THE INDUS HOSPITAL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the members of The Indus Hospital

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of The Indus Hospital (the Hospital), which comprise the statement of financial position as at June 30, 2018, and the statement of income and expenditure and other comprehensive income, the statement of changes in fund balance, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of income and expenditure and other comprehensive income, the statement of changes in fund balance and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Hospital's affairs as at June 30, 2018 and of the deficit and other comprehensive income, the changes in fund balance, and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Hospital in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the information included in the Directors' report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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>

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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of Directors are responsible for overseeing the Hospital's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

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

(a) proper books of account have been kept by the Hospital as required by the Companies Act, 2017 (XIX of 2017);

(b) the statement of financial position, the statement of income and expenditure and other comprehensive income, the statement of changes in fund balance and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Hospital's business; and

(d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

Chartered Accountants
Karachi

Date: October 15, 2018

THE INDUS HOSPITAL
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018	2017
		----------Rupees----------	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	8,958,765,234	4,657,004,241
Intangible assets	5	2,483,355	3,156,829
Long term deposits and prepayments	6	14,144,248	1,643,248
		8,975,392,837	4,661,804,318
Current Assets			
Inventories	7	538,292,532	360,119,034
Advances, deposits, prepayments and other receivables	8	556,581,585	591,372,854
Short term investments	9	434,981,418	334,996,139
Cash and bank balances	10	4,734,547,509	3,065,681,454
		6,264,403,044	4,352,169,481
TOTAL ASSETS		15,239,795,881	9,013,973,799
FUND			
Accumulated fund		1,200,837,535	1,213,132,315
LIABILITIES			
Non-Current Liabilities			
Deferred capital grant	11	8,473,274,635	4,475,856,223
Current Liabilities			
Deferred income	12	3,022,516,461	2,526,635,259
Trade and other payables	13	2,543,167,250	798,350,002
		5,565,683,711	3,324,985,261
CONTINGENCIES AND COMMITMENTS	14		
TOTAL FUND AND LIABILITIES		15,239,795,881	9,013,973,799

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

Chief Executive Officer

Director

THE INDUS HOSPITAL

STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		----Rupees----	
INCOME			
Value of services rendered to patients financed through:			
- Zakat		2,253,650,917	1,772,791,570
- Donations		929,675,762	847,568,642
- Deferred capital grant		92,426,737	51,007,578
Grant-Funded Research and Development Projects (GFRDP) including deferred capital grant		2,867,138,264	1,403,409,035
		6,142,891,680	4,074,776,825
Fee income		35,033,644	-
		6,177,925,324	4,074,776,825
Other income	15	54,758,102	30,704,816
		6,232,683,426	4,105,481,641
EXPENDITURE			
Salaries, wages and other benefits		1,667,999,450	1,224,243,540
Medicines and other supplies consumed	16	1,041,799,332	778,713,689
Depreciation	4.1.2	213,214,531	137,304,471
Utilities		143,239,545	107,297,224
Outsourced - Medical facilities and diagnostics charges		80,410,527	114,259,944
Marketing and advertisement		66,451,322	104,008,893
Repairs and maintenance		24,464,948	26,378,565
Security services		21,491,082	15,569,000
Rent		21,097,613	7,549,835
Fuel		18,848,188	26,673,944
Printing, stationery and courier		17,791,027	8,592,215
Training and development		10,778,878	8,467,861
Technical and professional services		9,902,717	3,929,703
Communication charges		8,943,284	7,670,681
Travelling and transportation		8,151,179	6,136,137
Insurance / takaful		6,560,938	4,531,033
Inventories written-off	7.1	2,061,146	12,857,170
Loss on disposal / write-off of property, plant and equipment	4.1.1	3,232,030	143,295
Amortization	5	1,834,933	1,622,098
Mess expenses - School of Nursing		1,596,051	-
Auditor's remuneration	17	560,000	870,000
License fee		235,818	987,583
Other expenses		7,175,403	6,168,048
Expenditure on account of Grant-Funded Research and Development Projects	18	2,867,138,264	1,403,409,035
		6,244,978,206	4,007,383,964
(Deficit) / Surplus for the year		(12,294,780)	98,097,677
Other comprehensive income		-	-
Total comprehensive (loss) / income		(12,294,780)	98,097,677

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

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Chief Executive Officer

Director

THE INDUS HOSPITAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		----------Rupees----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit) / Surplus for the year		(12,294,780)	98,097,677
Adjustments for non-cash expenses and other items:			
Depreciation		357,044,940	152,433,612
Amortization		1,834,933	1,622,098
Inventories written-off		234,740,949	12,857,170
Property, plant and equipment written-off		40,754,938	-
Loss on disposal of property, plant and equipment		3,169,218	143,295
Value of services rendered to patients through donations and zakat		(3,183,326,679)	(2,620,360,212)
Value of services rendered to patients through deferred capital grant		(92,426,737)	(51,007,578)
Income from Grant-Funded Research and Development Projects (GFRDP)		(2,867,138,264)	(1,403,409,035)
		(5,505,346,702)	(3,907,720,650)
Working capital changes			
(Increase) / decrease in current assets:			
Inventories		(412,914,447)	(115,667,470)
Advances, deposits, prepayments and other receivables		34,791,269	(405,331,406)
		(378,123,178)	(520,998,876)
Increase in current liabilities:			
Trade and other payables		1,744,817,248	362,463,258
		1,366,694,070	(158,535,618)
Donations received during the year		1,632,942,004	1,155,520,264
Donations paid during the year		(2,514,000)	(10,935,260)
Long term deposits and prepayments - net		(12,501,000)	(1,643,248)
Zakat received during the year		2,506,277,325	2,278,909,317
Contribution received on account of GFRDP		2,160,971,390	1,444,679,658
		6,285,175,719	4,866,530,731
Net cash generated from operating activities		2,134,228,307	898,372,140
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(3,909,803,094)	(1,741,056,085)
Proceeds received from disposal of property, plant and equipment		1,673,796	3,258,330
Purchase of intangible assets		(1,161,459)	(1,860,439)
Investment disposed during the year - net		16,360,000	75,668,210
Profit received on short term investments		127,167,046	104,529,814
Net cash used in investing activities		(3,765,763,711)	(1,559,460,170)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution for capital expenditure		3,415,401,459	1,634,158,083
Net increase in cash and cash equivalents		1,783,866,055	973,070,053
Cash transferred from Islamic Mission Hospital Trust		-	11,830,509
Cash and cash equivalents at beginning of the year		3,065,681,454	2,080,780,892
Cash and cash equivalents at end of the year	20	4,849,547,509	3,065,681,454

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

Chief Executive Officer

Director

THE INDUS HOSPITAL
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	Rupees	
Balance at beginning of the year	1,213,132,315	1,059,907,286
(Deficit) / Surplus for the year	(12,294,780)	98,097,677
Other comprehensive income	-	-
Total comprehensive (loss) / income	(12,294,780)	98,097,677
Net assets of Islamic Mission Hospital Trust transferred	-	55,127,352
Balance at end of the year	1,200,837,535	1,213,132,315

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

Chief Executive Officer

Director

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 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; and

iv) Indus Hospital Al Ghazi Campus, Tehsil Bhong Sadiqabad.

The Hospital in collaboration with Qarshi Foundation Trust (QFT) and Naimat Saleem Trust (NST) has undertaken to build a hospital of 550 beds in Block-B Jubilee Town Scheme, Lahore named The Indus Hospital Punjab - Lahore Campus. NST had transferred the ownership of plots (measuring 25 Kanal-11 Marla-110 Square Feet) having fair market value of Rs. 1,024,000,000 via lease deed for 99 years commencing from May 1, 2017 exclusively for construction of the aforementioned hospital.

