

**THE INDUS HOSPITAL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of The Indus Hospital (the Hospital) as at June 30, 2017 and the related statement of comprehensive income, statement of changes in fund balance and the statement of cash flows together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Hospital's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Hospital as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the change as stated in note 2.9.1 to the financial statements with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Hospital's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Hospital;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, statement of comprehensive income, statement of changes in fund balance and the statement of cash flows together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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, 2017 and of the total comprehensive income, changes in fund balance and its cash flows for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**Chartered Accountants
Karachi
Date: November 30, 2017**

Engagement Partner: Osama Kapadia

THE INDUS HOSPITAL
BALANCE SHEET
AS AT JUNE 30, 2017

		2017	2016 (Restated)	2015 (Restated)
	Note	Rupees		
ASSETS				
Non-Current Assets				
Operating assets	4	2,438,191,120	818,053,842	787,210,767
Capital work-in-progress	5	2,218,813,121	1,160,859,855	315,274,695
Intangible assets	6	3,156,829	2,918,487	3,108,297
		<u>4,660,161,070</u>	<u>1,981,832,184</u>	<u>1,105,593,759</u>
Current Assets				
Inventories	7	360,119,034	257,308,734	269,567,909
Advances, deposits, prepayments and other receivables	8	593,016,102	180,680,117	120,182,335
Short term investments	9	334,996,139	376,149,351	467,105,002
Cash and bank balances	10	3,065,681,454	2,080,780,892	762,088,477
		<u>4,353,812,729</u>	<u>2,894,919,094</u>	<u>1,618,943,723</u>
TOTAL ASSETS		<u><u>9,013,973,799</u></u>	<u><u>4,876,751,278</u></u>	<u><u>2,724,537,482</u></u>
FUND				
Accumulated fund		1,213,132,315	1,059,907,286	731,222,518
LIABILITIES				
Non-Current Liabilities				
Deferred capital grant	11	4,475,856,223	1,818,189,697	1,340,130,671
Current Liabilities				
Deferred income	12	2,526,635,259	1,579,792,573	453,479,489
Trade and other payables	13	798,350,002	418,861,722	199,704,804
		<u>3,324,985,261</u>	<u>1,998,654,295</u>	<u>653,184,293</u>
CONTINGENCIES AND COMMITMENTS				
TOTAL FUND AND LIABILITIES	14	<u><u>9,013,973,799</u></u>	<u><u>4,876,751,278</u></u>	<u><u>2,724,537,482</u></u>

The annexed notes 1 to 26 form an integral part of these financial statements.

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Chief Executive Officer


Director

THE INDUS HOSPITAL
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		Rupees	
INCOME			
Value of services rendered to patients financed through:			
- Zakat		1,772,791,570	1,706,720,358
- Donations		847,568,642	637,233,119
- Deferred capital grant		51,007,578	42,034,134
Grant-Funded Research and Development Projects (GFRDP) including deferred capital grant		<u>1,403,409,035</u>	<u>302,515,761</u>
		4,074,776,825	2,688,503,372
Other income	15	<u>30,704,816</u>	<u>37,832,136</u>
		4,105,481,641	2,726,335,508
EXPENDITURE			
Medicines and other supplies consumed	16	778,713,689	749,369,077
Salaries, wages and other benefits		1,224,243,540	891,974,585
Depreciation	4	137,304,471	113,337,316
Amortization	6	1,622,098	1,250,010
Repairs and maintenance		26,378,565	22,136,690
Insurance / takaful		4,531,033	1,410,355
Fuel		26,673,944	19,525,784
License fee		987,583	793,828
Printing, stationery and courier		8,592,215	10,624,403
Utilities		107,297,224	83,925,673
Travelling and transportation		6,136,137	8,394,547
Technical and professional services		3,929,703	7,032,226
Auditor's remuneration	17	870,000	320,000
Security services		15,569,000	10,464,590
Clearing and forwarding		2,184,381	2,534,912
Marketing and advertisement		104,008,893	39,735,386
Communication charges		7,670,681	7,837,487
Outsourced - Medical facilities and diagnostics charges		114,259,944	92,278,002
Inventories written-off	7	12,857,170	2,023,042
Rent		7,549,835	9,810,877
Training and development		8,259,315	14,869,362
Other expenses		4,335,508	5,486,827
Grant-Funded Research and Development Projects			
- TB MDR Project Round 9		90,448,795	187,768,054
- TB Reach Project		259,923	15,663,594
- Club Foot Disability Project		9,770	240,809
- KAPS - Knee Arthritis Project		4,960,264	7,527,382
- Pehla Qadam Project		5,768,596	4,687,705
- Diabetes Program		12,399,297	9,151,006
- IMNCI Child Survival Program		1,888,641	2,435,815
- Malaria Project		2,435,456	2,674,252
- In Vitro Study		-	13,513
- Rabies Program		40,825	89,547
- OPD Medicines		-	60,651
- Diabetes Adherence Study		798,312	595,644
- SSI Project		4,684,589	4,125,999
- Paeds TB Program		15,500,326	4,048,743
- TD - ABC Project		8,878,451	3,217,537
- Malaria - The Global Fund		336,703,278	51,605,486
- Onco Psychology		2,663,611	1,499,391
- End TB		8,083,878	545,262
- Diabetes Foot Care Clinic		1,453,362	471,260
- Safe Circumcision Study		2,974,342	286,750
- TB - The Global Fund		881,336,813	5,807,361
- CAD 4 TB		574,232	-
- Club Foot Disability R-2		838,412	-
- HCV - Hepatitis C Virus		8,272,200	-
- HIV Program - The Global Fund		7,499,450	-
- IVAC Project		3,020,783	-
- MCM - My Child Matters		2,113,053	-
- Orthopedic Program		1,103,720	-
- PPCCS - Perceptions of Patient Centered Care Study		100,786	-
- Vero Cell Trial		245,870	-
- Zero TB		352,000	-
	18	<u>1,403,409,035</u>	<u>302,515,761</u>
		4,007,383,964	2,397,650,740
Surplus for the year		98,097,677	328,684,768
Other comprehensive income		-	-
Total comprehensive income		<u>98,097,677</u>	<u>328,684,768</u>

The annexed notes 1 to 26 form an integral part of these financial statements.




Chief Executive Officer


Director

THE INDUS HOSPITAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016 (Restated)
-----Rupees-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		98,097,677	328,684,768
Adjustments for non-cash expenses and other items:			
Depreciation		152,433,612	113,337,316
Amortization		1,622,098	1,250,010
Inventories written-off		12,857,170	2,023,042
Loss / (gain) on disposal of fixed assets		143,295	(52,931)
Value of services rendered to patients through donations and zakat		(2,620,360,212)	(2,343,953,477)
Value of services rendered to patients through deferred capital grant		(51,007,578)	(42,034,134)
Income from Grant-Funded Research and Development Projects (GFRDP)		(1,403,409,035)	(302,515,761)
		(3,907,720,650)	(2,571,945,935)
Working capital changes			
(Increase) / decrease in current assets:			
Inventories		(115,667,470)	10,236,133
Advances, deposits, prepayments and other receivables		(406,974,654)	(60,497,782)
		(522,642,124)	(50,261,649)
Increase in current liabilities:			
Trade and other payables		362,463,258	219,156,918
		(160,178,866)	168,895,269
Donations received during the year		2,600,199,922	2,035,925,177
Donations paid during the year		(10,935,260)	(1,102,500)
Zakat received during the year		2,278,909,317	1,691,132,220
		4,868,173,979	3,725,954,897
Net cash generated from operating activities		898,372,140	1,651,588,999
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(1,741,056,085)	(970,198,704)
Proceeds received from disposal of property, plant and equipment		3,258,330	52,931
Purchase of intangible assets		(1,860,439)	(1,060,200)
Investment disposed during the year - net		75,668,210	75,316,481
Profit received on short term investments		104,529,814	92,649,338
Net cash used in investing activities		(1,559,460,170)	(803,240,154)
CASH FLOWS FROM FINANCING ACTIVITIES			
Donations for assets		1,634,158,083	470,343,570
Net increase in cash and cash equivalents		973,070,053	1,318,692,415
Cash transferred from Islamic Mission Hospital Trust	1.3	11,830,509	-
Cash and cash equivalents at beginning of the year		2,080,780,892	762,088,477
Cash and cash equivalents at end of the year	10	<u>3,065,681,454</u>	<u>2,080,780,892</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

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Chief Executive Officer



Director

THE INDUS HOSPITAL
 STATEMENT OF CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	-----Rupees-----	
Balance at the beginning of the year	1,059,907,286	731,222,518
Surplus for the year	98,097,677	328,684,768
Other comprehensive income	-	-
Total comprehensive income	98,097,677	328,684,768
Net assets of Islamic Mission Hospital Trust transferred - note 1.3	55,127,352	-
Balance as at end of the year	1,213,132,315	1,059,907,286

The annexed notes 1 to 26 form an integral part of these financial statements.

453


 Chief Executive Officer


 Director

**THE INDUS HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 (now 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 the 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;
- iv) Indus Hospital Al Ghazi Campus, Bhong.

The Indus Hospital in collaboration with Qarshi Foundation Trust and Naimat Saleem Trust has undertaken to build a hospital of 550 beds in Block-B Jubilee Town Scheme, Lahore named The Indus Hospital Punjab - Lahore Campus. The Naimat Saleem Trust has 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 aforementioned hospital. Moreover, Qarshi Foundation Trust has also agreed to provide the 45 Kanal adjoining land for the construction of the aforementioned hospital. Both the trusts have also pledged to donate for the construction of the aforementioned hospital.

During the year, the Hospital established a branch office "The Indus Hospital - UAE Branch" (the Branch) in the 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.

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

1.2 Hospital management services

The Indus Hospital entered into various agreements with Recep Tayyip Erdogan Hospital Trust (RTEHT) and Government of Sindh to manage different hospitals' operations. The agreement for the management of the Hospitals is generally for the term of 10 to 30 years. As per the terms of the agreement the Hospital shall be responsible for the entire operations and management of the said managed hospitals to provide free of cost services to the patients, for no remuneration, with funding from the respective parties.

1.3 The Indus 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 to The Indus Hospital. As per the terms of the agreement, IMHT has transferred all the assets and liabilities of the Trust and the school to the Indus Hospital and the Board of The Indus Hospital has undertaken to take over the assets and liabilities with effect from June 30, 2017. Detail of net assets transferred is as under:

	Rupees
Operating assets (note 4)	14,960,534
Advances, deposits, prepayments & other receivables (note 8)	5,361,331
Short term investments (note 9)	40,000,000
Bank balances (note 10)	11,830,509
Trade and other payables (note 13)	<u>(17,025,022)</u>
	<u>55,127,352</u>

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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 requirements of the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as notified by the Securities and Exchange Commission of Pakistan (SECP), Accounting Standard for Not for Profit Organisations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and provisions of or directives issued under the repealed Companies Ordinance, 1984 (the Ordinance) as required by circular CLD/CCD/PR(11)/2017 dated July 20, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP) and further clarification issued through SECP's press release dated July 20, 2017 that the companies whose financial year, including quarterly and other interim period, closes on or before June 30, 2017 shall prepare their financial statements in accordance with provisions of Companies Ordinance, 1984. However, the requirements as stipulated in the provisions of or the directives of the Ordinance shall prevail where these differ from the IFRSs or Accounting Standard for NPOs.

2.1.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with the above requirements require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Hospital's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.1.4 Initial application of a standard, amendment or an interpretation to an existing Standard

a) Standards, amendments to published standards and interpretations that are effective in current year

The following amendments are effective for the year ended June 30, 2017 and are relevant to the Hospital:

- IAS 16 (Amendment), 'Property, plant and equipment' and IAS 38 (Amendment), 'Intangible assets'. This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. It is unlikely that the amendment will have any significant impact on the Hospital's financial statements.
- IFRS 7 'Financial instruments: Disclosures' relating to servicing contracts. If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively. It is unlikely that the amendment will have any significant impact on the Hospital's financial statements.



- IAS 1, 'Presentation of Financial Statements'. The amendments provide clarifications on a number of issues, including:
 - Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
 - Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
 - Notes – confirmation that the notes do not need to be presented in a particular order.
 - Other Comprehensive Income (OCI) arising from investments accounted for under the equity method. The share of the OCI arising from equity accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss account. Each group should then be presented as a single line item in the statement of comprehensive income.

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on July 1, 2016 are considered not to be relevant or to have any significant effect on the Hospital's financial reporting and operations.

b) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Hospital

The following new standards, amendments and interpretations to published standards are not effective for the financial year beginning on July 1, 2016 and have not been early adopted by the Hospital:

- Amendments to IAS 7, Statement of cash flows on disclosure initiative (effective for annual accounting periods beginning on or after 1 January 2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosures can be improved. The amendment will not have any significant impact on the Hospital's financial statements.
- IFRIC 22 'Foreign currency transactions and advance consideration' (effective for annual accounting periods beginning on or after 1 January 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments / receipts are made. The guidance aims to reduce diversity in practice. The amendment will not have any significant impact on the Hospital's financial statements.
- IFRS 15, 'Revenue from contracts with customers' (effective for accounting periods beginning on or after July 1, 2018). This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Hospital is yet to assess the full impact of the standard.
- IFRS 9 'Financial instruments' (effective for accounting periods beginning on or after July 1, 2018). This standard replaces the guidance in IAS 39 'Financial instruments : Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. It is unlikely that the standard will have any significant impact on the Hospital's financial statements.

There are a number of other standards, amendments and interpretations to published standards that are not yet effective and are also not relevant to the Hospital's financial reporting or operations and therefore, have not been presented here.

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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 income using the straight-line method at the rates stated in note 4. 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 balance sheet 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 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 in the course of their construction and installation. Transfers are made to relevant operating asset category as and when assets are available for use.

2.4 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.

408 -

2.5 Financial Instruments

2.5.1 Classifications

The Hospital classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) At fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets.

c) Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

d) Held to maturity

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention to hold to maturity.

2.5.2 Recognition and measurement

All financial assets are recognized at the time when the Hospital becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Hospital commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are charged to the statement of comprehensive income.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Hospital has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method.

Any gain or loss on investments which are acquired from restricted funds is recognized in deferred Income.

2.5.3 Financial liabilities

All financial liabilities are recognized at the time when the Hospital becomes a party to the contractual provisions of the instrument.

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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 comprehensive income.

2.5.4 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet 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.

2.6 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.

2.7 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.

2.8 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, deposit and saving accounts and other short term highly liquid investments with original maturities of three months or less.

2.9 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.

2.9.1 Change in accounting policy

During the year, due to the application of Accounting Standards for NPOs, the Hospital has changed its accounting policy with respect to restricted contributions. Restricted contributions are now recognized as "deferred income" in the balance sheet. Restricted contributions pertaining to capital expenditure are recognized as "deferred capital grant" classified in the balance sheet.

The aforementioned change in accounting policy has been applied retrospectively. Consequently, the related balances of the earliest period presented in the balance sheet and cash flows have been restated which resulted in reclassification as detailed in note 26. There is no effect of the aforementioned change on the statement of comprehensive income and accumulated fund.

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2.10 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.

2.11 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 balance sheet date to reflect the current best estimate.

2.12 Provident Fund

The Hospital has constituted an approved contributory provident 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.

2.13 Foreign currency transactions and translations

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

2.14 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.
- 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 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 comprehensive income.

