

**SMALL AND MEDIUM ENTERPRISES  
DEVELOPMENT AUTHORITY**

**ACCOUNTS FOR THE  
YEAR ENDED JUNE 30, 2016**

## **AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY**

We have audited the accompanying financial statements of SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY ("SMEDA"), which comprise of the balance sheet as at June 30, 2016, and the income and expenditure account, cash flow statement and statement of changes in fund for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the approved auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of SMEDA as at June 30, 2016 and its financial performance, and its cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

***Prior Year Financial Statements***

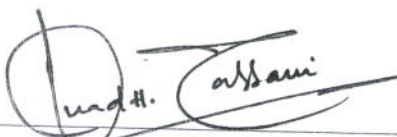
The financial statements of SMEDA for the year ended June 30, 2015 were audited by another firm of Chartered Accountants who expressed an unqualified opinion on those statements on December 23, 2016.


**DATE: SEPTEMBER 16, 2017**  
**PLACE: LAHORE**

Muniff Ziauddin & Co.  
**CHARTERED ACCOUNTANTS**  
**(M.ILYAS)**  
**ENGAGEMENT PARTNER**

**BALANCE SHEET.**  
**AS AT 30 JUNE 2016**

<b>ASSETS</b>	<b>Note</b>	<b>2016 Rupees</b>	<b>2015 Rupees</b>
<b>NON-CURRENT ASSETS</b>			
Fixed Assets	3	37,416,296	46,508,626
Long Term Receivable	4	1,078,907	1,078,907
Long Term Security Deposits		1,024,301	1,024,301
		39,519,504	48,611,834
<b>CURRENT ASSETS</b>			
Advances	5	12,554,793	10,355,774
Prepayments	6	18,144,063	17,123,725
Other Receivables		4,167,196	2,481,487
Cash and Bank Balances	7	92,850,161	51,215,036
		127,716,213	81,176,022
<b>TOTAL ASSETS</b>		<u>167,235,717</u>	<u>129,787,856</u>
<b>FUND AND LIABILITIES</b>			
<b>FUND</b>		(33,955,066)	(34,584,233)
<b>NON-CURRENT LIABILITIES</b>			
Deffered Credits	8	61,076,551	67,185,319
Employee Benefit-Gratuity	9	93,285,602	88,146,220
		154,362,153	155,331,539
<b>CURRENT LIABILITIES</b>			
Creditors		1,252,751	968,331
Accrued and Other Liabilities	10	45,575,879	8,072,219
		46,828,630	9,040,550
<b>TOTAL LIABILITIES</b>		<u>201,190,783</u>	<u>164,372,089</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	11	-	-
<b>TOTAL FUND AND LIABILITIES</b>		<u>167,235,717</u>	<u>129,787,856</u>

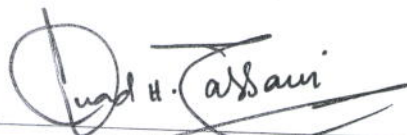
  
Chief Executive Officer


  
Finance Manager



**INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2016**

INCOME	Note	2016 Rupees	2015 Rupees
Grants	12	225,052,953	190,773,300
Income from services	13	2,696,980	4,870,453
Other income	14	965,838	892,635
		228,715,771	196,536,388
<b>EXPENDITURE</b>			
Salaries, wages and other benefits-Permanent staff			
-Key Management personnel		9,802,998	4,518,053
-Others		106,393,000	96,018,190
Salaries, wages and other benefits-Contract staff		3,674,739	2,873,667
Travelling and vehicle running		22,998,501	21,096,400
Freight, postage and courier		772,615	627,390
Utilities		7,924,951	8,017,669
Rent, rates and taxes		19,306,346	17,876,408
Legal and professional charges		93,200	15,000
Audit Remuneration	15	137,500	186,500
Fee and subscription		17,500	-
Insurance		2,691,600	1,567,921
Printing and stationery		2,714,838	2,034,988
Books and periodicals		197,433	260,477
Advertisement		897,894	931,980
Training & Conference		3,234,070	2,390,222
Entertainment		2,184,495	1,908,741
Repair and maintenance		3,171,611	3,148,461
Financial charges		414,871	30,997
PMYBL Expenses		310,000	76,774
Coal Briquetting plant - FATA development authority		1,575,000	2,950,430
Miscellaneous	16	7,324,389	5,574,847
		195,837,551	172,105,115
Projects Expenditure (ER & PHRS Project)	17	3,450,301	2,518,788
Provision for Staff Gratuity	9	19,677,117	14,834,385
Depreciation	3.1	6,551,389	7,870,464
Loss on Assets		2,518,605	120,583
Amortization of Intangible Assets	3.1	51,642	78,234
		28,798,753	22,903,666
<b>Total Expenditure</b>		228,086,605	197,527,569
<b>Surplus / (Deficit) for the year</b>		629,167	(991,181)

