

# *Audit Report*



A.F.FERGUSON &amp; Co.

# *Independent Auditor's Report*

## *To the members of The Indus Hospital Report on the Audit of the Financial Statements Opinion*

We have audited the annexed financial statements of The Indus Hospital (the Hospital), which comprise the statement of financial position as at June 30, 2020, and the statement of income and expenditure and other comprehensive income, the statement of changes in fund balance, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of income and expenditure and other comprehensive income, the statement of changes in fund balance and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Hospital's affairs as at June 30, 2020 and of the deficit and other comprehensive income, the changes in fund balance, and its cash flows for the year then ended.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Hospital 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 Directors' 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 the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of the 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 Hospital'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 Hospital or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Hospital'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 Hospital'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 Hospital'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 Hospital to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

### *Report on Other Legal and Regulatory Requirements*

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

- Proper books of account have been kept by the Hospital as required by the Companies Act, 2017 (XIX of 2017);
- The statement of financial position, the statement of income and expenditure and other comprehensive income, the statement of changes in fund balance and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Hospital's business; and
- No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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



**Chartered Accountants  
Karachi**

## Statement of Financial Position

as at June 30, 2020

<b>ASSETS</b>	<b>NOTE</b>	<b>2020</b>	<b>2019</b>
		----- RUPEES -----	
<b>Non-Current Assets</b>			
Property, plant and equipment	4	12,150,222,401	10,392,556,596
Right-of-use assets	5	179,350,930	-
Intangible assets	6	9,201,875	9,421,924
Long term deposits	7	6,600,000	6,600,000
		12,345,375,206	10,408,578,520
<b>Current Assets</b>			
Inventories	8	1,157,090,509	635,601,160
Advances, deposits, prepayments and other receivables	9	1,153,301,884	299,066,291
Short term investments	10	407,424,864	522,159,416
Cash and bank balances	11	3,227,094,533	2,451,935,789
		5,944,911,790	3,908,762,656
<b>TOTAL ASSETS</b>		18,290,286,996	14,317,341,176

FUND	NOTE	2020	2019
		RUPEES	
Accumulated fund		813,462,489	871,766,012
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Lease liabilities	12	181,682,887	-
Deferred capital grant	13	11,814,308,424	9,574,096,060
		11,995,991,311	9,574,096,060
<b>Current Liabilities</b>			
Deferred income	14	4,233,027,924	2,699,295,143
Current portion of lease liabilities	12	3,958,495	-
Trade and other payables	15	1,243,846,777	1,172,183,961
		5,480,833,196	3,871,479,104
<b>CONTINGENCIES AND COMMITMENTS</b>	16		
<b>TOTAL FUND AND LIABILITIES</b>		<b>18,290,286,996</b>	<b>14,317,341,176</b>

The annexed notes 1 to 31 form an integral part of these financial statements.



Chief Executive Officer



Director

## Statement of Income and Expenditure and other Comprehensive Income for the Year Ended June 30, 202

INCOME	NOTE	2020	2019
		RUPEES	
Value of services rendered to patients financed through:			
• Zakat		2,909,724,985	2,965,598,819
• Donations		2,303,449,652	1,214,629,757
• Deferred capital grant		163,497,673	132,148,003
Grant-Funded Research and Development Projects (GFRDP) including deferred capital grant		2,522,955,225	2,114,744,045
Proceeds from academic activities		7,899,627,535	6,427,120,624
		62,522,552	52,452,889
		7,962,150,087	6,479,573,513
Other income	17	72,818,611	84,381,364
		8,034,968,698	6,563,954,877
<b>EXPENDITURE</b>			
Salaries, wages and other benefits		2,848,611,352	2,588,081,768
Medicines and other supplies consumed	18	1,696,740,146	1,262,098,924
Depreciation	4.1.2	333,489,139	280,445,042
Depreciation on right of use assets		24,333,839	-
Utilities		245,229,302	190,487,219
Marketing and advertisement		105,307,894	113,992,818
Repairs and maintenance		69,309,092	73,466,864
Outsourced - Medical facilities and diagnostics charges		65,896,971	67,912,370
Rent expense		-	33,608,991
Expense relating to short-term leases		121,984	-
Printing, stationery and courier		24,865,078	26,374,711
Security services		21,530,836	23,942,538
Travelling and transportation		18,152,146	19,738,793
Training and development		7,296,913	15,646,681
License fee		17,996,417	14,690,014



EXPENDITURE	NOTE	2020	2019
		RUPEES	
Fuel		14,376,456	14,258,993
Communication charges		16,106,703	11,516,817
Technical and professional services		9,989,156	10,808,170
Other expenses		9,505,118	9,257,248
Return on lease liabilities		26,198,236	-
Loss on disposal/write-off of property, plant and equipment	4.1.1	897,182	9,819,680
Insurance/takaful		9,073,216	6,586,232
Amortization	6.2	3,675,318	3,371,192
Inventories written-off	8.1	910,819	1,279,850
Auditor's remuneration	19	703,683	594,435
Research and publications		-	303,005
<b>Expenditure on account of GFRDP</b>	20	2,522,955,225	2,114,744,045
		8,093,272,221	6,893,026,400
Deficit for the year		(58,303,523)	(329,071,523)
Other comprehensive income		-	-
Total comprehensive loss		(58,303,523)	(329,071,523)

The annexed notes 1 to 31 form an integral part of these financial statements.



**Chief Executive Officer**

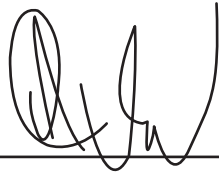


**Director**

## Statement of Changes in Fund Balance for the Year Ended June 30, 2020

	NOTE	2020 ----- RUPEES -----	2019
<b>Balance at beginning of the year</b>		871,766,012	1,200,837,535
Deficit for the year		(58,303,523)	(329,071,523)
Other comprehensive income		-	-
Total comprehensive loss		(58,303,523)	(329,071,523)
<b>Balance at end of the year</b>		<u>813,462,489</u>	<u>871,766,012</u>

The annexed notes 1 to 31 form an integral part of these financial statements.



**Chief Executive Officer**



**Director**

## Statement of Cash Flows


for the Year Ended June 30, 2020

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>NOTE</b>	<b>2020</b>	<b>RUPEES</b>	<b>2019</b>
Deficit for the year		(58,303,523)		(329,071,523)
Adjustments for non-cash expenses and other items:				
Depreciation		611,480,321		557,288,414
Depreciation on right of use assets		24,333,839		-
Expenses pertaining to short term lease		121,984		-
Amortization		3,722,328		3,371,192
Inventories written-off		910,819		1,279,850
Property, plant and equipment written-off		-		950,065
Loss on disposal of property, plant and equipment		897,182		8,869,615
Value of services rendered to patients through donations and zakat		(5,213,174,637)		(4,180,228,576)
Value of services rendered to patients through deferred capital grant		(163,497,673)		(132,148,003)
Return on lease liabilities		26,198,236		-
Income from Grant-Funded Research and Development Projects (GFRDP)		(2,522,955,225)		(2,114,744,045)
		(7,231,962,826)		(5,855,361,488)
<b>Working capital changes</b>				
(Increase)/decrease in current assets:				
Inventories		232,783,405		(98,588,478)
Advances, deposits, prepayments and other receivables		(854,235,593)		253,615,294
		(621,452,188)		155,026,816
(Decrease)/Increase in current liabilities:				
Trade and other payables		71,662,816		(1,370,983,289)
		(549,789,372)		(1,215,956,473)

NOTE	2020	2019
	RUPEES	
Donations received during the year	2,444,036,035	1,843,682,654
Donations paid during the year	(10,493,584)	(5,743,500)
Long term deposits and prepayments - net	-	11,444,248
Payments made in respect of short term lease	(121,984)	-
Zakat received during the year	2,904,322,046	2,193,930,451
Contribution received on account of GFRDP	2,691,876,040	1,503,662,172
Total comprehensive loss	8,029,618,553	5,546,976,025
<b>Net cash generated from/(used in) operating activities</b>	<b>189,562,832</b>	<b>(1,853,413,459)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(1,875,691,887)	(1,606,862,249)
Proceeds received from disposal of property, plant and equipment	1,140,886	2,877,781
Purchase of intangible assets	(3,502,279)	(10,309,761)
Investment (made) / disposed during the year - net	(60,265,448)	(40,561,000)
Profit received on short term investments and saving accounts	251,912,706	215,247,231
<b>Net cash used in investing activities</b>	<b>(1,686,406,022)</b>	<b>(1,439,607,998)</b>

<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>NOTE</b>	<b>2020</b>	<b>2019</b>
		<b>RUPEES</b>	
Contribution for capital expenditure		2,123,868,169	1,070,409,737
Lease payments		(667,999)	-
Return paid on lease liabilities		(26,198,236)	-
		<u>2,097,001,934</u>	<u>1,070,409,737</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>600,158,744</b>	<b>(2,222,611,720)</b>
Cash and cash equivalents at beginning of the year		2,626,935,789	4,849,547,509
Cash and cash equivalents at beginning of the year	22	<u><u>3,227,094,533</u></u>	<u><u>2,626,935,789</u></u>

The annexed notes 1 to 31 form an integral part of these financial statements.