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

4. OPERATING ASSETS

	Leasehold land	Building and Civil Work on lease hold land	Plant, Machinery & Equipment	Computers, Printers and Network Cabling	Furniture and Fixtures	Vehicles	Books & others	Total
Rupees								
As at July 1, 2015								
Cost	345,086,200	258,103,857	608,285,558	40,751,326	42,384,422	9,918,154	-	1,303,509,517
Accumulated depreciation	(15,322,987)	(52,377,497)	(385,895,355)	(26,104,403)	(33,290,897)	(3,307,611)	-	(516,298,750)
Net book value	329,763,213	203,726,360	223,370,203	14,646,923	9,093,525	6,610,543	-	787,210,767
Year ended June 30, 2016								
Opening net book value	329,763,213	203,726,360	223,370,203	14,646,923	9,093,525	6,610,543	-	787,210,767
Additions including transfers - note 5	-	7,026,112	119,528,458	10,150,532	4,446,049	3,029,240	-	144,180,391
Disposals / Write-offs								
Cost	-	-	-	(52,931)	-	-	-	(52,931)
Accumulated depreciation	-	-	-	52,931	-	-	-	52,931
Depreciation charge	(3,450,862)	(14,694,841)	(78,525,642)	(9,743,532)	(4,003,734)	(1,918,705)	-	(113,337,316)
Closing net book value	326,312,351	196,057,631	263,373,019	15,053,923	9,535,840	7,721,078	-	818,053,842
As at July 1, 2016								
Cost	345,086,200	263,129,969	728,794,016	50,848,927	46,830,471	12,947,394	-	1,447,636,977
Accumulated depreciation	(18,773,849)	(67,072,338)	(486,420,997)	(35,796,004)	(37,294,831)	(6,226,216)	-	(629,583,135)
Net book value	326,312,351	196,057,631	263,373,019	15,053,923	9,535,840	7,721,078	-	818,053,842
Year ended June 30, 2017								
Opening net book value	326,312,351	196,057,631	263,373,019	15,053,923	9,535,840	7,721,078	-	818,053,842
Additions including transfers - note 5	1,024,000,000	56,456,474	526,161,187	48,843,942	6,502,748	100,047,630	-	1,761,011,981
Transfers from IMHT - note 1.3								
Cost	-	25,857,461	-	1,432,126	1,986,239	7,602,749	2,194,313	39,072,868
Accumulated depreciation	-	(15,634,116)	-	(633,826)	(1,049,789)	(5,542,749)	(1,251,874)	(29,112,354)
Net book value	-	10,223,345	-	798,300	936,450	2,060,000	942,439	14,960,534
Disposals / Write-offs								
Cost	-	-	-	(95,730)	-	(3,320,294)	-	(3,416,024)
Accumulated depreciation	-	-	-	14,399	-	-	-	14,399
Net book value	-	-	-	(81,331)	-	(3,320,294)	-	(3,405,625)
Depreciation charge (note 4.1)	(8,500,725)	(14,639,151)	(100,608,509)	(15,802,736)	(5,542,354)	(7,340,137)	-	(152,433,612)
Closing net book value	1,341,811,626	248,098,299	687,925,697	48,812,098	11,432,684	99,168,277	942,439	2,438,191,120
As at June 30, 2017								
Cost	1,369,086,200	345,443,904	1,253,955,203	101,029,265	55,319,458	117,277,479	2,194,313	3,244,305,822
Accumulated depreciation	(27,274,574)	(97,345,605)	(566,029,506)	(52,217,167)	(43,886,774)	(18,109,202)	(1,251,874)	(806,114,702)
Net book value	1,341,811,626	248,098,299	687,925,697	48,812,098	11,432,684	99,168,277	942,439	2,438,191,120
Annual rate of depreciation (%)	1	5	20	33	20	20	20	

4.1 Comprises of depreciation amounting to Rs. 137,304,471 (2016: Rs. 113,337,316) pertaining to operating expenses and Rs. 15,129,141 (2016: Nil) pertaining to assets purchased on account of Grant Funded Research and Development Projects.

5. CAPITAL WORK-IN-PROGRESS

	Expansion Project	Building and Civil Works	Plant, Machinery & Equipment	Furniture and Fixtures	Vehicle	Intangible	Total
Rupees							
Year ended June 30, 2016							
Balance at beginning of the year	301,712,231	13,245,487	307,977	9,000	-	-	315,274,695
Add: Additions during the year	841,852,647	2,391,709	3,181,000	2,768,643	-	-	850,193,999
Less: Transfers - note 4	-	(4,608,839)	-	-	-	-	(4,608,839)
Balance at end of the year	1,143,564,878	11,028,357	3,488,977	2,777,643	-	-	1,160,859,855
Year ended June 30, 2017							
Balance at beginning of the year	1,143,564,878	11,028,357	3,488,977	2,777,643	-	-	1,160,859,855
Add: Additions during the year	959,506,321	80,230,576	58,066,754	1,194,183	26,825,300	6,889,450	1,132,712,584
Add: Additions for QFNST during the year	-	6,954,000	-	-	-	-	6,954,000
Less: Transfers - note 4	(50,141,588)	(2,749,730)	(3,181,000)	-	(25,641,000)	-	(81,713,318)
Balance at end of the year	2,052,929,611	95,463,203	58,374,731	3,971,826	1,184,300	6,889,450	2,218,813,121

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	2017	2016
	-----Rupees-----	
6. INTANGIBLE ASSETS		
Net carrying value		
Balance at beginning of the year	2,918,487	3,108,297
Add: Additions	1,860,439	1,060,200
Less: Amortization charge for the year	(1,622,098)	(1,250,010)
Balance at end of the year	<u>3,156,829</u>	<u>2,918,487</u>
Gross carrying value		
Cost	8,610,488	6,750,049
Less: Accumulated amortization	(5,453,659)	(3,831,562)
Net book value	<u>3,156,829</u>	<u>2,918,487</u>

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

7. INVENTORIES

Medicines (note 7.2)	203,433,386	116,739,915
Consumables	103,922,769	103,699,708
General	27,730,868	17,373,519
	<u>335,087,023</u>	<u>237,813,142</u>
Stores and spares	25,032,011	19,495,592
	<u>360,119,034</u>	<u>257,308,734</u>

7.1 During the year inventories amounting to Rs.12,857,170 (2016: Rs. 2,023,042) were written off.

7.2 This includes Medicines (Lab Kits) aggregating to Nil (2016: Rs. 4,742,200) held with Interactive Research and Development.

7.3 Inventories include medicines, consumables and general supplies amounting to Rs. 75,333,408 (2016: Rs. 21,622,616) held on account of GFRDP.

	2017	2016
	-----Rupees-----	
8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Considered Good		
Advances to:		
- Suppliers and others	206,694,524	59,717,867
- Employees (note 8.1)	2,012,576	211,992
- Global Fund Sub Recipients (SRs) (note 8.2)	114,430,790	52,296,878
- Interactive Research and Development - IRD	89,465,014	35,699,886
Deposits (note 8.4)	11,125,103	9,863,537
Prepayments	11,892,516	11,399,238
Receivable from Civil Hospital Badin (note 8.3)	146,178,264	-
Receivables from other Hospitals	-	8,015,286
Other receivables (note 8.5)	10,113,427	3,475,433
Tax refundable / adjustable	1,103,888	-
	<u>593,016,102</u>	<u>180,680,117</u>

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- 8.1 The maximum aggregate amount of advances due from the Chief Executive and directors at the end of any month was Nil (2016: Nil).
- 8.2 This represents advances given by the Indus Hospital to its Sub Recipients (SRs), Community Health Services (CHS), Frontier Primary Health Care (FPHC) and Baluchistan Rural Support Program (BRSP), for the project titled "Expanding Control to Tuberculosis & Malaria Control Interventions in High Priority Districts of Pakistan" amounting to Rs. 97,385,245 (2016: Nil), Rs. 7,704,523 (2016: Rs. 23,096,162) and Rs. 9,341,022 (2016: Rs. 29,200,716) respectively. The Indus Hospital as Principal Recipient (PR) has received grants for the aforementioned project from The Global Fund and the Sub Recipients are the implementing support partners.
- 8.3 As explained in note 1.2, the Hospital entered into an agreement with Health Department of the Government of Sindh to take management control and run operations of Civil Hospital Badin. In this connection during the year, an amount of Rs. 126,697,000 (2016: Rs. 121,532,000) was transferred in the Hospital's bank account by Government of Sindh to cover the operational and capital expenditure of the Civil Hospital Badin. Further an amount of Rs. 3,012,512 (2016: Rs. 307,312) was generated from other sources. The Hospital has recorded such funds as "Payable to Civil Hospital Badin" and has disbursed funds amounting to Rs. 336,273,513 (2016: Rs. 61,453,574) against the payable during the year.
- 8.4 Includes Rs. 242,456 (2016: Nil) on account of deposits transferred from IMHT as explained in note 1.3.
- 8.5 Includes Rs. 5,118,875 (2016: Nil) on account of other receivables transferred from IMHT as explained in note 1.3.
- 8.6 As at 30 June, 2017, none of the receivables were past due or impaired.

	2017	2016
-----Rupees-----		
9. SHORT TERM INVESTMENTS		
- At fair value through profit or loss		
- Meezan Sovereign Fund	1,373,306	406,515
- Held to maturity		
- Islamic Income Certificate - Habib Metropolitan Bank Limited	290,122,833	375,742,836
- Term Deposit - Meezan Bank (note 9.1)	43,500,000	-
	333,622,833	375,742,836
	<u>334,996,139</u>	<u>376,149,351</u>

- 9.1 This includes Sharikah Certificate amounting to Rs.40,000,000 (2016: Nil) transferred from IMHT as explained in note 1.3.

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	2017	2016
	-----Rupees-----	
10. CASH AND BANK BALANCES		
Cash in hand	1,848,739	600,652
Balances with banks on:		
- current accounts	229,619,558	113,052,341
- savings accounts (note 10.1)	2,834,213,157	1,967,127,899
	3,063,832,715	2,080,180,240
	<u>3,065,681,454</u>	<u>2,080,780,892</u>

10.1 These savings accounts carry markup ranging from 2.06% to 5.16% (2016: 1.71% to 7.50%) per annum.

10.2 This includes balance with banks amounting to Rs.11,830,509 (2016: Nil) transferred from IMHT as further explained in note 1.3.

	2017	2016 (Restated)
	-----Rupees-----	
11. DEFERRED CAPITAL GRANT		
11.1 Movement in deferred capital grant is as follows:		
Balance at the beginning of the year	1,818,189,697	1,340,130,671
Add: Deferred capital grant received against:		
- Donation for construction of Paeds Ward	34,526,880	134,687,522
- Donation for other construction and capital expenditure (note 11.3)	1,143,570,918	365,838,791
- Donation in kind	1,077,909,162	19,566,847
- Donation for capital expenditure on account of GFRDP	467,796,286	-
	2,723,803,246	520,093,160
Less: Deferred capital grant released against:		
- Depreciation on account of other construction and capital expenditure	12,081,913	10,761,572
- Depreciation of donated assets	38,925,665	31,272,562
- Depreciation of assets pertaining to GFRDP (note 4.1)	15,129,142	-
	66,136,720	42,034,134
Balance at end of the year	<u>4,475,856,223</u>	<u>1,818,189,697</u>
11.2 Balance at end of the year comprises of:		
- Donation for construction of Paeds Ward	638,492,568	603,965,688
- Donation for other construction & capital expenditure (note 11.3)	2,201,064,344	1,069,575,339
- Donation in kind	1,183,632,167	144,648,670
- Donation for capital expenditure on account of GFRDP	452,667,144	-
	<u>4,475,856,223</u>	<u>1,818,189,697</u>

11.3 Includes donation restricted for expenditure for expansion of the Hospital.

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12. DEFERRED INCOME

Movement in the deferred income balance is as follows:

	2017				2016 (Restated)			
	Zakat	Donations	GFRDP	Total	Zakat	Donations	GFRDP	Total
	Rupees							
Balance at the beginning of the year	(64,292,163)	520,633,212	1,123,451,524	1,579,792,573	(69,182,171)	323,257,887	199,403,773	453,479,489
Zakat / donations / grants received during the year	2,278,909,317	1,155,295,264	1,444,679,658	4,878,884,239	1,691,132,220	805,441,915	1,226,563,512	3,723,137,647
Donation for Ayesha Blood Centre	-	225,000	-	225,000	-	3,919,750	-	3,919,750
Profit on short term investments	1,172,191	-	-	1,172,191	7,744,157	-	-	7,744,157
Profit on daily product account	8,044,853	39,039,718	39,052,050	86,136,621	12,733,989	26,349,279	-	39,083,268
	2,288,126,361	1,194,559,982	1,483,731,708	4,966,418,051	1,711,610,366	835,710,944	1,226,563,512	3,773,884,822
Value of services rendered to patients	(1,772,791,570)	(847,568,642)	-	(2,620,360,212)	(1,706,720,358)	(637,233,119)	-	(2,343,953,477)
Expenses incurred in respect of GFRDP	-	-	(1,388,279,893)	(1,388,279,893)	-	-	(302,515,761)	(302,515,761)
Donations utilized to aid other hospitals	-	(10,935,260)	-	(10,935,260)	-	(1,102,500)	-	(1,102,500)
	(1,772,791,570)	(858,503,902)	(1,388,279,893)	(4,019,575,365)	(1,706,720,358)	(638,335,619)	(302,515,761)	(2,647,571,738)
Balance as at end of the year	451,042,628	856,689,292	1,218,903,339	2,526,635,259	(64,292,163)	520,633,212	1,123,451,524	1,579,792,573

- 12.1 Zakat funds are restricted for expenditure on patients who are entitled to receive Zakat under the Islamic shariah.
- 12.2 Donations received comprise of contributions subject to implicit external restrictions for treatment of patients of the Hospital.
- 12.3 Contributions received on account of GFRDP are restricted for the purpose of expenditure for specific projects as per respective grant agreements.