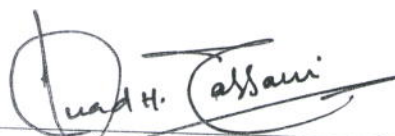
  
Chief Executive Officer


  
Finance Manager



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2016**

	2016 Rupees	2015 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus / (deficit) for the year	629,167	(991,181)
<b>Adjustment for non-cash and other items:</b>		
Grant income for the year	(225,052,953)	(190,773,300)
Depreciation		
SMEDA	6,551,389	7,870,464
Amortization	51,642	78,234
Provision for staff gratuity	19,677,117	14,834,385
Profit on Bank Deposits	(804,350)	(883,135)
Financial charges	414,871	30,997
Loss on disposal property and equipment	2,518,605	120,583
<b>Operating income before working capital changes</b>	<u>(196,014,513)</u>	<u>(169,712,953)</u>
<b>(Increase) / decrease in current assets</b>		
Advances	(2,199,019)	(3,758,542)
Prepayments	(1,020,338)	(2,333,220)
Other receivables	(1,685,709)	7,049,425
<b>Increase / (decrease) in current liabilities</b>		
Creditors	284,420	(387,303)
Accrued and other liabilities	37,503,660	(2,393,790)
<b>Cash generated from operations</b>	<u>(163,131,499)</u>	<u>(171,536,383)</u>
Gratuity paid	(14,537,735)	(7,177,463)
Financial charges paid	(414,871)	(30,997)
<b>Net cash (used in) / generated from operating activities</b>	<u>(178,084,104)</u>	<u>(178,744,843)</u>
<b>Investing activities</b>		
Purchase of property and equipment	(235,061)	(7,201,521)
Sale proceeds on disposal of property and equipment	205,755	-
Decrease in Long Term Security Deposits	-	-
Profit received on Bank Deposits	1,748,534	2,017,413
<b>Cash generated from/ (used in) investing activities</b>	<u>1,719,228</u>	<u>(5,184,108)</u>
<b>Financing activities</b>		
Grant received during the Year	<u>218,000,000</u>	<u>183,640,000</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<u>41,635,125</u>	<u>(288,951)</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>51,215,036</u>	<u>51,503,987</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>92,850,161</u>	<u>51,215,036</u>

  
Chief Executive Officer

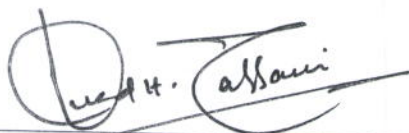
  
Finance Manager



**STATEMENT OF CHANGES IN FUND  
FOR THE YEAR ENDED 30 JUNE 2016**

<b>FUND</b>	<b>2016 Rupees</b>	<b>2015 Rupees</b>
Balance as on 01 July	(34,584,233)	(33,593,052)
Surplus / Deficit for the year	629,167	(991,181)
Balance as on 30 June	<u>(33,955,066)</u>	<u>(34,584,233)</u>

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



Chief Executive Officer



Finance Manager





**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**STATUS AND ACTIVITIES**

1.1 Small and Medium Enterprises Development Authority (SMEDA) was created under a notification dated 13 October 1998 issued by the Prime Minister's office and is working under the Ministry of Industries and Production, Government of Pakistan. On 12 August 2002, an ordinance, the Small and Medium Enterprises Development Authority Ordinance, 2002 (Ordinance No. (XXXIX of 2002) was promulgated for the establishment of SMEDA as an autonomous body under the Federal Government for encouraging and facilitating the development and growth of small and medium enterprises in Pakistan.