**Chief Executive Officer**



**Director**

## Notes to the Financial Statements

### *for the Year Ended June 30, 2020*

#### 1. LEGAL STATUS AND OPERATIONS

**1.1** The Indus Hospital (the Hospital) is a not for profit organization incorporated in Pakistan on June 23, 2008 as a company limited by guarantee, not having share capital, under section 42 of the repealed Companies Ordinance, 1984 which has now been replaced with Companies Act, 2017. The registered office of the Hospital is situated at Plot C-76, Sector 31/5, Opposite Darussalam Society, Korangi Crossing, Karachi. The principal objective of the Hospital is to provide medical, housing, educational and other facilities to under privileged people free of cost and to apply its funds to achieve its objectives through the following fully operational units/locations:

- i) Indus Hospital Korangi Campus, Karachi, Sindh;
- ii) Indus Dialysis Centre and Family Medicine Clinics, PIB Colony, Karachi, Sindh;
- iii) Sheikh Saeed Memorial Maternity Hospital, Korangi, Karachi, Sindh; and
- iv) Indus Hospital Al Ghazi Campus, Tehsil Bhong Sadiqabad.

The Hospital in collaboration with Qarshi Foundation Trust (QFT) and Naimat Saleem Trust (NST) has undertaken to build a hospital in Block-B Jubilee Town Scheme, Lahore named The Indus Hospital Punjab - Lahore Campus. NST had transferred the ownership of plots (measuring 25 Kanal-11 Marla-110 Square Feet) having fair market value of Rs. 1,024,000,000 via lease deed for 99 years commencing from May 1, 2017 exclusively for construction of the aforementioned hospital.

A branch office "The Indus Hospital - UAE Branch" (the Branch) was established in the International Humanitarian City, Dubai, United Arab Emirates. The registered office of the Branch is situated at office no. 330, 3rd Floor, Building no. 1, International Humanitarian City Dubai, United Arab Emirates. The objective of the Branch is to develop and provide humanitarian services comprising health care awareness and provide therapeutic appliances and equipment. The Branch also collects funds for helping the Hospital to achieve its objective.

The Hospital entered into an agreement with Islamic Mission Hospital Trust (IMHT) in 2014, whereby IMHT agreed to hand over complete management and control of School of Nursing (SON) to the Hospital. As per the terms of the agreement, IMHT had transferred all the assets and liabilities of the Trust and the school to the Hospital and the Board of the Hospital had

undertaken to take over the assets and liabilities with effect from June 30, 2017. The Hospital derives fee income from the operations of SON.

In addition to above the Hospital has taken over management and operations of other hospitals/medical facilities as more fully explained in note 1.2.

## **1.2 Hospital/facility management services**

The Hospital entered into various agreements with Recep Tayyip Erdogan Hospital Trust (RTEHT), Government of Sindh, other corporate entities and non-profit organizations to manage the operations of different hospitals and medical facilities. The agreements for the management of the hospitals and medical facilities is generally for the term of 5 to 30 years. As per the terms of the agreements the Hospital shall be responsible for the entire operation and management of the said managed hospitals and facilities to provide free of cost services to the patients, for no remuneration, with funding from the respective parties. Accordingly, these hospitals/medical facilities are not considered as business units of the Hospital.

## **1.3 Impact of COVID-19 on the financial statements**

During the year, the World Health Organization declared COVID-19 a pandemic. To reduce the impact on businesses and economies in general, regulators/governments across the globe introduced a host of measures on both the fiscal and economic fronts.

The hospital was on the front line in managing and treating COVID-19 patients. While COVID-19 did affect patient volumes and operations of the Hospital during the last three months of the financial year however it has not significantly impacted Hospital's overall financial position and performance as a result of COVID-19 testing/treatments.

## **2. 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 the years presented, unless otherwise stated.

### **2.1 Basis of preparation**

#### **2.1.1 Statement of compliance**

These financial statements have been prepared under the historical cost convention, except for remeasurement of certain financial assets and financial liabilities at fair value or amortized cost.

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.1.3** These financial statements are presented in Pakistan Rupees, which is Hospital's functional currency.

**2.1.4 Initial application of standard, amendments to approved accounting and reporting standards and interpretations**

**a) Standards, amendments to approved accounting and reporting standards and interpretations that are effective for the Hospital's accounting periods beginning on or after July 1, 2019**

The Hospital has adopted the following accounting standard which became effective for the current year:

- **IFRS 16 'Leases'**

IFRS 16, 'Leases' replaces the existing guidance on accounting for leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentive" and SIC-27 "Evaluating the Substance of Transactions involving the Legal Form of a Lease". IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the previous standard i.e. lessors continue to classify leases as finance or operating leases.

The hospital adopted IFRS 16 'Leases' with effect from July 1, 2019 using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application with no restatement of comparative information. From July 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Hospital. On adoption of IFRS 16, the Hospital recognised lease liabilities which had previously



been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Hospital's incremental borrowing rate as of July 1, 2019. The Hospital's estimated incremental borrowing rate applied to the lease liabilities on July 1, 2019 is 14.84%.

The following summary reconciles the Hospital's operating lease commitments at June 30, 2019 to the lease liabilities recognised on initial application of IFRS 16 at July 1, 2019:

	----- RUPEES -----
<b>Operating leases as at June 30, 2019</b>	72,363,143
Discounted using the lessee's incremental borrowing rate at the date of initial application	(24,010,476)
Adjustment as a result of a different treatment of extension and termination options	137,956,714
Lease liabilities recognised as at July 1, 2019	<u>186,309,381</u>
<b>Of which are:</b>	
Current lease liabilities	675,705
Non-current liabilities	185,633,676
	<u>186,309,381</u>

The associated right-of use assets were measured in the statement of financial position as at July 1, 2019 at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to leases recognised in the statement of financial position as at June 30, 2019.

The charge in accounting policy affected the following items in the statement of financial position on July 1, 2019;

- right-of-use assets increased by Rs. 203,664, 769;
- prepayments decreased by Rs. 17,375,388; and
- lease liabilities increased by Rs. 186,309,381

**Amounts recognised in the statement of income and expenditure and other comprehensive income relating to leases**

	<b>June 30, 2020</b> ----- <b>RUPEES</b> -----
Depreciation charge of right-of-use assets include in expenditure	24,333,839
Return on lease liabilities included in finance cost	26,198,236
	<u>50,532,075</u>

The total cash outflow for leases during the year ended June 30, 2020 amounted to Rs. 26,866,235.

#### **Practical expedients applied**

In applying IFRS 16 for the first time, the Hospital has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with responsibly similar characteristics;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- The exclusion of operating leases with a remaining lease term of less than 12 months as at July 1, 2019; and
- The exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

There are other amendments and interpretations to published accounting and reporting standards that are applicable for the financial year beginning on July 1, 2019 but are considered not to be relevant or do not have any significant effect on the Hospital's financial reporting and operations and, therefore, have not been disclosed in these financial statements.

- **Standards, amendments to approved accounting and reporting standards as applicable in Pakistan that are not yet effective and have not been early adopted by the Hospital**

There are number of other standards, amendments, and interpretations to accounting and reporting standards as applicable in Pakistan that are not yet effective and are not considered relevant or to have a significant effect on the Hospital's financial reporting and operations and therefore have not been presented here.

## 2.2 Operating assets

These are stated at historical cost less accumulated depreciation and accumulated impairment, if any.

Depreciation on operating assets is charged to statement of income and expenditure and other comprehensive income using the straight-line method at the rates stated in note 4.1. Depreciation on additions is charged from the month in which the asset is put to use and no depreciation is charged in the month of disposal.

Assets received as donation in kind are initially recognized at fair value and subsequently carried at valuation less accumulated depreciation and accumulated impairment, if any.

Assets residual values and useful lives are reviewed, and adjusted, if appropriate at each reporting date.

The carrying values of operating assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of operating assets is the greater of fair value less cost of disposal and value in use.

Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Hospital and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to statement of income and expenditure and other comprehensive income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Disposal of asset is recognized when significant risks and rewards incidental to ownership have been transferred to the buyer. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in the period of disposal or retirement.

### **2.3 Capital work-in-progress**

Capital work-in-progress is stated at cost less impairment, if any. Capital work-in-progress consists of expenditure incurred and advances made in respect of tangible and intangible assets. Transfers are made to relevant operating asset category as and when assets are available for use.

### **2.4 Lease liability and right-of-use assets**

At inception of a contract, the Hospital assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of and identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise and extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Hospital's incremental borrowing rate.

Lease payments include fixed payments less any lease incentives received, variable lease payments that are based on an index or a rate which are initially measured using the index or a rate as at the commencement date, amounts expected to be payable by the Hospital under residual value guarantees, the exercise price of a purchase option, if any, and if the Hospital is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Hospital's estimate of the amount expected to be payable under a residual value guarantee, or if the Hospital changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-to-use asset, and is recorded in the statement of income and expenditure and other comprehensive income if the carrying amount of right-to-use asset has been reduced to zero.

A change in scope of a lease, or the consideration for the lease, that was not part of the original terms and conditions of the lease is accounted for a lease modification. The lease modification is accounted for as a separate lease if modification increases the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

Payments associated with short-term leases of offices are recognised on a straight-line basis as an expense in income and expenditure. Short-term leases are leases with a lease term of 12 months or less.

The right-of-use asset is initially measured based on the initial amount of initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located., less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

## **2.5 Intangible assets - Computer software**

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Hospital and the cost of the asset can also be measured reliably. Intangible assets are carried at cost less accumulated amortization and any accumulated impairment, if any.

