

Independent Auditor's Report

To the Board of Directors of Small and Medium Enterprises Development Authority Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Small and Medium Enterprises Development Authority (the Authority), which comprise the statement of financial position as at June 30, 2019, and the statement of income and expenditure, the statement of comprehensive income, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, accompanying financial statements give a true and fair view of the financial position of the Authority as at June 30, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs).

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 Authority 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.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Director's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs) 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 Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Authority'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 Authority'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 Authority'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 Authority 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.

The engagement partner on the audit resulting in this independent auditor's report is Arqum Naveed.

Muniff Ziauddin & Co

Chartered Accountants

Lahore

Date: 15 FEB 2021

**SMALL AND MEDIUM ENTERPRISES
DEVELOPMENT AUTHORITY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
Non-current assets			
Property and equipment	5	24,215,886	27,872,344
Intangible assets	6	31,535	47,067
Long term receivable	7	1,078,907	1,078,907
Long term deposits	8	2,332,706	2,292,706
		<u>27,659,034</u>	<u>31,291,024</u>
Current assets			
Advances and prepayments	9	21,618,182	43,830,858
Other receivables	10	2,064,782	2,329,611
Cash and bank balances	11	126,983,002	63,344,900
		<u>150,665,966</u>	<u>109,505,369</u>
Total assets		<u>178,325,000</u>	<u>140,796,393</u>
FUND AND LIABILITIES			
Fund		(110,704,095)	(75,018,322)
Non-current liabilities			
Employee benefit obligations	12	158,832,872	137,429,412
Deferred credits	13	117,485,740	61,493,115
		<u>276,318,612</u>	<u>198,922,527</u>
Current liabilities			
Trade and other payables	14	12,710,483	16,892,188
Total liabilities		<u>289,029,095</u>	<u>215,814,715</u>
Contingencies and commitments	15	-	-
Total fund and liabilities		<u>178,325,000</u>	<u>140,796,393</u>

The annexed notes, from 1 to 29, form an integral part of these financial statements.


 Chief Executive Officer


 Finance Manager

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Income			
Grants	16	246,502,152	238,221,469
Income from services	17	2,575,676	4,230,361
Income from projects	18	18,208,921	2,409,511
Other income	19	2,013,357	1,149,571
		269,300,106	246,010,912
Expenditure			
Salaries, wages and other benefits - permanent staff		166,655,476	145,123,617
Salaries, wages and other benefits - contract staff		5,628,409	5,980,198
Travelling and vehicle running		33,822,363	29,608,759
Freight, postage and courier		927,838	979,400
Utilities		9,445,212	8,705,970
Rent, rates and taxes		25,893,311	23,521,665
Legal and professional charges		174,750	126,500
Auditor remuneration	20	151,250	151,250
Insurance		2,367,860	2,521,108
Printing and stationery		2,969,133	3,085,779
Books and periodicals		275,963	315,229
Advertisement		398,508	1,070,632
Training & conference		5,159,470	5,128,461
Entertainment		2,283,197	2,863,961
Repair and maintenance		3,892,661	4,109,677
Financial charges		13,560	37,327
Coal Briquetting plant - FATA development authority		-	447,705
Security services		2,045,627	2,556,065
Office cleaning & dusting charges		6,706,107	5,496,924
Provision for staff gratuity	12	24,084,560	25,798,590
Depreciation	5	3,656,459	4,346,158
Amortisation of intangible assets	6	15,532	23,183
Projects expenditures	21	7,747,167	2,525,975
Miscellaneous	22	671,466	1,490,453
		304,985,879	276,014,586
Deficit for the year		(35,685,773)	(30,003,674)

The annexed notes, from 1 to 29, form an integral part of these financial statements.


 Chief Executive Officer


 Finance Manager

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Deficit for the year		(35,685,773)	(30,003,674)
Other comprehensive income:			
Items that will not be subsequently reclassified to income and expenditure		-	-
Items that may be subsequently reclassified to income and expenditure		-	-
Total comprehensive loss for the year		(35,685,773)	(30,003,674)

The annexed notes, from 1 to 29, form an integral part of these financial statements.