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

The Hospital entered into an agreement with Islamic Mission Hospital Trust (IMHT) in 2014, whereby IMHT agreed to hand over complete management and control of School of Nursing (SON) to the Hospital. As per the terms of the agreement, IMHT had transferred all the assets and liabilities of the Trust and the school to the Hospital and the Board of the Hospital had undertaken to take over the assets and liabilities with effect from June 30, 2017. The Hospital derives fee income from the operations of SON.

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

1.2 Hospital / facility management services

The Hospital entered into various agreements with Recep Tayyip Erdogan Hospital Trust (RTEHT) and Government of Sindh to manage the operations of different hospitals and medical facilities. The agreements for the management of the hospitals and medical facilities is generally for the term of 10 to 30 years. As per the terms of the agreements the Hospital shall be responsible for the entire operation and management of the said managed hospitals and facilities to provide free of cost services to the patients, for no remuneration, with funding from the respective parties. Accordingly, these hospitals / medical facilities are not considered as business units of the Hospital. Details of the hospitals and medical facilities to which the Hospital is providing management services are mentioned in note 13.3. During the year, the Hospital has entered into new agreements in relation to hospital / facility management services as more fully explained in note 1.3.4.

1.3 Summary of significant transactions and events

1.3.1 Fire at warehouse

During the year, a fire broke out at one of the warehouses of the Hospital destroying inventory held on account of TB Global Fund project amounting to Rs. 232,679,803 and items of property, plant and equipment pertaining to the same project costing Rs. 43,460,220 having net book value of Rs. 40,692,126. The Hospital lodged insurance claim which got honoured at Rs. 208,515,463 and Rs. 41,484,537 against loss suffered pertaining to inventory and items of property, plant and equipment respectively out of which Rs. 50,000,000 was received before the reporting date. Amount equivalent to Rs. 200,000,000 was received subsequent to the reporting date.

1.3.2 QFT and NST project

During the year, QFT has donated 45 Kanals adjoining land for the construction of the Indus Hospital Punjab - Lahore Campus via lease deed for 33 years renewable for successive terms of 33 years having fair market value of Rs. 382,500,000. Further, QFT and NST have also donated Rs. 550,000,000 and Rs. 375,000,000 respectively for the construction of the aforementioned Hospital.

1.3.3 Expansion project - Korangi campus

A project for the expansion of Indus Hospital Korangi Campus started back in 2014, whereby the Hospital's capacity was planned to increase to 1,800 beds for which a new building comprising of 13 floors is being constructed in the vicinity of the Korangi Campus. As of June 30, 2018, the grey structure of the aforementioned building stands completed to three floors out of the total planned construction.

1.3.4 New agreements in relation to hospital / facility management services

During the year, the Hospital entered into agreements with RTEHT and Government of Sindh to manage the operations of the following hospitals and medical facilities:

- Tehsil Headquarter Hospital - Sabzazaar Lahore;
- Tehsil Headquarter Hospital - Raiwind Lahore;
- Tehsil Headquarter Hospital - Kahna Nau Lahore;
- Regional Blood Centers at Multan and Bahawalpur; and
- Regional Blood Centers in Jamshoro.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

2.1.1 Statement of compliance

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

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

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

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

2.1.3 **Critical accounting estimates and judgments**

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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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

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

a) Standards, amendments to accounting and reporting standards as applicable in Pakistan that are effective in current year

The new amendments to accounting and reporting standards as applicable in Pakistan that are mandatory for the financial year beginning on July 1, 2017 are considered not to be relevant or to have any significant effect on the Hospital's financial reporting and operations.

In addition to the above, the Companies Act, 2017 which is effective on these financial statements has added certain disclosures which have been presented in these financial statements.

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

- **IFRS 9 'Financial Instruments' (effective for annual accounting period beginning on or after July 1, 2018)**

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss . The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model of IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. The Hospital is yet to assess the full impact of the standard.

- **IFRS 15 'Revenue from contracts with customers' (effective for annual accounting period 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 16 'Leases' (effective for annual accounting period beginning on or after January 1, 2019)**

  This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Hospital is yet to assess the full impact of the standard.

- **IFRIC 22 'Foreign currency transactions and advance consideration' (effective from accounting period beginning on or after January 1, 2018)**

  This interpretation clarifies the determination of the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The amendment is not expected to have a significant impact on the Hospital's financial reporting.

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

2.2 Operating assets

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

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

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

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

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

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

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

2.3 Capital work-in-progress

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

2.4 Intangible assets - Computer software

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

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

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

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

2.5 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 reporting 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 reporting 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 till 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 income and expenditure and other 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 and deferred capital grant as appropriate.

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.

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

2.5.4 Offsetting of financial assets and liabilities

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

2.6 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 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.

2.10 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 reporting date to reflect the current best estimate.

2.12 Provident Fund

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

2.13 Foreign currency transactions and translations

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

2.14 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.

- Fee income is recognized on accrual basis and comprises of admission fee and monthly tuition fee.

- Income on bank deposits and short term investments are recognized on accrual basis.

- Income in respect of Grant Funded Research and Development Projects (GFRDP) is recognized as and when the related expenses are incurred for these projects, and equivalent amount is transferred from deferred income to the statement of income and expenditure and other comprehensive income.

- Deferred capital grant is recognized as income to match depreciation and amortisation provided during the year on the related capital assets.
- Proceeds generated from sale of food items in the Hospital's cafeteria, being unrestricted receipts, are recognized on receipt basis in the statement of income and expenditure and other comprehensive income.
- Cost recovery from blood bank clients against blood products are separately billed to the clients and are recognized on accrual basis.

2.15 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 has been made in these financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Hospital makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to amount at which an asset / liability is initially recognized and the carrying amounts of assets and liabilities within the next financial years are related to property, plant and equipment, intangibles and inventories. The Hospital reviews appropriateness of the fair value at which donated assets are initially recognised as well as the rate of depreciation / amortization, useful life and residual values used for recording the depreciation / amortization of the Hospital's fixed assets on annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

4. PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	---Rupees---	
Operating assets (note 4.1)	4,177,752,595	2,438,191,120
Capital work-in-progress (note 4.2)	4,781,012,639	2,218,813,121
	8,958,765,234	4,657,004,241

4.1 Operating assets

	Leasehold land	Building and civil work on lease hold land	Plant, machinery and equipment	Computers, printers and network cabling	Furniture and fixtures	Vehicles	Books and others	Total
	-----	-----	-----	-----	Rupees	-----	-----	-----
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)	(465,420,997)	(35,795,004)	(37,294,631)	(5,226,316)		(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 from CWIP	1,024,900,000	56,456,474	525,161,187	48,843,942	6,502,748	100,047,630	-	1,761,011,981
Transfers from IMHT								
Cost	-	25,857,461	-	1,432,126	1,986,239	7,602,749	2,194,313	39,072,888
Accumulated depreciation	-	(15,634,116)	-	(633,826)	(1,049,789)	(5,542,749)	(1,251,874)	(24,112,354)
	-	10,223,345	-	798,300	936,450	2,060,000	942,439	14,960,534
Disposals / Write-offs (note 4.1.1)								
Cost	-	-	-	(95,730)	-	(3,320,294)	-	(3,416,024)
Accumulated depreciation	-	-	-	14,399	-	-	-	14,399
	-	-	-	(81,331)	-	(3,320,294)	-	(3,401,625)
Depreciation charge (note 4.1.2)	(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 July 1, 2017								
Cost	1,369,086,200	345,443,904	1,253,955,203	101,029,265	55,319,456	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
Year ended June 30, 2018								
Opening 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
Additions including transfers from CWIP	477,383,015	268,180,194	1,170,396,896	71,137,093	37,832,311	116,624,708	650,150	2,142,204,367
Disposals / Write-offs (note 4.1.1)								
Cost	-	-	(46,098,412)	(4,761,110)	(45,000)	(118,548)	-	(51,023,070)
Accumulated depreciation	-	-	3,526,252	1,866,985	8,951	22,930	-	5,425,118
	-	-	(42,572,160)	(2,894,125)	(36,049)	(95,618)	-	(45,597,952)
Depreciation charge (note 4.1.2)	(18,464,692)	(20,930,703)	(243,648,248)	(33,534,661)	(10,693,582)	(29,334,191)	(438,863)	(357,044,940)
Closing net book value	1,800,729,949	495,347,790	1,572,102,185	83,520,405	38,535,364	186,363,176	1,153,726	4,177,752,595
As at June 30, 2018								
Cost	1,846,469,215	613,624,098	2,378,253,687	167,405,248	93,106,769	233,783,639	2,844,463	5,335,487,119
Accumulated depreciation	(45,739,266)	(118,276,308)	(806,151,502)	(83,884,843)	(54,571,405)	(47,420,463)	(1,690,737)	(1,157,734,524)
Net book value	1,800,729,949	495,347,790	1,572,102,185	83,520,405	38,535,364	186,363,176	1,153,726	4,177,752,595
Annual rate of depreciation (%)	1	5	20	33	20	20	20	