Generally, costs associated with maintaining computer software programmes are recognized as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognized as an intangible asset. Direct costs include the purchase cost of software and related employee and other overhead costs.

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Computer software cost treated as intangible asset is amortized from the date the software is put to use on straight-line basis over a period of 5 years. The carrying amount of the intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount.

## **2.6 Impairment of non-current assets**

The carrying amounts of non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to assess whether the carrying value of asset exceeds its recoverable amount. Where carrying value exceeds the estimated recoverable amount, asset is written down to its recoverable amount. Impairment losses are recognised as expense in the statement of income and expenditure and other comprehensive income. An impairment loss is reversed only to the extent that the asset's 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.

## 2.7 Financial instruments

### 2.7.1 Financial assets

#### Classifications

The Hospital classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.
- the classification depends on the Hospital's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in income and expenditure or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Hospital has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Hospital reclassifies debt investments when and only when its business model for managing those assets changes.

#### Measurement

At initial recognition, the Hospital measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in income and expenditure.

#### Debt instrument

Subsequent measurement of debt instruments depends on the Hospital's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Hospital classifies its debt instruments:

##### a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in income and expenditure when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

##### b) Fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in income and expenditure. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to income and expenditure and recognised in other gains/(losses). Interest income from these financial assets is included

in finance income using the effective interest method. Foreign exchange gains and losses are presented in other gains and losses and impairment expenses in other expenses.

**c) Fair value through profit or loss (FVPL)**

Assets that do not meet the criteria for amortised cost of FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in income and expenditure and presented net in the statement of income and expenditure in the period in which it arises.

**Recognition and derecognition**

All financial assets are recognised at the time when the Hospital becomes a party to the contractual provisions of the instrument. Financial assets at amortised cost are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income and impairment losses are recognised in statement of income and expenditure and other comprehensive income. Financial assets carried at FVTOCI are initially and subsequently measured at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income / (loss). Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of income and expenditure and other comprehensive income. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the surplus / deficit in the period in which they arise. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Hospital has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the income and expenditure statement.

**Equity instruments**

The Hospital subsequently measures all equity investments at fair value. Where the Hospital's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in income and expenditure as other income when the Hospital's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of income and expenditure as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

**Impairment of financial assets**

For financial assets, the Hospital recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial asset has not increased significantly since initial recognition, the Hospital measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

The mount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

### **2.7.2 Financial liabilities**

All financial liabilities are recognized at the time when the Hospital becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the statement of income and expenditure and other comprehensive income.

### **2.7.3 Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Hospital or the counterparty.

### **2.8 Inventories**

Inventories comprise medicines, consumables and general supplies such as surgical supplies, stationery, grocery items, etc. These are valued at lower of cost and net realizable value. Cost is determined on First In First Out (FIFO) basis. Cost comprises the purchase cost and other related costs incurred in bringing the inventories to their present location and condition. Donated inventories are carried at a valuation equivalent to the cost, which would have been incurred in bringing such inventories to their present location and condition had these inventories been purchased. Net realizable value signifies the estimated selling price in the ordinary course of the business, less the estimated cost necessarily to be incurred to make the sale. Provision is made for slow moving and expired stock where necessary.

### **2.9 Stores and spares**

These are valued at cost determined using the First In First Out (FIFO) method. Stores and spares are regularly reviewed for impairment and adequate provision is made for obsolete and slow moving items.

### **2.10 Cash and cash equivalents**

Cash and cash equivalents for the purpose of statement of cash flows comprise of cash in hand and balances with banks in current and saving accounts and other short term highly liquid investments with original maturities of three months or less.



### **2.11 Zakat, donations and grants**

Zakat and donations for treatment of patients and grants for research and development projects are considered restricted and accounted for on deferral method. Donations and grants restricted for capital expenditure and donations in kind, which are recognized at fair value, are recognised as 'deferred capital grant' when received. Any income from investments made from aforementioned restricted contributions is also accounted for on deferral method.

### **2.12 Trade and other payables**

Trade and other payables are recognized initially at fair value of the consideration to be paid in the future for goods and services received, and are subsequently measured at amortized cost using the effective interest method.

These are classified as current liabilities if payment is due within one year or less. If not, these are presented as non-current liabilities.

### **2.13 Provisions**

Provisions are recognized when the Hospital has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each reporting date to reflect the current best estimate.

### **2.14 Provident Fund**

The Hospital has constituted an approved contributory provident fund (the Fund) for all its permanent employees. Equal monthly contributions are made both by the Hospital and the employees to the Fund at the rate of 10 percent of the basic salary.

### **2.15 Foreign currency transactions and translations**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of income and expenditure and other comprehensive income.

## 2.16 Income recognition

Income is recognized to the extent it is possible that the economic benefits will flow to the Hospital and income can be measured reliably. Income is measured at fair value of consideration received or receivable and is recognised on the following basis:

- Donations and Zakat received for the Hospital are regarded as restricted contribution and are recognized as income as and when expenses are incurred on providing services to needy / deserving patients. Such Zakat / donations are credited to income on pre-determined service rates as "value of services rendered" which are reviewed by the Hospital quarterly.
- Fee income comprises of admission fee and monthly tuition fee, which is recognized over time, as and when services are rendered.  
Income on bank deposits and short term investments are recognized on accrual basis.
- Income in respect of Grant Funded Research and Development Projects (GFRDP) is recognized as and when the related expenses are incurred for these projects, and equivalent amount is transferred from deferred income to the statement of income and expenditure and other comprehensive income.
- Deferred capital grant is recognized as income to match depreciation and amortisation provided during the year on the related capital assets.
- Proceeds generated from sale of food items in the Hospital's cafeteria, being unrestricted receipts, are recognized on receipt basis in the statement of income and expenditure and other comprehensive income.
- Cost recovery from blood bank clients against blood products are separately billed to the clients and are recognized on accrual basis.

## 2.17 Taxation

The Hospital is exempt from income tax under clause 66 Part I of the Second Schedule of the Income Tax Ordinance, 2001. Consequently no provision for taxation has been made in these financial statements.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Hospital makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are as follows:

#### 3.1 Operating and intangible assets

The Hospital also reviews appropriateness of rate of depreciation/amortization, useful life and residual values used for recording the depreciation/amortization of the Hospital's fixed and intangible assets on annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

#### 3.2 Right of use assets and leases liabilities

The implementation process to identify and process all relevant data associated with the leases is complex and the measurement of the right-of-use asset and lease liability is based on assumptions such as discount rates and the lease terms, including termination and renewal options. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Hospital, the Hospital's incremental borrowing rate is used, being the rate the Hospital would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

### 4. PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	RUPEES	
Operating assets (note 4.1)	3,700,043,285	3,937,306,775
Capital work-in-progress (note 4.2)	8,450,179,116	6,455,249,821
	<u>12,150,222,401</u>	<u>10,392,556,596</u>

	Leasehold land	Building and civil work on leasehold land	Plant, machinery and equipment
	----- RUPEES -----		
<b>4.1 Operating assets</b>			
<b>As at July 01, 2018</b>			
Cost	1,846,469,215	613,624,098	2,378,253,687
Accumulated depreciation	(45,739,266)	(118,276,308)	(806,151,502)
Net book value	<u>1,800,729,949</u>	<u>495,347,790</u>	<u>1,572,102,185</u>
<b>Year ended June 30, 2019</b>			
Opening net book value	1,800,729,949	495,347,790	1,572,102,185
Additions including transfers from CWIP	75,300	36,039,476	225,274,349
<b>Disposals/Write-offs (note 4.1.1)</b>			
Cost	-	-	(36,539,209)
Accumulated depreciation	-	-	24,390,580
	-	-	(12,148,629)
Depreciation charge (note 4.1.2)	(18,465,445)	(133,350,714)	(401,904,751)
Closing net book value	<u>1,782,339,804</u>	<u>498,036,552</u>	<u>1,383,323,154</u>
<b>As at July 01, 2019</b>			
Cost	1,846,544,515	649,663,574	2,566,988,827
Accumulated depreciation	(64,204,711)	(151,627,022)	(1,183,665,673)
Net book value	<u>1,782,339,804</u>	<u>498,036,552</u>	<u>1,383,323,154</u>
<b>Year ended June 30, 2020</b>			
Opening net book value	1,782,339,804	498,036,552	1,383,323,154
Additions including transfers from CWIP	-	79,416,076	214,975,869
<b>Disposals/Write-offs (note 4.1.1)</b>			
Cost	-	-	(33,819,400)
Accumulated depreciation	-	-	31,917,846
	-	-	(1,901,554)
Depreciation charge (note 4.1.2)	(18,465,445)	(41,511,810)	(434,440,561)
Closing net book value	<u>1,763,874,359</u>	<u>535,940,818</u>	<u>1,161,956,908</u>
<b>As at June 30, 2020</b>			
Cost	1,846,544,515	729,079,650	2,748,145,296
Accumulated depreciation	(82,670,156)	(193,138,832)	(1,586,188,388)
Net book value	<u>1,763,874,359</u>	<u>535,940,818</u>	<u>1,161,956,908</u>
Annual rate of depreciation (%)	<u>1</u>	<u>5</u>	<u>20</u>