	2017	2016
	-----Rupees-----	
13. TRADE AND OTHER PAYABLES		
Creditors (notes 13.1 and 13.6)	201,382,371	147,904,437
Accrued liabilities (note 13.6)	71,397,774	21,355,794
Payable to Provident Fund	285,403	6,082,396
Retention money	28,376,128	36,666,770
Security deposit - IMHT students	4,228,700	-
Payable to Interactive Research and Development	-	2,602,290
Payable under Hospital Management Services		
- Tayeb Erdogan Hospital (note 13.2)	17,206,594	81,535,191
- Mian Shahbaz Sharif Hospital - Lahore (note 13.3)	57,843,669	43,484,585
- Civil Hospital Badin	-	60,385,737
- General Hospital Manawan - Lahore (note 13.4)	183,685,902	-
- Multan Institute of Kidney Diseases (note 13.5)	213,967,716	-
	472,703,881	185,405,513
Withholding tax payable	9,893,465	10,295,813
Miscellaneous	10,082,280	8,548,709
	<u>798,350,002</u>	<u>418,861,722</u>

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- 13.1 This includes payable to Swiss Pharmaceuticals (Private) Limited, a related party in respect of medical supplies purchased by the Hospital amounting to Rs. 525,878 (2016: Rs. 458,050).
- 13.2 As explained in note 1.2, the Hospital entered into an agreement with RTEHT to take management control and run operations of the hospital in Muzaffargarh, Punjab, which has been constructed by RTEHT. In this connection during the year, an amount of Rs. 612,108,867 (2016: Rs. 456,679,408) was transferred in the Hospital's bank account by RTEHT to cover the operational and capital expenditure of the Muzaffargarh Hospital. Further an amount of Rs. 14,685,017 (2016: Rs. 5,570,757) was generated from other sources. The Hospital has recorded such funds as "Payable to Tayeb Erdogan Hospital" and has disbursed funds amounting to Rs. 691,122,481 (2016: Rs. 451,553,795) against the payable during the year.
- 13.3 As explained in note 1.2, the Hospital entered into an agreement with RTEHT to take management control and run operations of 'Mian Shahbaz Sharif Hospital - Lahore', that was in line with earlier arrangement between 'Government of Punjab' and RTEHT by a contract dated, August 01, 2015. In this connection during the year, an amount of Rs. 270,417,100 (2016: Rs. 204,748,794) was transferred in the Hospital's bank account by RTEHT to cover the operational and capital expenditure of Mian Shahbaz Sharif Hospital - Lahore. Further an amount of Rs. 7,157,004 (2016: Rs. 2,086,243) was generated from other sources. The Hospital has recorded such funds as "Payable to Mian Shahbaz Sharif Hospital" and has disbursed funds amounting to Rs. 263,215,020 (2016: Rs. 163,350,453) against the payable during the year.
- 13.4 As explained in note 1.2, the Hospital entered into an agreement with RTEHT to take management control and run operations of 'General Hospital - Manawan Lahore', that was in line with earlier arrangement between 'Government of Punjab' and RTEHT. In this connection during the year, an amount of Rs. 200,000,000 (2016: Nil) was transferred in the Hospital's bank account by RTEHT to cover the operational and capital expenditure of General Hospital - Manawan Lahore. The Hospital has recorded such funds as "Payable to General Hospital Manawan - Lahore" and has disbursed funds amounting to Rs. 16,314,098 (2016: Nil) against the payable during the year.
- 13.5 As explained in note 1.2, the Hospital entered into an agreement with RTEHT to take management control and run operations of 'Multan Institute of Kidney Diseases - MIKD Multan', that was in line with earlier arrangement between 'Government of Punjab' and RTEHT. In this connection during the year, an amount of Rs. 221,125,835 (2016: Nil) was transferred in the Hospital's bank account by RTEHT to cover the operational and capital expenditure of Multan Institute of Kidney Diseases - MIKD Multan. The Hospital has recorded such funds as "Payable to Multan Institute of Kidney Diseases - MIKD Multan" and has disbursed funds amounting to Rs. 7,158,119 (2016: Nil) against the payable during the year.
- 13.6 Creditors include Rs. 360,455 and accrued liabilities include Rs. 12,435,867 transferred from IMHT as explained in note 1.3.

14. CONTINGENCIES AND COMMITMENTS

- 14.1 Out of the facilities of Rs. 700,000,000 (2016: Rs. 275,000,000) for opening letters of credits, the amount utilized as at June 30, 2017 was Rs. 124,005,547 (2016: Rs. 74,819,166).
- 14.2 Commitments for rentals under operating lease arrangements in respect for rent of offices as at June 30, 2017 amount to Nil (2016: Rs. 19,944,065) and are payable as follows:

	2017	2016
	-----Rupees-----	
- within one year	-	9,398,102
- more than one year but less than five years	-	10,545,963
	<u>-</u>	<u>19,944,065</u>

- 14.3 Contingent liabilities represent bank guarantees given to following suppliers:

	2017	2016
	-----Rupees-----	
Canteen Stores Department	1,000,000	1,000,000
Metro Habib Cash & Carry (Private) Ltd.	2,000,000	-
	<u>3,000,000</u>	<u>1,000,000</u>

- 14.4 Commitments in respect of local and foreign purchases as at June 30, 2017 amount to Rs. 1,131,138,268 (2016: Rs. 331,096,661).

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	2017	2016
	-----Rupees-----	
15. OTHER INCOME		
Proceeds from sales of waste materials	250,000	939,170
Income from cafeteria	17,002,080	8,719,260
Recovery of blood test cost	10,258,339	17,940,329
Others	3,194,397	10,233,377
	<u>30,704,816</u>	<u>37,832,136</u>
16. MEDICINES AND OTHER SUPPLIES CONSUMED		
Opening inventory	235,686,118	255,188,303
Add: Purchases	840,670,367	731,889,934
Less:		
- Inventory written-off (note 7.1)	12,857,170	2,023,042
- Closing inventory	284,785,626	235,686,118
	<u>778,713,689</u>	<u>749,369,077</u>
17. AUDITOR'S REMUNERATION		
Fee for statutory audit	400,000	200,000
Other certification	186,000	-
Out of pocket expenses	284,000	120,000
	<u>870,000</u>	<u>320,000</u>
18. 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 grant / funds received for these projects during the year and expenditure incurred on these projects are as follows:

	Year ended June 30, 2017							Year ended June 30, 2016						
	Grants / fund received		Expenditure			Total Expenditure	Surplus / (Deficit)	Grants / fund received		Expenditure			Total Expenditure	Surplus / (Deficit)
	Cash Donations / Grants	Donations In-kind	Salaries, wages and benefits	Medicines consumed	Other costs			Cash Donations / Grants	Donations In-kind	Salaries, wages and benefits	Medicines consumed	Other costs		
Rupees														
TB MDR Projects Round 9	24,029,184	-	-	63,671,199	26,777,596	90,448,785	(66,419,611)	104,291,053	86,518,267	66,622,920	77,968,397	43,176,737	157,768,054	3,041,266
Diabetes Adherence Study	2,000,000	-	751,549	-	46,783	798,312	1,201,689	-	-	183,880	320,748	91,016	565,844	(565,644)
Diabetes Foot Care Clinic	-	-	1,044,900	-	408,482	1,453,382	(1,453,382)	-	-	426,417	-	42,843	471,260	(471,260)
In Vitro Study	-	-	-	-	-	-	-	75,000	-	-	-	13,513	13,513	61,467
TB Reach Project	23,620,596	-	-	-	259,923	259,923	23,360,673	20,283,837	-	7,989,214	-	7,874,380	15,683,594	4,620,243
Perita Qadim Project	280,000	-	1,418,770	-	4,349,828	5,768,598	(5,508,598)	223,200	-	1,510,963	-	3,176,742	4,887,705	(4,464,505)
END TB	3,739,500	-	7,149,797	28,791	905,290	8,083,878	(4,344,378)	4,660,136	-	233,667	83,002	228,593	545,282	4,114,876
Malaria Project	-	-	2,366,388	-	49,067	2,435,455	(2,435,455)	-	-	2,485,104	-	308,140	2,074,252	(2,074,252)
Club Feet Disability Project	-	-	-	-	9,770	9,770	(9,770)	-	-	-	-	240,809	240,809	(240,809)
IMNCI Child Survival Program	-	-	1,636,122	-	252,519	1,888,641	(1,888,641)	-	-	1,830,331	-	805,484	2,435,815	(2,435,815)
OPD Medicines	-	-	-	-	-	-	-	-	-	60,651	-	-	60,651	(60,651)
Rabies Program	180,000	-	-	-	40,825	40,825	108,175	-	-	-	-	89,547	89,547	(89,547)
Diabetes Program	12,000,000	-	6,341,106	-	6,058,191	12,399,297	(309,297)	-	-	4,452,219	-	4,698,787	9,151,006	(9,151,006)
KAPS - Knee Arthritis Project	1,143,598	-	2,005,915	701,778	2,252,571	4,960,264	(3,816,699)	2,232,045	-	2,060,839	2,418,357	3,047,589	7,527,382	(5,295,337)
Safe Circumcision Study	-	-	1,414,708	-	1,559,634	2,974,342	(2,974,342)	2,000,000	-	249,666	-	37,064	286,750	1,713,250
Malaria - The Global Fund	300,346,361	-	152,015,214	-	184,688,064	335,703,278	(36,354,917)	191,072,254	-	33,556,520	-	18,045,966	51,605,486	139,486,786
SSI Project	7,494,062	-	3,877,626	-	807,064	4,684,586	2,809,463	1,520,408	-	3,211,265	-	914,734	4,125,009	(2,605,591)
Paeds TB Program	9,913,238	-	11,233,775	146,568	4,116,983	15,500,320	(5,587,068)	5,118,582	-	3,598,038	-	450,705	4,048,743	1,069,839
TD - ABC Project	5,820,041	-	4,882,413	-	1,066,038	9,678,451	(942,410)	2,079,189	-	2,808,878	-	408,659	3,217,537	(1,145,348)
Onco Psychology	456,000	-	1,398,915	805,500	459,196	2,663,611	(2,207,611)	-	-	565,201	634,800	299,390	1,499,391	(1,499,391)
TB - The Global Fund	1,190,756,889	306,089,024	338,997,649	50,219,172	487,419,796	861,336,813	515,610,080	806,406,629	-	3,822,046	-	1,685,315	5,807,361	800,686,178
CAD + TB	-	-	478,527	-	95,705	574,232	(574,232)	-	-	-	-	-	-	-
Club Foot Disability R-2	-	-	-	-	636,412	636,412	(636,412)	-	-	-	-	-	-	-
Hepatitis C Virus - HCV	15,400,000	-	2,862,303	1,160,865	4,249,032	8,272,200	7,127,800	-	-	-	-	-	-	-
HIV Program - The Global Fund	-	-	6,023,024	-	1,476,426	7,499,450	(7,499,450)	-	-	-	-	-	-	-
IVAC Project	-	-	132,000	-	2,688,783	3,020,783	(3,020,783)	-	-	-	-	-	-	-
My Child Matters - MCM	8,125,693	-	815,735	-	1,297,318	2,113,063	6,012,940	-	-	-	-	-	-	-
Orthopedic Program	-	-	427,033	-	676,687	1,103,720	(1,103,720)	-	-	-	-	-	-	-
PPCCS (Perceptions of Patient Centered Care Study)	-	-	-	-	100,786	100,786	(100,786)	-	-	-	-	-	-	-
Vero Cell Trial	1,033,768	-	51,048	113,669	81,123	245,870	757,918	-	-	-	-	-	-	-
Zero TB	-	-	-	-	352,000	352,000	(352,000)	-	-	-	-	-	-	-
Total	1,506,376,920	306,089,024	947,044,613	121,050,572	734,513,850	1,409,499,025	629,066,009	1,140,046,248	86,518,267	135,651,819	81,425,904	85,436,036	302,515,761	924,047,781

1056

19. PROVIDENT FUND

The following information is based upon un-audited financial statements of the provident fund as at June 30, 2017 and audited financial statements as at June 30, 2016:

	2017	2016
	-----Rupees-----	
Size of the fund- Total assets	<u>381,344,947</u>	<u>233,495,722</u>
Fair value of investments (note 19.1)	<u>346,557,955</u>	<u>208,172,096</u>
Cost of investments made	<u>343,744,740</u>	<u>207,737,961</u>
	-----%-----	
Percentage of investments made	<u>90</u>	<u>89</u>

19.1 The break- up of fair value of investments is as follows:

	2017		2016	
	Rupees	%	Rupees	%
Term deposit certificates	308,044,236	89%	4,407,885	2%
Bank deposits	<u>38,513,719</u>	11%	<u>203,764,211</u>	98%
	<u>346,557,955</u>		<u>208,172,096</u>	

19.2 The investments out of the fund have been made in accordance with the provisions of Section 227 of Companies Ordinance, 1984 and the rules formulated for the purpose.

19.3 An amount of Rs. 64,190,407 (2016: Rs. 36,325,966) has been charged during the year in respect of Hospital's contribution to the fund.

20. RELATED PARTY TRANSACTIONS

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, the key management personnel of the Hospital, entities with common directorship, 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.

20.1 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	Name of Related Party	2017 Rupees	2016 Rupees
Director	Balance sheet	Donation received	Dr. Muhammad Abdullah	500,000	-
			Mr. Tariq N. Siddique	320,000	-
			Mr. Salim Razzak Tabani	100,000	662,600
			Mr. Khaliq Ur Rehman	1,330,000	-
			Mr. Tariq Shafi	4,000,000	7,614,500
			Abdul Hamid Paracha	2,000,000	1,037,600
Chief Executive Officer	Balance sheet	Donation received	Dr. Abdul Bari Khan	240,000	240,000
Associated Undertaking	Balance sheet	Donation received	Feroze 1888 Mills Limited	7,718,216	17,667,677
			Grace Apparel (Private) Limited	1,000,000	250,000
			Progressive Traders (Private) Limited	-	2,200,000
			Toyo Packaging (Private) Limited	-	70,000
			Swiss Pharmaceuticals (Private) Limited	15,640	-
	Statement of comprehensive income	Purchases	Swiss Pharmaceuticals (Private) Limited	6,269,996	6,889,714
Retirement Benefit Fund	Statement of comprehensive income	Contribution	The Indus Hospital - Provident Fund	64,190,407	36,325,966

20.2 All related party transactions are measured at fair value unless otherwise mentioned.

20.3 **REMUNERATION OF CHIEF EXECUTIVE, FACULTY & OTHER KEY MANAGEMENT PERSONNEL**

The aggregate amounts charged in the financial statements in respect of remuneration, including all the benefits to the chief executive, faculty and other key management personnel are as follows:

	2017			2016		
	Chief Executive	Faculty	Other Key Management Personnel	Chief Executive	Faculty	Other Key Management Personnel
	-----Rupees-----					
Management remuneration	9,832,500	119,480,729	86,010,595	8,550,000	105,913,457	77,456,907
Retirement benefits	655,500	4,787,946	3,769,524	570,000	5,205,815	3,176,292
Total	10,488,000	124,268,675	89,780,119	9,120,000	111,119,272	80,633,199
Number of persons including those who worked part of the year	1	35	18	1	26	13

No remuneration is paid to any director except the Chief Executive of the Hospital.

	2017	2016
21. NUMBER OF EMPLOYEES		
Average number of employees during the year	2,423	1,449
Number of employees as at 30 June	2,801	1,558
	-----Rupees-----	
	2017	2016

22. FINANCIAL INSTRUMENTS BY CATEGORY

22.1 Financial assets as per balance sheet

- At fair value through profit or loss		
Short term investments	1,373,306	406,515
- Loans and receivables		
Deposits and other receivables	167,416,794	21,354,256
Cash and bank balances	3,065,681,454	2,080,780,892
	3,233,098,248	2,102,135,148
- Held to maturity		
Short term investments	333,622,833	375,742,836
	<u>3,568,094,387</u>	<u>2,478,284,499</u>

22.2 Financial liabilities as per balance sheet

- At amortized cost		
Trade and other payables	<u>788,171,134</u>	<u>402,483,513</u>

22.3 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.

4564

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 technique during the year.

	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
Year ended June 30, 2017				
Short term investments	<u>1,373,306</u>	<u>-</u>	<u>-</u>	<u>1,373,306</u>
Year ended June 30, 2016				
Short term investments	<u>406,515</u>	<u>-</u>	<u>-</u>	<u>406,515</u>

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

23.1 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 Board of Directors has overall responsibility for the establishment and oversight of Hospital's risk management framework. The Board of Directors is also responsible for developing and monitoring the Hospital's risk management policies.

a) 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 has no significant currency risk on obligations therefore, the Hospital's income and operating cash flows are substantially independent of changes in foreign exchange rates. As majority of the of the Hospital's financial assets and liabilities are denominated in Pak Rupees, therefore, the Hospital, at present, is not exposed to foreign currency risk.

(ii) Interest rate risk

Interest rate 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 and loss. Therefore, a change in interest rates at the reporting date would not affect surplus of the Hospital. There are no other significant interest-bearing financial instruments.

(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.