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

	Description	Cost	Accumulated Depreciation (Disposals)	Net Book Value	Sale Proceeds / Insurance claim	Gain / (Loss)	Mode of disposal	Particulars of Buyers
		-----	-----	-----	Rupees	-----	-----	-----
Items sold during the year								
Plant, Machinery and Equipment	C-Arm Siemens with Camera and 2 Monitors	5,500,000	656,986	4,843,014	1,673,796	(3,169,218)	Tender	Local Scrap Deale
Fully depreciated / obsolete items written off during the year	Various	2,062,850	2,000,038	62,812	-	(62,812)	Not Applicable	Not Applicable
Items destroyed due to fire written off during the year (notes 1.3.1 and 18.1)	Various	43,460,220	2,768,094	40,692,126	41,883,878	1,191,752	Not Applicable	Not Applicable
June 30, 2018		51,023,070	5,425,118	45,597,952	43,557,674	(2,040,278)		
June 30, 2017		**3,416,024**	**14,399**	**3,401,625**	**3,258,330**	**(143,295)**		

4.1.2 Comprises of depreciation amounting to Rs. 213,214,531 (2017: Rs. 137,304,471) pertaining to operating expenses and Rs. 143,830,409 (2017: Rs. 15,129,141) pertaining to assets purchased on account of GFRDP.

4.2 Capital work-in-progress

	Expansion project	Building and civil works	Plant, machinery and equipment	Furniture and fixtures	Vehicle	Intangible	Total
	-----	-----	-----	Rupees	-----	-----	-----
Year ended June 30, 2017							
Balance at beginning of the year	1,143,564,878	11,026,357	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	1,132,712,984
Add: Additions for QFT and NST during the year	-	6,954,000	-	-	-	-	6,954,000
Less: Transfers to operating assets	(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
Year ended June 30, 2018							
Balance at beginning 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
Add: Additions during the year	1,174,390,156	106,237,152	37,642,165	4,438,841	54,000	2,380,741	1,327,143,055
Add: Additions for QFT and NST during the year	-	1,659,051,716	-	-	-	-	1,659,051,716
Less: Transfers to operating assets	(295,495,654)	(62,407,227)	(66,092,372)	-	-	-	(423,995,253)
Balance at end of the year	2,931,824,113	1,800,344,844	29,924,524	8,410,667	1,238,300	9,270,191	4,781,012,639

4.3 As at June 30, 2018, property, plant and equipment, principally comprising of X-ray machines, costing Rs. 291,596,841 (2017: nil) were stored in the warehouse owned and operated by TCS Logistics (Private) Limited due to shortage of storage space in the Hospital's owned warehouse.

		2018	2017
		--Rupees--	
5.	**INTANGIBLE ASSETS**		
	Net carrying value		
	Balance at beginning of the year	3,156,829	2,918,488
	Add: Additions	1,161,459	1,860,439
	Less: Amortization charge for the year	(1,834,933)	(1,622,098)
	Balance at end of the year	2,483,355	3,156,829
	Gross carrying value		
	Cost	9,771,948	8,610,488
	Less: Accumulated amortization	(7,288,593)	(5,453,659)
	Net book value	2,483,355	3,156,829

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

6.	**LONG TERM DEPOSITS AND PREPAYMENTS**		
	Deposits	4,343,248	1,643,248
	Prepayments	9,801,000	-
		14,144,248	1,643,248
7.	**INVENTORIES**		
	Medicines	325,432,837	203,433,386
	Consumables	118,459,493	103,922,769
	General	71,882,800	27,730,868
		515,775,130	335,087,023
	Stock in-transit	5,816,355	-
	Stores and spares	16,701,047	25,032,011
		538,292,532	360,119,034

7.1 During the year, inventories spoiled / damaged and inventories destroyed due to fire, as more fully explained in note 1.3.1, amounting to Rs. 2,061,146 (2017: Rs. 12,857,170) and Rs. 232,679,803 (2017: nil) respectively, were written off.

7.2 Inventories include medicines, consumables and general supplies amounting to Rs. 257,424,569 (2017: Rs. 75,333,408) held on account of GFRDP out of which inventories amounting to Rs. 240,709,182 (2017: Rs. 75,333,408) were stored in warehouse owned and operated by TCS Logistics (Private) Limited.

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	2018	2017
	----------Rupees----------	
8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Considered Good		
Advances to:		
- Suppliers and others (notes 8.4 and 8.5)	153,782,292	195,213,451
- Employees (note 8.1)	781,813	2,012,576
- Global Fund sub-recipients (note 8.2)	142,152,288	114,430,790
- IRD Pakistan (Private) Limited	114,202	88,339,312
Deposits	17,783,541	9,481,855
Prepayments	25,117,628	11,892,516
Receivable from Civil Hospital Badin; a related party (note 8.3)	-	146,178,264
Other receivables	15,745,933	22,720,202
Tax refundable / adjustable	1,103,888	1,103,888
Insurance claim receivable (note 1.3.1)	200,000,000	-
	556,581,585	591,372,854

8.1 The maximum aggregate amount of advances due from the Chief Executive and directors at the end of any month was Nil (2017: Nil).

8.2 This represents advances given by the Hospital to the sub-recipients Community Health Solutions (Private) Limited (CHS) and Green Star Social Marketing Pakistan (GSSMP) for the project titled: "Contribute towards achieving the targets of National Strategic Plan for reducing the burden of TB and MDR-TB in Pakistan" amounting to Rs. 69,518,996 (2017: Rs. 97,385,245) and Rs. 51,005,236 (2017: Nil) respectively and Frontier Primary Health Care (FPHC) and Baluchistan Rural Support Program (BRSP) for the project titled: "Expanding Support to Malaria Control Interventions in High Priority Districts of Pakistan" amounting to Rs. 13,773,270 (2017: Rs. 7,704,523) and Rs. 7,854,786 (2017: Rs. 9,341,022) respectively. The Hospital, as principal recipient, has received grants for the aforementioned project from The Global Fund and the sub-recipients are the implementing support partners. These advances are adjustable against expenditure incurred / payment made by the sub-recipients on behalf of the aforementioned projects.

8.3 The maximum aggregate amount outstanding from Civil Hospital Badin, a related party, at the end of any month was Rs. 206,434,770 (2017: Rs. 146,178,264). The ageing analysis of the receivable balance as at 30 June is as follows:

		Past due but not impaired	
	Total	**Up to 6 months**	**6 to 12**
	----------Rupees----------		
2018	-	-	-
2017	146,178,264	146,178,264	-

8.4 Includes advances made to suppliers amounting to Rs. 81,980,747 (2017: Rs. 13,911,084) on account of purchases made on behalf of the managed hospitals.