Computers, printers and network cabling	Furniture and fixtures	Vehicles	Books and others	TOTAL
<b>RUPEES</b>				
167,405,248 (83,884,843)	93,106,769 (54,571,405)	233,783,639 (47,420,463)	2,844,463 (1,690,737)	5,335,487,119 (1,157,734,524)
<u>83,520,405</u>	<u>38,535,364</u>	<u>186,363,176</u>	<u>1,153,726</u>	<u>4,177,752,595</u>
83,520,405 46,655,666	38,535,364 11,692,978	186,636,176 9,287,872	1,153,726 514,414	4,177,752,595 329,540,055
(4,510,550) 4,332,116 (178,434)	(725,871) 355,473 (370,398)	(428,000) 428,000 -	- - -	(42,203,630) 29,506,169 (12,697,461)
(45,544,656) <u>84,452,981</u>	(12,260,778) <u>37,597,166</u>	(45,165,543) <u>150,485,505</u>	(596,527) <u>1,071,613</u>	(557,288,414) <u>3,937,306,775</u>
209,550,364 (125,097,383) <u>84,452,981</u>	104,073,876 (66,476,710) <u>37,597,166</u>	242,643,511 (92,158,006) <u>150,485,505</u>	3,358,877 (2,287,264) <u>1,071,613</u>	5,622,823,544 (1,685,516,769) <u>3,937,306,775</u>
84,452,981 18,811,230	37,597,166 49,581,837	150,485,505 13,469,887	1,071,613 -	3,937,306,775 376,254,899
(1,454,117) 1,430,174 (23,943)	(285,000) 172,429 (112,571)	- - -	- - -	(35,558,517) 33,520,449 (2,038,068)
(50,415,555) <u>52,824,713</u>	(20,075,374) <u>66,991,058</u>	(46,273,949) <u>117,681,443</u>	(297,627) <u>773,986</u>	(611,480,321) <u>3,700,043,285</u>
226,907,477 (174,082,764) <u>52,824,713</u>	153,370,713 (86,379,655) <u>66,991,058</u>	256,113,398 (138,431,955) <u>117,681,443</u>	3,358,877 (2,584,891) <u>773,986</u>	5,963,519,926 (2,263,476,641) <u>3,700,043,285</u>
<u>33</u>	<u>20</u>	<u>20</u>	<u>20</u>	

**4.1.1** During the year, following operating assets have been disposed/written off:

	Description
<b>Items sold during the year with book value below Rs 500,000</b>	
Plant, Machinery & Equipment	Various
Computers, printers, network cabling and installation	Various
Furniture & Fixture	Various

**Fully depreciated/obsolete items written off during the year**

Computers, printers, network cabling and installation

**June 30, 2020****June 30, 2019****4.1.2** Comprises of depreciation amounting to Rs. 333,489,139 (2019: Rs. 280,445,042) pertaining to operating expenses and Rs. 277,991,182 (2019: Rs. 276,843,372) pertaining to assets purchased on account of GFRDP.**4.2 Capital work-in-progress**

	Expansion project	Building and civil works
	----- RUPEES -----	
<b>Year ended June 30, 2019</b>		
Balance at beginning of the year	2,931,824,113	1,800,344,844
Add: Additions during the year	920,739,077	42,394,407
Add: Additions for QFT and NST during the year	-	667,442,222
Less: Transfers to operating assets	(8,360,204)	(16,072,182)
Balance at end of the year	<u>3,844,202,986</u>	<u>2,494,109,291</u>
<b>Year ended June 30, 2020</b>		
Balance at beginning of the year	3,844,202,986	2,494,109,291
Add: Additions during the year	1,343,025,567	35,571,562
Add: Additions for QFT and NST during the year	-	760,884,071
Less: Transfers to operating assets	(14,451,755)	(73,369,163)
Balance at end of the year	<u>5,172,776,798</u>	<u>3,217,195,761</u>

Cost	Accumultaed Description (Disposals)	Net Book Value	Sale Proceeds/ Insurance Claim	Gain/ (Loss)	Mode of Disposal	Particular of Buyers
<b>RUPEES</b>						
33,819,400	31,917,846	1,901,554	1,085,773	(815,781)	Tender	Local scrap dealers
385,856	361,913	23,943	11,492	(12,451)	Tender	Local scrap dealers
285,000	172,429	112,571	43,621	(68,950)	Tender	Local scrap dealers
<b>34,490,256</b>	<b>32,452,188</b>	<b>2,038,068</b>	<b>1,140,886</b>	<b>(897,182)</b>		
1,068,261	1,068,261	-	-	-	Not Applicable	Not Applicable
<b>35,558,517</b>	<b>33,520,449</b>	<b>2,038,068</b>	<b>1,140,886</b>	<b>(897,182)</b>		
<b>42,203,630</b>	<b>29,506,169</b>	<b>12,697,461</b>	<b>2,877,781</b>	<b>(9,819,680)</b>		

Plant, machinery and equipment	Furniture and fixtures	Vehicles	Intangible	TOTAL
<b>RUPEES</b>				
29,924,524	8,410,667	1,238,300	9,270,191	4,781,012,639
107,011,791	2,808,593	840,000	271,000	1,074,064,868
55,650,820	-	-	-	723,093,042
(88,174,051)	-	(773,100)	(9,541,191)	(122,920,728)
<b>104,413,084</b>	<b>11,219,260</b>	<b>1,305,200</b>	<b>-</b>	<b>6,455,249,821</b>
104,413,084	11,219,260	1,305,200	-	6,455,249,821
66,494,119	697,000	-	-	1,445,788,248
-	39,670,587	-	-	800,554,658
(117,215,297)	(45,912,196)	(465,200)	-	(251,413,611)
<b>53,691,906</b>	<b>5,674,651</b>	<b>840,000</b>	<b>-</b>	<b>8,450,179,116</b>

**5. RIGHT-OF-USE ASSETS**

	2020 ----- RUPEES -----
<b>Year ended June 30, 2020</b>	
Recognition of right-of-use asset due to application of IFRS 16 (note 2.1.4)	203,684,769
Depreciation charge for the year (note 5.2)	(24,333,839)
<b>Balance as at June 30, 2020</b>	<b>179,350,930</b>
<b>As at June 30, 2020</b>	
Cost	203,684,769
Accumulated depreciation	(24,333,839)
Net book value	<b>179,350,930</b>
Annual rate of depreciation (%)	11.17 to 12.76

- 5.1** This represent right-of-use assets recognized in relation to the building space acquired on rental basis.



**6. INTANGIBLE ASSETS**

	2020	2019
	RUPEES	
<b>Net carrying value</b>		
Balance at beginning of the year	9,421,924	2,483,355
Add: Additions	3,502,279	10,309,761
Less: Amortization charge for the year (note 6.2)	(3,722,328)	(3,371,192)
Balance at end of the year	<u>9,201,875</u>	<u>9,421,924</u>
<b>Gross carrying value</b>		
Cost	23,583,988	20,081,709
Less: Accumulated amortization	(14,382,113)	(10,659,785)
Net book value	<u>9,201,875</u>	<u>9,421,924</u>

**6.1** The cost is being amortized over a period of 5 years.

**6.2** Comprises of amortization amounting to Rs. 3,675,318 (2019: 3,371,192) pertaining to operating expenses and Rs. 47,010 (2019: Nil) related to GFRDP.

**7. LONG TERM DEPOSITS**

**7.1** Represents security deposit paid by the Hospital against the rental premises.

<b>8. INVENTORIES</b>	<b>2020</b>	<b>2019</b>
	----- <b>RUPEES</b> -----	
Medicines	535,019,137	303,132,864
Consumables	431,058,868	224,232,965
General	31,262,739	81,172,879
	<u>997,340,744</u>	<u>608,538,708</u>
Stock in-transit	84,252,214	12,525,171
Stores and spares	75,497,551	14,537,281
	<u><u>1,157,090,509</u></u>	<u><u>635,601,160</u></u>

**8.1** During the year, inventories spoiled / damaged, amounting to Rs. 910,819 (2019: Rs. 1,279,850) were written off.

**8.2** Inventories include medicines, consumables and general supplies amounting to Rs. 307,001,344 (2019: Rs. 184,922,568) held on account of GFRDP out of which inventories amounting to Rs. 167,233,625 (2019: Rs. 157,979,122) were stored in warehouse owned and operated by TCS Logistics (Private) Limited.

<b>9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>	<b>2020</b>	<b>2019</b>
	<b>RUPEES</b>	
<b>Considered Good</b>		
Advances to:		
• Suppliers and others (notes 9.2 and 9.3)	470,522,189	59,446,479
• Employees	1,561,463	1,480,318
• Global Fund sub-recipients (note 9.1)	170,475,616	97,250,094
• IRD Pakistan (Private) Limited	18,990,738	26,809,830
Deposits	24,338,196	42,576,956
Prepayments	11,764,833	26,251,198
Receivable under Hospital Management	409,383,524	15,658,617
Services (notes 9.4 and 9.5)	45,006,735	28,488,911
Other receivables		
Tax refundable / adjustable	1,103,490	1,103,888
Insurance claim receivable	155,100	-
	<b>1,153,301,884</b>	<b>299,066,291</b>

- 9.1** This represents advances given by the Hospital to the sub-recipients Community Health Solutions (Private) Limited (CHS) and Green Star Social Marketing Pakistan (GSSMP) for the project titled: "Contribute towards achieving the targets of National Strategic Plan for reducing the burden of TB and MDR-TB in Pakistan" amounting to Rs. 104,291,293 (2019: Rs. 60,891,307) and Rs. 50,136,374 (2019: Rs. 23,436,770) respectively and Frontier Primary Health Care (FPHC) and Baluchistan Rural Support Program (BRSP) for the project titled: "Expanding Support to Malaria Control Interventions in High Priority Districts of Pakistan" amounting to Rs. 7,326,459 (2019: Rs. 3,036,529) and Rs. 8,721,490 (2019: Rs. 9,885,488) respectively. The Hospital, as principal recipient, has received grants for the aforementioned project from The Global Fund and the sub-recipients are the implementing support partners. These advances are adjustable against expenditure incurred / payment made by the sub-recipients on behalf of the aforementioned projects.
- 9.2** Includes advances made to suppliers amounting to Rs. 1,865,874 (2019: Rs. 9,277,619) on account of purchases made on behalf of the managed hospitals.
- 9.3** Includes advances to foreign suppliers details of which are mentioned in note 23.

