

**SMALL AND MEDIUM ENTERPRISES  
DEVELOPMENT AUTHORITY  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

## **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, 2020, 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, 2020, 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

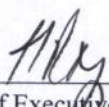
Date:

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**SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	20,791,482	24,215,886
Intangible assets	6	21,128	31,535
Long term receivable	7	-	1,078,907
Long term deposits	8	2,332,706	2,332,706
		<u>23,145,316</u>	<u>27,659,034</u>
<b>Current assets</b>			
Advances and prepayments	9	13,745,966	21,618,182
Other receivables	10	156,355	2,064,782
Cash and bank balances	11	89,317,497	126,983,002
		<u>103,219,818</u>	<u>150,665,966</u>
<b>Total assets</b>		<u><u>126,365,134</u></u>	<u><u>178,325,000</u></u>
<b>FUND AND LIABILITIES</b>			
Fund		(139,833,520)	(110,704,095)
<b>Non-current liabilities</b>			
Employee benefit obligations	12	181,709,652	158,832,872
Deferred credits	13	75,801,405	117,485,740
		<u>257,511,057</u>	<u>276,318,612</u>
<b>Current liabilities</b>			
Trade and other payables	14	8,687,597	12,710,483
<b>Total liabilities</b>		<u>266,198,654</u>	<u>289,029,095</u>
<b>Contingencies and commitments</b>	15	-	-
<b>Total fund and liabilities</b>		<u><u>126,365,134</u></u>	<u><u>178,325,000</u></u>

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

  
 Chief Executive Officer

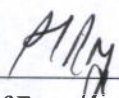
  
 Finance Manager



**SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY**  
**STATEMENT OF INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
<b>Income</b>			
Grants	16	254,919,954	246,502,152
Income from services	17	3,774,150	2,575,676
Income from projects	18	42,636,968	18,208,921
Other income	19	9,335,224	2,013,357
		<b>310,666,296</b>	<b>269,300,106</b>
<b>Expenditure</b>			
Salaries, wages and other benefits - permanent staff		174,555,836	166,655,476
Salaries, wages and other benefits - contract staff		4,723,453	5,628,409
Travelling and vehicle running		33,975,728	33,822,363
Freight, postage and courier		700,928	927,838
Utilities		10,351,085	9,445,212
Rent, rates and taxes		28,816,429	25,893,311
Legal and professional charges		40,000	174,750
Auditor remuneration	20	151,250	151,250
Insurance		2,293,602	2,367,860
Printing and stationery		2,142,533	2,969,133
Books and periodicals		393,567	275,963
Advertisement		443,031	398,508
Training & conference		3,104,545	5,159,470
Entertainment		793,143	2,283,197
Repair and maintenance		3,322,443	3,892,661
Financial charges		13,748	13,560
Security services		1,897,270	2,045,627
Office cleaning & dusting charges		6,735,305	6,706,107
Provision for staff gratuity	12	28,337,850	24,084,560
Depreciation	5	3,034,084	3,656,459
Amortisation of intangible assets	6	10,407	10,407
Projects expenditures	21	32,175,214	7,747,167
Miscellaneous	22	1,784,271	671,466
		<b>339,795,721</b>	<b>304,980,753</b>
<b>Deficit for the year</b>		<b>(29,129,425)</b>	<b>(35,680,648)</b>

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, 2020**

	Note	2020 Rupees	2019 Rupees
Deficit for the year		(29,129,425)	(35,680,648)
Other comprehensive income/(loss) :			
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		(29,129,425)	(35,680,648)

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, 2020**

	Note	2020 Rupees	2019 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Deficit for the year		(29,129,425)	(35,680,648)
<b>Adjustment for non-cash and other items:</b>			
Grant income		(297,556,922)	(264,711,073)
Depreciation		3,034,084	3,656,459
Amortisation		10,407	10,407
Employee benefit obligation		28,337,850	24,084,560
Profit on bank deposits		(6,010,239)	(1,998,107)
(Gain) on disposal of property and equipment		(3,195,780)	-
Financial charges		13,748	13,560
		<u>(304,496,278)</u>	<u>(274,624,842)</u>
<b>Changes in working capital:</b>			
(Increase) in long term security deposits		-	(40,000)
Decrease in advances and prepayments		7,872,216	22,212,676
Decrease in other receivables		1,908,427	264,829
Decrease in long term receivables		1,078,907	-
(Decrease) in trade and other payables		(4,022,886)	(4,181,705)
<b>Cash used in operations</b>		<u>(297,659,614)</u>	<u>(256,369,042)</u>
Employee benefit obligation paid		(5,461,070)	(2,681,100)
Financial charges paid		(13,748)	(13,560)
<b>Net cash used in operating activities</b>		<u>(303,134,432)</u>	<u>(259,063,702)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for acquisition of property and equipment		(5,000)	-
Profit received on bank deposits		8,654,557	3,603,848
Sale proceeds from disposal of property and equipment		3,591,100	-
<b>Net cash generated from investing activities</b>		<u>12,240,657</u>	<u>3,603,848</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Grant received		253,228,268	319,097,957
<b>Net cash generated from financing activities</b>		<u>253,228,268</u>	<u>319,097,957</u>
Net (decrease) / increase in cash and cash equivalents		(37,665,505)	63,638,102
Cash and cash equivalents at the beginning of the year		126,983,002	63,344,900
<b>Cash and cash equivalents at the end of the year</b>		<u>89,317,497</u>	<u>126,983,002</u>