8.5 Includes advances to foreign suppliers details of which are mentioned in note 21.

	2018	2017
	Rupees	

9. SHORT TERM INVESTMENTS

	2018	2017
- At fair value through profit or loss		
- Meezan Sovereign Fund	1,390,067	1,373,306
- Allied Bank Limited - Islamic Income Fund	2,048,943	-
	3,439,010	1,373,306
- Held to maturity		
- Islamic Income Certificate - Habib Metropolitan Bank Limited	285,546,217	290,122,833
-Term deposit - Bank Alfalah Limited	29,700,000	-
-Term deposit - Faysal Bank Limited	116,296,191	-
-Term deposit - Meezan Bank Limited	-	43,500,000
	431,542,408	333,622,833
	434,981,418	334,996,139

10. CASH AND BANK BALANCES

	2018	2017
Local currency		
Cash in hand	2,153,254	1,848,739
Balances with banks in:		
- current accounts	8,142,024	215,230,029
- savings accounts (notes 10.1 and 10.2)	4,717,009,659	2,834,213,157
	4,725,151,683	3,049,443,186
Foreign currency		
Balances with banks in current accounts	7,242,572	14,389,529
	4,734,547,509	3,065,681,454

10.1 These savings accounts carry markup ranging from 2.60% to 6.55% (2017: 2.06% to 5.16%) per annum.

10.2 This includes Rs. 58,967,126 (2017: Rs. 62,002,774) on which bank has charged lien in respect of letter of credits.

	2018	2017
	Rupees	

11. DEFERRED CAPITAL GRANT

11.1 Movement in deferred capital grant is as follows:

	2018	2017
Balance at beginning of the year	4,475,856,223	1,818,189,697
Add: Deferred capital grant received against:		
- Donation for construction of Paeds Ward	115,277,132	22,790,879
- Donation for other construction and capital expenditure (note 11.3)	2,122,548,023	1,143,570,918
- Donation in kind	794,600,791	1,077,909,162
- Donation for capital expenditure on account of GFRDP	1,177,576,304	467,796,286
- Profit on Paeds Ward funds held in short term investments	13,964,933	11,736,001
- Profit on funds for other construction and capital expenditure held in daily product account	9,708,375	-
	4,233,675,558	2,723,803,246
Less: Deferred capital grant released against:		
- Depreciation on account of other construction and capital expenditure	34,237,804	12,081,913
- Depreciation of Paeds Ward	5,178,882	-
- Depreciation of donated assets	53,010,051	38,925,665
- Depreciation of assets pertaining to GFRDP (note 4.1.2)	143,830,409	15,129,142
	236,257,146	66,136,720
Balance at end of the year	8,473,274,635	4,475,856,223

11.2 Balance at end of the year comprises of:

	2018	2017
- Donation for construction of Paeds Ward	762,555,751	638,492,568
- Donation for other construction and capital expenditure (note 11.3)	4,299,082,938	2,201,064,344
- Donation in kind	1,925,222,907	1,183,632,167
- Donation for capital expenditure on account of GFRDP	1,486,413,039	452,667,144
	8,473,274,635	4,475,856,223

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:

	2018				2017			
	Zakat	Donations	GFRDP	Total	Zakat	Donations	GFRDP	Total
	Rupees							
Balance at beginning 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
Zakat / donations / grants received during the year	2,506,277,325	1,632,942,004	2,160,971,390	6,300,190,719	2,278,909,317	1,155,295,264	1,444,679,658	4,878,884,239
Donation for Ayesha Blood Centre	-	-	-	-	-	225,000	-	225,000
Profit on short term investments	5,757,204	4,138,005	-	9,895,209	1,172,191	-	-	1,172,191
Profit on daily product account	13,226,795	52,746,504	28,970,509	94,943,808	8,044,853	39,039,718	39,052,050	86,136,621
	2,525,261,324	1,689,826,513	2,189,941,899	6,405,029,736	2,288,126,361	1,194,559,982	1,483,731,708	4,966,418,051
Value of services rendered to patients	(2,253,650,917)	(929,675,762)	-	(3,183,326,679)	(1,772,791,570)	(847,568,642)	-	(2,620,360,212)
Expenses incurred in respect of GFRDP	-	-	(2,723,307,855)	(2,723,307,855)	-	-	(1,388,279,893)	(1,388,279,893)
Donations utilized to aid other hospitals / patients	-	(2,514,000)	-	(2,514,000)	-	(10,935,260)	-	(10,935,260)
	(2,253,650,917)	(932,189,762)	(2,723,307,855)	(5,909,148,534)	(1,772,791,570)	(858,503,902)	(1,388,279,893)	(4,019,575,365)
Balance at end of the year	722,653,035	1,614,326,043	685,537,383	3,022,516,461	451,042,628	856,689,292	1,218,903,339	2,526,635,259

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 and associated activities.

12.3 Contributions received on account of GFRDP are restricted for the purpose of expenditure for specific projects as per respective grant agreements.

13. TRADE AND OTHER PAYABLES

	2018	2017
	Rupees	
Creditors (note 13.1)	282,610,474	201,382,371
Accrued liabilities	120,384,933	71,397,774
Payable to Provident Fund	967,008	285,403
Retention money	92,565,046	28,376,128
Security deposit - IMHT students (note 13.2)	4,766,600	4,228,700
Payable under Hospital Management Services (note 13.3)	2,031,069,553	472,703,881
Withholding tax payable	523,735	9,893,465
Miscellaneous	10,279,901	10,082,280
	2,543,167,250	798,350,002

13.1 This includes payable to Swiss Pharmaceuticals (Private) Limited, a related party, amounting to Rs. 161,064 (2017: Rs. 525,878) in respect of medical supplies purchased by the Hospital.

13.2 Represents security deposit received from the students of SON in accordance with the terms of admission refundable at the time of completion of programs / courses. The amount is not utilizable for the Hospital's operation and has not been kept in a separate bank account.

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13.3 As explained in note 1.2 and 1.3.4, the Hospital entered into agreements to take management control and run operations of various hospitals / medical facilities, the details of which are as follows:

Name of hospital / medical facility	Agreement entered into with	(Receivable) / Payable at beginning of the year	Funds transferred during the year to the Hospital bank account for operational / capital expenditure	Funds generated during the year from other sources	Funds disbursed by the Hospital during the year	Payable at end of the year
		-----	-----	Rupees	-----	-----
Recep Tayyip Erdogan Hospital - Muzaffargarh	RTEHT	17,206,594	763,177,641	13,639,945	689,600,785	105,223,395
Mian Shahbaz Sharif Hospital - Lahore	RTEHT	57,843,669	412,360,247	37,619,180	445,701,782	62,121,314
General Hospital - Manawan Lahore	RTEHT	183,685,902	454,675,236	5,671,933	559,797,012	84,236,059
Institute of Kidney Diseases Multan (MIKD)	RTEHT	213,967,718	526,499,594	7,233,388	600,823,445	146,877,253
Tehsil Headquarter Hospital - Sabzazaar Lahore	RTEHT	-	493,838,428	3,964,701	439,310,520	58,492,609
Tehsil Headquarter Hospital - Raiwind Lahore	RTEHT	-	475,000,000	3,535,686	425,664,001	52,871,685
Regional Blood Centers at Multan and Bahawalpur	RTEHT	-	525,643,104	1,501,405	440,268,478	86,876,031
Regional Blood Centers in Jamshoro	Health Department - Government of Sindh	-	256,740,057	703,568	25,019,534	232,424,091
Tehsil Headquarter Hospital - Kahna Nau Lahore	RTEHT	-	295,178,280	3,575,967	182,594,555	116,159,692
		472,703,681	4,203,112,587	77,645,773	3,808,180,112	945,282,129
Civil Hospital Badin	Health Department - Government of Sindh	(146,178,264)	1,773,933,377	17,059,970	559,027,659	1,085,787,424
		326,525,617	5,977,045,964	94,705,743	4,367,207,771	2,031,069,553

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 Contingent liabilities represent bank guarantees given to following suppliers:

	2018	2017
	-----Rupees-----	
Canteen Stores Department	-	1,000,000
Metro Habib Cash & Carry (Private) Limited	3,000,000	2,000,000
Government of Sindh	27,000,000	-
	30,000,000	3,000,000

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

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

14.2 **Commitments**

14.2.1 Out of the facilities of Rs. 1,000,000,000 (2017: Rs. 700,000,000) for opening letters of credit, the amount utilized as at June 30, 2018 was Rs. 117,934,252 (2017: Rs. 124,005,547).