**9.4** As explained in note 1.2, the Hospital entered into agreements to take management control and run operations of various hospitals/medical facilities, the details of which are as follows:

Name of hospital/ medical facility	Agreement entered into with	Receivable at beginning of the year
Regional Blood Centers in Jamshoro	Health Department Government of Sindh	-
Civil Hospital Badin	Health Department Government of Sindh	-
Tehsil Headquarter Hospital - Raiwind Lahore	RTEHT	1,231,224
Tehsil Headquarter Hospital - Sabzazaar Lahore	RTEHT	1,524,988
Mian Shahbaz Sharif Hospital - Lahore	RTEHT	8,486,402
Level 1 - Health Care Facility - Thatta Gurmani	The Gurmani Foundation	-
Tehsil Kotadu District Muzaffargarh A&M Clinics Kashmir		-
Jahangir Siddiqui Hospital - Sehwan	Mahvash & Jahangir Siddiqui Foundation	-
Marvi Mother & Child Clinic - Site Tharyo Halepota	Engro Energy Limited & Sindh Engro Coal Mining Company	4,416,003
		<b>15,658,617</b>

Transferred to payable/Transferred from payable under Hospita Management agreement	Funds transferred during the year to the Hospital bank account fo operational/ capital expenditure	Funds generated during the year from other sources	Funds disbursed by the Hospital during the year	Receivable at end of the year
<b>RUPEES</b>				
(43,970,320)	(160,548,642)	(103,913,533)	383,205,163	74,772,668
(403,785,603)	(579,072,547)	(12,733,784)	1,302,682,318	307,090,384
(1,231,224)	-	-	-	-
(1,524,988)	-	-	-	-
(8,486,402)	-	-	-	-
(5,334,241)	(24,896,491)	-	30,738,614	507,882
-	(10,167,659)	-	13,200,549	3,032,890
(11,175,663)	(26,292,831)	-	52,168,589	14,700,095
-	(14,731,876)	-	19,595,478	9,279,605
-	-	-	-	-
<u>(475,508,441)</u>	<u>(815,710,046)</u>	<u>(116,647,317)</u>	<u>1,801,590,711</u>	<u>409,383,524</u>

- 9.5** The maximum amount due from managed Hospitals at the end of any month during the year aggregated to Rs. 495,008,531 (2019: Rs. 171,956,443).

	<b>Past due not impaired</b>		
	Total	Up to 6 months	6 to 12 months
	----- RUPEES -----		
<b>2020</b>	409,383,524	393,181,443	16,202,081
<b>2019</b>	15,658,617	15,658,617	-

**10. SHORT TERM INVESTMENTS**

	2020	2019
	----- RUPEES -----	
<b>At fair value through profit or loss</b>		
• Meezan Sovereign Fund	1,731,918	1,418,581
• Allied Bank Limited - Islamic Income Fund	2,472,946	2,220,835
	4,204,864	3,639,416
<b>Amortized Cost</b>		
• Islamic Income Certificate - Habib Metropolitan Bank Limited	376,220,000	316,520,000
• Term deposit - Bank Islami Pakistan Limited	-	100,000,000
• Term deposit - Dubai Islamic Bank Limited	27,000,000	27,000,000
• Term deposit - Meezan Bank Limited	-	75,000,000
	403,220,000	518,520,000
	407,424,864	522,159,416

**11. CASH AND BANK BALANCES**

	2020	2019
	RUPEES	
<b>Local currency</b>		
Cash in hand	2,627,059	2,255,811
Balances with banks in:		
• current accounts	58,289,758	56,022,093
• savings accounts (notes 11.1 and 11.2)	3,098,442,682	2,389,173,987
	3,156,732,440	2,445,196,080
<b>Foreign currency</b>		
Balances with banks in current accounts	67,735,034	4,483,898
	<u>3,227,094,533</u>	<u>2,451,935,789</u>

**11.1** These savings accounts carry markup ranging from 5.70% to 13.50% (2019: 3.00% to 12.35%) per annum.

**11.2** This includes Rs. 36,790,796 (2019: Rs. 57,683,656) on which bank has charged lien in respect of letter of credits.

**12. LEASE LIABILITIES**

	2020
	RUPEES
Current portion	3,958,495
Non-current portion	181,682,887
	<u>185,641,382</u>

**13. DEFERRED CAPITAL GRANT****2020****2019****RUPEES****13.1** Movement in deferred capital grant is as follows:

Balance at beginning of the year	9,574,096,060	8,473,274,635
Add: Deferred capital grant received against:		
• Donation for construction of Paeds Ward	14,095,484	137,166,041
• Donation for other construction and capital expenditure (note 13.3)	1,058,413,306	917,685,653
• Donation from Government of Sindh for Expansion	1,000,000,000	-
• Donation in kind	495,492,307	396,914,988
• Donation for capital expenditure on account of GFRDP	51,359,379	15,558,043
• Profit on Paeds Ward funds held in short term investments	37,264,102	16,551,221
• Profit on funds for other construction and capital expenditure held in daily product account	25,076,641	25,936,854
	2,681,701,219	1,509,812,800
Less: Deferred capital grant released against:		
• Depreciation on account of other construction and capital expenditure	74,460,236	58,980,422
• Depreciation of Paeds Ward	18,190,224	17,516,420
• Depreciation of donated assets	70,847,213	55,651,161
• Depreciation of assets pertaining to GFRDP (note 4.1.2)	277,991,182	276,843,372
	441,488,855	408,991,375
Balance at end of the year	11,814,308,424	9,574,096,060



**13.2** Balance at end of the year comprises of:

	<b>2020</b>	<b>2019</b>
	----- <b>RUPEES</b> -----	
• Donation for construction of Paeds Ward	931,925,955	898,756,593
• Donation for other construction and capital expenditure (note 13.3)	7,192,754,734	5,183,725,023
• Donation in kind	2,691,131,828	2,266,486,734
• Donation for capital expenditure on account of GFRDP	998,495,907	1,225,127,710
	<u>11,814,308,424</u>	<u>9,574,096,060</u>

**13.3** Includes donation restricted for expenditure for expansion of the Hospital.

## 14 DEFERRED INCOME

Movement in the deferred income balance is as follows:

	<b>2020</b>		
	<b>Zakat</b>	<b>Donation</b>	<b>GFRDP</b>
<b>Balance at beginning of the year</b>	1,116,737	2,324,137,881	374,040,525
Zakat / donations / grants received during the year (note 14.4)	2,904,322,046	1,893,462,247	2,691,876,040
Donation from Government of Sindh	-	1,323,132,749	-
Profit on short term investments	12,022,209	4,002,652	-
Profit on daily product account	12,810,828	107,576,831	53,159,443
	2,929,155,083	3,328,174,479	2,745,035,483
Value of services rendered to patients	(2,909,724,985)	(2,303,449,652)	-
Expenses incurred in respect of GFRDP	-	-	(2,244,964,043)
Donations utilized to aid other hospitals / patients	-	(10,493,584)	-
	(2,909,724,985)	(2,313,943,236)	(2,244,964,043)
<b>Balance at end of the year</b>	<b>20,546,835</b>	<b>3,338,369,124</b>	<b>874,111,965</b>

<b>2019</b>				
<b>Total</b>	<b>Zakat</b>	<b>Donation</b>	<b>GFRDP</b>	<b>Total</b>
<b>RUPEES</b>				
2,699,295,143	722,653,035	1,614,326,043	685,537,383	3,022,516,461
7,489,660,333	2,193,930,451	843,682,654	1,503,662,172	4,541,275,277
1,323,132,749	-	1,000,000,000	-	1,000,000,000
16,024,861	9,832,901	20,358,436	-	30,191,337
173,547,102	40,299,169	66,144,005	22,741,643	129,184,817
9,002,365,045	2,244,062,521	1,930,185,095	1,526,403,815	5,700,651,431
(5,213,174,637)	(2,965,598,819)	(1,214,629,757)	-	(4,180,228,576)
(2,244,964,043)	-	-	(1,837,900,673)	(1,837,900,673)
(10,493,584)	-	(5,743,500)	-	(5,743,500)
(7,468,632,264)	(2,965,598,819)	(1,220,373,257)	(1,837,900,673)	(6,023,872,749)
<u>4,233,027,924</u>	<u>1,116,737</u>	<u>2,324,137,881</u>	<u>374,040,525</u>	<u>2,699,295,143</u>

- 14.1** Zakat funds are restricted for expenditure on patients who are entitled to receive Zakat under the Islamic shariah.
- 14.2** Donations received comprise of contributions subject to implicit external restrictions for treatment of patients of the Hospital and associated activities.
- 14.3** Contributions received on account of GFRDP are restricted for the purpose of expenditure for specific projects as per respective grant agreements.
- 14.4** Includes funds received from foreign sources during the year amounts to Rs. 1,882,172,787 (2019 : Rs. 1,128,427,955).