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

  
Chief Executive Officer

  
Finance Manager

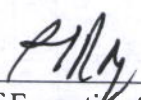


**SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY**  
**STATEMENT OF CHANGES IN FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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	<b>Fund Rupees</b>
<b>Balance as on July 01, 2018</b>	(75,018,322)
Deficit for the year	(35,685,773)
<b>Balance as on June 30, 2019</b>	<u>(110,704,095)</u>
<b>Balance as on July 01, 2019</b>	(110,704,095)
Deficit for the year	(29,129,425)
<b>Balance as on June 30, 2020</b>	<u>(139,833,520)</u>

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

  
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Chief Executive Officer

  
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Finance Manager

**SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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**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 an autonomous body 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. 03, 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, 2020**

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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
- Employee benefit obligations - Note 4.7 & 12
- Provision for taxation - Note 4.8 & 23
- Impairment - Note 4.10
- Leases - Note 4.11
- Estimation of provision - Note 4.13 & 9
- Estimation of contingent liabilities - Note 4.14 & 15

**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 as disclosed 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

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, 2020**

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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 as disclosed 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 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, 2020**

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**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 statement of changes in 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, 2020**

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**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 liabilities 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, 2020**

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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 AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
<b>7 LONG TERM RECEIVABLES</b>			
<b>Considered good:</b>			
Common Facility Centre - computerized pattern designing		-	1,078,907
<b>8 LONG TERM DEPOSITS</b>			
Security deposit	8.1	2,332,706	2,332,706
8.1 This represents security deposits against properties obtained on lease and security deposit provided for Mineral Water Project.			
<b>9 ADVANCES AND PREPAYMENTS</b>	Note	2020 Rupees	2019 Rupees
Advances to suppliers - considered doubtful		1,019,304	1,019,304
Advances to employees - considered good			
- against expenses		792,281	366,286
- against gratuity		7,818,623	11,053,640
		8,610,904	11,419,926
Prepayments		5,135,062	10,198,256
		14,765,270	22,637,486
Provision for doubtful advances		(1,019,304)	(1,019,304)
		13,745,966	21,618,182
<b>10 OTHER RECEIVABLES</b>		156,355	2,064,782
<b>11 CASH AND BANK BALANCES</b>			
Cash in hand		370,292	759,010
Cash at bank:			
- saving accounts		56,422,509	28,023,711
- current accounts		32,524,696	98,200,281
		88,947,205	126,223,992
		89,317,497	126,983,002
<b>12 EMPLOYEE BENEFIT OBLIGATIONS</b>			
Opening defined benefit obligation		158,832,872	137,429,412
Provision for the year		28,337,850	24,084,560
Benefits paid during the year		(5,461,070)	(2,681,100)
Closing defined benefit obligation		181,709,652	158,832,872
<b>13 DEFERRED CREDITS</b>			
Income based grants	13.1	18,505,148	61,142,115
Asset based grants	13.2	57,296,257	56,343,625
		75,801,405	117,485,740
<b>13.1 Income based grant</b>			
Mineral Transformation Plan Project		7,603,763	17,031,266
Investment Promotion Unit (IPU), Italia		2,133,396	2,263,835
1000 Industrial Stitching Units Project (ISU)		4,395,960	25,495,200
Product Development Center (PDC) for			
Composites based Sports Goods Project		4,372,029	16,351,814
		18,505,148	61,142,115

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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, 2018	17,984,476	26,103,358	1,307,491	11,334,110	56,729,436
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	15,992,924	27,709,099	1,307,491	11,334,110	56,343,625
Add:					
Profit on bank deposit	-	2,644,318	-	-	2,644,318
	15,992,924	30,353,417	1,307,491	11,334,110	58,987,943
Less:					
Amortisation for the year	(1,691,686)	-	-	-	(1,691,686)
Balance as at June 30, 2020	14,301,238	30,353,417	1,307,491	11,334,110	57,296,257

13.2.1 The balance amount of Rs. 30,353,417 (2019: Rs. 27,709,099) 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	2020 Rupees	2019 Rupees
<b>14 TRADE AND OTHER PAYABLES</b>			
Creditors		1,360,224	828,123
Accrued liabilities		3,390,020	8,878,963
Security deposit		-	3,000,000
Other liabilities		3,937,353	3,397
		<u>8,687,597</u>	<u>12,710,483</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 (2019: None).

