190,000
		<u>110,566,793</u>	<u>112,338,370</u>
Current Assets			
Inventory	10	683,124	761,919
Staff advances		82,350	209,980
Due from Sultan Foundation - CCB		4,398,468	4,398,468
Prepayments		141,183	-
Short term investments	11	287,307,741	265,838,903
Other receivables		769,211	1,627,098
Withholding income tax		26,922,294	26,909,602
Cash and bank balances	12	850,543,498	904,972,285
		<u>1,170,847,869</u>	<u>1,204,718,255</u>
Less: Current Liabilities			
Creditors	13	328,666	1,801,507
Accrued expenses		3,865,743	2,600,327
Security deposits		410,600	190,600
		<u>4,605,009</u>	<u>4,592,434</u>
Net Current Assets		<u>1,166,242,860</u>	<u>1,200,125,821</u>
Net Assets Employed		<u>1,276,809,653</u>	<u>1,312,464,191</u>
Represented by:			
Opening retained earnings		1,312,348,541	1,248,982,735
(Loss) / profit for the year		(35,784,538)	63,365,806
		<u>1,276,564,003</u>	<u>1,312,348,541</u>
Security deposits		245,650	115,650
Contingencies and commitments	14		
		<u>1,276,809,653</u>	<u>1,312,464,191</u>

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


Chief Executive

SHC


Director

**THE SULTAN FOUNDATION
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018**

Income	Note	2018 Rupees	2017 Rupees
Tuition fee:			
- school		18,070,008	15,174,362
- college		4,838,150	3,984,330
Patient entry fee		1,687,810	1,629,022
Donations		854,383	3,360,855
Profit on deposits		48,317,304	65,151,402
Return on short term investment		-	23,609,676
Rental income		1,636,750	1,527,750
Zakat		29,423,480	28,648,948
Other		2,791,078	2,397,423
		107,618,963	145,483,768
Less:			
Projects Expenditures			
Donations (including asset donated having book value of Rs.71 thousand))		34,871,357	2,409,018
Salaries to staff		35,029,338	29,211,509
Medicines		3,617,514	3,814,749
Travelling and conveyance		615,553	512,235
Printing and stationery		651,928	571,955
Communication		218,168	248,344
Electricity		1,684,428	1,277,680
Rent, rates and taxes		23,952	23,952
Repair and maintenance		1,325,409	1,646,213
Depreciation	7.1	10,078,949	2,091,187
Advertisement		47,289	229,579
Entertainment		148,448	176,189
Other expenses		3,418,019	2,259,890
		91,730,352	44,472,500
Administrative Expenditures			
Salaries to staff		1,343,309	1,258,473
Printing and stationery		10,460	24,054
Depreciation		705,852	757,315
Amortization	8	516,038	516,038
Auditors' remuneration - statutory audit fee		90,000	75,000
Bank charges		3,000	5,769
Entertainment		38,900	9,150
Other expenses		434,428	180,100
		3,141,987	2,825,899
Surplus of revenue over expenditure for the year		12,746,624	98,185,369
Fair value loss on re-measurement of short term investments	11	(48,531,162)	(34,819,563)
(Loss) / profit for the year		(35,784,538)	63,365,806

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


Chief Executive


SHC


Director

**THE SULTAN FOUNDATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2018**

	2018 Rupees	2017 Rupees
Cash Flows from Operating Activities		
(Loss) / profit for the year	(35,784,538)	63,365,806
Adjustments for non-cash charges		
Depreciation on property and equipments	10,784,801	2,848,502
Amortisation of computer software	516,038	516,038
Loss / (gain) on sale of operating fixed assets	79,931	(1,700)
Fair value loss on re-measurement of short term investment	48,531,162	34,819,563
Operating profit before working capital changes	24,127,394	101,548,209
Effect on cash flow due to working capital changes		
Decrease / (increase) in current assets:		
Inventory	78,795	212,651
Staff advances	127,630	(137,630)
Prepayments	(141,183)	11,130
Other receivable	857,887	4,082,744
Withholding income tax	(12,692)	(4,040,094)
Increase / (decrease) in current liabilities:		
Creditors	(1,472,841)	468,965
Accrued expenses	1,265,416	949,264
Security deposits	350,000	236,400
	1,053,012	1,783,430
Net cash generated from operating activities	25,180,406	103,331,639
Cash flow from investing activities		
Additions to property and equipments	(9,624,193)	(26,682,005)
Sale proceeds of operating fixed assets	15,000	25,000
Short term investments - net	(70,000,000)	(300,658,466)
Net cash used in investing activities	(79,609,193)	(327,315,471)
Net decrease in cash and cash equivalents	(54,428,787)	(223,983,832)
Cash and cash equivalents at the beginning of the year	904,972,285	1,128,956,117
Cash and cash equivalents at the end of the year	850,543,498	904,972,285

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


Chief Executive

SHC


Director

THE SULTAN FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

The Sultan Foundation (the Company) is a Non-profit organisation within the meaning of Section 42 of the Companies Ordinance, 1984 (now the Companies Act, 2017) was incorporated in Pakistan on August 28, 2014 under the Companies Ordinance, 1984 (now the Companies Act, 2017) as a Company limited by guarantee not having share capital. The registered office of the Company is situated at Sultan Nagar, Vehari Road, Multan.