**15. TRADE AND OTHER PAYABLES**

	2020	2019
	----- RUPEES -----	
Creditors (note 15.1)	495,381,874	413,225,120
Accrued liabilities	45,941,472	53,039,758
Payable to Provident Fund	34,903,275	1,580,831
Retention money	32,098,597	51,891,614
Security deposit - ICON & M students (note 15.2)	5,295,600	5,202,600
Payable under Hospital Management Services (note 15.3)	602,565,335	636,683,100
Withholding tax payable	471,610	705,731
Miscellaneous	27,189,014	9,855,207
	1,243,846,777	1,172,183,961

- 15.1** This includes payable to Swiss Pharmaceuticals (Private) Limited, a related party, amounting to Rs. 2,775,405 (2019: Rs. 2,781,325) in respect of medical supplies purchased by the Hospital.
- 15.2** Represents security deposit received from the students of Indus College of Nursing & Midwifery (ICON & M) in accordance with the terms of admission and are refundable at the time of completion of programs / courses. The amount is not utilizable for the Hospital's operation and has not been kept in a separate bank account.

**15.3** As explained in note 1.2, the Hospital entered into agreements to take management control and run operations of various hospitals / medical facilities, the details of which are as follows:

<b>Name of hospital/ medical facility</b>	<b>Agreement entered into with</b>
Recep Tayyip Erdogan Hospital - Muzaffargarh	RTEHT
General Hospital - Manawan Lahore	RTEHT
Institute of Kidney Diseases Multan (MIKD)	RTEHT
Regional Blood Centers at Multan and Bahawalpur	RTEHT
Regional Blood Centers in Jamshoro	Health Department Government of Sindh
Tehsil Headquarter Hospital - Kahna Nau Lahore	RTEHT
Civil Hospital Badin	Health Department Government of Sindh
Mian Shahbaz Sharif Hospital - Lahore	RTEHT
Tehsil Headquarter Hospital - Sabzazaar Lahore	RTEHT
Tehsil Headquarter Hospital - Raiwind Lahore	RTEHT
Level 1 - Health Care Facility - Thatta	The Gurmani Foundation
Gurmani - Tehsil Kotadu District Muzaffargarh	
Jahangir Siddiqui Hospital - Sehwan	Mahvash & Jahangir Siddiqui Foundation

Payable at beginning of the year	Transferred to receivable/ transferred from receivable under Hospital Management agreement	Funds transferred during the year to the Hospital bank account for operational/ capital expenditure	Funds generated during the year from other sources	Funds disbursed by the Hospital during the year	Payable at end of the year
<b>RUPEES</b>					
49,067,925	-	1,279,554,000	42,268,475	(1,055,188,898)	315,701,502
4,962,620	-	403,300,000	5,085,190	(399,309,966)	14,037,844
41,874,042	-	688,000,000	23,351,954	(682,722,458)	70,503,538
70,372,367	-	387,536,000	5,465,285	(383,049,635)	80,324,017
43,970,320	(43,970,320)			-	-
6,140,319	-	305,400,000	2,153,220	(296,226,013)	17,467,526
403,785,603	(403,785,603)	-	-	-	-
-	(8,486,402)	361,900,000	15,582,170	(282,851,224)	86,144,544
-	(1,524,988)	421,600,000	2,280,163	(415,471,166)	6,884,009
-	(1,231,224)	397,000,000	2,542,126	(386,808,547)	11,502,355
5,334,241	(5,334,241)	-	-	-	-
11,175,663	(11,175,663)	-	-	-	-
<b>636,683,100</b>	<b>(475,508,441)</b>	<b>4,244,290,000</b>	<b>98,728,583</b>	<b>(3,901,627,907)</b>	<b>602,565,335</b>

## 16. CONTINGENCIES AND COMMITMENTS

### 16.1 Contingencies

**16.1.1** Contingent liabilities represent bank guarantees given to following suppliers:

	2020	2019
	RUPEES	
Pakistan State Oil Company Limited	-	948,000
Canteen Stores Department	1,000,000	1,000,000
Metro Habib Cash & Carry (Private) Limited	-	3,000,000
Government of Sindh	27,000,000	27,000,000
	28,000,000	31,948,000

**16.1.2** In the financial year 2018, Deputy Commissioner Inland Revenue raised a demand amounting to Rs. 5,919,453 (including default surcharge), vide order dated August 16, 2017, claiming short deduction of withholding taxes under section 161 of Income Tax Ordinance, 2001. The Hospital had filed an appeal before Commissioner Inland Revenue Appeals pursuant to which Commissioner Inland Revenue Appeals referred the case back to Deputy Commissioner Inland Revenue for perusal. The management, based on the advice of its tax consultant, is confident that the case will be decided in favour of the Hospital.

**16.1.3** The Hospital is party to some other litigations / suits pending with various authorities, potential monetary implications of which are not material. Further, the management, based on the advice of its legal advisors, is confident that the Hospital has favourable position in respect of such cases. Accordingly, such cases are not disclosed as contingencies.

### 16.2 Commitments

**16.2.1** Out of the facilities of Rs. 1,500,000,000 (2019: Rs. 1,500,000,000) for opening letters of credit, the amount utilized as at June 30, 2020 was Rs. 154,769,942 (2019: Rs. 192,708,386).

**16.2.2** Hospital's commitment in respect of capital expenditure amounts to Rs. 2,435,575,574 (2019: Rs. 2,952,121,179)

**16.2.3** Commitments in respect of local and foreign purchases as at June 30, 2020 amount to Rs. 137,565,985 (2019: Rs. 443,485,741).



**17. OTHER INCOME****From other than financial assets**

	2020	2019
	RUPEES	
Proceeds from sale of waste materials	828,000	821,300
Income from cafeteria	28,061,048	30,918,499
Proceeds from blood screening services	31,589,133	39,871,166
Others	12,340,430	12,770,399
	<u>72,818,611</u>	<u>84,381,364</u>

**18. MEDICINES AND OTHER SUPPLIES CONSUMED**

Opening inventory	436,055,996	280,867,963
Add: Purchases	2,136,950,427	1,418,566,807
Less:		
• Inventory written-off (note 8.1)	910,819	1,279,850
• Closing inventory	875,355,458	436,055,996
	<u>1,696,740,146</u>	<u>1,262,098,924</u>

**19. AUDITOR'S REMUNERATION**

Fee for statutory audit	600,000	400,000
Out of pocket expenses	103,683	194,435
	<u>703,683</u>	<u>594,435</u>

## 20. GRANT- FUNDED RESEARCH AND DEVELOPMENT PROJECTS

Grant- funded research and development projects represent projects undertaken by the Hospital either within or outside its premises and funded by specific donors. The details of grants / funds received for these projects during the year and expenditure incurred on these projects are as follows:

Year ended June 30, 2020

Projects	Grants / fund received		Expenditure			
	Cash donations/ Grants (note 20.1)	Donations in- kind (note 20.1)	Salaries, wages and benefits	Medicines and other supplies consumed	Other costs	Total expenditure
	----- RUPEES -----					
TB - The Global Fund	1,244,952,450	839,929,134	727,350,364	327,982,384	817,310,987	1,872,643,735
Malaria - The Global Fund	342,935,104	57,502,503	171,628,994	-	191,300,917	362,929,911
TB MDR Project Round 9	115,563	51,977,198	-	60,267,197	103,507	60,370,704
Paeds TB Program	-	-	-	-	-	-
HMS - PET	6,767,967	-	6,360,115	-	2,334,601	8,694,716
CAD 4 TB Program	-	-	-	-	-	-
END TB Program	907,181	-	1,324,265	-	81,275	1,405,540
MCM - My Child Matters	17,758,658	-	4,178,063	-	5,127,774	9,305,837
Project - Rabies Free Karachi	1,882,131	4,875,249	5,052,996	1,341,445	2,217,633	8,612,074
TD - ABC Project	-	-	-	-	-	-
SSI Project	-	-	-	-	-	-
Onco Psychology Project	-	-	-	-	118,477	118,477
VAC Project	-	-	2,301,573	11,718	1,720,105	4,033,396
Diabetes Foot Care Clinic	-	-	-	-	-	-
Emergency Medicine Project - Habib	-	-	386,034	34,950	3,684,265	4,105,249
Bank Foundation	-	-	-	-	-	-
Vero Cell Trial	-	-	-	-	-	-
TB Reach Project	8,130,678	-	6,909,841	795,613	5,328,095	13,033,549
Halo II Trial	-	-	-	-	-	-
Zindagi Mehfooz - WHO	-	-	-	-	-	-
Zindagi Mehfooz - GAVI	23,760,357	-	37,638,340	2,775,306	15,499,432	55,913,078
Emergency Medicine Project - HMS	1,038,858	-	-	7,520	643,719	651,239
Lancet Indicator	13,743,456	-	8,735,966	9,000	3,194,676	11,939,642
Smoking Sessions	-	-	-	16,500	330,386	346,886
HCV - Cost effective study	-	-	-	-	-	-
END TB Clinical Trial	24,069,073	25,560,949	18,674,104	25,560,949	7,565,709	51,800,762
SPI - Studying Predicator Interagency	-	-	-	-	17,651	17,651
Links	14,938,517	-	-	-	-	-
Covid - 19 - Engro Project	57,513,282	-	201,752	49,458,024	816,734	50,476,510
Rabies Free Pakistan - Survey	-	-	-	-	25,000	25,000
Basic Pediatric Oncology Course	917,954	-	-	-	-	-
Work Place Violence Study	3,960,278	-	5,535,286	-	912,278	6,447,564
Bristol University (UoB)	-	-	83,705	-	-	83,705
<b>Total</b>	<b>1,763,391,507</b>	<b>979,845,033</b>	<b>996,361,398</b>	<b>468,260,606</b>	<b>1,058,333,221</b>	<b>2,522,955,225</b>