14.2.2 Commitments in respect of local and foreign purchases as at June 30, 2018 amount to Rs. 592,728,753 (2017: Rs. 1,131,138,268).

		2018	2017
		----Rupees----	
15.	**OTHER INCOME**		
	From other than financial assets		
	Proceeds from sale of waste materials	455,000	250,000
	Income from cafeteria	28,695,627	17,002,080
	Recovery of blood test cost	23,023,210	10,258,339
	Others	2,584,265	3,194,397
		54,758,102	30,704,816
16.	**MEDICINES AND OTHER SUPPLIES CONSUMED**		
	Opening inventory	284,785,626	235,686,118
	Add: Purchases	1,039,942,815	840,670,367
	Less:		
	- Inventory written-off (note 7.1)	2,061,146	12,857,170
	- Closing inventory	280,867,963	284,785,626
		1,041,799,332	778,713,689
17.	**AUDITOR'S REMUNERATION**		
	Fee for statutory audit	400,000	400,000
	Other certification (note 17.1)	-	186,000
	Out of pocket expenses	160,000	284,000
		560,000	870,000

17.1 Other certification represents the fee for independent assurance on compliance report of the Hospital with the licensing conditions.

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, 2018

Projects	--Grants / fund received-- Cash donations / Grants	Donations in- kind	--Expenditure-- Salaries, wages and benefits	Medicines and other supplies consumed	Other costs	Total expenditure	Surplus / (Deficit)
	-Rupees-						
TB - The Global Fund (note 18.1)	1,761,840,365	656,164,798	599,625,952	318,608,597	1,002,262,141	1,920,496,690	497,508,473
Malaria - The Global Fund	412,211,682	-	152,927,062	148,286,668	153,482,910	454,696,640	(42,484,958)
Zero TB Program	-	-	-	-	189,845,795	189,845,795	(189,845,795)
TB MDR Project Round 9	23,206,112	143,247,245	-	148,290,915	370,132	148,661,047	17,792,310
Diabetes Program	22,500,000	-	10,282,069	-	7,274,998	17,557,067	4,942,933
Paeds TB Program	20,126,227	-	12,130,134	6,361	4,485,897	16,622,392	3,503,835
HCV - Hepatitis C Virus Program	130,999	-	5,027,871	2,874,351	8,269,769	16,171,991	(16,040,992)
Marvi Clinic	6,590,360	-	4,907,636	4,002,669	5,426,673	14,336,978	(7,746,618)
CAD 4 TB Program	-	-	2,857,404	-	10,331,115	13,188,519	(13,188,519)
END TB Program	13,945,388	-	9,177,100	130,538	2,121,410	11,429,048	2,516,340
HIV Program - The Global Fund	-	-	7,990,257	-	2,840,143	10,830,400	(10,830,400)
MCM - My Child Matters	7,246,029	-	3,389,982	-	4,460,532	7,850,514	(604,485)
Pehla Qadam Project	38,000	-	2,179,553	-	4,953,720	7,133,273	(7,095,273)
Project - Rabies Free Karachi	9,727,025	190,000	1,296,299	989,647	4,044,486	6,330,432	3,586,593
Family Medicine - Gurmani	-	-	872,459	1,604,468	3,045,288	5,522,215	(5,522,215)
Malaria Project	-	-	4,327,274	-	866,009	5,193,283	(5,193,283)
TD - ABC Project	5,756,197	-	2,819,351	-	1,521,500	4,340,851	1,415,346
Safe Circumcision Study	-	-	2,252,504	-	1,457,287	3,709,791	(3,709,791)
SSI Project	2,263,434	-	1,785,888	-	809,156	2,595,044	(331,610)
KAPS - Knee Arthritis Project	4,500,000	-	406,180	-	1,910,612	2,316,792	2,183,208
Onco Psychology Project	3,165,500	-	1,807,120	-	388,152	2,195,272	970,228
VAC Project	-	-	243,626	-	1,616,530	1,860,156	(1,860,156)
Diabetes Foot Care Clinic	-	-	777,857	-	438,313	1,216,170	(1,216,170)
IVAC Project	-	-	-	-	769,067	769,067	(769,067)
Orthopedic Program	-	-	170,702	-	443,791	614,493	(614,493)
IMNCI Child Survival Program	-	-	573,100	-	4,800	577,900	(577,900)
Emergency Medicine Project	447,500	-	-	-	472,790	472,790	(25,290)
Vero Cell Trial	60,000	-	4,000	137,694	274,845	416,539	(356,539)
TB Reach Project	-	-	-	-	126,491	126,491	(126,491)
Club Foot Disability R-2	-	-	-	-	25,814	25,814	(25,814)
Diabetes Adherence Study	-	-	-	-	23,565	23,565	(23,565)
PPCCS - Perceptions of Patient Centered Care Study	-	-	-	-	11,245	11,245	(11,245)
Club Foot Disability Project	-	-	-	-	-	-	-
Rabies Program	-	-	-	-	-	-	-
Total	2,293,754,818	799,602,043	827,831,380	824,931,908	1,414,374,976	2,867,138,264	226,218,597

Year ended June 30, 2017

Projects	--Grants / fund received-- Cash donations / Grants	Donations in- kind	--Expenditure-- Salaries, wages and benefits	Medicines and other supplies consumed	Other costs	Total expenditure	Surplus / (Deficit)
	-Rupees-						
TB - The Global Fund (note 18.1)	1,190,756,869	306,099,024	338,697,845	55,219,172	487,419,796	881,336,813	615,519,080
Malaria - The Global Fund	300,348,361	-	152,015,214	-	184,688,064	336,703,278	(36,364,917)
Zero TB Program	-	-	-	-	352,000	352,000	(352,000)
TB MDR Project Round 9	24,029,184	-	-	63,671,199	26,777,596	90,448,795	(66,419,611)
Diabetes Program	12,000,000	-	6,341,106	-	6,058,191	12,399,297	(399,297)
Paeds TB Program	9,913,238	-	11,233,775	149,568	4,116,983	15,500,326	(5,587,088)
HCV - Hepatitis C Virus Program	15,400,000	-	2,862,303	1,160,865	4,249,032	8,272,200	7,127,800
Marvi Clinic	-	-	-	-	-	-	-
CAD 4 TB Program	-	-	478,527	-	95,705	574,232	(574,232)
END TB Program	3,739,500	-	7,149,797	28,791	905,290	8,083,878	(4,344,378)
HIV Program - The Global Fund	-	-	6,023,024	-	1,476,426	7,499,450	(7,499,450)
MCM - My Child Matters	8,125,693	-	815,735	-	1,297,318	2,113,053	6,012,640
Pehla Qadam Project	260,000	-	1,418,770	-	4,349,826	5,768,596	(5,508,596)
Project - Rabies Free Karachi	-	-	-	-	-	-	-
Family Medicine - Gurmani	-	-	-	-	-	-	-
Malaria Project	-	-	2,386,389	-	49,067	2,435,456	(2,435,456)
TD - ABC Project	5,936,041	-	4,882,413	-	1,996,038	6,878,451	(942,410)
Safe Circumcision Study	-	-	1,414,708	-	1,559,634	2,974,342	(2,974,342)
SSI Project	7,494,052	-	3,877,525	-	807,064	4,684,589	2,809,463
KAPS - Knee Arthritis Project	1,143,598	-	2,005,915	701,778	2,252,571	4,960,264	(3,816,666)
Onco Psychology Project	456,000		1,398,915	805,500	459,196	2,663,611	(2,207,611)
VAC Project	-	-	-	-	-	-	-
Diabetes Foot Care Clinic	-	-	1,044,900	-	408,462	1,453,362	(1,453,362)
IVAC Project	-	-	132,000	-	2,888,783	3,020,783	(3,020,783)
Orthopedic Program	-	-	427,033	-	676,687	1,103,720	(1,103,720)
IMNCI Child Survival Program	-	-	1,636,122	-	252,519	1,888,641	(1,888,641)
Emergency Medicine Project	-	-	-	-	-	-	-
Vero Cell Trial	1,003,788	-	51,048	113,699	81,123	245,870	757,918
TB Reach Project	23,620,596	-	-	-	259,923	259,923	23,360,673
Club Foot Disability R-2	-	-	-	-	838,412	838,412	(838,412)
Diabetes Adherence Study	2,000,000	-	751,549	-	46,763	798,312	1,201,688
PPCCS - Perceptions of Patient Centered Care Study	-	-	-	-	100,786	100,786	(100,786)
Club Foot Disability Project	-	-	-	-	9,770	9,770	(9,770)
Rabies Program	150,000	-	-	-	40,825	40,825	109,175
Total	1,606,376,920	306,099,024	547,044,613	121,950,572	734,513,850	1,403,409,035	509,066,909