4534

b) 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, trade debts, 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. 3,568,094,387 (2016: Rs. 2,478,284,499), the financial assets exposed to credit risk amount to Rs. 3,566,245,648 (2016: Rs. 2,477,683,847).

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

	2017	2016
	-----Rupees-----	
Deposits and other receivables	167,416,794	21,354,256
Short term investments	334,996,139	376,149,351
Cash and bank balances	<u>3,065,681,454</u>	<u>2,080,780,892</u>
	<u>3,568,094,387</u>	<u>2,478,284,499</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	Rating	
		Short term	Long term
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1	A+
BankIslami Pakistan Limited	PACRA	A1	A+
United Bank Limited	JCR-VIS	A-1+	AAA
Al-Baraka Islamic Bank (Pakistan) Limited	PACRA	A1	A
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Bank Al-Falah Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
MCB Islamic Bank Limited	PACRA	A1	A
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Bank Al-Habib	PACRA	A1+	AA+
Meezan Bank Ltd	JCR-VIS	A-1+	AA
Sindh Bank Ltd	JCR-VIS	A-1+	AA
Al-Meezan Investment Management Limited	JCR-VIS	-	AM1

c) 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.

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

	June 30, 2017			June 30, 2016		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	-----Rupees-----					
Trade and other payables	788,171,134	-	788,171,134	402,483,513	-	402,483,513

24. 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.

25. CORRESPONDING FIGURES

Following reclassifications were considered necessary due to the change in accounting policy, as explained in note 2.9.1:

Description	Head of account in financial statements for the year ended June 30, 2015 and June 30, 2016	Head of account in financial statements for the year ended June 30, 2017	2016	2015
			-----Rupees-----	
Balance Sheet				
Restricted fund	Restricted fund	Deferred capital grant	1,818,189,697	1,340,130,671
Restricted fund	Restricted fund	Deferred income	1,579,792,573	453,479,489
Statement of Comprehensive Income				
Income				
Value of services rendered to patients through donation	Value of services rendered to patients through donations	Value of services rendered to patients through deferred capital grant	42,034,134	-
Statement of Cash flows				
Zakat received during the year	Cash flows from financing activities	Cash flows from operating activities	1,691,132,220	-
Donations paid during the year	Cash flows from financing activities	Cash flows from operating activities	1,102,500	-
Donations received during the year	Cash flows from financing activities	Cash flows from operating activities	2,035,925,177	-

The effect of other reclassifications is not material.

26. These financial statements were approved and authorized for issue on 22 NOV 2017 by the Board of Directors of the Hospital.

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Chief Executive



Director

**OPERATIONS OF RECEP TAYYIP ERDOGAN
HOSPITAL, MUZAFFARGARH
(MANAGED BY THE INDUS HOSPITAL)**

**SPECIAL PURPOSE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Indus Hospital.

Opinion

We have audited the accompanying special purpose financial statements of the 'Operations of Recep Tayyip Erdogan Hospital, Muzaffargarh managed by the Indus Hospital' (the Project), which comprises of the balance sheet as at June 30, 2017 and the related income and expenditure account and cash flow statement for the year ended June 30, 2017 and a summary of significant accounting policies and other explanatory information.

In our opinion, the special purpose financial statements of the Project present fairly, in all material respects, the financial position of the Project as at June 30, 2017 and its surplus and its cash flows for the year ended June 30, 2017, in accordance with the basis of preparation as stated in note 2.1 to the special purpose financial statements.

Basis for Opinion

We conducted our audit in accordance with approved auditing standards 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 Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to note 2.1 to the special purpose financial statements, which describes the basis of accounting and the use of the financial statements. As a result these special purpose financial statements may not be suitable for another purpose. Our report is intended solely for the internal use of the management of the Indus Hospital and Recep Tayyip Erdogan Hospital Trust and for submission to the Government of Punjab.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of the Indus Hospital is responsible for the preparation of these special purpose financial statements in accordance with the basis of preparation stated in note 2.1 to the special purpose financial statements, and for such internal control as management of the Indus Hospital determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

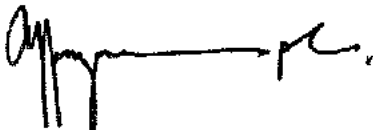
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved auditing standards 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.

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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As part of an audit in accordance with the auditing standards as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of 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 Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Project'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 Project 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 those charged with governance 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.



Chartered Accountants
Karachi
Date: January 3, 2018

Engagement Partner: Waqas A. Sheikh

OPERATIONS OF RECEP TAYYIP ERDOGAN HOSPITAL
(MANAGED BY THE INDUS HOSPITAL)
BALANCE SHEET AS AT JUNE 30, 2017

	Note	June 30, 2017	June 30, 2016
-----Rupees-----			
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	408,084,831	357,335,826
Intangible assets	6	685,484	1,028,226
		<u>408,770,315</u>	<u>358,364,052</u>
Current Assets			
Inventories	7	50,658,007	60,816,099
Advances, deposits and other receivables	8	6,762,098	4,207,213
Receivable from The Indus Hospital	9	17,206,594	81,535,191
Short term investment	10	81,600,000	-
Cash in hand		194,479	213,248
		<u>156,421,178</u>	<u>146,771,751</u>
Total Assets		<u><u>565,191,493</u></u>	<u><u>505,135,803</u></u>
Funds			
Restricted Fund	11	81,020,206	76,460,501
Deferred Capital Grant	12	462,972,030	412,101,080
		<u>543,992,236</u>	<u>488,561,581</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	13	21,199,257	16,574,222
Total Funds and Liabilities		<u><u>565,191,493</u></u>	<u><u>505,135,803</u></u>
Contingencies and Commitments			
		-	-

The annexed notes 1 to 19 form an integral part of these financial statements.

7.


Chief Executive Officer


Director

OPERATIONS OF RECEP TAYYIP ERDOGAN HOSPITAL
(MANAGED BY THE INDUS HOSPITAL)
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	June 30, 2017	June 30, 2016
-----Rupees-----			
Income			
Value of services rendered to patients financed through restricted fund and Deferred capital grant utilized	14	586,215,294	416,460,419
Other income	15	13,275,401	5,570,757
		<u>599,490,695</u>	<u>422,031,176</u>
Expenditure			
Salaries, wages and other benefits		273,265,173	197,422,605
Medicines and related supplies consumed	16	187,890,741	118,730,214
Utilities		29,226,885	24,290,947
Technical and professional services		22,356,824	17,350,900
Depreciation	5.1	41,925,175	29,023,338
Amortization	6.1	342,742	342,742
Training and development		2,128,153	2,509,777
Security services		8,685,839	7,794,853
Patient and staff meal expenses		21,657	10,157
Travelling and transportation		7,245,359	5,027,814
Repairs and maintenance		916,431	2,419,635
Uniform and laundry		3,996,233	3,211,766
Freight expenses		2,423,057	1,207,731
Insurance / Takaful		4,959,046	4,311,449
Communication charges		2,192,079	2,234,090
Advertising and marketing		1,636,233	942,229
Printing, stationery and courier		463,662	349,595
Out-sourced diagnostics charges		-	57,160
Auditor's remuneration		257,234	268,750
Other expenses		1,182,985	1,018,510
Research Project Cost (Public Health Initiative)		8,375,187	3,506,914
TOTAL EXPENDITURE		<u>599,490,695</u>	<u>422,031,176</u>
Surplus for the year		<u>-</u>	<u>-</u>

The annexed notes 1 to 19 form an integral part of these financial statements.


Chief Executive Officer


Director

OPERATIONS OF RECEP TAYYIP ERDOGAN HOSPITAL
(MANAGED BY THE INDUS HOSPITAL)
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

Note	June 30, 2017	June 30, 2016
-----Rupees-----		
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year	-	-
Adjustments for non-cash charges and other items:		
Depreciation	41,925,175	29,023,338
Amortization	342,742	342,742
Value of services rendered to patients and financed through restricted fund and deferred capital grant utilized	(586,215,294)	(416,460,419)
Donations received in kind	28,743,616	20,843,860
	(515,203,761)	(366,250,479)
Working capital changes		
(Increase) / decrease in current assets:		
Inventories	10,158,092	(25,953,499)
Advances, deposits and other receivables	(2,554,885)	1,003,447
Receivable from The Indus Hospital	64,328,597	(10,696,369)
	71,931,804	(35,646,421)
(Increase) / decrease in current liabilities:		
Trade and other payables	4,625,035	(15,179,252)
	76,556,839	(50,825,673)
Net cash utilized in operating activities	(438,646,922)	(417,076,152)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(92,674,180)	(39,804,834)
Profit on donation bank account	793,466	-
Net cash utilized in investing activities	(91,880,714)	(39,804,834)
CASH FLOW FROM FINANCING ACTIVITIES		
Donations received during the year	594,508,867	456,679,408
Zakat received during the year	17,600,000	-
Net cash generated from financing activities	612,108,867	456,679,408
Net increase / (decrease) in cash and cash equivalents	81,581,231	(201,578)
Cash and cash equivalents at beginning of the year	213,248	414,826
Cash and cash equivalents at end of the year	81,794,479	213,248

17

The annexed notes 1 to 19 form an integral part of these financial statements.


Chief Executive Officer


Director

**OPERATIONS OF RECEP TAYYIP ERDOGAN HOSPITAL
(MANAGED BY THE INDUS HOSPITAL)
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. GENERAL INFORMATION

- 1.1 Recep Tayyip Erdogan Hospital (the Hospital) has been constructed in District Muzaffargarh, Punjab, Pakistan by the Turkish International Co-operation and Development Agency (TIKA) as a gift by the Government and People of Republic of Turkey, to provide state of the art medical and surgical services to the people of Pakistan, particularly to the poor and deserving people on free of cost basis.
- 1.2 A tri-party agreement was entered between Recep Tayyip Erdogan Hospital Trust (RTEHT), Government of Punjab, Health Department (GoPb) and the District Government, Muzaffargarh whereby the parties have agreed as follows:
- GoPb shall handover and transfer complete control of the Hospital to the RTEHT;
 - District Government will transfer the title of Hospital's existing land as well as additional land required for expansion to RTEHT, however, ownership will remain with the District Government;
 - GoPb and the District Government will transfer the funds to RTEHT for the face value of construction and equipment required for the Hospital and medical college;
 - GoPb and the District Government will pay 70% of recurrent annual running/operational cost of the Hospital for the first 7 years and thereafter 50% from ensuing year; and
 - GoPb and District Government shall not interfere in the decisions of the RTEHT and the RTEHT will work independently in all decisions.
- 1.3 Further, a separate agreement was entered into between RTEHT and The Indus Hospital (TIH), whereby RTEHT handed over complete control and operations of the Hospital to TIH. As per the agreement, TIH will be responsible for the entire operations and the management of the Hospital to provide free of cost services to the patients.

2. BASIS OF PREPARATION

2.1 Accounting convention and statement of compliance

These financial statements are a special purpose financial statements of the operations of the Hospital (the Project), as managed by TIH. These financial statements have been prepared for the internal use of the management of TIH and RTEHT, and for submission to GoPb.

These special purpose financial statements have been prepared under the historical cost convention in accordance with the requirements of Accounting and Financial Reporting Standards for Small-Sized Entities (SSEs) issued by the Institute of Chartered Accountants of Pakistan.

2.2 Functional and presentation currency

These special purpose financial statements are presented in Pakistan Rupees which is the functional currency of TIH.

2.3 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pakistan Rupees using exchange rates prevailing at the dates of transactions. Foreign exchange gains or losses resulting from settlement of transactions and from translation at year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the income and expenditure account.



3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the above requirements require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Hospital's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumption and estimates are significant to the financial statements are disclosed below.

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 assets and intangible assets

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these special purpose financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except for capital work in progress. Capital work in progress is stated at historical cost less impairment, if any.

Capital work-in-progress consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant operating asset category as and when assets are available for use.

Depreciation on an asset is charged to income using the straight-line method whereby the cost of an asset is written off over its estimated useful life at the rates stated in note 4.1 to the special purpose financial statements. 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 the determined fair value recognized less accumulated depreciation and impairment, if any.

Gains and losses on disposal or retirement of assets are recognized in income and expenditure account currently.

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.

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 income and expenditure account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

4.2 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.

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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 assets are 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.

4.3 Inventories

Inventories comprise medicines, consumables and general supplies such as surgical supplies, stationery, grocery items, etc. These are carried at cost, 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.

4.4 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.

4.5 Cash and cash equivalents

Cash and cash equivalent for the purpose of cash flow statement comprises of cash in hand and balances with banks in current, deposit and saving accounts.

4.6 Donations and grants

Donations and grants are accounted for on receipt basis. Donations in kind are recognized at fair value determined at the time when the donations are received.

4.7 Restricted funds

Zakat and donations contributed by the donors for operations of the Hospital are initially recognized under 'Restricted Fund' upon receipt.

Donations and grants restricted in its use by the donors are utilized for the purpose specified and are classified accordingly as 'Restricted Fund'. Any income from investments made from such restricted donations and grants are also credited directly to the 'Restricted Fund'.

4.8 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 (or in the normal operating cycle of the business if longer). If not, these are presented as non-current liabilities.

4.9 Provident fund

A contributory provident fund has been constituted by TIH for all permanent employees hired for the Project. Equal monthly contributions are made both by TIH and the employees to the Fund at the rate of 10 percent of basic salary.

4.10 Revenue recognition

- The 'Restricted Fund' is adjusted for the operating expenditure incurred during the year for running the operations of the Hospital.
- Donations for capital assets is classified as deferred capital grant in the balance sheet. A portion of deferred capital grant is released to income, equivalent to the depreciation, amortization and write-off during the year on related capital items.
- Income on bank deposits and short term investment is recognized on accrual basis.