The key objectives of the Company were to take over the operations of Sultan Foundation (the Foundation), a society registered under the Societies Registration Act, 1860 to provide social welfare primarily in the areas of education and health. The Foundation, pursuant to an agreement dated November 29, 2014, transferred all its assets and liabilities to the Company on December 01, 2014.

2. STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SME's) issued by the International Accounting Standards Board (IASB) as notified under
- Accounting standard for Not for Profit Organizations (Accounting standard for NPO's) issued by the Institute of Chartered Accountants of Pakistan as notified under the
- Provision of and directives issued under the Companies Act, 2017.

Where provision of and directives issued under the Companies Act, 2017 differ from the IFRS for SME's, the provision of and directives issued under the Companies Act, 2017 have been followed.

3. BASIS OF PREPARATION

These financial statements have been prepared under historical cost convention.

4. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pak Rupees, which is the functional as well as the presentation currency of the Company. All financial information presented in Pak Rupees has been rounded-off to the nearest rupee, unless otherwise stated.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows:

- useful lives and residual values of property and equipments (note 7.1); and
- useful life and residual value of the intangible assets (note 8.1).

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Operating fixed assets

(a) Tangible assets and depreciation thereon

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

Depreciation is taken to income and expenditure statement using reducing balance method to write-off the cost over their estimated useful life. Full year's depreciation is provided in the year of purchase whereas no depreciation is provided in the year of disposal. Rates of depreciation are stated in note 7.1.

Minor repairs and replacements are charged to current income. Major improvements and modifications are capitalised. Gain / (loss) on disposal of property and equipments, if any, is taken to income and expenditure statement.

(b) Intangible assets and amortisation thereon

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortisation. Intangible assets are amortised using the straight line method over the estimated useful life. Rate of amortisation is stated in note 8.1.

6.2 Investments

a) Investments in Term Deposit Receipts

These are stated at cost.

b) Investments at fair value through profit or loss

A non-derivative financial asset is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value. All investment are initially recognised at cost, being fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value is recognised in income and expenditure statement.

6.3 Inventory

These are valued at cost.

6.4 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 consist of cash-in-hand and balances with banks.

6.5 Creditors, accrued and other liabilities

Liabilities for creditors, accrued and other liabilities are carried out at cost which is the fair value of the consideration to be paid in future for goods and services received whether or not to be billed to the Company.

6.6 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

6.7 Taxation

The Company is an approved non-profit organisation under section 2(36) of the Income Tax Ordinance, 2001. Its income is subject to hundred percent tax credit in terms of section 100C of the Income Tax Ordinance, 2001.

6.8 Profit on bank deposits

This is recognized on accrual basis.

6.9 Income

Income is accounted for on 'receipt basis'.

6.10 Expenses

These are accounted for on 'accrual basis'.

7. PROPERTY AND EQUIPMENTS

	Note	2018 Rupees	2017 Rupees
Operating fixed assets	7.1	108,702,317	36,533,787
Capital work-in-progress	7.2	-	73,424,069
		<u>108,702,317</u>	<u>109,957,856</u>

7.1 Operating fixed assets - tangible

PARTICULARS	COST			Rate %	DEPRECIATION			Book Value as at June 30, 2018
	As at July 01, 2017	Additions / (disposal) during the year	As at June 30, 2018		As at July 01, 2017	For the year / (on disposal)	As at June 30, 2018	
	Rupees				Rupees			
Owned								
Freehold land	17,956,170	-	17,956,170		-	-	-	17,956,170
Building on leasehold land:								
- T.T. Singh school & college	4,880,406	1,145,672	6,026,078	10	1,204,211	482,187	1,686,398	4,339,680
- Multan	3,300,465	-	3,300,465	10	789,816	251,065	1,040,881	2,259,584
- Vehari - Hospital	1,529,022	-	1,529,022	10	365,902	116,312	482,214	1,046,808
Building on freehold land:								
- Multan	-	80,045,382	80,045,382	10	-	8,004,538	8,004,538	72,040,844
Furniture and fixtures	3,497,990	1,251,245 (39,896)	4,709,339	10	665,135	406,054 (16,339)	1,054,850	3,654,489
Electric and telephone installations	4,328,153	47,823	4,375,976	15	1,098,814	491,574	1,590,388	2,785,588
Water pump, engine and tubewell	650,440	21,000 (170,440)	501,000	15	109,305	73,614 (99,066)	83,853	417,147
Laboratory equipment	14,266	33,640	47,906	15	5,191	6,407	11,598	36,308
Computers	1,288,925	3,500	1,292,425	15	360,788	139,746	500,534	791,891
Office equipment	577,200	-	577,200	15	94,826	72,356	167,182	410,018
Library books	16,289	-	16,289	20	7,270	1,804	9,074	7,215
Medical equipment	286,344	-	286,344	20	119,883	33,292	153,175	133,169
Vehicle	4,110,649	500,000	4,610,649	20	1,081,391	705,852	1,787,243	2,823,406
2018:	42,436,319	83,048,262 (210,336)	125,274,245		5,902,532	10,784,801 (115,405)	16,571,928	108,702,317
2017:	35,779,916	6,757,003 (100,600)	42,436,319		3,131,330	2,848,502 (77,300)	5,902,532	36,533,787