1.2 SMEDA is primarily working as an apex policy making body for the economic and commercial development of small and medium enterprises. The primary objective of SMEDA is to provide fresh impetus of Pakistan's economy through the launch of aggressive Small and Medium Enterprises (SME) support programs. The head office of SMEDA is situated at 4th floor, building No. 01, Aiwan-e-Iqbal Complex, Egerton Road, Lahore.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

**Basis of Preparation**

**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 Standard for Small and Medium Sized Entities (IFRS for SMEs) issued by IASB and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

**Accounting Convention**

These financial statements have been prepared under the historical cost convention.





c) **Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the 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 and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying value of assets and liabilities that are not readily apparent from the other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on going basis. Revision to accounting estimates are recognized in the period in which the estimates are revised affect only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to the financial statements of SMEDA or where judgments were exercised in application of accounting policies are as follows:

Useful life of property and equipment and intangible assets

Provision for staff gratuity

Other provisions and contingencies

2.2 **Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any cost comprises acquisition and other directly attributable expenses.

Depreciation is charged to income on reducing balance method so as to write off the cost of property and equipment over their estimated useful lives at the rates given in note 3.1. Depreciation on additions to property and equipment is charged from the month in which an item is put to use while no depreciation is charged for the month in which an item is de-recognized/ disposed off. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

The asset's residual value and useful lives are reviewed at each financial year end and adjusted 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 SMEDA and cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is charged to income currently.

### 2.3 **Intangible assets**

Intangible assets are stated at cost less accumulated amortization and impairment loss, if any. The depreciable amount of intangible asset is amortized on a systematic basis over the estimated useful lives using reducing balance method.

### 2.4 **Advances, prepayments and other receivables**

Advances, prepayments and other receivables are carried at original invoice value less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

### 2.5 **Creditors, accrued and other liabilities**

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

### 2.6 **Government grants**

Government grants are recognized at the fair value where there is reasonable assurance that the grant will be received and SMEDA will comply with all attached conditions. Fair value signifies the amount received in cash.

Government grants, where there is primary condition to purchase, construct or otherwise acquire long-term assets, are included in non-current liabilities as deferred credit to and credited to the income and expenditure account over the expected useful lives of the related assets. Grant received for specific project activities are also included in non-current liabilities as deferred credit and credited to the income and expenditure account over the period necessary to match them with the expenses that they are intended to compensate.

All other grants are recognized in the income and expenditure account in the year of receipt.

### 2.7 **Revenue**

Income from services, sale of projects, seminar, training fee, reports and publications and consultants registration fee is recognized when received.

Return on bank deposit is recognized on time proportion basis.



# DEFERED CREDIT

Grant for				Total
Own	Flood Early Recovery Project	PHRS	LEDN	
Fixed Assets	Operating Expenses	Operating Expenses	Operating Expenses	
.....Rupees.....				
31,469,312	25,018,236	4,536,533	12,160,260	73,184,341
-	1,134,278	-	-	1,134,278
31,469,312	26,152,514	4,536,533	12,160,260	74,318,619
(4,614,512)	-	(1,929,732)	(589,056)	(7,133,300)
26,854,800	26,152,514	2,606,801	11,571,204	67,185,319
1				1
-	944,184	-	-	944,184
26,854,801	27,096,698	2,606,801	11,571,204	68,129,504
(3,602,652)	(2,450,000)	(763,207)	(237,094)	(7,052,953)
23,252,149	24,646,698	1,843,594	11,334,110	61,076,551

8.1 The balance amount of Rupees 24,646,698 (2015: Rupees 26,152,514) represents undisbursed grants under ER project. These grants could not be disbursed due to non-fulfillment of required formalities by the beneficiaries. This undisbursed amount is not claimed by the grantor. The management intends to present the matter of utilisation of this amount before SMEDA's Board of Directors. The amount would be utilised subject to and in accordance with the approval of the Board of Directors.

8.2 This represents business support fee charged by SMEDA to the Government of Khyber Pakhtunkhwa in respect of administrative expenses for implementation of "Pakhtunkhwa Hunermand Rozgaar Scheme (PHRS)". The scheme is being implemented by the Bank of Khyber Pakhtunkhwa in coordination with SMEDA and Directorate of Technical Education, Government of Khyber Pakhtunkhwa.

8.3 Livelihood and Enterprise Development Network-Pakistan (LEDN-PK) is established to develop capacities of the member organizations for livelihood, business development, disaster management, organizational development and other related avenues.