	Note	2020 Rupees	2019 Rupees
<b>16 GRANTS</b>			
Grant from Government of Pakistan		253,228,268	244,510,600
Amortisation of deferred credits		1,691,686	1,991,552
		<u>254,919,954</u>	<u>246,502,152</u>



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	Note	2020 Rupees	2019 Rupees
<b>17 INCOME FROM SERVICES</b>			
Training programs and conferences		<u>3,774,150</u>	<u>2,575,676</u>
<b>18 INCOME FROM PROJECTS</b>			
1000 Industrial Stitching Units Project (ISU)		6,373,800	6,373,800
Product Development Center (PDC) for Composites based Sports Goods Project		4,087,954	4,087,954
Investment Promotion Unit (IPU), Italia		32,175,214	7,747,167
United National Development Programme - Youth Entrepreneurship Program (UNDP-YEP)		-	-
		<u>42,636,968</u>	<u>18,208,921</u>
<b>19 OTHER INCOME</b>			
Profit on bank deposits		6,010,239	1,998,107
Profit on sale of assets		3,195,783	-
Miscellaneous		129,202	15,250
		<u>9,335,224</u>	<u>2,013,357</u>
<b>20 AUDITORS' REMUNERATION</b>			
Audit fee		137,500	137,500
Out of pocket expenses		13,750	13,750
		<u>151,250</u>	<u>151,250</u>
<b>21 PROJECTS EXPENDITURES</b>			
1000 Industrial Stitching Units Project (ISU)		14,725,440	-
Investment Promotion Unit (IPU), Italia		9,557,942	7,747,167
Product Development Center (PDC) for Composites based Sports Goods Project		7,891,832	-
		<u>32,175,214</u>	<u>7,747,167</u>
<b>22 MISCELLANEOUS</b>			
Others		1,784,271	671,466
		<u>1,784,271</u>	<u>671,466</u>
<b>23 TAXATION</b>			
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.			
<b>24 FINANCIAL INSTRUMENTS</b>	Note	2020 Rupees	2019 Rupees
<b>At amortized cost</b>			
<b>Financial assets</b>			
Long term receivable		-	1,078,907
Long term deposits		2,332,706	2,332,706
Other receivables		156,355	2,064,782
Cash and bank balances		<u>89,317,497</u>	<u>126,983,002</u>
		<u>91,806,558</u>	<u>132,459,397</u>
<b>Financial liabilities</b>			
Trade and other payables		<u>8,687,597</u>	<u>12,710,483</u>
<b>25 RELATED PARTY TRANSACTIONS</b>			
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	2020 Rupees	2019 Rupees
Key management personnel	Employee	Remuneration	23,530,047	26,332,882



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**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)**

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 23, 2020, the Government of the Punjab announced a temporary lock down as a measure to reduce the spread of the COVID-19. After the ease of lock down, the Authority has resumed its operations and has implemented all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees. Due to the disruption in operating activities of the Authority caused by the pandemic, the management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:

- the impairment of tangible assets ; and
- going concern assumption used for the preparation of these financial statements.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements.

**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 26 May 2022 by the Board of Directors of SMEDA.

  
Chief Executive Officer

  
Finance Manager

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**5 PROPERTY AND EQUIPMENT**

	Leasehold Improvement	Furniture and fixture	Office equipment	Computers	Vehicles	Total
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
<b>Carrying amount as at June 30, 2019</b>	<b>11,085,964</b>	<b>4,049,833</b>	<b>4,195,164</b>	<b>1,184,737</b>	<b>3,700,187</b>	<b>24,215,886</b>
Additions	-	-	5,000	-	-	5,000
Disposals - carrying amount	-	162,535	35,283	5,400	192,102	395,320
Depreciation charge for the year	1,108,596	400,590	418,938	390,371	715,588	3,034,084
<b>Carrying amount as at June 30, 2020</b>	<b>9,977,368</b>	<b>3,486,708</b>	<b>3,745,943</b>	<b>788,966</b>	<b>2,792,497</b>	<b>20,791,482</b>

The carrying amount as at June 30, 2020 is aggregate of:

Cost	25,986,076	13,527,774	12,315,167	27,293,084	33,263,578	112,385,679
Accumulated depreciation	13,635,725	10,000,539	8,569,224	26,301,415	30,471,081	88,977,984
Accumulated impairment loss	2,372,983	40,527	-	202,703	-	2,616,213
Net book value	9,977,368	3,486,708	3,745,943	788,966	2,792,497	20,791,482
Rate of depreciation	10%	10%	10%	33%	20%	

**6 INTANGIBLE ASSETS**

**Computer software**

Cost	9,415,748
Accumulated amortization	(9,384,213)
Carrying amount as at June 30, 2019	31,535
Amortisation charge for the year	(10,407)
Carrying amount as at June 30, 2020	21,128
Amortization rate per annum (%)	33%

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