Chief Executive Officer


Finance Manager

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the year		(35,685,773)	(30,003,674)
Adjustment for non-cash and other items:			
Grant income		(264,711,073)	(240,033,416)
Depreciation		3,656,459	4,346,158
Amortisation		15,532	23,183
Employee benefit obligation		24,084,560	25,798,590
Profit on bank deposits		(1,998,107)	(1,094,703)
Financial charges		13,560	37,327
		<u>(274,624,842)</u>	<u>(240,926,535)</u>
Changes in working capital:			
(Increase) in long term security deposits		(40,000)	(1,200,000)
Decrease / (increase) in advances and prepayments		22,212,676	(3,997,873)
Decrease in other receivables		264,829	6,256,710
(Decrease) in trade and other payables		(4,181,705)	(17,273,266)
Cash used in operations		<u>(256,369,042)</u>	<u>(257,140,964)</u>
Employee benefit obligation paid		(2,681,100)	(1,912,080)
Financial charges paid		(13,560)	(37,327)
Net cash used in operating activities		<u>(259,063,702)</u>	<u>(259,090,371)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		-	(411,900)
Profit received on bank deposits		3,603,848	1,981,062
Net cash generated from investing activities		<u>3,603,848</u>	<u>1,569,162</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Grant received		319,097,957	241,392,759
Net cash generated from financing activities		<u>319,097,957</u>	<u>241,392,759</u>
Net increase / (decrease) in cash and cash equivalents		63,638,102	(16,128,450)
Cash and cash equivalents at the beginning of the year		63,344,900	79,473,350
Cash and cash equivalents at the end of the year		<u>126,983,002</u>	<u>63,344,900</u>

The annexed notes, from 1 to 29, form an integral part of these financial statements.



 Chief Executive Officer


 Finance Manager

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Fund Rupees
Balance as on July 01, 2017	(45,014,648)
Deficit for the year	(30,003,674)
Balance as on June 30, 2018	<u>(75,018,322)</u>
Balance as on July 01, 2018	(75,018,322)
Deficit for the year	(35,685,773)
Balance as on June 30, 2019	<u>(110,704,095)</u>

The annexed notes, from 1 to 29, form an integral part of these financial statements.



Chief Executive Officer



Finance Manager

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Small and Medium Enterprises Development Authority (Authority) 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 August 12, 2002, an Ordinance, "the Small and Medium Enterprises Development Authority Ordinance, 2002" (Ordinance No. (XXXIX of 2002) was promulgated for the establishment of the Authority as a body corporate under the Federal Government for encouraging and facilitating the development and growth of small and medium enterprises in Pakistan.
- 1.2** The Authority is primarily working as an apex policy making body for the economic and commercial development of small and medium enterprises. The primary objective of the Authority is to provide fresh impetus to Pakistan's economy through the launch of aggressive Small and Medium Enterprises (SME) support programs. The head office of the Authority is situated at 4th floor, Building No. 01, Aiwan-e-Iqbal Complex, Egerton Road, Lahore.
- 1.3** The geographical location of the Authority's head office and regional offices is as under:

Head office

4th Floor, 3rd Building, Aiwan-e-Iqbal Complex, Egerton Road, Lahore.

Regional Offices

- Bungalow No. 15-A, Chaman Housing Scheme, Airport Road, Quetta.
- Ground Floor, State Life Building, The Mall, Peshawar.
- 3rd Floor, 3rd Building, Aiwan-e- Iqbal Complex, Egerton Road, Lahore.
- 5th Floor, Bahria Complex II, M.T Khan Road, Karachi.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. Accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standard for Small and Medium Sized Entities (IFRS for SMEs) issued by IASB.

3 BASIS OF MEASUREMENT

3.1 Basis of Preparation

These financial statements have been prepared under the historical cost convention, except for certain items as disclosed in relevant policy notes below.

3.2 Presentation and functional currency

Items included in these financial statements are measured using the currency of primary economic environment in which the Authority operates. These financial statements are presented in Pakistani Rupees (Rs. / Rupees) which is the Authority's functional and presentation currency.