**2.8 Employee benefits-gratuity**

SMEDA operates an un-funded gratuity scheme for its employees who have been completed the minimum qualifying period of service of one year.

Amount of liability of each employee at the year end is computed by number of years completed multiplied by last drawn monthly gross salary. The difference between current and previous liability is charged to income and expenditure account as expense for the year.

**2.9 Taxation**

Provision for income tax is not made in the financial statements being considered as exempted Government organization under the Tax Free Number 9011808-1 issued by the Federal Board of Revenue.

**2.10 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cash at banks on current and deposit accounts.

**2.11 Impairment**

The carrying amount of the assets are analyzed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as an expense in the income and expenditure account.

**2.12 Figures**

Figures are rounded off to the nearest rupee and those for the last year are rearranged if necessary to facilitate comparison. Appropriate disclosure is given in relevant note in case of material rearrangements.





# Operating fixed assets

Property and equipment (Note 3.1)  
Intangible assets (Note 3.1)  
CWIP

2016  
Rupees

2015  
Rupees

37,311,446  
104,850

44,592,134  
156,492

37,416,296

1,760,000  
46,508,626

Property, plant and equipment						Intangible assets
Leasehold Improvement	Furniture and fixture	Office equipment	Computers	Vehicles	Total	Computer software

Rupees

At 30 June 2014

Cost	33,489,179	13,360,587	13,383,343	23,725,349	34,354,090	118,312,548	9,415,748
Accumulated depreciation/Amortization	(10,327,955)	(7,062,967)	(7,871,750)	(20,983,218)	(22,941,434)	(69,187,324)	(9,181,022)
Accumulated impairment loss	(2,372,983)	(40,527)	-	(202,703)	-	(2,616,213)	-
Net book value	20,788,241	6,257,093	5,511,593	2,539,428	11,412,656	46,509,011	234,726
At 30 June 2015							
Opening net book value	20,788,241	6,257,093	5,511,593	2,539,428	11,412,656	46,509,011	234,726
Additions	924,440	644,869	7,350	4,497,511	-	6,074,170	-
Disposal:							
cost	-	-	-	-	(898,410)	(898,410)	-
Accumulated depreciation	-	-	-	-	777,827	777,827	-
Depreciation/Amortization	(2,171,268)	(668,701)	(551,588)	(2,220,493)	(120,583)	(120,583)	-
Closing net book value	19,541,413	6,233,261	4,967,355	4,816,446	9,033,659	44,592,134	156,492

At 30 June 2015

Cost	34,413,619	14,005,456	13,390,693	28,222,860	33,455,680	123,488,308	9,415,748
Accumulated depreciation/Amortization	(12,499,223)	(7,731,668)	(8,423,338)	(23,203,711)	(24,422,021)	(76,279,961)	(9,259,256)
Accumulated impairment loss	(2,372,983)	(40,527)	-	(202,703)	-	(2,616,213)	-
Net book value	19,541,413	6,233,261	4,967,355	4,816,446	9,033,659	44,592,134	156,492

At 30 June 2016

Opening net book value	19,541,413	6,233,261	4,967,355	4,816,446	9,033,659	44,592,134	156,492
Additions	-	-	1,995,061	-	-	1,995,061	-
Disposal:							
cost	(8,427,543)	(315,147)	(729,126)	(1,336,276)	-	(10,808,092)	-
Accumulated depreciation	5,937,162	260,033	555,398	1,331,139	-	8,083,732	-
Depreciation/Amortization	(2,490,381)	(55,114)	(173,728)	(5,137)	-	(2,724,360)	-
Closing net book value	15,207,085	5,555,327	6,098,711	3,223,396	7,226,927	37,311,446	104,850

At 30 June 2016

Cost	25,986,076	13,690,309	14,656,628	26,886,584	33,455,680	114,675,277	9,415,748
Accumulated depreciation/Amortization	(8,406,008)	(8,094,455)	(8,557,917)	(23,460,485)	(26,228,753)	(74,747,618)	(9,310,898)
Accumulated impairment loss	(2,372,983)	(40,527)	-	(202,703)	-	(2,616,213)	-
Net book value	15,207,085	5,555,327	6,098,711	3,223,396	7,226,927	37,311,446	104,850

Depreciation rate per annum (%)