18.1 Expenditure for the year includes inventories and property, plant and equipment written-off net of insurance claim received / receivable, as more fully explained in note 1.3.1.

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19. PROVIDENT FUND

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

19.2 An amount of Rs. 104,658,564 (2017: Rs. 64,190,407) has been charged during the year in respect of Hospital's contribution to the fund.

	2018	2017
	----Rupees----	

20. CASH AND CASH EQUIVALENTS

	2018	2017
Short term investments		
- Term deposit - Faysal Bank Limited	115,000,000	-
- Term deposit - Meezan Bank Limited	-	-
	115,000,000	-
Cash and bank balances (note 10)	4,734,547,509	3,065,681,454
	4,849,547,509	3,065,681,454

21. ADVANCES TO FOREIGN SUPPLIERS

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

S. No.	Supplier	Country / Jurisdiction
1	Medec Benelux NV	Belgium
2	Solar Ear	Canada
3	(Qingdao) Haier Medical and Laboratory Products Co., Limited	China
4	Beijing Aeonmed Co., Limited	China
5	Beijing Julongsanyou Technology Co., Limited	China
6	Guangdong Biolight Meditech Co. Limited	China
7	Zhengzhou Dison Instrument And Meter Co., Limited	China
8	Q.Z.F General Trading L.L.C.	Dubai, U.A.E
9	Abbott GMBH and Co. KG	Germany
10	Aesculap AG	Germany
11	Andreas Hettich GmbH and Co. KG	Germany
12	Binder GmbH	Germany
13	Immucor Med. Diagnostic GmbH	Germany
14	S.I.M.E.O.N. Medical GmbH and Co. KG	Germany
15	Thermo Electron LED GmbH	Germany
16	Cardioline S.p.a.	Italy
17	Milestone Srl	Italy
18	Fujifilm Corporation	Japan
19	Nikon Corporation	Japan
20	Becton Dickinson Holdings Pte Limited	Singapore
21	JMS Singapore PTE Limited	Singapore
22	CJ HealthCare Corporation	South Korea
23	Biotechnology Medical Services K Europe S.L.	Spain
24	Accutronic Medical Systems AG	Switzerland
25	Bio-Rad GmbH- Europe	Switzerland
26	Covidien AG	Switzerland
27	DiaMed GmbH	Switzerland
28	Genesis BPS International Sarl	Switzerland
29	Smartex Makina Yedek Parca Teknoloji San. Ve Tic. A.S.	Turkey
30	Elga Veolia	United Kingdom
31	Ortho-Clinical Diagnostics	United Kingdom
32	Thermo Shandon Limited	United Kingdom
33	American Hi-Tech Instruments Inc.	United States of America
34	Barrier Technologies LLC	United States of America
35	College of American Pathologists	United States of America
36	ConMed	United States of America
37	Richard-Allan Scientific Co.	United States of America
38	Zoll Medical Corporation	United States of America

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22. RELATED PARTY TRANSACTIONS

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

Name	Basis of relationship
Grace Apparel (Private) Limited	Common directorship
Feroze 1888 Mills Limited	Common directorship
Burque Corpration (Private) Limited	Common directorship
Swiss Pharmaceuticals (Private) Limited	Common directorship
Hilton Pharma (Private) Limited	Common directorship
Children Cancer Foundation Pakistan Trust	Common directorship
Recep Tayyip Erdogan Hospital - Muzaffargarh	Associated undertaking
Mian Shahbaz Sharif Hospital - Lahore	Associated undertaking
Civil Hospital - Badin	Associated undertaking
General Hospital Manawan - Lahore	Associated undertaking
Institute of Kidney Diseases Multan	Associated undertaking
Tehsil Headquarter Hospital - Sabzazar Lahore	Associated undertaking
Tehsil Headquarter Hospital - Raiwind Lahore	Associated undertaking
Regional Blood Centers at Multan and Bahawalpur	Associated undertaking
Regional Blood Centers - Jamshoro Sindh	Associated undertaking
Tehsil Headquarter Hospital - Kahna Nau Lahore	Associated undertaking
The Indus Hospital- UAE Branch	Associated undertaking
The Indus Hospital Employees' Provident Fund	Post retirement benefit plan
Mr. Yunus Hashim Bengali	Director / Key management personnel
Mr. Hafiz Muhammad Aamir	Director / Key management personnel
Mr. Muhammad Yahya Chawla	Director / Key management personnel
Mr. Nasim Hyder	Director / Key management personnel
Mr. Salim Razzak Tabani	Director / Key management personnel
Mr. Khaliq Ur Rehman	Director / Key management personnel
Dr. Muhammad Abdullah	Director / Key management personnel
Mr. Tariq Shafi	Director / Key management personnel
Dr. Abdul Bari Khan	Director / Key management personnel
Mr. Ahson Tariq	Key management personnel
Dr. Syed Zafar Zaidi	Key management personnel
Dr. M. Amin Chinoy	Key management personnel
Dr. Ashar Alam	Key management personnel
Dr. Wasif Shahzad	Key management personnel
Dr. Muhammad Shamvil Ashraf	Key management personnel
Mr. Pervaiz Ahmed	Key management personnel

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

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

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

Nature of relationship	Category of Financial Statement	Nature of transaction	2018 Rupees	2017 Rupees
Directors	Statement of financial position	Donation / Zakat received	3,878,888	8,490,000
Other related parties (note 22.3.4)	Statement of financial position	Donation received in kind	-	15,640
		Donation / Zakat received	363,427,476	8,718,216
	Statement of income and expenditure and other comprehensive income	Purchases	11,934,722	6,269,996
Retirement benefit fund	Statement of income and expenditure and other comprehensive income	Contribution	104,658,564	64,190,407

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

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

22.3.2 There are no transactions with key management personnel other than those mentioned above and under the terms of employment as disclosed in note 23.

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

23. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2018		2017	
	Chief Executive	Executives	Chief Executive	*Executives
	Rupees			
Management remuneration	11,258,208	663,285,688	9,832,500	541,361,355
Retirement benefits	750,547	44,969,818	655,500	25,935,217
Total	12,008,755	708,255,506	10,488,000	567,296,572
Number of persons including those who worked part of the year	1	267	1	182

*Comparative figures have been restated to reflect changes in the description of executives as per Companies Act, 2017.