	June 30, 2017	June 30, 2016
	-----Rupees-----	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - note 5.1	381,455,645	348,735,826
Capital work-in-progress - note 5.2	26,629,186	8,600,000
	<u>408,084,831</u>	<u>357,335,826</u>

5.1 Operating assets

	Building and Civil Works	Plant, Machinery & Equipment	Computers, Printers and Network Cabling	Furniture and Fixtures	Vehicles	Total
	-----Rupees-----					
Year ended June 30, 2016						
Opening net book value	8,172,852	14,982,631	11,591,930	11,287,039	1,231,817	47,266,269
Additions including transfers - note 5.2	322,874,679	4,805,253	348,750	2,466,213	-	330,492,895
Depreciation charge	<u>(16,559,303)</u>	<u>(3,941,957)</u>	<u>(5,338,485)</u>	<u>(2,901,701)</u>	<u>(281,892)</u>	<u>(29,023,338)</u>
Closing net book value	<u>314,488,228</u>	<u>15,845,927</u>	<u>6,600,195</u>	<u>10,851,551</u>	<u>949,925</u>	<u>348,735,826</u>
As at June 30, 2016						
Cost	331,186,054	22,387,797	16,306,721	15,576,423	1,409,460	386,868,455
Accumulated depreciation	<u>(16,697,826)</u>	<u>(6,541,870)</u>	<u>(9,708,526)</u>	<u>(4,724,872)</u>	<u>(459,535)</u>	<u>(38,132,629)</u>
Closing net book value	<u>314,488,228</u>	<u>15,845,927</u>	<u>6,600,195</u>	<u>10,851,551</u>	<u>949,925</u>	<u>348,735,826</u>
Year ended June 30, 2017						
Opening net book value	314,488,228	15,845,927	6,600,195	10,851,551	949,925	348,735,826
Additions including transfers- note 5.2	19,095,534	54,386,300	343,000	670,160	150,000	74,644,994
Depreciation charge	<u>(17,514,079)</u>	<u>(15,354,819)</u>	<u>(5,495,068)</u>	<u>(3,249,317)</u>	<u>(311,892)</u>	<u>(41,925,175)</u>
Closing net book value	<u>316,069,683</u>	<u>54,877,408</u>	<u>1,448,127</u>	<u>8,272,394</u>	<u>788,033</u>	<u>381,455,645</u>
As at June 30, 2017						
Cost	350,281,588	76,774,097	16,651,721	16,246,583	1,559,460	461,513,449
Accumulated depreciation	<u>(34,211,905)</u>	<u>(21,896,689)</u>	<u>(15,203,594)</u>	<u>(7,974,189)</u>	<u>(771,427)</u>	<u>(80,057,804)</u>
Net book value	<u>316,069,683</u>	<u>54,877,408</u>	<u>1,448,127</u>	<u>8,272,394</u>	<u>788,033</u>	<u>381,455,645</u>
Annual rate of depreciation	<u>5%</u>	<u>20%</u>	<u>33%</u>	<u>20%</u>	<u>20%</u>	



	June 30, 2017	June 30, 2016
	-----Rupees-----	
5.2 Capital work-In-progress		
- Building and Civil Works		
Balance at beginning of the year	8,600,000	299,288,061
Add: Additions during the year	26,629,186	32,186,618
Less: Transfers to operating assets - note 5.1	(8,600,000)	(322,874,679)
Balance at end of the year	<u>26,629,186</u>	<u>8,600,000</u>
6. INTANGIBLE ASSETS		
- Computer Software		
Balance at beginning of the year	1,028,226	1,370,968
Less: Amortization charge for the year - note 6.1	(342,742)	(342,742)
Balance at end of the year	<u>685,484</u>	<u>1,028,226</u>
Cost	1,713,710	1,713,710
Less: Accumulated amortization	(1,028,226)	(685,484)
Net carrying value	<u>685,484</u>	<u>1,028,226</u>
6.1 The cost is being amortized over a period of 5 years.		
7. INVENTORIES		
Medicine	32,329,230	42,188,715
Food supplies, stationery and tools	18,328,777	18,627,384
	<u>50,658,007</u>	<u>60,816,099</u>
8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES		
Advances to suppliers and others	3,168,348	1,471,940
Deposits	3,537,000	1,753,000
Other receivables	56,750	982,273
	<u>6,762,098</u>	<u>4,207,213</u>
9. RECEIVABLE FROM THE INDUS HOSPITAL		
Balance at beginning of the year	81,535,191	70,838,822
Add: Funds received from RTEHT - notes 11 & 12	612,108,867	456,679,408
Add: Other receipts	14,068,867	5,570,757
Less: Payment made for capital expenditure and operations of the Hospital	(690,506,331)	(451,553,796)
	<u>17,206,594</u>	<u>81,535,191</u>
10. SHORT TERM INVESTMENT		

Represents Term Deposits placed with Meezan Bank Limited having maturity of one month. These deposits carry return of 5.5% per annum.

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11. RESTRICTED FUND

	June 30, 2017			June 30, 2016		
	Zakat	Donations	Total	Zakat	Donations	Total
	-----Rupees-----					
Balance at the beginning of the year	-	76,460,501	76,460,501	-	73,767,439	73,767,439
Add:						
Zakat / Donations received from RTEHT - note 9	17,600,000	561,370,000	518,970,000	-	370,000,000	370,000,000
Donations in kind	-	28,743,616	28,743,616	-	19,787,401	19,787,401
Profit on donation account	-	793,466	793,466	-	-	-
Less:	17,600,000	530,907,082	548,507,082	-	389,787,401	389,787,401
Value of services rendered to patients - note 14	-	(543,947,377)	(543,947,377)	-	(387,094,339)	(387,094,339)
Balance at end of the year	<u>17,600,000</u>	<u>63,420,206</u>	<u>81,020,206</u>	<u>-</u>	<u>76,460,501</u>	<u>76,460,501</u>

June 30,
2017

June 30,
2016

-----Rupees-----

12. DEFERRED CAPITAL GRANT

Balance at beginning of the year	412,101,080	353,731,293
Add:		
- Donations from RTEHT for capital expenditure - note 9	93,138,867	86,679,408
- Donations in kind	-	1,056,459
	93,138,867	87,735,867
Less:		
Deferred capital grant released - note 14	(42,267,917)	(29,366,080)
Balance at end of the year	<u>462,972,030</u>	<u>412,101,080</u>

13. TRADE AND OTHER PAYABLES

Creditors	16,901,312	12,856,769
Accrued liabilities	4,297,945	3,717,453
	<u>21,199,257</u>	<u>16,574,222</u>

14. INCOME

Value of services rendered to patients financed through Restricted Fund - note 11	543,947,377	387,094,339
Deferred capital grant released - note 12	42,267,917	29,366,080
	<u>586,215,294</u>	<u>416,460,419</u>

15. OTHER INCOME

Revenue from sale of waste material	-	340,472
Revenue from cafeteria sales	7,456,233	5,105,184
Exchange gain	2,235,842	125,101
Employee accomodation and meal recoveries	2,617,009	-
Others	986,317	-
	<u>13,275,401</u>	<u>5,570,757</u>

16. MEDICINES AND OTHER SUPPLIES CONSUMED

Opening inventory	60,816,099	34,862,600
Add: Purchases	177,732,649	144,683,713
Closing inventory - note 7	(50,658,007)	(60,816,099)
	<u>187,890,741</u>	<u>118,730,214</u>

[Handwritten signature]

June 30, 2017 June 30, 2016

-----Rupees-----

17. CASH AND CASH EQUIVALENTS

Short term investment
Cash in hand

81,600,000	-
194,479	213,248
<u>81,794,479</u>	<u>213,248</u>

2017 2016

-----Number of employees-----

18. NUMBER OF EMPLOYEES

Average number of employees during the year

<u>563</u>	<u>451</u>
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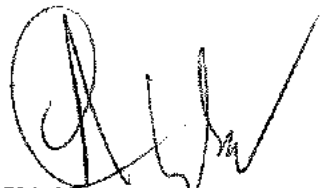
Number of employees as at June 30

<u>591</u>	<u>524</u>
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19. DATE OF AUTHORIZATION FOR ISSUE

These special purpose financial statements were approved and authorized for issue on _____ by the Board of Directors of The Indus Hospital.

Ap.


Chief Executive Officer


Director

**OPERATIONS OF MIAN MUHAMMAD SHAHBAZ SHARIF
HOSPITAL, BEDIAN ROAD, LAHORE
(MANAGED BY THE INDUS HOSPITAL)**

**SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Indus Hospital.

Opinion

We have audited the accompanying special purpose financial statements of the 'Operations of Mian Muhammad Shahbaz Sharif Hospital managed by The Indus Hospital' (the Project), which comprises of the balance sheet as at June 30, 2017 and the related income and expenditure account and cash flow statement for the year ended June 30, 2017 and a summary of significant accounting policies and other explanatory information.

In our opinion, the special purpose financial statements of the Project present fairly, in all material respects, the financial position of the Project as at June 30, 2017 and its surplus and its cash flows for the year ended June 30, 2017, in accordance with the basis of preparation as stated in note 2.1 to the special purpose financial statements.

Basis for Opinion

We conducted our audit in accordance with approved auditing standards 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 Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to note 2.1 to the special purpose financial statements, which describes the basis of accounting and the use of the financial statements. As a result these special purpose financial statements may not be suitable for another purpose. Our report is intended solely for the internal use of the management of the Indus Hospital and Recep Tayyip Erdogan Hospital Trust and for submission to the Government of Punjab.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of The Indus Hospital is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with the basis of preparation stated in note 2.1 to the special purpose financial statements, and for such internal control as management of the Indus Hospital determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Project'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 approved auditing standards 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.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>



A.F. FERGUSON & CO.

As part of an audit in accordance with the auditing standards as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of 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 Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Project'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 Project 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Chartered Accountants
Karachi
Date: January 3, 2018

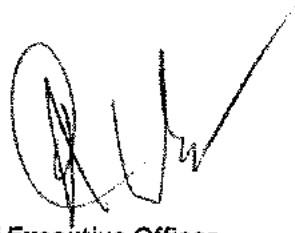
Engagement Partner: Waqas A. Sheikh

OPERATIONS OF MIAN MUHAMMAD SHAHBAZ SHARIF HOSPITAL
(MANAGED BY THE INDUS HOSPITAL)
BALANCE SHEET AS AT JUNE 30, 2017

	Note	June 30, 2017	June 30, 2016
-----Rupees-----			
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	101,104,128	94,443,960
Intangible assets	6	2,203,214	2,820,451
		103,307,342	97,264,411
Current Assets			
Inventories	7	25,518,428	13,654,220
Advances, deposits, prepayments and other receivables	8	3,774,583	7,424,129
Receivable from The Indus Hospital	9	57,843,667	43,484,584
Cash in hand		161,731	178,276
		87,298,409	64,741,209
Total Assets		190,605,751	162,005,620
FUNDS			
Restricted Fund	10	66,883,275	49,217,867
Deferred Capital Grant	11	103,307,342	99,590,776
		170,190,617	148,808,643
LIABILITIES			
Current Liabilities			
Trade and other payables	12	20,415,134	13,196,977
Total Funds and Liabilities		190,605,751	162,005,620
Contingencies and Commitments			
		-	-

The annexed notes 1 to 18 form an integral part of these financial statements.

Mr.



Chief Executive Officer



Director

OPERATIONS OF MIAN MUHAMMAD SHAHBAZ SHARIF HOSPITAL
(MANAGED BY THE INDUS HOSPITAL)
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

		June 30, 2017	December 11, 2015 to June 30, 2016
	Note	-----Rupees-----	
INCOME			
Value of services rendered to patients financed through restricted fund and Deferred capital grant released	13	280,484,251	124,664,488
Other income	14	628,244	158,080
Total Income		281,112,495	124,822,568
EXPENDITURE			
Salaries, wages and other benefits		152,790,364	56,728,279
Medicines and related supplies consumed	15	71,268,415	37,495,562
Utilities		7,777,251	3,987,715
Technical and professional services		142,499	685,363
Depreciation	5.1	24,047,621	6,970,450
Amortization	6	617,237	223,457
Training and development		3,547,017	3,517,893
Security services		3,504,606	1,504,752
Travelling and transportation		8,777,444	3,590,819
Repairs and maintenance		1,787,574	6,435,592
Uniform and laundry		1,038,367	186,731
Freight expenses		1,507,880	902,250
Insurance / Takaful		322,727	62,037
Communication charges		869,367	654,682
Advertising and marketing		1,342,462	702,116
Printing, stationery and courier		438,961	770,348
Auditor's remuneration		184,500	200,000
Other expenses		1,148,203	224,522
		281,112,495	124,822,568
Surplus for the year / period		-	-

The annexed notes 1 to 18 form an integral part of these financial statements.


Chief Executive Officer


Director

OPERATIONS OF MIAN MUHAMMAD SHAHBAZ SHARIF HOSPITAL
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	June 30, 2017	December 11, 2015 to June 30,
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year / period	-	-
Adjustments for non-cash charges and other items:		
Depreciation	24,047,621	6,970,450
Amortization	617,237	223,457
Donations received in kind	20,621,711	18,475,432
Value of services rendered to patients financed through restricted fund and Deferred capital grant utilized	(280,484,251)	(124,664,488)
	(235,197,682)	(98,995,149)
Working capital changes		
(Increase)/decrease in current assets:		
Inventories	(11,864,208)	(13,654,220)
Advances, deposits, prepayments and other receivables	3,649,546	(7,424,129)
Receivable from The Indus Hospital	(14,359,083)	(43,484,584)
	(22,573,745)	(64,562,933)
Increase in current liabilities:		
Trade and other payables	7,218,157	13,196,977
	(15,355,588)	(51,365,956)
Net cash utilized in operating activities	(250,553,270)	(150,361,105)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(21,437,066)	(52,218,821)
Purchase of intangible assets	-	(3,043,908)
Profit on donation bank account	1,510,970	458,031
Net cash utilized in investing activities	(19,926,096)	(54,804,698)
CASH FLOWS FROM FINANCING ACTIVITIES		
Donations received during the year / period	270,462,821	205,344,079
Net (decrease) / increase in cash and cash equivalents	(16,545)	178,276
Cash and cash equivalents at beginning of the year / period	178,276	-
Cash and cash equivalents at end of the year / period	161,731	178,276

The annexed notes 1 to 18 form an integral part of these financial statements.

Chief Executive Officer

Director

**OPERATIONS OF MIAN MUHAMMAD SHAHBAZ SHARIF HOSPITAL
(MANAGED BY THE INDUS HOSPITAL)
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. GENERAL INFORMATION

1.1 Mian Muhammad Shahbaz Sharif Hospital (the Hospital) has been constructed by the Government of Punjab, at Bedian Road, Lahore, for treatment of diseases / ailments, particularly for the poor and deserving people on free of cost basis.

1.2 A tri-party agreement was entered between Recep Tayyip Erdogan Hospital Trust (RTEHT), Government of Punjab, Health Department (GoPb) and the District Government, Lahore on August 04, 2015, whereby the parties have principally agreed as follows:

- The District Government shall handover and transfer complete control of the Hospital to the RTEHT;
- The District Government shall transfer the usufruct of the existing land and the Hospital as well as the additional land required for the expansion projects to the RTEHT, however, the ownership shall remain with the District Government;
- GoPb shall be responsible to ensure the completion of all legal and legislative requirements for the transfer of 100% annual running funds according to the annual operational and capex budget approved by the Board of the RTEHT;
- GoPb and District Government shall pay 100% of recurring annual running cost of the Hospital; and
- GoPb and District Government shall not interfere in the decisions of the RTEHT and the RTEHT will work independently in all decisions.

1.3 Further, a separate agreement was entered into between RTEHT and The Indus Hospital (TIH) on December 11, 2015, whereby RTEHT handed over complete control and operations of the Hospital to TIH. As per the agreement, TIH will be responsible for the entire operations and the management of the Hospital to provide free of cost services to the patients.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements are a special purpose financial statements of the operations of the Hospital (the Project), as managed by TIH. These financial statements have been prepared for the internal use of the management of TIH and RTEHT, and for submission to GoPb.

These special purpose financial statements have been prepared under the historical cost convention in accordance with the requirements of Accounting and Financial Reporting Standards for Small-Sized Entities (SSEs) issued by the Institute of Chartered Accountants of Pakistan.

2.2 Functional and presentation currency

These special purpose financial statements are presented in Pakistan Rupees which is the functional currency of TIH.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the above requirements require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Project's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumption and estimates are significant to the financial statements are disclosed below.



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 assets and intangible assets

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these special purpose financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except for capital work in progress. Capital work in progress is stated at historical cost less impairment, if any.

Capital work-in-progress consists of expenditures incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant operating asset category as and when assets are available for use.

Depreciation on an asset is charged to income using the straight-line method whereby the cost of an asset is written off over its estimated useful life at the rates stated in note 5.1 to the special purpose financial statements. 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 the determined fair value recognized less accumulated depreciation and impairment, if any.

Gains and losses on disposal or retirement of assets are recognized in income and expenditure account currently.

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.

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 income and expenditure account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

4.2 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.

Generally, cost associated with maintaining computer software programs is recognized as an expense as incurred. However, cost that is directly associated with identifiable software and has probable economic benefits exceeding the cost beyond one year, is recognized as an intangible asset. Direct cost 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 assets 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.