10%

10%

10%

33%

20%

33%



	2016 Rupees	2015 Rupees
<b>4 LONG TERM RECEIVABLES</b>		
<b>Considered good:</b>		
Common facility centre-computerized pattern designing	1,078,907	1,078,907
	<u>1,078,907</u>	<u>1,078,907</u>
<b>5 ADVANCES</b>		
Advances to Suppliers - considered doubtful	1,019,304	1,019,304
Provision for doubtful advances	(1,019,304)	(1,019,304)
Advances to employees - considered good		
-against expenses	207,162	211,678
-against salary	129,577	129,577
-against gratuity	12,218,054	10,014,519
	<u>12,554,793</u>	<u>10,355,774</u>
	<u>12,554,793</u>	<u>10,355,774</u>
<b>6 PREPAYMENTS</b>		
Prepaid rent	17,020,568	15,809,990
Prepaid Insurance	1,123,495	1,313,735
	<u>18,144,063</u>	<u>17,123,725</u>
<b>7 CASH AND BANK BALANCES</b>		
Cash in Hand	150,350	264,527
Cash at Bank:		
On saving accounts	65,571,188	19,352,085
On current accounts	27,128,623	31,598,424
	<u>92,699,811</u>	<u>50,950,509</u>
	<u>92,850,161</u>	<u>51,215,036</u>





## 9 PROVISION FOR STAFF GRATUITY

Balance as on 01 July	88,146,220	80,489,298
Provision for the year	19,677,117	14,834,385
Payment made during the year	(14,537,735)	(7,177,463)
Balance as on 30 June	<u>93,285,602</u>	<u>88,146,220</u>

## 10 ACCRUED AND OTHER LIABILITIES

Accrued liabilities	42,361,585	4,040,395
Security deposit	3,000,000	4,000,000
Others	214,294	31,824
	<u>45,575,879</u>	<u>8,072,219</u>

## 11 CONTINGENCIES AND COMMITMENTS

### 11.1 Contingencies

The landlord of the previous head office building filed a suit against SMEDA for the recovery of rent for vacant period and damages for an amount of Rupees 5,013,796. The case was decided exparte against Smeda through an order whereby bank account of SMEDA in Standard Chartered Bank (Pakistan) Limited, DHA, Lahore was attached. SMEDA filed an application before civil judge for setting aside the expatre decree. In pursuance to the application the civil judge passed an order for detachment of the above said bank account vide order dated 26 May 2009. According to the legal advisor, SMEDA has strong grounds for favourable decision and hence no provision for the said claim by the landlord has been made in the financial statements.

### 11.2 Commitments

There are no significant commitments as at reporting date.

## 12 GRANTS

Grant from Government of Pakistan	218,000,000	183,640,000
Amortization of deffered credits	7,052,953	7,133,300
	<u>225,052,953</u>	<u>190,773,300</u>

## 13 INCOME FROM SERVICES

Training programs and conferences	1,496,980	1,270,453
FATA Development Authority	1,200,000	3,600,000
	<u>2,696,980</u>	<u>4,870,453</u>



**14 OTHER INCOME**

Profit on bank deposits	816,988	883,135
Miscellaneous	148,850	9,500
	<u>965,838</u>	<u>892,635</u>

**15 AUDITORS' REMUNERATION**

Audit fee	125,000	170,000
Out of pocket expenses	12,500	16,500
	<u>137,500</u>	<u>186,500</u>

**16 MISCELLANEOUS**

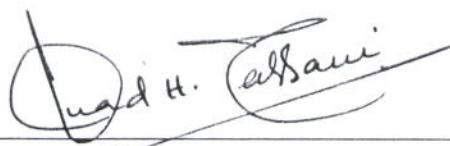
Security Services	1,615,087	1,318,080
Office Maintenance	4,483,397	3,296,097
Janatorial Services	553,350	390,014
Others	672,555	570,656
	<u>7,324,389</u>	<u>5,574,847</u>

**17 PROJECTS EXPENDITURE**

Early Recovery Project	2,687,094	589,056
Pukhtunkhwa Hunarmand Rozgar Scheme	763,207	1,929,732
	<u>3,450,301</u>	<u>2,518,788</u>

**18 DATE OF AUTHORIZATION**

These financial statements were authorized for issue on 14 SEP 1991 by the Board of Directors of SMEDA.

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Finance Manager