23.1 No remuneration has been paid to any of the 15 (2017: 9) directors including those who worked part of the year, except the Chief Executive of the Hospital.

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	2018	2017
24. NUMBER OF EMPLOYEES		
Average number of employees during the year	3,040	2,423
Number of employees including contractual employees at 30 June	3,355	2,801

	2018	2017
	Rupees	

25. FINANCIAL INSTRUMENTS BY CATEGORY

25.1 Financial assets

	2018	2017
- At fair value through profit or loss		
Short term investments	3,439,010	1,373,306
- Loans and receivables		
Deposits and other receivables	237,872,722	180,023,569
Cash and bank balances	4,734,547,509	3,065,681,454
	4,972,420,231	3,245,705,023
- Held to maturity		
Short term investments	431,542,408	333,622,833
	5,407,401,649	3,580,701,162

25.2 Financial liabilities

	2018	2017
- At amortized cost		
Trade and other payables	2,541,676,507	788,171,134

25.3 Fair value of financial assets and liabilities

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

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

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

There was no change in valuation techniques during the year.

	Level 1	Level 2	Level 3	Total
	Rupees			
Year ended June 30, 2018				
Short term investments	3,439,010	-	-	3,439,010
Year ended June 30, 2017				
Short term investments	1,373,306	-	-	1,373,306

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

26.1 Financial risk factors

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

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 is exposed to foreign exchange risk due to transactions denominated in foreign currencies and foreign currency bank account. The Hospital manages its currency risk by close monitoring of currency markets and expected currency movements and adjusting timing of payments accordingly.

As at June 30, 2018, if Pakistan Rupee had strengthened by 5% against the following currencies with all other variables held constant, deficit for the year would have been lower / (higher) by the amount shown below, mainly as a result of foreign exchange gains / (losses) on translation of financial instruments denominated in currencies other than the functional currency:

	2018	2017
	-----Rupees-----	
Effect		
USD	2,788,197	-
Euro	699,359	-
AED	(362,129)	(719,476)

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

(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 or loss. Therefore, a change in interest rates at the reporting date would not affect deficit of the Hospital. There are no other significant interest-bearing financial instruments.

As at June 30, 2018, if the interest rates on bank accounts had been 5% higher / lower with other variables held constant deficit for the year would would have been lower / higher by Rs. 5,232,609.

(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.

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, 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. 5,407,401,649 (2017: Rs. 3,580,701,162), the financial assets exposed to credit risk amount to Rs. 5,405,248,395 (2017: Rs. 3,578,852,423).

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

	2018	2017
	Rupees	
Deposits and other receivables	237,872,722	180,023,569
Short term investments (note 9)	434,981,418	334,996,139
Bank balances (note 10)	4,732,394,255	3,063,832,715
	5,405,248,395	3,578,852,423

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	AA-
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 Limited	JCR-VIS	A-1+	AA+
Sindh Bank Limited	JCR-VIS	A-1+	AA
National Bank of Pakistan	PACRA	A1+	AAA
Soneri Bank Limited	PACRA	A1+	AA-
Askari Bank Limited	PACRA	A1+	AA+
Samba Bank Limited	JCR-VIS	A-1	AA
Allied Bank Limited	PACRA	A1+	AAA
Faysal Bank Limited	PACRA	A1+	AA
Bank of Punjab	PACRA	A1+	AA
Bank of Khyber	PACRA	A1	A
Silk Bank Limited	JCR-VIS	A-2	A-
Al-Meezan Investment Management Limited	JCR-VIS	-	AM1
Allied Bank Islamic Income Fund	JCR-VIS	-	A(f)

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.

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

	June 30, 2018			June 30, 2017		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees					
Trade and other payables	2,541,676,507	-	2,541,676,507	788,171,134	-	788,171,134

27. 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.

28. CORRESPONDING FIGURES

Corresponding figures and balances have been rearranged and reclassified, wherever considered necessary, for the purpose of comparison, better presentation and to reflect substance of the transactions. Following major reclassifications in the corresponding figures were considered necessary during the year in the statement of financial position:

	Reclassified		Rupees
	From	To	
Deposits	Advances, deposits, prepayments and other receivables	Long term deposits and prepayments	1,643,248

The effects of other reclassifications are not material.

29. These financial statements were approved and authorized for issue on 05 OCT 2018 by the Board of Directors of the Hospital.

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, 2018

pwc A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Indus Hospital

Opinion

We have audited the special purpose financial statements of the 'Operations of Recep Tayyip Erdogan Hospital, Muzaffargarh managed by The Indus Hospital' (the Project) which comprises the statement of financial position as at June 30, 2018 and the related income and expenditure statement and statement of cash flows for the year ended June 30, 2018, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Project as at June 30, 2018 and its surplus and its cash flows for the year ended June 30, 2018, 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 International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose 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 special purpose 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.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to note 2.1 to the special purpose financial statements, which describes the basis of accounting. 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 Tayyib Erdogan Hospital Trust (RTEHT) and for submission to the Government of Punjab and should not be distributed to or used by the parties other than The Indus Hospital, RTEHT and the Government of Punjab. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the 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 determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose 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 Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial statements.

AFDC

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>

KARACHI LAHORE ISLAMABAD

As part of an audit in accordance with the ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose 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 special purpose 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 special purpose financial statements, including the disclosures, and whether the special purpose 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.

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: April 29, 2019

OPERATIONS OF RECEP TAYYIP ERDOGAN HOSPITAL
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	June 30, 2018	June 30, 2017 (Restated)
ASSETS		----------Rupees----------	
Non-Current Assets			
Operating assets	5	407,068,129	463,982,833
Capital work-in-progress	6	35,349,102	26,629,186
Intangible assets	7	342,742	685,484
		442,759,973	491,297,503
Current Assets			
Inventories	8	64,187,153	50,658,007
Advances, deposits and other receivables	9	9,832,895	6,762,098
Receivable from The Indus Hospital	10	105,223,395	17,206,594
Short term investments		-	81,600,000
Cash in hand		187,058	194,479
		179,430,501	156,421,178
Total Assets		622,190,474	647,718,681
LIABILITIES			
Non-Current Liabilities			
Deferred capital grant	11	468,470,079	545,499,218
Current Liabilities			
Deferred contribution	12	136,835,654	81,020,206
Creditors and accrued liabilities	13	16,884,741	21,199,257
		153,720,395	102,219,463
Total Liabilities		622,190,474	647,718,681

The annexed notes from 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)
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018	June 30, 2017 (Restated)
		----Rupees----	
INCOME			
Value of services rendered to patients financed through deferred contribution	12	735,019,183	543,947,377
Deferred capital grant released	11	82,029,139	84,483,554
Other income	14	17,583,718	13,275,401
Total income		834,632,040	641,706,332
EXPENDITURE			
Salaries, wages and other benefits		419,064,447	277,196,007
Medicines and related supplies consumed	15	210,900,394	187,890,741
Utilities		29,008,715	29,226,885
Technical and professional services		28,359,717	22,356,824
Depreciation	5	81,686,397	84,140,812
Amortization	7	342,742	342,742
Training and development		4,127,314	2,128,153
Security services		9,659,982	8,685,839
Travelling and transportation		6,593,660	7,245,359
Repairs and maintenance		2,027,802	916,431
Uniform and laundry		5,110,698	3,996,233
Freight expenses		3,639,960	2,423,057
Insurance / takaful		2,953,503	1,028,212
Communication charges		2,445,647	2,192,079
Advertising expense		312,100	1,636,233
Printing, stationery and courier		969,206	463,662
Out-sourced diagnostic charges		651,195	-
Auditor's remuneration		275,000	257,234
Other expenses		449,730	1,204,642
Financial expenses		16,281	-
Research project cost		26,037,550	8,375,187
Total expenditure		834,632,040	641,706,332
Surplus for the year		-	-