4.3 Inventories

Inventories comprise medicines, consumables and general supplies such as surgical supplies, stationery, grocery items, etc. These are carried at cost, 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.

4.4 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.

4.5 Cash and cash equivalents

Cash and cash equivalent for the purpose of cash flow statement comprises of cash in hand and balances with banks in current, deposit and saving accounts.

4.6 Donations and grants

Donations and grants are accounted for on receipt basis. Donations in kind are recognized at fair value determined at the time when the donations are received.

4.7 Restricted funds

Zakat and donations contributed by the donors for operations of the Hospital are initially recognized under 'Restricted Fund' upon receipt.

Donations and grants restricted in its use by the donors are utilized for the purpose specified and are classified accordingly as 'Restricted Fund'. Any income from investments made from such restricted donations and grants are also credited directly to the 'Restricted Fund'.

4.8 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 (or in the normal operating cycle of the business if longer). If not, these are presented as non-current liabilities.



4.9 Provident fund

A contributory fund has constituted by TIH for all permanent employees hired for the Project. Equal monthly contributions are made both by TIH and the employees to the Fund at the rate of 10 percent of basic salary.

4.10 Fair value of financial instruments

The carrying values of all financial instruments reflected in the financial statements approximate their fair values.

4.11 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pakistan Rupees using exchange rates prevailing at the dates of transactions. Foreign exchange gains or losses resulting from settlement of transactions and from translation at year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the income and expenditure account.

4.12 Revenue recognition

- The 'Restricted Fund' is adjusted for the operating expenditure incurred during the year for running the operations of the Hospital.
- Donations for capital assets is classified as deferred capital grant in the balance sheet. A portion of deferred capital grant is released to income, equivalent to the depreciation, amortization and write-off during the year on related capital items.
- Income on bank deposits and short term investment is recognized on accrual basis.

June 30, 2017	June 30, 2016
-----Rupees-----	

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 5.1	101,104,128	93,547,493
Capital work-in-progress - note 5.2	-	896,467
	101,104,128	94,443,960

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5.1 Operating assets

	Plant, Machinery & Equipment	Computers, Printers and Network Cabling	Furniture and Fixtures	Vehicles	Total
-----Rupees-----					
For the period December 11, 2015 to June 30, 2016					
Opening net book value	-	-	-	-	-
Additions	75,525,810	13,148,801	10,431,659	1,410,673	100,517,943
Depreciation charge	(4,301,084)	(1,842,145)	(669,939)	(157,282)	(6,970,450)
Closing net book value	<u>71,224,726</u>	<u>11,307,656</u>	<u>9,761,720</u>	<u>1,253,391</u>	<u>93,547,493</u>
As at June 30, 2016					
Cost	75,525,810	13,148,801	10,431,659	1,410,673	100,517,943
Accumulated depreciation	(4,301,084)	(1,842,145)	(669,939)	(157,282)	(6,970,450)
Net book value as on June 30, 2016	<u>71,224,726</u>	<u>11,307,656</u>	<u>9,761,720</u>	<u>1,253,391</u>	<u>93,547,493</u>
For year ended June 30, 2017					
Opening net book value	71,224,726	11,307,656	9,761,720	1,253,391	93,547,493
Additions including transfers - note 5.2	27,962,258	3,739,252	2,173,165	-	33,874,875
Disposal					
Cost	(317,331)	-	-	-	(317,331)
Accumulated depreciation	34,554	-	-	-	34,554
	(282,777)	-	-	-	(282,777)
Write-offs	(1,987,642)	-	-	-	(1,987,642)
Depreciation charge	(17,065,921)	(4,426,384)	(2,269,263)	(286,053)	(24,047,621)
Closing net book value	<u>79,850,644</u>	<u>10,620,524</u>	<u>9,665,622</u>	<u>967,338</u>	<u>101,104,128</u>
As at June 30, 2017					
Cost	101,183,095	16,889,053	12,604,824	1,410,673	132,087,645
Accumulated depreciation	(21,332,451)	(6,268,529)	(2,939,202)	(443,335)	(30,983,517)
Net book value as on June 30, 2017	<u>79,850,644</u>	<u>10,620,524</u>	<u>9,665,622</u>	<u>967,338</u>	<u>101,104,128</u>
Annual rate of depreciation	<u>20%</u>	<u>33%</u>	<u>20%</u>	<u>20%</u>	

5.2 Capital Work-in-Progress

	June 30, 2017	June 30, 2016
-----Rupees-----		
Balance at beginning of the year / period	896,467	-
Add: Additions during the year / period	-	896,467
Less: Transfers to operating assets - note 5.1	(896,467)	-
Balance at end of the year / period	<u>-</u>	<u>896,467</u>

6. INTANGIBLE ASSETS
- Computer software

Balance at beginning of the year / period	2,820,451	-
Add: Additions at cost	-	3,043,908
Less: Amortization charge for the year / period - note 6.1	(617,237)	(223,457)
Balance at end of the year / period	<u>2,203,214</u>	<u>2,820,451</u>
Cost	3,043,908	3,043,908
Less: Accumulated amortization	(840,694)	(223,457)
Net carrying value	<u>2,203,214</u>	<u>2,820,451</u>

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

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	June 30, 2017	June 30, 2016
	-----Rupees-----	
7. INVENTORIES		
Medicines	19,887,859	9,633,303
Foods supplies, stationery and tools	5,630,569	4,020,917
	<u>25,518,428</u>	<u>13,654,220</u>
8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Advances to suppliers and others	1,187,383	6,291,281
Deposits	651,380	476,265
Prepayments	504,513	200,635
Receivable from associated entities	494,831	-
Receivable from Chal Foundation	605,683	280,833
Other receivables	330,793	175,115
	<u>3,774,583</u>	<u>7,424,129</u>
9. RECEIVABLE FROM THE INDUS HOSPITAL		
Balance at beginning of the year / period	43,484,584	-
Add: Funds received from RTEHT - note 10 & 11	270,417,100	204,748,794
Add: Funds received from others	2,184,935	1,211,396
Less: Payments made for capital expenditure and operations of the Hospital	(258,242,952)	(162,475,606)
	<u>57,843,667</u>	<u>43,484,584</u>
10. RESTRICTED FUND		
Balance at beginning of the year / period	49,217,867	-
Add:		
- Donations received from RTEHT - note 9	252,080,000	147,159,700
- Donations in kind	20,621,711	18,475,432
- Profit on donation account - note 9	1,510,970	458,031
- Miscellaneous donation - note 9	45,721	595,285
	274,258,402	166,688,448
Less:		
- Value of services rendered to patients - note 13	(255,819,393)	(117,470,581)
- Reallocation of funds to Deferred Capital Grant - note 11	(773,601)	-
Balance at end of the year / period	<u>66,883,275</u>	<u>49,217,867</u>
11. DEFERRED CAPITAL GRANT		
Balance at beginning of the year / period	99,590,776	-
Add:		
- Donations from RTEHT for capital expenditure - note 9	18,337,100	57,589,094
- Donations in kind	11,541,142	49,195,589
- Reallocation from Restricted Fund - note 10	773,601	-
	30,651,843	106,784,683
Less:		
- Deferred capital grant released - note 13	(24,664,858)	(7,193,907)
- Net book value of operating assets disposed to RTEH / Written-off - note 5.1	(2,270,419)	-
	(26,935,277)	(7,193,907)
Balance at end of the year / period	<u>103,307,342</u>	<u>99,590,776</u>
12. TRADE AND OTHER PAYABLES		
Creditors	19,322,579	12,053,053
Accrued liabilities	1,092,555	1,143,924
	<u>20,415,134</u>	<u>13,196,977</u>

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	June 30, 2017	December 11, 2015 to June 30, 2016
	-----Rupees-----	
13. INCOME		
Value of services rendered to patients financed through Restricted Fund - note 10	255,819,393	117,470,581
Deferred capital grant released - note 11	24,664,858	7,193,907
	<u>280,484,251</u>	<u>124,664,488</u>
14. OTHER INCOME		
Proceeds from sales of waste materials	14,972	8,710
Revenue from cafeteria sales	613,272	149,370
	<u>628,244</u>	<u>158,080</u>
15. MEDICINES AND RELATED SUPPLIES CONSUMED		
Opening inventory	13,654,220	-
Add: Purchases	83,132,623	51,149,782
Closing inventory - note 7	(25,518,428)	(13,654,220)
	<u>71,268,415</u>	<u>37,495,562</u>
	2017	2016
	-----Number of employees-----	
16. NUMBER OF EMPLOYEES		
Average number of employees during the year	<u>349</u>	<u>252</u>
Number of employees as at June 30	<u>382</u>	<u>320</u>
17. CORRESPONDING FIGURES		
Corresponding figures and balances have been rearranged and reclassified, wherever considered necessary, for the purpose of comparison, the effects of which are not material.		
18. DATE OF AUTHORIZATION FOR ISSUE		

These special purpose financial statements were approved and authorized for issue on November 30, 2017 by the Board of Directors of The Indus Hospital.





CHIEF EXECUTIVE OFFICER



DIRECTOR

**OPERATIONS OF DISTRICT HEADQUARTER HOSPITAL BADIN
(MANAGED BY THE INDUS HOSPITAL)
SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Indus Hospital.

Opinion

We have audited the accompanying special purpose financial statements of the 'Operations of District Headquarter Hospital Badin managed by The Indus Hospital' (the Project), which comprises of the balance sheet as at June 30, 2017 and the related income and expenditure account and cash flow statement for the year ended June 30, 2017 and a summary of significant accounting policies and other explanatory information.

In our opinion, the special purpose financial statements of the Project present fairly, in all material respects, the financial position of the Project as at June 30, 2017 and its surplus and its cash flows for the year ended June 30, 2017, in accordance with the basis of preparation as stated in note 2.1 to the special purpose financial statements.

Basis for Opinion

We conducted our audit in accordance with approved auditing standards 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 Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to note 2.1 to the special purpose financial statements, which describes the basis of accounting and the use of the financial statements. As a result these special purpose financial statements may not be suitable for another purpose. Our report is intended solely for the internal use of the management of the Indus Hospital and for submission to the Government of Sindh.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of The Indus Hospital is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with the basis of preparation stated in note 2.1 to the special purpose financial statements, and for such internal control as management of The Indus Hospital determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Project'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 approved auditing standards 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.

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As part of an audit in accordance with the auditing standards as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of 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 Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Project'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 Project 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

**Chartered Accountants
Karachi
Date:**

Engagement Partner: Waqas A. Sheikh

OPERATIONS OF DISTRICT HEADQUARTER HOSPITAL BADIN
(MANAGED BY THE INDUS HOSPITAL)
BALANCE SHEET AS AT JUNE 30, 2017

	Note	June 30, 2017	June 30, 2016
-----Rupees-----			
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	49,214,042	19,217,236
Intangible assets	6	915,087	498,167
		<u>50,129,129</u>	<u>19,715,403</u>
Current Assets			
Inventories	7	39,111,559	10,937,279
Advances, prepayments and other receivables	8	4,561,200	589,140
Receivable from The Indus Hospital	9	-	60,385,738
Cash in hand		43,852	-
		<u>43,716,611</u>	<u>71,912,157</u>
Total Assets		<u><u>93,845,740</u></u>	<u><u>91,627,560</u></u>
FUNDS			
Restricted Fund	10	(160,558,078)	68,096,268
Deferred Capital Grant	11	50,129,129	17,901,978
		<u>(110,428,949)</u>	<u>85,998,246</u>
LIABILITIES			
Current Liabilities			
Payable to The Indus Hospital		146,178,265	-
Trade and other payables	12	58,096,424	5,629,314
Total Funds and Liabilities		<u><u>93,845,740</u></u>	<u><u>91,627,560</u></u>
Contingencies and Commitments		-	-

The annexed notes 1 to 16 form an integral part of these financial statements.



Chief Executive Officer

Director

**OPERATIONS OF DISTRICT HEADQUARTER HOSPITAL BADIN
(MANAGED BY THE INDUS HOSPITAL)
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017**

		June 30, 2017	January 1, 2016 to June 30, 2016
	Note	-----Rupees-----	
Income			
Value of services rendered to patients financed through restricted fund and Deferred capital grant utilized	13	328,111,998	35,912,270
Expenditure			
Salaries, wages and other benefits		135,969,998	11,649,558
Medicines and related supplies consumed	14	143,967,078	9,845,866
Utilities		8,349,815	7,797,863
Technical and professional services		4,942,687	-
Blood consumables		5,960,490	
Depreciation	5.1	6,113,037	133,409
Amortization	6	176,330	26,833
Training and development		1,519,690	730,500
Security services		9,278,282	2,821,363
Travelling and transportation		2,421,973	649,546
Repairs and maintenance		5,103,695	966,180
Insurance / Takaful		124,312	-
Communication charges		1,325,697	57,088
Advertising and marketing		780,699	209,883
Rent, rates and taxes		1,054,250	-
Printing, stationery and courier		438,952	773,829
Auditor's remuneration		212,500	200,000
Other expenses		372,513	50,352
		<u>328,111,998</u>	<u>35,912,270</u>
Surplus for the year / period		<u>-</u>	<u>-</u>

The annexed notes 1 to 16 form an integral part of these financial statements.

Mn.

Chief Executive Officer

Director

**OPERATIONS OF DISTRICT HEADQUARTER HOSPITAL BADIN
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

January 1, 2016
to June 30, 2016
 -----Rupees-----

CASH FLOWS FROM OPERATING ACTIVITIES

Surplus for the year / period	-	-
Adjustments for non-cash charges and other items:		
Depreciation	6,113,037	133,409
Amortization	176,330	26,833
Value of services rendered to patients financed through Restricted fund and Deferred capital grant utilized	(328,111,998)	(35,912,270)
	(321,822,631)	(35,752,028)

Working capital changes

(Increase) / Decrease in current assets:		
Inventories	(28,174,280)	(10,937,279)
Advances, prepayments and other receivables	(3,972,060)	(589,140)
Receivable from The Indus Hospital	60,385,738	(60,385,738)
	28,239,398	(71,912,157)
Increase in current liabilities:		
Trade and other payables	52,467,110	5,629,314
Payable to The Indus Hospital	146,178,265	-
	226,884,773	(66,282,843)
Net cash utilized in operating activities	(94,937,858)	(102,034,871)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment	(36,109,843)	(19,350,645)
Purchase of intangible asset	(593,250)	(525,000)
Net cash utilized in investing activities	(36,703,093)	(19,875,645)

CASH FLOWS FROM FINANCING ACTIVITIES

Donations received during the year / period	130,139,654	121,763,444
Bank profit on funds received during the year / period	1,545,149	147,072
Net cash generated from financing activities	131,684,803	121,910,516
Net increase in cash and cash equivalents	43,852	-
Cash and cash equivalents at beginning of the year / period	-	-
Cash and cash equivalents at end of the year / period	43,852	-

The annexed notes 1 to 16 form an integral part of these financial statements.