3.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting 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

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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 regularly. Revision to accounting estimates are recognized in the period in which the estimates are revised if they 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 the Authority or where judgments were exercised in application of accounting policies are as follows:

- Useful life and residual values of property and equipment - Note 4.1 & 5
- Useful life and residual values of intangible assets - Note 4.2 & 6
- Estimation of provision - Note 4.3 & 9
- Estimation of contingent liabilities - Note 4.14 & 15
- Provision for taxation - Note 4.8 & 23
- Impairment - Note 4.10
- Employee benefit obligations - Note 4.7 & 12

4 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.

4.1 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 statement of income and expenditure 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 5. Depreciation on additions to property and equipment is charged from the month in which an asset is available for use while no depreciation is charged for the month in which an asset is 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 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 asset will flow to the Authority and cost can be measured reliably. All other repair and maintenance costs are charged to statement of income and expenditure 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

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

asset is charged to statement of income and expenditure.

4.2 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment loss, if any.

Intangible assets are amortised on a systematic basis over the estimated useful lives using reducing balance method at the rates specified in Note 6. Amortisation on additions to intangible asset is charged from the month in which an asset is put to use while no amortisation is charged for the month in which an asset is disposed off. Where an impairment loss is recognized, the amortisation 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 year end and adjusted prospectively, if impact on depreciation is significant.

4.3 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.

4.4 Trade and other payables

Liabilities for trade and other payables are initially recognized at fair value which is consideration to be paid for goods or services, whether billed to the Authority or not.

4.5 Government grants

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

Government grants received for purchase, construct or otherwise acquire long-term assets, are included in non-current liabilities as deferred credit to and credited to the statement of income and expenditure 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 statement of income and expenditure over the period necessary to match them with the expenses that they are intended to compensate.

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

4.6 Revenue

Revenue is recognized when the Authority has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Authority.

Revenue is measured at the fair value of the consideration received or receivable, exclusive of sales tax and trade discounts.

Income from services, Income from projects, seminar, training fee, reports and publications and consultants registration fee is recognized when the right to receive is established.

Return on bank deposit is recognized on time proportion basis using effective interest method.

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

4.7 Employee benefits obligation

The Authority operates an un-funded gratuity scheme for its employees who have 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 statement of income and expenditure.

4.8 Taxation

Income tax comprises of current and deferred tax. Income tax expense is recognised in the statement of income and expenditure except to the extent that it relates to items recognized in statement of comprehensive income or directly in equity (if any), in which case the tax amounts are recognized directly in statement of comprehensive income or equity.

4.8.1 Current tax

Current tax is the expected tax payable on the taxable income for the year, calculated using rates enacted or substantively enacted by the end of the reporting period. The calculation of current tax takes into account tax credit and tax rebates, if any, and is inclusive of any adjustment to income tax payable or recoverable in respect of previous years.

4.8.2 Deferred tax

A deferred tax liability is recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and the carry forward of unused tax losses.

4.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose statement of cash flow, cash and cash equivalents consist of cash in hand, balances with banks in current and deposit / saving accounts.

4.10 Impairment

4.10.1 Impairment of non-financial assets

At each reporting date, The entity determines whether there is any indication that the assets are impaired. If there is an indication of possible impairment, the recoverable amount of the asset is estimated and compared with its carrying amount.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. The impairment loss is recognised in the statement of income and expenditure, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The Authority recognises the reversal immediately in the statement of income and expenditure, unless the asset is carried at a revalued amount in accordance with the revaluation model. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

4.10.2 Impairment of financial assets

The financial assets other than those that are carried at fair value are assessed at each reporting date to determine whether there is any objective evidence of their impairment. A financial asset is impaired, if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

The impairment loss is recognized immediately in the statement of income and expenditure and the carrying amount of the related financial asset is reduced accordingly. An impairment loss is reversed only if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

4.11 Leases

At its inception, a lease is classified as either a finance lease or an operating lease. Finance leases transfer substantially all the risks and rewards of ownership. All other leases are classified as operating leases.