7.2 CAPITAL WORK-IN-PROGRESS

	2018 Rupees	2017 Rupees
College auditorium - T.T. Singh	-	1,145,672
School building - cost	-	8,138,941
Advance payments against school buildings	-	64,139,456
	<u>-</u>	<u>73,424,069</u>

8. INTANGIBLE ASSETS - Computer software

Cost at beginning of the year	2,472,120	2,222,120
Additions during the year	-	250,000
	<u>2,472,120</u>	<u>2,472,120</u>
Less: amortisation:		
- at the beginning of the year	1,171,076	655,038
- charge for the year	516,038	516,038
	<u>1,687,114</u>	<u>1,171,076</u>
Book value as at June 30,	<u>785,006</u>	<u>1,301,044</u>

8.1 Amortisation is charged to income applying the straight-line method at the rate of 20% per annum.

9. LONG TERM INVESTMENTS - at cost

	Note	2018 Rupees	2017 Rupees
United Bank Limited - Term Deposit Receipts	9.1	<u>190,000</u>	<u>190,000</u>

9.1 Term Deposit Receipts are in possession of the Board of Intermediate and Secondary Education, Faisalabad as security of the college.

10. INVENTORY

	2018 Rupees	2017 Rupees
Medicines	393,173	402,269
Shrouds	6,500	33,462
Note books & uniforms	283,451	326,188
	<u>683,124</u>	<u>761,919</u>

11. SHORT TERM INVESTMENTS - at fair value through profit or loss**Alfalah GHP Islamic Stock Fund**

4,611,029.9181 units - cost	370,658,466	300,658,466
Adjustment on re-measurement to fair value		
- current year	(48,531,162)	(34,819,563)
- prior years'	(34,819,563)	-
	<u>(83,350,725)</u>	<u>(34,819,563)</u>
	<u>287,307,741</u>	<u>265,838,903</u>

12. CASH AND BANK BALANCES

	Note	2018 Rupees	2017 Rupees
Cash in hand		285,749	510,829
Cash at banks on:			
- current accounts		10,447,477	32,635,072
- PLS accounts	12.1	839,810,272	871,826,384
		850,257,749	904,461,456
		850,543,498	904,972,285

12.1 These carry profit at the rates ranging from 4.50% to 6.25% (2017: 3.75% to 6.50%) per annum.

13. CREDITORS

These include an amount of Rs.25,582 (2017: Rs.8,332) payable to Al-Hilal Industries (Pvt.) Ltd. (a related party due to common directorship).

14. CONTINGENCIES AND COMMITMENTS

14.1 There was no known contingent liability as at June 30, 2018 and June 30, 2017.

14.2 Commitments for capital expenditures amounted to Rs.nil (2017: Rs. 66.316 million).

15. PROVISION FOR TAXATION

15.1 No provision for taxation for current period has been made as the Company is exempt from tax.

16. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of the Associated Companies, directors, relatives of directors and key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties. Balances due from and due to related parties have been disclosed in the relevant notes to these financial statements. Other significant transactions carried out during the year are as follows:

16.1 During the year, the Company has received Rs.7.895 million (2017: Rs.9.142 million) and Rs.5.901 million (2017: Rs.5.793 million) as zakat from Chief Executive and Directors of the Company respectively.

17. REMUNERATION TO CHIEF EXECUTIVE AND DIRECTORS

During the year, no remuneration was paid to Chief Executive and Directors of the Company.

18. NUMBER OF EMPLOYEES

The number of employees as at June 30, 2018 were 248 (2017: 240) and their average number during the year was 230 (2017: 228).

19. DATE OF APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on the Board of Directors of the Company.

27 JUL 2018

by

20. GENERAL

Figures have been rounded off to the nearest rupee.


Chief Executive

SHC


Director