Chief Executive Officer

Director

**OPERATIONS OF DISTRICT HEADQUARTER HOSPITAL BADIN
(MANAGED BY THE INDUS HOSPITAL)
FOR THE YEAR ENDED JUNE 30, 2017
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

1. GENERAL INFORMATION

The Government of Sindh (GoS) desires to improve the quality of health sector in the province of Sindh in alignment with the requirements of modern times. Accordingly, under the Public Private Partnership (PPP) Act 2010, the Government of Sindh, Department of Health, entered into an agreement dated March 18, 2015 with The Indus Hospital (TIH) for a period of ten years, in respect of District Headquarter Hospital, Badin (the Hospital), whereby the parties have principally agreed as follows:

- GoS will transfer the control, use and management of the personnel, building, furniture/fixtures, supplies, equipment of the Hospital to TIH;
- GoS to release the entire annual budgetary allocation of the Hospital under the agreement to TIH through one line transfer, as a performance / results based support;
- any expansion in services shall entitle TIH to seek additional funds, which the GoS shall consider on merit;
- TIH to be responsible to manage the Hospital including financial management, Human Resource management, training of staff, purchase of medicines, equipment and consumables etc. within the budget provided by the GoS and other resources;
- TIH to deliver the services which the Hospital is mandated to, in an efficient and cost effective manner; and
- TIH to be responsible for proper maintenance of health facilities comprising of physical assets of the Hospital.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements are a special purpose financial statements of the Operations of the Hospital managed by TIH (the Project). These financial statements have been prepared for the internal use of the management of TIH and for submission to GoS, as required under the agreement.

These special purpose financial statements have been prepared under the historical cost convention in accordance with the requirements of Accounting and Financial Reporting Standards for Small-Sized Entities (SSEs) issued by the Institute of Chartered Accountants of Pakistan.

2.2 Functional and presentation currency

These special purpose financial statements are presented in Pakistan Rupees which is the functional currency of TIH.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the above requirements require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Project's accounting policies.



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 year are as follows:

3.1 Operating assets and intangible assets

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these special purpose financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except for capital work in progress. Capital work in progress is stated at historical cost less impairment, if any.

Capital work-in-progress consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant operating asset category as and when assets are available for use.

Depreciation on an asset is charged to income using the straight-line method whereby the cost of an asset is written off over its estimated useful life at the rates stated in note 4.1 to the special purpose financial statements. 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 the determined fair value recognized less accumulated depreciation and impairment, if any.

Gains and losses on disposal or retirement of assets are recognized in income and expenditure account currently.

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.

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 income and expenditure account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

4.2 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.

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 assets are 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.

4.3 Inventories

Inventories comprise medicines, consumables and general supplies such as surgical supplies, stationery, grocery items, etc. These are carried at cost, 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.

4.4 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.

4.5 Cash and cash equivalents

Cash and cash equivalent for the purpose of cash flow statement comprises of cash in hand and balances with banks in current, deposit and saving accounts.

4.6 Donations and grants

Donations and grants are accounted for on receipt basis. Donations in kind are recognized at fair value determined at the time when the donations are received.

4.7 Restricted funds

Zakat and donations contributed by the donors for general purposes/operations are initially recognized under 'Restricted Fund' upon receipt.

Donations and grants restricted in its use by the donors are utilized for the purpose specified and are classified accordingly as 'Restricted Fund'. Any income from investments made from such restricted donations and grants are also credited directly to the 'Restricted Fund'.

4.8 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 (or in the normal operating cycle of the business if longer). If not, these are presented as non-current liabilities.

4.9 Fair value of financial instruments

The carrying values of all financial instruments reflected in the financial statements approximate their fair values.



4.10 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pakistan Rupees using exchange rates prevailing at the dates of transactions. Foreign exchange gains or losses resulting from settlement of transactions and from translation at year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the income and expenditure account.

4.11 Revenue recognition

The 'Restricted Fund' is adjusted for the operating expenditure incurred during the year for running the operations of the Hospital.

Donation for capital assets is classified as deferred capital grant in the balance sheet. A portion of deferred capital grant is released to income, equivalent to the depreciation, amortization and write-off during the year on related capital items.

Income on bank deposits and short term investment is recognized on accrual basis.

June 30, 2017 June 30, 2016
-----Rupees-----

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 5.1	36,178,122	4,367,891
Capital work-in-progress - note 5.2	13,035,920	14,849,345
	49,214,042	19,217,236

5.1 Operating assets

	Building	Plant, Machinery & Equipment	Computers, Printers and Network Cabling	Furniture and Fixtures	Vehicles	Total
	-----Rupees-----					
For the period January 01, 2016 to June 30, 2016						
Opening net book value	-	-	-	-	-	-
Additions	-	372,800	-	354,500	3,774,000	4,501,300
Depreciation charge	-	(7,272)	-	(4,530)	(121,607)	(133,409)
Closing net book value	-	365,528	-	349,970	3,652,393	4,367,891
As at June 30, 2016						
Cost	-	372,800	-	354,500	3,774,000	4,501,300
Accumulated depreciation	-	(7,272)	-	(4,530)	(121,607)	(133,409)
Net book value as on June 30, 2016	-	365,528	-	349,970	3,652,393	4,367,891
For the year ended June 30, 2017						
Opening net book value	-	365,528	-	349,970	3,652,393	4,367,891
Additions including transfers - note 5.2	11,555,244	13,842,867	12,013,669	511,488	-	37,923,268
Depreciation charge	(397,580)	(1,571,153)	(3,285,309)	(93,712)	(765,283)	(6,113,037)
Closing net book value	11,157,664	12,637,242	8,728,360	767,746	2,887,110	36,178,122
As at June 30, 2017						
Cost	11,555,244	14,215,667	12,013,669	865,988	3,774,000	42,424,568
Accumulated depreciation	(397,580)	(1,578,425)	(3,285,309)	(98,242)	(886,890)	(6,246,446)
Net book value as on June 30, 2017	11,157,664	12,637,242	8,728,360	767,746	2,887,110	36,178,122
Annual rate of depreciation	10%	20%	33%	20%	20%	

June 30, 2017 June 30, 2016
-----Rupees-----

5.2 Capital work-in-progress

Balance at beginning of the year / period	14,849,345	-
Add: Additions during the year / period	13,009,793	14,849,345
Less: Transfers to operating assets - note 5.1	(14,823,218)	-
Balance at end of the year / period	13,035,920	14,849,345

**6. INTANGIBLE ASSET
- Computer Software**

Balance at beginning of the year / period	498,167	-
Add: Additions at cost	593,250	525,000
Less: Amortization charge for the year / period - note 6.1	(176,330)	(26,833)
Balance at end of the year / period	915,087	498,167

Cost	1,118,250	525,000
Less: Accumulated amortization	(203,163)	(26,833)
Net book value	915,087	498,167

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

7. INVENTORIES

Medicines	37,740,738	8,471,728
Foods supplies, stationery and tools	1,370,821	2,465,551
	39,111,559	10,937,279

8. ADVANCES, PREPAYMENTS AND OTHER RECIEVABLES

Advances to suppliers and others	3,624,270	418,140
Prepayments	929,976	171,000
Other receivables	6,954	-
	4,561,200	589,140

9. RECIEVABLE FROM / (PAYABLE TO) THE INDUS HOSPITAL

Balance at beginning of the year / period	60,385,738	-
Add: Funds received from Government of Sindh	126,697,000	121,532,000
Add: Funds received from others	3,012,513	307,312
Less: Payments made for capital expenditure and operations of the Hospital	(336,273,516)	(61,453,574)
Balance at end of the year / period	(146,178,265)	60,385,738

10. RESTRICTED FUND

	June 30, 2017			June 30, 2016		
	Zakat	Donations	Total	Zakat	Donations	Total
	-----Rupees-----					
Balance at beginning of the year / period	-	68,096,268	68,096,268	-	-	-
Add:						
Donation received from Government of Sindh	-	126,697,000	126,697,000	-	121,532,000	121,532,000
Donation in kind for operations	-	1,975,290	1,975,290	-	71,204	71,204
Zakat / Donations from others	1,106,000	361,364	1,467,364	-	160,240	160,240
Bank profit on funds received during the year	-	1,545,149	1,545,149	-	147,072	147,072
	1,106,000	130,578,803	131,684,803	-	121,910,516	121,910,516
Less:						
Value of services rendered to patients - note 13	-	(321,822,631)	(321,822,631)	-	(35,752,028)	(35,752,028)
Funds transfer from restricted funds to deferred capital grant - note 11	-	(38,516,518)	(38,516,518)	-	(18,062,220)	(18,062,220)
Balance at end of the year / period	1,106,000	(161,664,078)	(160,558,078)	-	68,096,268	68,096,268

10.1 The negative balance represents excess of value of services rendered to patients as compared to available balance in the Restricted Fund. However, the Government of Sindh has transferred donation to the Hospital amounting to Rs. 204,792,833 subsequent to year end.



June 30, 2017 June 30, 2016

-----Rupees-----

11. DEFERRED CAPITAL GRANT

Balance at beginning of the year / period	17,901,978	-
Add: Funds transfer from Restricted Funds for capital expenditure - note 10	38,516,518	18,062,220
Less: Deferred capital grants released - note 13	<u>(6,289,367)</u>	<u>(160,242)</u>
Balance at end of the year / period	<u><u>50,129,129</u></u>	<u><u>17,901,978</u></u>

12. TRADE AND OTHER PAYABLES

Creditors	55,270,677	4,928,399
Accrued liabilities	991,263	652,085
Other payables	1,834,484	48,830
	<u>58,096,424</u>	<u>5,629,314</u>

January 1,
June 30, 2017 2016 to June
30, 2016

-----Rupees-----

13. INCOME

Value of services rendered to patients financed through Restricted Funds - note 10	321,822,631	35,752,028
Deferred capital grant released - note 11	<u>6,289,367</u>	<u>160,242</u>
	<u><u>328,111,998</u></u>	<u><u>35,912,270</u></u>

14. MEDICINES AND OTHER SUPPLIES CONSUMED

Opening inventory	10,937,279	-
Add: Purchases	172,141,358	20,783,145
Closing inventory - note 7	<u>(39,111,559)</u>	<u>(10,937,279)</u>
	<u><u>143,967,078</u></u>	<u><u>9,845,866</u></u>

15. NUMBER OF EMPLOYEES

	2017	2016
Average number of employees during the year / period	<u>349</u>	<u>134</u>
Number of employees as at June 30	<u><u>400</u></u>	<u><u>209</u></u>

16. DATE OF AUTHORIZATION FOR ISSUE

These special purpose financial statement were approved and authorized for issue on _____ by the Board of Directors of The Indus Hospital.



Chief Executive Officer

Director

**OPERATIONS OF MANAWA HOSPITAL, LAHORE
(MANAGED BY THE INDUS HOSPITAL)
SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 29, 2017 TO JUNE 30, 2017**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Indus Hospital.

Opinion

We have audited the accompanying special purpose financial statements of the 'Operations of Manawa Hospital, Lahore managed by The Indus Hospital' (the Project), which comprises of the balance sheet as at June 30, 2017 and the related income and expenditure account and cash flow statement for the period April 29, 2017 to June 30, 2017 and a summary of significant accounting policies and other explanatory information.

In our opinion, the special purpose financial statements of the Project present fairly, in all material respects, the financial position of the Project as at June 30, 2017 and its surplus and its cash flows for the period April 29, 2017 to June 30, 2017, in accordance with the basis of preparation as stated in note 2.1 to the special purpose financial statements.

Basis for Opinion

We conducted our audit in accordance with approved auditing standards 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 Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to note 2.1 to the special purpose financial statements, which describes the basis of accounting and the use of the financial statements. As a result these special purpose financial statements may not be suitable for another purpose. Our report is intended solely for the internal use of the management of The Indus Hospital and Recep Tayyip Erdogan Hospital Trust and for submission to the Government of Punjab.

Responsibilities of Management and Those Charged with Governance for the Financial Statements


The management of The Indus Hospital is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with the basis of preparation stated in note 2.1 to the special purpose financial statements, and for such internal control as management of The Indus Hospital determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Project'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 approved auditing standards 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.



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As part of an audit in accordance with the auditing standards as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of 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 Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Project'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 Project 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 those charged with governance 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.



Chartered Accountants
Karachi
Date: January 3, 2018

Engagement Partner: Waqas A. Sheikh

OPERATIONS OF MANAWA HOSPITAL, LAHORE
(MANAGED BY THE INDUS HOSPITAL)
BALANCE SHEET AS AT JUNE 30, 2017

	Note	June 30, 2017 -----Rupees-----
ASSETS		
Current Assets		
Advances to suppliers and others		12,397,506
Receivable from The Indus Hospital	4	183,685,902
Total Assets		<u>196,083,408</u>
FUNDS		
Restricted Fund	5	195,554,649
LIABILITIES		
Current Liabilities		
Trade and other payables	6	528,759
Total Funds and Liabilities		<u>196,083,408</u>
Contingencies and Commitments		-

The annexed notes 1 to 8 form an integral part of these financial statements.

Mrs.



Chief Executive Officer



Director

OPERATIONS OF MANAWA HOSPITAL, LAHORE
(MANAGED BY THE INDUS HOSPITAL)
INCOME AND EXPENDITURE ACCOUNT
FOR THE PERIOD APRIL 29, 2017 TO JUNE 30, 2017

April 29, 2017
to June 30, 2017

-----Rupees-----

Income

Value of services rendered to patients financed
through restricted fund

4,445,351

Expenditure

Salaries, wages and other benefits

2,308,747

Security services

225,940

Travelling and transportation

351,636

Advertising and marketing

1,313,914

Printing, stationery and courier

35,620

Auditor's remuneration

190,000

Other expenses

19,494

4,445,351

Surplus for the period

-

The annexed notes 1 to 8 form an integral part of these financial statements.

Chief Executive Officer

Director

OPERATIONS OF MANAWA HOSPITAL, LAHORE
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF CASH FLOWS
FOR THE PERIOD APRIL 29, 2017 TO JUNE 30, 2017

April 29, 2017
to June 30, 2017
-----Rupees-----

CASH FLOWS FROM OPERATING ACTIVITIES

Surplus for the period

-

Adjustments for:

Value of services rendered to patients financed
through restricted fund

(4,445,351)

(4,445,351)

Working capital changes

Increase in current assets:

Advances to suppliers and others

(12,397,506)

Receivable from The Indus Hospital

(183,685,902)

(196,083,408)

Increase in current liabilities:

Trade and other payables

528,759

(195,554,649)

Net cash utilized in operating activities

(200,000,000)

CASH FLOW FROM FINANCING ACTIVITIES

Donations received during the period

200,000,000

Net increase in cash and cash equivalents

-

Cash and cash equivalents at beginning of the period

-

Cash and cash equivalents at end of the period

-

The annexed notes 1 to 8 form an integral part of these financial statements.

afm.



Chief Executive Officer



Director

**OPERATIONS OF MANAWA HOSPITAL, LAHORE
(MANAGED BY THE INDUS HOSPITAL)
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 29, 2017 TO JUNE 30, 2017**

1. GENERAL INFORMATION

- 1.1 Manawa Hospital, Lahore (the Hospital) has been constructed by the Government of Punjab, at GT Road, Manawa, Lahore, for treatment of diseases / ailments, particularly for the poor and deserving people on free of cost basis.
- 1.2 A tri-party agreement was entered between Recep Tayyip Erdogan Hospital Trust (RTEHT), Government of Punjab, Health Department (GoPb) and the District Government, Lahore on April 29, 2017, whereby, the parties have agreed as follows:
- The District Government shall deliver, handover and transfer complete control of the Hospital to the RTEHT;
 - District Government will transfer the usufruct of the existing land and the Hospital as well as the additional land required for the expansion projects to the RTEHT, however, ownership will remain with the District Government;
 - GoPb shall be responsible to ensure the completion of all legal and legislative requirements for the transfer of 100% annual running funds according to the annual operational and capex budget approved by the Board of the Trust; and
 - GoPb and District Government shall pay 100% of recurrent annual running cost of the Hospital.
 - GoPb and District Government shall not interfere in the decisions of the RTEHT and the RTEHT will work independently in all decisions.
- 1.3 Further, a separate agreement was entered into between RTEHT and The Indus Hospital (TIH) on April 29, 2017, whereby, RTEHT handed over complete control and operations of the Hospital to TIH. As per the agreement, TIH will be responsible for the entire operations and the management of the Hospital to provide free of cost services to the patients.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements are a special purpose financial statements of the operations of the Hospital (the Project), as managed by TIH. These financial statements have been prepared for the internal use of the management of TIH and RTEHT, and for submission to GoPb.