4.11.1 Finance leases

Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is apportioned between the liability and finance charges using the effective interest method. Rental obligations, net of finance charges, are included in borrowings in the statement of financial position.

4.11.2 Operating leases

Rentals payable under operating leases are charged to statement of income and expenditure on a straight-line basis over the term of the relevant lease. Minimum lease payments receivable under operating leases are recognised as revenue on a straight-line basis over the term of the lease.

4.12 Off-setting of financial assets and liabilities

Financial assets and financial liabilities are off-set and the net amount is reported in the statement of financial position, if the Authority has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4.13 Provisions

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that the Authority will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in the statement of income and expenditure.

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of income and expenditure unless the provision was originally recognised as part of cost of an asset.

4.14 Contingent liabilities

A contingent liability is disclosed when the Authority has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Authority; or the Authority has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.15 Related party transactions

Related party transaction is a transfer of resources, services or obligation between the Authority and a related party, regardless of whether a price is charged. Related parties includes directors and key management personnel and post employment benefit plans etc. The Authority carries out transaction with various related parties in the normal course of business and all the transactions with related parties are being carried out on arm's length terms, unless otherwise stated under relevant note.

**SMALL AND MEDIUM ENTERPRISES DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

5 PROPERTY AND EQUIPMENT

	Lease Improv
Cost	25,5
Accumulated depreciation	11,2
Accumulated impairment loss	2,3
Carrying amount as at June 30, 2018	12,3
Depreciation charge for the year	1,4
Carrying amount as at June 30, 2019	11,4
The carrying amount as at June 30, 2019 is aggregated	
Cost	25,
Accumulated depreciation	12,
Accumulated impairment loss	2,
Net book value	11,
Rate of depreciation	10

6 INTANGIBLE ASSETS

Computer software

Cost
Accumulated amortization
Carrying amount as at July 01, 2018

Amortisation charge for the year
Carrying amount as at June 30, 2019

Amortization rate per annum (%)

6.1 Computer software's relate to the accounting system i

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

5 PROPERTY AND EQUIPMENT

	Leasehold Improvement	Furniture and fixture	Office equipment	Computers	Vehicles	Total
Rupees						
Cost	25,986,076	13,690,309	12,345,450	27,298,484	33,455,680	112,775,999
Accumulated depreciation	11,295,355	9,149,967	7,684,156	25,327,517	28,830,446	82,287,442
Accumulated impairment loss	2,372,983	40,527	-	202,703	-	2,616,213
Carrying amount as at June 30, 2018	12,317,738	4,499,815	4,661,294	1,768,264	4,625,234	27,872,344
Depreciation charge for the year	1,231,774	449,981	466,129	583,527	925,047	3,656,459
Carrying amount as at June 30, 2019	11,085,964	4,049,833	4,195,164	1,184,737	3,700,187	24,215,886

The carrying amount as at June 30, 2019 is aggregate of:

Cost	25,986,076	13,690,309	12,345,450	27,298,484	33,455,680	112,775,999
Accumulated depreciation	12,527,129	9,599,949	8,150,286	25,911,044	29,755,493	85,943,900
Accumulated impairment loss	2,372,983	40,527	-	202,703	-	2,616,213
Net book value	11,085,964	4,049,833	4,195,164	1,184,737	3,700,187	24,215,886
Rate of depreciation	10%	10%	10%	33%	20%	

6 INTANGIBLE ASSETS

Computer software

Cost	9,415,748
Accumulated amortization	(9,368,682)
Carrying amount as at July 01, 2018	47,067
Amortisation charge for the year	(15,532)
Carrying amount as at June 30, 2019	31,535
Amortization rate per annum (%)	33%