Surplus/ (Deficit)	Year ended June 30, 2019						
	Grants / fund received		Expenditure				Surplus/ (Deficit)
	Cash donations/ Grants (note 20.1)	Donations in-kind (note 20.1)	Salaries, wages and benefits	Medicines and other supplies consumed	Other costs	Total expenditure	
----- RUPEES -----							
212,237,849	714,819,509	191,494,874	586,668,579	229,385,895	748,754,356	1,564,808,830	(658,494,447)
37,507,696	344,477,664	-	158,001,138	-	183,116,935	341,118,073	3,359,591
(8,277,943)	-	120,588,391	-	105,498,552	-	105,498,552	15,089,839
-	18,732,627	-	8,773,391	-	4,453,565	13,226,956	5,505,671
(1,926,749)	-	-	-	-	-	-	-
-	8,689,062	-	474,864	-	28,997	503,861	8,185,201
(498,359)	10,901,885	-	5,506,183	-	4,055,155	9,561,338	1,340,547
8,452,821	9,781,129	-	2,834,489	-	2,689,697	5,524,186	4,256,943
(1,854,694)	5,957,076	58,130	2,872,817	828,951	2,123,471	5,825,239	189,967
-	1,471,335	-	-	-	82,004	82,004	1,389,331
-	887,344	-	-	-	62,679	62,679	824,665
(118,477)	-	-	-	-	113,898	113,898	(113,898)
(4,033,396)	7,285,500	-	1,293,581	-	1,197,204	2,490,785	4,794,715
-	-	-	380,352	12,327	76,936	469,615	(469,615)
(4,105,249)	4,000,000	-	5,472,880	-	2,656,928	8,129,808	(4,129,808)
-	-	-	81,595	-	79,966	161,561	(161,561)
(4,902,871)	12,760,575	-	6,985,621	-	-	6,985,621	5,774,954
-	-	-	-	-	50,000	50,000	(50,000)
-	-	-	3,530,747	-	-	3,530,747	(3,530,747)
(32,152,721)	35,581,556	-	20,674,973	-	-	20,674,973	14,906,583
387,619	4,223,081	-	47,327	-	3,703,618	3,750,945	472,136
1,803,814	14,965,284	-	6,073,785	-	10,186,414	16,260,199	(1,294,915)
(346,886)	1,817,424	-	842,733	-	-	842,733	974,691
-	817,538	-	112,311	-	-	112,311	705,227
(2,170,740)	5,867,821	-	4,627,991	-	331,140	4,959,131	908,690
(17,651)	-	-	-	-	-	-	-
14,938,517	-	-	-	-	-	-	-
7,036,772	-	-	-	-	-	-	-
(25,000)	-	-	-	-	-	-	-
917,954	-	-	-	-	-	-	-
(2,487,286)	-	-	-	-	-	-	-
(83,705)	-	-	-	-	-	-	-
220,281,315	1,203,036,410	312,141,395	815,255,357	335,725,725	963,762,963	2,114,744,045	(599,566,240)

**20.1** These amount represents cash grants / donation-in-kind received directly by grant funded research and development projects.

## **21 PROVIDENT FUND**

**21.1** The investments out of the fund have been made in accordance with the provisions of Section 218 of Companies Act, 2017 and conditions specified thereunder.

**21.2** An amount of Rs. 172,424,759 (2019: Rs. 143,601,069) has been charged during the year in respect of Hospital's contribution to the fund.

## **22. CASH AND CASH EQUIVALENTS**

	2020	2019
	RUPEES	
<b>Short term investments</b>		
• Term deposit - Bank Islami Pakistan Limited	-	100,000,000
• Term deposit - Meezan Bank Limited	-	75,000,000
	-	175,000,000
Cash and bank balances (note 11)	3,227,094,533	2,451,935,789
	<u>3,227,094,533</u>	<u>2,626,935,789</u>

## **23. ADVANCES TO FOREIGN SUPPLIERS**

The Hospital has given advances to following foreign suppliers for purchase of inventory for Hospital's own use and property, plant and equipment on account of managed hospitals / facilities:

<b>S. No.</b>	<b>Supplier</b>	<b>Country / Jurisdiction</b>
1	Abbott GmbH	Germany
2	Andreas Hettich GmbH & Co.KG	Germany
3	Atlas Global FZE	United Arab Emirates
4	B. Braun Medical Industries SDN. BHD	Malaysia
5	Becton Dickinson Holdings Pte Ltd	Singapore
6	Biotech Middle East-F.Z.E	United Arab Emirates
7	Canon Medical Systems Corporation	Japan
8	Celerus Diagnostics Inc.	USA
9	Covidien AG	Switzerland
10	Dornier MedTech Asia Pte Ltd.	Singapore
11	Elga LabWater	UK
12	Fresenius Kabi Asia Pacific Limited	HongKong
13	Fresenius Medical Care Asia-Pacific Limited	HongKong

<b>S. No.</b>	<b>Supplier</b>	<b>Country / Jurisdiction</b>
14	Fujifilm Corportion	Japan
15	Genesis BPS International SARL	Switzerland
16	Gojo Industries Inc.	USA
17	Greiner Bio-One GmbH	Austria
18	Guangdong Biolight Meditech Co. Ltd	China
19	Guerbet Asia Pacific Ltd.	HongKong
20	Helena Biosciences Europe	UK
21	Hnds International General Trading LLC	UAE
22	Immucor Med. Diagnostik GmbH	Germany
23	JMS Singapore PTE Limited	Singapore
24	Karl Storz Se & Co. KG	Germany
25	Lifotronic Technology (HongKong) Limited	HongKong
26	Medi-Care Solutions S.R.L.	Italy
27	MedicorEurope AG	Belgium
28	MetaSystems Probes GmbH	Germany
29	NHC Global Trading LLC	UAE
30	NHC Global Trading LLC	UAE
31	Ortho-Clinical Diagnostics	UK
32	Qingdao Haier Biomedical Co., Ltd.	China
33	Randox Laboratories Ltd.	UK
34	S.I.M.E.O.N. Medical GmbH & Co. KG	Germany
35	Shimadzu (Asia Pacific) Pte Ltd.	Singapore
36	Tende Elektronik Yazilim Muhendislik Iletisim Makina Sanayi Ve Ticaret Limited Sirketi	Turkey
37	Thermo Electron LED GmbH	Germany
38	Troyka Med Medical Systems, Inc.	Turkey
39	Vi Sole FZC	UAE

## 24. RELATED PARTY TRANSACTIONS

**24.1** Following are the related parties, associated companies and undertakings with whom the Hospital had entered into transactions or had agreements and/or arrangements in place during the year other than those disclosed elsewhere in these financial statements:

<b>Name</b>	<b>Basis of relationship</b>
Grace Apparel (Private) Limited	Common directorship
Ghani Glass	Common directorship
Feroze 1888 Mills Limited	Common directorship
Swiss Pharmaceuticals (Private) Limited	Common directorship
Hilton Pharma (Private) Limited	Common directorship
Children Cancer Foundation Pakistan Trust	Common directorship
Recep Tayyip Erdogan Hospital - Muzaffargarh	Associated undertaking
Mian Shahbaz Sharif Hospital - Lahore	Associated undertaking
Civil Hospital - Badin	Associated undertaking
General Hospital Manawan - Lahore	Associated undertaking
Institute of Kidney Diseases Multan	Associated undertaking
Tehsil Headquarter Hospital - Sabzazar Lahore	Associated undertaking
Tehsil Headquarter Hospital - Raiwind Lahore	Associated undertaking
Regional Blood Centers at Multan and Bahawalpur	Associated undertaking
Regional Blood Centers - Jamshoro Sindh	Associated undertaking
Tehsil Headquarter Hospital - Kahna Nau Lahore	Associated undertaking
Level 1 Health Care Facility - Thatta Gurmani - Muzaffargarh	Associated undertaking
Jahangir Siddiqui Hospital - Sehwan	Associated undertaking
Marvi Mother & Child Clinic	Associated undertaking
A & M Hospital - Azad Kashmir	Associated undertaking
The Indus Hospital Employees' Provident Fund	Post retirement benefit plan
Mr. Yunus Hashim Bengali	Director
Mr. Salim Razzak Tabani	Director
Mr. Khaliq Ur Rehman	Director
Mr. Anwaar Ahmed Khan	Director
Mr. Muhammad Yahya Chawla	Director
Mr. Hafiz Muhammad Aamir	Director
Mr. Mian Muhammad Ahsan	Director
Mr. Muhammad Yasin Malik	Director
Mr. Nasim Hyder	Director

Name	Basis of relationship
Dr. Abdul Bari Khan	Chief Executive Officer
Mr. Ahson Tariq	Key management personnel
Dr. Syed Zafar Zaidi	Key management personnel
Dr. M. Amin Chinoy	Key management personnel
Dr. Wasif Shahzad	Key management personnel
Dr. Muhammad Shamvil Ashraf	Key management personnel
Mr. Syed Mashhood Rizvi	Key management personnel

**24.1.1** The Hospital does not hold any shares in the aforementioned entities.

**24.1.2** Related parties represent members of Board of Directors (BOD) of the Hospital, trustees of the Islamic Mission Hospital Trust and the Rufayadah Foundation, Managed Hospitals, other key management personnel of the Hospital, entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of transactions with related parties are approved by the BOD of the Hospital.