These are the first financial statements of the Project, therefore, there are no corresponding figures in these financial statements. These financial statements have been prepared from April 29, 2017, the commencement date of management of operations of the Hospital, by TIH.

These special purpose financial statements have been prepared under the historical cost convention in accordance with the requirements of Accounting and Financial Reporting Standards for Small-Sized Entities (SSEs) issued by the Institute of Chartered Accountants of Pakistan.

2.2 Functional and presentation currency

These special purpose financial statements are presented in Pakistan Rupees which is the functional currency of TIH.

Apr.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these special purpose financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except for capital work in progress. Capital work in progress is stated at historical cost less impairment, if any.

Capital work-in-progress consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant operating asset category as and when assets are available for use.

Depreciation on an asset is charged to income using the straight-line method whereby the cost of an asset is written off over its estimated useful life. 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 the determined fair value recognized less accumulated depreciation and impairment, if any.

Gains and losses on disposal or retirement of assets are recognized in income and expenditure account.

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.

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 income and expenditure account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

3.2 Intangible assets

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.

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 assets are 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.

3.3 Inventories

Inventories comprise medicines, consumables and general supplies such as surgical supplies, stationery, grocery items, etc. These are carried at cost, 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.

Amr

3.4 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.

3.5 Cash and cash equivalents

Cash and cash equivalent for the purpose of cash flow statement comprises of cash in hand and balances with banks in current, deposit and saving accounts.

3.6 Donations and grants

Donations and grants are accounted for on receipt basis. Donations in kind are recognized at fair value determined at the time when the donations are received.

3.7 Restricted funds

Zakat and donations contributed by the donors for operations of the Hospital are initially recognized under 'Restricted Fund' upon receipt.

Donations and grants restricted in its use by the donors are utilized for the purpose specified and are classified accordingly as 'Restricted Fund'. Any income from investments made from such restricted donations and grants are also credited directly to the 'Restricted Fund'.

3.8 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 (or in the normal operating cycle of the business if longer). If not, these are presented as non-current liabilities.

3.9 Provident fund

A contributory provident has been constituted by TIH for all permanent employees hired for the Project. Equal monthly contributions are made both by TIH and the employees to the Fund at the rate of 10 percent of basic salary.

3.10 Fair value of financial instruments

The carrying values of all financial instruments reflected in the financial statements approximate their fair values.

3.11 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pakistan Rupees using exchange rates prevailing at the dates of transactions. Foreign exchange gains or losses resulting from settlement of transactions and from translation at year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the income and expenditure account.

3.12 Revenue recognition

- The 'Restricted Fund' is adjusted for the operating expenditure incurred during the period for running the operations of the Hospital.
- Donations for capital assets is classified as deferred capital grant in the balance sheet. A portion of deferred capital grant is released to income, equivalent to the depreciation, amortization and write-off during the period on related capital items.
- Income on bank deposits and short term investment is recognized on accrual basis.

ajm.

June 30, 2017

-----Rupees-----

4. RECEIVABLE FROM THE INDUS HOSPITAL

Balance at beginning of the period	-
Add: Funds received from RTEHT - note 5	200,000,000
Less: Expenditure incurred for operations of the Hospital	(16,314,098)
Balance at end of the period	<u>183,685,902</u>

5. RESTRICTED FUND

Balance at beginning of the period	-
Add: Donations received from RTEHT - note 4	200,000,000
Less: Value of services rendered to patients	(4,445,351)
Balance at end of the period	<u>195,554,649</u>

6. TRADE AND OTHER PAYABLES

Creditors	338,759
Accrued liabilities	190,000
	<u>528,759</u>

7. NUMBER OF EMPLOYEES

2017

Average number of employees during the period	<u>18</u>
Number of employees as at June 30	<u>24</u>

8. DATE OF AUTHORIZATION FOR ISSUE

These special purpose financial statements were approved and authorized for issue on November 30, 2017 by the Board of Directors of The Indus Hospital.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**OPERATIONS OF MULTAN INSTITUTE OF KIDNEY DISEASES
(MANAGED BY THE INDUS HOSPITAL)**

SPECIAL PURPOSE FINANCIAL STATEMENTS

**FOR THE PERIOD APRIL 29, 2017
TO JUNE 30, 2017**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Indus Hospital.

Opinion

We have audited the accompanying special purpose financial statements of the 'Operations of Multan Institute of Kidney Diseases managed by The Indus Hospital' (the Project), which comprises of the balance sheet as at June 30, 2017 and the related income and expenditure account and cash flow statement for the period April 29, 2017 to June 30, 2017 and a summary of significant accounting policies and other explanatory information.

In our opinion, the special purpose financial statements of the Project present fairly, in all material respects, the financial position of the Project as at June 30, 2017 and its surplus and its cash flows for the period April 29, 2017 to June 30, 2017, in accordance with the basis of preparation as stated in note 2.1 to the special purpose financial statements.

Basis for Opinion

We conducted our audit in accordance with approved auditing standards 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 Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to note 2.1 to the special purpose financial statements, which describes the basis of accounting and the use of the financial statements. As a result these special purpose financial statements may not be suitable for another purpose. Our report is intended solely for the internal use of the management of The Indus Hospital and Recep Tayyip Erdogan Hospital Trust and for submission to the Government of Punjab.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of The Indus Hospital is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with the basis of preparation stated in note 2.1 to the special purpose financial statements, and for such internal control as management of The Indus Hospital determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Project'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 approved auditing standards 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.

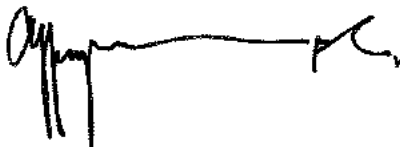


A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
 State Life Building No. 1-C, J.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
 Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

As part of an audit in accordance with the auditing standards as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of 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 Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Project'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 Project 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 those charged with governance 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.



Chartered Accountants

Karachi

Date: January 3, 2018

Engagement Partner: Waqas A. Sheikh

OPERATIONS OF MULTAN INSTITUTE OF KIDNEY DISEASES
(MANAGED BY THE INDUS HOSPITAL)
BALANCE SHEET AS AT JUNE 30, 2017

	Note	June 30, 2017 ----Rupees----
ASSETS		
Current Assets		
Advances to suppliers and others		5,605,981
Receivable from The Indus Hospital	4	213,967,717
Total Assets		<u>219,573,698</u>
FUNDS		
Restricted Fund	5	7,948,234
Deferred Capital Grant	6	211,125,835
		<u>219,074,069</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	7	499,629
Total Funds and Liabilities		<u>219,573,698</u>
Contingencies and Commitments		-

The annexed notes 1 to 9 form an integral part of these financial statements.

Chief Executive Officer

Director

**OPERATIONS OF MULTAN INSTITUTE OF KIDNEY DISEASES
(MANAGED BY THE INDUS HOSPITAL)
INCOME AND EXPENDITURE ACCOUNT
FOR THE PERIOD APRIL 29, 2017 TO JUNE 30, 2017**

April 29, 2017
to June 30, 2017
-----Rupees-----

Income

Value of services rendered to patients financed
through restricted fund

2,051,766

Expenditure

Salaries, wages and other benefits

772,493

Security services

61,712

Travelling and transportation

666,473

Repairs and maintenance

150,000

Communication charges

18,800

Advertising and marketing

148,739

Printing, stationery and courier

14,419

Auditor's remuneration

190,000

Other expenses

29,130

2,051,766

Surplus for the period

The annexed notes 1 to 9 form an integral part of these financial statements.

Chief Executive Officer

Director

OPERATIONS OF MULTAN INSTITUTE OF KIDNEY DISEASES
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF CASH FLOWS
FOR THE PERIOD APRIL 29, 2017 TO JUNE 30, 2017

April 29, 2017
to June 30, 2017
-----Rupees-----

CASH FLOWS FROM OPERATING ACTIVITIES

Surplus for the period

Adjustments for:

Value of services rendered to patients financed
through restricted fund

(2,051,766)

Working capital changes

Increase in current assets:

Advances to suppliers and others

(5,605,981)

Receivable from The Indus Hospital

(213,967,717)

(219,573,698)

Increase in current liabilities:

Trade and other payables

499,629

(219,074,069)

Net cash utilized in operating activities

(221,125,835)

CASH FLOW FROM FINANCING ACTIVITIES

Donations received during the period

221,125,835

Net increase in cash and cash equivalents

-

Cash and cash equivalents at beginning of the period

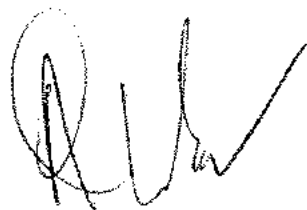
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Cash and cash equivalents at end of the period

-

The annexed notes 1 to 9 form an integral part of these financial statements.

Amr.



Chief Executive Officer



Director

**OPERATIONS OF MULTAN INSTITUTE OF KIDNEY DISEASES
(MANAGED BY THE INDUS HOSPITAL)
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 29, 2017 TO JUNE 30, 2017**

1. GENERAL INFORMATION

1.1 Multan Institute of Kidney Diseases (the Institute) is a specialized hospital established for high quality acute, swing care outpatient services related to kidney transplant, dialysis and other related diseases. The Institute is located at Multan Muzaffargarh Road, Nazirpur, Multan.

1.2 A tri-party agreement was entered between Recep Tayyip Erdogan Hospital Trust (RTEHT), Government of Punjab, Health Department (GoPb) and the District Government, Lahore on April 29, 2017, whereby, the parties have agreed as follows:

- The District Government shall deliver, handover and transfer complete control of the Institute to the RTEHT;
- The District Government shall transfer the usufruct of the existing land and the Institute as well as the additional land required for the expansions project to the RTEHT, however, ownership will remain with the District Government;
- GoPb shall be responsible to ensure the completion of all legal and legislative requirements for the transfer of 100% annual running funds according to the annual operational and capex budget approved by the Board of the RTEHT;
- GoPb and District Government shall pay 100% of recurrent annual running cost of the Institute, and
- GoPb and District Government shall not interfere in the decisions of the RTEHT and the RTEHT will work independently in all decisions.

1.3 Further, a separate agreement was entered into between RTEHT and The Indus Hospital (TIH) on April 29, 2017, whereby, RTEHT handed over complete control and operations of the Institute to TIH. As per the agreement, TIH will be responsible for the entire operations and the management of the Institute to provide free of cost services to the patients.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements are a special purpose financial statements of the operations of the Institute (the Project), as managed by TIH. These financial statements have been prepared for the internal use of the management of TIH and RTEHT, and for submission to GoPb.

These are the first financial statements of the Project, therefore, there are no corresponding figures in these financial statements. These financial statements have been prepared from April 29, 2017, i.e. the date of commencement of the management of operations of the Institute by TIH.

These special purpose financial statements have been prepared under the historical cost convention in accordance with the requirements of Accounting and Financial Reporting Standards for Small-Sized Entities (SSEs) issued by the Institute of Chartered Accountants of Pakistan.

2.2 Functional and presentation currency

These special purpose financial statements are presented in Pakistan Rupees which is the functional currency of TIH.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these special purpose financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

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3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except for capital work in progress. Capital work in progress is stated at historical cost less impairment, if any.

Capital work-in-progress consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant operating asset category as and when assets are available for use.

Depreciation on an asset is charged to income using the straight-line method whereby the cost of an asset is written off over its estimated useful life. 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 the determined fair value recognized less accumulated depreciation and impairment, if any.

Gains and losses on disposal or retirement of assets are recognized in income and expenditure account.

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.

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 Institute and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to income and expenditure account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

3.2 Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Institute and the cost of the asset can also be measured reliably.

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 assets are 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.

3.3 Inventories

Inventories comprise medicines, consumables and general supplies such as surgical supplies, stationery, grocery items, etc. These are carried at cost, 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.

3.4 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.

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3.5 Cash and cash equivalents

Cash and cash equivalent for the purpose of cash flow statement comprises of cash in hand and balances with banks in current, deposit and saving accounts.

3.6 Donations and grants

Donations and grants are accounted for on receipt basis. Donations in kind are recognized at fair value determined at the time when the donations are received.

3.7 Restricted funds

Zakat and donations contributed by the donors for operations of the Institute are initially recognized under 'Restricted Fund' upon receipt.

Donations and grants restricted in its use by the donors are utilized for the purpose specified and are classified accordingly as 'Restricted Fund'. Any income from investments made from such restricted donations and grants are also credited directly to the 'Restricted Fund'.

3.8 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 (or in the normal operating cycle of the business if longer). If not, these are presented as non-current liabilities.

3.9 Provident fund

A contributory provident fund has been constituted by TIH for all permanent employees hired for the Project. Equal monthly contributions are made both by TIH and the employees to the Fund at the rate of 10 percent of basic salary.

3.10 Fair value of financial instruments

The carrying values of all financial instruments reflected in the financial statements approximate their fair values.

3.11 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pakistan Rupees using exchange rates prevailing at the dates of transactions. Foreign exchange gains or losses resulting from settlement of transactions and from translation at year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the income and expenditure account.

3.12 Revenue recognition

- The 'Restricted Fund' is adjusted for the operating expenditure incurred during the period for running the operations of the institute.
- Donations for capital assets is classified as deferred capital grant in the balance sheet. A portion of deferred capital grant is released to income, equivalent to the depreciation, amortization and write-off during the period on related capital items.
- Income on bank deposits and short term investment is recognized on accrual basis.

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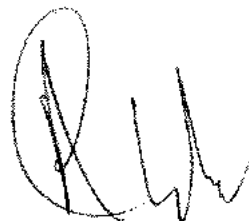
June 30, 2017

-----Rupees-----

4.	RECEIVABLE FROM THE INDUS HOSPITAL	
	Balance at beginning of the period	-
	Add: Funds received from RTEHT - notes 5 & 6	221,125,835
	Less: Capital expenditure and expenditure incurred for operations of the Institute	<u>(7,158,118)</u>
		<u>213,967,717</u>
5.	RESTRICTED FUND	
	Balance at beginning of the period	-
	Add: Donations received from RTEHT - note 4	10,000,000
	Less: Value of services rendered to patients	<u>(2,051,766)</u>
	Balance at end of the period	<u>7,948,234</u>
6.	DEFERRED CAPITAL GRANT	
	Balance at beginning of the period	-
	Add: Donations received from RTEHT for capital expenditure - note 4	211,125,835
	Balance at end of the period	<u>211,125,835</u>
7.	TRADE AND OTHER PAYABLES	
	Creditors	309,629
	Accrued liabilities	<u>190,000</u>
		<u>499,629</u>
8.	NUMBER OF EMPLOYEES	2017
	Average number of employees during the period	<u>29</u>
	Number of employees as at June 30	<u>29</u>
9.	DATE OF AUTHORIZATION FOR ISSUE	

These special purpose financial statement were approved and authorized for issue on November 30, 2017 by the Board of Directors of The Indus Hospital.

M.



CHIEF EXECUTIVE OFFICER



DIRECTOR