6.1 Computer software's relate to the accounting system purchased in 2004.

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
7 LONG TERM RECEIVABLES			
Considered good:			
Common Facility Centre - computerized pattern designing		<u>1,078,907</u>	<u>1,078,907</u>
8 LONG TERM DEPOSITS			
Security deposit	8.1	<u>2,332,706</u>	<u>2,292,706</u>
8.1 This represents security deposits against properties obtained on lease and security deposit provided for Mineral Water Project.			
	Note	2019 Rupees	2018 Rupees
9 ADVANCES AND PREPAYMENTS			
Advances to suppliers - considered doubtful		1,019,304	1,019,304
Advances to employees - considered good			
- against expenses		<u>366,286</u>	<u>236,139</u>
- against gratuity		<u>11,053,640</u>	<u>26,719,280</u>
		<u>11,419,926</u>	<u>26,955,419</u>
Prepayments		<u>10,198,256</u>	<u>16,875,439</u>
		<u>22,637,486</u>	<u>44,850,162</u>
Provision for doubtful advances		<u>(1,019,304)</u>	<u>(1,019,304)</u>
		<u>21,618,182</u>	<u>43,830,858</u>
10 OTHER RECEIVABLES			
Other receivables		<u>2,064,782</u>	<u>2,329,611</u>
11 CASH AND BANK BALANCES			
Cash in hand		759,010	338,153
Cash at bank:			
- saving accounts		<u>28,023,711</u>	<u>34,498,935</u>
- current accounts		<u>98,200,281</u>	<u>28,507,812</u>
		<u>126,223,992</u>	<u>63,006,747</u>
		<u>126,983,002</u>	<u>63,344,900</u>
12 EMPLOYEE BENEFIT OBLIGATIONS			
Opening defined benefit obligation		137,429,412	113,542,902
Provision for the year		24,084,560	25,798,590
Benefits paid during the year		<u>(2,681,100)</u>	<u>(1,912,080)</u>
Closing defined benefit obligation		<u>158,832,872</u>	<u>137,429,412</u>
13 DEFERRED CREDITS			
Income based grants	13.1	61,142,115	4,763,679
Asset based grants	13.2	<u>56,343,625</u>	<u>56,729,436</u>
		<u>117,485,740</u>	<u>61,493,115</u>
13.1 Income based grant			
Mineral Transformation Plan Project		17,031,266	2,460,104
Investment Promotion Unit (IPU), Italia		2,263,835	2,303,575
1000 Industrial Stitching Units Project (ISU)		25,495,200	-
Product Development Center (PDC) for			
Composites based Sports Goods Project		<u>16,351,814</u>	<u>-</u>
		<u>61,142,115</u>	<u>4,763,679</u>

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

13.2 Asset based grants

	Grant for				Total
	Own Fixed assets	FERP Operating expenses	PHRS Operating expenses	LEDN Operating expenses	
	-----Rupees-----				
Balance as at June 30, 2017	20,362,274	25,216,999	1,407,127	11,334,110	58,320,511
Add:					
Profit on bank deposit	-	886,359	-	-	886,359
	20,362,274	26,103,358	1,407,127	11,334,110	59,206,870
Less:					
Amortisation for the year	(2,377,798)	-	(99,636)	-	(2,477,434)
Balance as at June 30, 2018	<u>17,984,476</u>	<u>26,103,358</u>	<u>1,307,491</u>	<u>11,334,110</u>	<u>56,729,436</u>
Add:					
Profit on bank deposit	-	1,605,741	-	-	1,605,741
	17,984,476	27,709,099	1,307,491	11,334,110	58,335,177
Less:					
Amortisation for the year	(1,991,552)	-	-	-	(1,991,552)
Balance as at June 30, 2019	<u>15,992,924</u>	<u>27,709,099</u>	<u>1,307,491</u>	<u>11,334,110</u>	<u>56,343,625</u>

13.2.1 The balance amount of Rs. 27,709,099 (2018: Rs. 26,103,358) 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.

13.2.2 The balance amount of Rs. 1,307,491 represents grant received by SMEDA from 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.

13.2.3 The balance amount of Rs. 11,334,110 represents grant for Livelihood and Enterprise Development Network-Pakistan (LEDN-PK) which has been established to develop capacities of the member organizations for livelihood, business development, disaster management, organizational development and other related avenues.