**24.2** Transactions with related parties, other than those disclosed elsewhere in these financial statements, are as follows:

Nature of relationship	Category of financial statement	Nature of transaction	2020	2019
			RUPEES	
Directors	Statement of financial position	Donation/Zakat received	14,665,151	13,022,136
Other related parties (note 24.3.3)	Statement of financial position	Donation/Zakat received	116,866,345	187,433,287
	Statement of financial position	Donation/Zakat paid	-	23,000
	Statement of income and expenditure and other comprehensive income	Purchases	10,131,441	6,596,896
Retirement benefit fund	Statement of income and expenditure and other comprehensive income	Contribution	172,424,759	143,601,069

**24.3** All related party transactions are measured in accordance with the terms agreed with the related parties.

**24.3.1** Related party transactions involving directors are assessed with reference to part of the year during which a person remained on the BOD of the Hospital.

**24.3.2** There are no transaction with key management personnel other than those mentioned above and under the terms of employment. All key management personnel other than Chief Executive are included in Executives (note 25).

**24.3.3** Represents parties over which the directors of the Hospital exercise control, joint control or significant influence.

**25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amounts charged in the financial statements in respect of remuneration, including all the benefits to the chief executive and executives are as follows:

	2020		2019	
	RUPEES			
Management remuneration	14,400,000	573,413,418	13,200,000	770,178,121
Retirement benefits	960,000	69,224,502	880,000	37,986,462
<b>Total</b>	<b>15,360,000</b>	<b>642,637,920</b>	<b>14,080,000</b>	<b>808,164,583</b>
Number of persons including those who worked part of the year	1	190	1	219

**25.** No remuneration has been paid to any of the 9 (2019: 9) directors including those who worked part of the year, except the Chief Executive of the Hospital.

**26 NUMBER OF EMPLOYEES**

	2020	2019
	RUPEES	
Average number of employees during the year	4,069	4,063
Number of employees including contractual employees at 30 June	4,194	3,969

**27 FINANCIAL INSTRUMENTS BY CATEGORY****27.1 Financial assets****At fair value through profit or loss**

	2020	2019
	RUPEES	
Short term investments	4,204,864	3,639,416

**Amortized cost**

Short term investments	403,220,000	518,520,000
Deposits and other receivables	485,483,555	93,324,484
Cash and bank balances	3,227,094,533	2,451,935,789
	4,115,798,088	3,063,780,273
	4,120,002,952	3,067,419,689

**27.2 Financial liabilities****At amortized cost**

Lease liabilities	185,641,382	-
Trade and other payables	1,208,471,892	1,169,897,399
	1,394,113,274	1,169,897,399



### 27.3 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The different levels of fair valuation method have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

There was no change in valuation techniques during the year.

	Level 1	Level 2	Level 3	Total
	----- RUPEES -----			
<b>Year ended June 30, 2020</b>				
Short term investments	4,204,864	-	-	4,204,864
<b>Year ended June 30, 2019</b>				
Short term investments	3,639,416	-	-	3,639,416

Level 1 fair valued instruments comprise mutual funds units which are valued using Net Assets Value.

## 28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 28.1 Financial risk factors

The Hospital's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The BOD has overall responsibility for the establishment and oversight of Hospital's risk management framework. The BOD is also responsible for developing and monitoring the Hospital's risk management policies.

- **Market risk**

- (i) **Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Hospital is exposed to foreign exchange risk due to transactions denominated in foreign currencies and foreign currency bank account. The Hospital manages its currency risk by close monitoring of currency markets and expected currency movements and adjusting timing of payments accordingly.

As at June 30, 2020, if Pakistan Rupee had strengthened by 5% against the following currencies with all other variables held constant, deficit for the year would have been lower / (higher) by the amount shown below, mainly as a result of foreign exchange gains / (losses) on translation of financial instruments denominated in currencies other than the functional currency:

Effect	2020	2019
	RUPEES	
USD	2,680,311	1,069,637
EUR	66	22,439
AED	(3,424,797)	(3,052,275)

The weakening of the Pakistan Rupees against above currencies would have had an equal but opposite impact on the deficit.

- (ii) **Mark-up Risk**

Mark-up risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Hospital does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect deficit of the Hospital. There are no other significant mark-up bearing financial instruments.

As at June 30, 2020, if the mark-up on bank accounts had been 5% higher / lower with other variables held constant deficit for the year would have been lower / higher by Rs. 9,931,187 (2019: Rs. 7,756,084).

**(iii) Other Price Risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Hospital is not materially exposed to other price risk as it does not have any significant price sensitive instruments.

- **Credit risk**

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk arises from deposits with banks and financial institutions, deposits and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit rating. The Hospital monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings.

Out of the total financial assets of Rs. 4,120,002,952 (2019: Rs. 3,067,419,689), the financial assets exposed to credit risk amount to Rs. 4,117,375,893 (2018: Rs. 3,065,163,878).

The carrying values of financial assets exposed to credit risk which are neither past due nor impaired are as follows:

	2020	2019
	RUPEES	
Deposits and other receivables	485,483,555	93,324,484
Short term investments (note 10)	407,424,864	522,159,416
Bank balances (note 11)	3,224,467,474	2,449,679,978
	<u>4,117,375,893</u>	<u>3,065,163,878</u>

Credit risk from bank deposits and short term investments is managed by placing deposits/making investments with banks/mutual funds having sound credit ratings. The credit quality of Hospital's bank balances and short term investments can be assessed with reference to external credit ratings as follows:

Bank / Mutual funds	Rating		
	Agency	Short term	Long term
Dubai Islamic Bank Pakistan Limited	VIS	A-1+	AA
Bank Islami Pakistan Limited	PACRA	A-1	A+
United Bank Limited	VIS	A-1+	AAA
Al-Baraka Islamic Bank (Pakistan) Limited	PACRA	A-1	A
Standard Chartered Bank (Pakistan) Limited	PACRA	A-1+	AAA
Bank Al-Falah Limited	PACRA	A-1+	AA+
Habib Bank Limited	VIS	A-1+	AAA
MCB Bank Limited	PACRA	A-1+	AAA
MCB Islamic Bank Limited	PACRA	A-1	A
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+
Bank Al-Habib Limited	PACRA	A-1+	AA+
Meezan Bank Limited	VIS	A-1+	AA+
Sindh Bank Limited	VIS	A-1	A+
National Bank of Pakistan	PACRA	A-1+	AAA
Soneri Bank Limited	PACRA	A-1+	AA-
Askari Bank Limited	PACRA	A-1+	AA+
Samba Bank Limited	VIS	A-1	AA
Allied Bank Limited	PACRA	A-1+	AAA
Faysal Bank Limited	VIS	A-1+	AA
Bank of Punjab	PACRA	A-1+	AA
Bank of Khyber	PACRA	A-1	A
Silk Bank Limited	VIS	A-2	A-
Mobilikn Microfinance Bank Limited	PACRA	A-1	A
Al-Meezan Investment Management Limited	PACRA	-	AM1
Meezan Sovereign Fund	JCR-VIS	-	AA-(f)
ABL Asset Management Company Limited	JCR-VIS	-	AM2++
Allied Bank Islamic Income Fund	JCR-VIS	-	A(f)

- **Liquidity risk**

Liquidity risk represents the risk that the Hospital will encounter difficulties in meeting obligations associated with financial liabilities. The Hospital's liquidity management involves maintaining sufficient cash, projecting cash flows and considering the level of liquid assets necessary to meet obligations associated with financial liabilities.

The table below analyses the Hospital's financial liabilities held at amortized cost into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	June 30, 2020			June 30, 2019		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
<b>RUPEES</b>						
Trade and other payables	1,208,471,892	-	1,208,471,892	1,169,897,399	-	1,169,897,399
Lease liabilities	3,958,495	181,682,887	185,641,382	-	-	-
	<u>1,212,430,387</u>	<u>181,682,887</u>	<u>1,394,113,274</u>	<u>1,169,897,399</u>	<u>-</u>	<u>1,169,897,399</u>

**29 FUND MANAGEMENT**

The Hospital's objective when managing fund balances is to safeguard its ability to continue as a going concern and to maintain a strong fund base to support the sustained development of its operations.

**30 CORRESPONDING FIGURES**

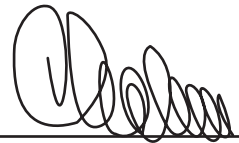
Corresponding figures have been rearranged and reclassified, where considered necessary, for the purpose of comparison and to reflect the substance of the transactions. The effects of rearrangements and reclassifications are not material.

**31 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were approved and authorised for issue on September 22, 2020 by the Board of Directors of the Hospital.



**Chief Executive Officer**



**Director**