	Note	2019 Rupees	2018 Rupees
14 TRADE AND OTHER PAYABLES			
Creditors		828,123	1,448,121
Accrued liabilities		8,878,963	12,338,910
Security deposit		3,000,000	3,000,000
Other liabilities		3,397	105,157
		<u>12,710,483</u>	<u>16,892,188</u>

15 CONTINGENCIES AND COMMITMENTS

15.1 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 Rs. 5,013,796. The case was decided Ex-Parte 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 Ex-Parte 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 favorable decision and hence no provision for the said claim has been made in the financial statements.

15.2 Commitments

There are no known commitments as at reporting date (2018: None).

	Note	2019 Rupees	2018 Rupees
16 GRANTS			
Grant from Government of Pakistan		244,510,600	235,744,035
Amortisation of deferred credits		1,991,552	2,477,434
		<u>246,502,152</u>	<u>238,221,469</u>

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
17 INCOME FROM SERVICES			
Training programs and conferences		<u>2,575,676</u>	<u>4,230,361</u>
18 INCOME FROM PROJECTS			
1000 Industrial Stitching Units Project (ISU)		6,373,800	-
Product Development Center (PDC) for Composites based Sports Goods Project		4,087,954	-
Investment Promotion Unit (IPU), Italia		7,747,167	1,811,947
United National Development Programme - Youth Entrepreneurship Program (UNDP- YEP)		-	597,564
		<u>18,208,921</u>	<u>2,409,511</u>
19 OTHER INCOME			
Profit on bank deposits		1,998,107	1,094,703
Miscellaneous		15,250	54,868
		<u>2,013,357</u>	<u>1,149,571</u>
20 AUDITORS' REMUNERATION			
Audit fee		137,500	137,500
Out of pocket expenses		13,750	13,750
		<u>151,250</u>	<u>151,250</u>
21 PROJECTS EXPENDITURE			
Pakhtunkhwa Hunarmand Rozgar Scheme		-	99,636
IPU Project		7,747,167	1,811,947
UNDP - YEP		-	614,392
		<u>7,747,167</u>	<u>2,525,975</u>
22 MISCELLANEOUS			
Meeting expenses		-	323,688
Others		671,466	1,166,765
		<u>671,466</u>	<u>1,490,453</u>
23 TAXATION			
Provision for income tax is not made in the financial statements, as the Authority is being considered as an exempted Government organization under the Tax Free Number 9011808-1 issued by the Federal Board of Revenue.			

	Note	2019 Rupees	2018 Rupees
24 FINANCIAL INSTRUMENTS			
At amortized cost			
Financial assets			
Long term receivable		1,078,907	1,078,907
Long term deposits		2,332,706	2,292,706
Other receivables		2,064,782	2,329,611
Cash and bank balances		126,983,002	63,344,900
		<u>132,459,397</u>	<u>69,046,124</u>
Financial liabilities			
Trade and other payables		12,698,533	16,892,188
		<u>12,698,533</u>	<u>16,892,188</u>

25 RELATED PARTY TRANSACTIONS

Related parties comprise directors and key management personnel. Significant transactions with related parties during the year are as under:

Name of the related party	Relationship and percentage shareholding	Transactions during the year and year end balances	2019 Rupees	2018 Rupees
Key management personnel	Employee	Remuneration	26,332,882	17,280,340

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

26 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary. No significant reclassifications has been made during the year.

27 IMPACT OF COVID-19 (CORONA VIRUS)

Subsequent to year end, the novel coronavirus (COVID 19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". The COVID-19 pandemic has significantly impacted the market around the world to date and may continue to do so in the coming years. The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the Authority based on its current assessment considered that there has been no significant impact that will adversely affect its business, result of operations and financial condition of the Authority.

28 GENERAL

Figures have been rounded off to the nearest rupee, unless otherwise stated.

29 DATE OF AUTHORIZATION

These financial statements were authorized for issue on February 15, 2022 by the Board of Directors of SMEDA.



Chief Executive Officer



Finance Manager