The annexed notes from 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)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018	June 30, 2017 (Restated)
		----Rupees----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		-	-
Adjustments for non-cash charges and other items:			
Depreciation		81,686,397	84,140,812
Amortization		342,742	342,742
Donations received in kind		26,349,912	28,743,616
Value of services rendered to patients financed through deferred contribution and deferred capital grant released		(817,048,322)	(628,430,931)
		(708,669,271)	(515,203,761)
Working capital changes			
(Increase) / decrease in current assets:			
Inventories		(13,529,146)	10,158,092
Advances, deposits and other receivables		(3,070,797)	(2,554,885)
Receivable from The Indus Hospital		(88,016,801)	64,328,597
		(104,616,744)	71,931,804
(Decrease) / increase in current liabilities:			
Creditors and accrued liabilities		(4,314,516)	4,625,035
		(108,931,260)	76,556,839
Net cash utilized in operating activities		(817,600,531)	(438,646,922)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of operating assets and intangibles		(33,491,609)	(92,674,180)
Profit on donation account		6,307,078	793,466
Net cash utilized in investing activities		(27,184,531)	(91,880,714)
CASH FLOWS FROM FINANCING ACTIVITIES			
Donations received during the year		742,577,641	594,508,867
Zakat received during the year		20,600,000	17,600,000
Net cash generated from financing activities		763,177,641	612,108,867
Net (decrease) / increase in cash and cash equivalents		(81,607,421)	81,581,231
Cash and cash equivalents at beginning of the year		81,794,479	213,248
Cash and cash equivalents at end of the year	16	187,058	81,794,479

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

Chief Executive Officer

Director

1. GENERAL INFORMATION

1.1 Recep Tayyip Erdogan Hospital (the Project) has been constructed in Disctrict 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 will handover and transfer complete control of the Project to the RTEHT;

- District Government will transfer the title of Project'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 Project and medical college;

- GoPb and the District Government will pay 70% of recurrent annual running / operational cost of the Project 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 Project to TIH. As per the agreement, TIH will be responsible for the entire operations and the management of the Project 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 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 GoP.

These special purpose financial statements have been prepared under the historical cost convention in accordance with the requirements of Revised 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.

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2.3 Restatements

2.3.1 Correction of prior period error

During the year ended June 30, 2017, the management of Recep Tayyip Erdogan Hospital appointed consultants to undertake independent technical valuation to determine the realizable values of the assets donated by the Government of Punjab on July 1, 2014, based on the data available at the time of transfer of management to The Indus Hospital. The subject valuation was completed on June 29, 2017.

As per the Consultant's report, the values of the assets at the date of valuation was Rs. 209 million. However, the management has incorporated effects of the Consultant's valuation from the date of transfer of assets by adjusting the comparative information in accordance with the requirements of the Revised Accounting and Financial Reporting Standards for Small-Sized Entities. The values would not materially differ had the valuation been carried at the date of transfer.

The effects of the application are as follows:

Effect on statement of financial position as at June 30, 2017

	Amount previously reported	Effect of restatement	Amount after change
	---Rupees---		
Assets			
Operating assets	381,455,645	82,527,188	463,982,833
Liabilities			
Deferred Capital Grant	462,972,030	82,527,188	545,499,218

Effect on income and expenditure statement for the year ended June 30, 2017:

	Amount previously reported	Effect of restatement	Amount after change
	---Rupees---		
Income			
Deferred capital grant released	42,267,917	42,215,637	84,483,554
Expenditure			
Depreciation	41,925,175	42,215,637	84,140,812

Effect on statement of cash flows for the year ended June 30, 2017:

	Amount previously reported	Effect of restatement	Amount after change
	---Rupees---		
Cash flows from operating activities			
Adjustments for non-cash charges and other items:			
Depreciation	41,925,175	42,215,637	84,140,812
Value of services rendered to patients financed through deferred contribution and deferred capital grant released	(586,215,294)	(42,215,637)	(628,430,931)

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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 judgment or complexity, or areas where assumption and estimates are significant to the financial statements are disclosed below.

3.1 Operating assets and intangible assets

The Project 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.

4.1 Operating assets

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

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 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 statement 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 Project 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 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.

4.3 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 Project and the cost of the asset can also be measured reliably.

Generally, costs associated with maintaining computer software programs 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.

4.4 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.

4.5 Receivables

Receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Project will not be able to collect all amounts due according to the original terms of receivables. Receivables considered irrecoverable are written off.

4.6 Cash and cash equivalents

Cash and cash equivalent for the purpose of statement of cash flows comprises of cash on hand.

4.7 Deferred contribution and deferred capital grant

Deferred contribution and deferred capital grant are recognized in statement of financial position on receipt basis. These are recognised in income and expenditure statement when the expense is incurred for which the deferred contribution and deferred capital grant is released for the Project. Donations in kind are recognized at fair value determined at the time when the donations are received.

4.8 Creditors and accrued liabilities

Creditors and accrued liabilities 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 'Deferred contribution' is adjusted for the operating expenditure incurred during the year for running the operations of the Institute.

- Donations for capital items is classified as deferred capital grant in the statement of financial position. 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 is recognized on accrual basis.

5. Operating assets

	Building and civil works	Equipment	Computers, printers and, network cabling	Furniture and fixtures	Vehicles	Total
	Rupees					
As at July 01, 2016 - restated						
Cost	331,186,054	185,393,697	19,164,921	58,888,423	1,409,460	596,042,555
Accumulated Depreciation	(16,697,826)	(71,744,231)	(11,612,640)	(22,049,672)	(459,535)	(122,563,904)
Net book value	314,488,228	113,649,466	7,552,281	36,838,751	949,925	473,478,651
Year ended June 30, 2017						
Opening net book value - as previously reported	314,488,228	15,845,927	6,600,195	10,851,551	949,925	348,735,826
Effect of restatement	-	97,803,540	952,085	25,987,200	-	124,742,825
Opening net book value - restated	314,488,228	113,649,467	7,552,280	36,838,751	949,925	473,478,651
Additions including transfers	19,095,534	54,386,300	343,000	670,160	150,000	74,644,994
Depreciation charge	(17,514,079)	(47,955,999)	(6,447,125)	(11,911,717)	(311,892)	(84,140,812)
As at June 30, 2017 - restated	316,069,683	120,079,768	1,448,155	25,597,194	788,033	463,982,833
As at June 30, 2017 - restated						
Cost	350,281,588	239,779,997	19,507,921	59,558,583	1,559,460	670,687,549
Accumulated depreciation	(34,211,905)	(119,700,229)	(18,059,765)	(33,961,389)	(771,428)	(206,704,716)
Net book value - restated	316,069,683	120,079,768	1,448,156	25,597,194	788,032	463,982,833
Year ended June 30, 2018						
Opening net book value	316,069,683	120,079,768	1,448,156	25,597,194	788,032	463,982,833
Additions	86,000	20,458,743	2,951,950	1,275,000	-	24,771,693
Depreciation charges	(17,516,229)	(50,227,998)	(1,615,728)	(12,014,550)	(311,892)	(81,686,397)
Closing net book value	298,639,454	90,310,513	2,784,378	14,857,644	476,140	407,068,129
As at June 30, 2018						
Cost	350,367,588	260,238,740	22,459,871	60,833,583	1,559,460	695,459,242
Accumulated depreciation	(51,728,134)	(169,928,227)	(19,675,493)	(45,975,939)	(1,083,320)	(288,391,113)
Net book value	298,639,454	90,310,513	2,784,378	14,857,644	476,140	407,068,129
Annual rate of depreciation	5%	20%	33%	20%	20%	

6. CAPITAL WORK-IN-PROGRESS

	June 30, 2018	June 30, 2017
	Rupees	
Balance at beginning of the year	26,629,186	8,600,000
Add: Additions during the year	8,719,916	26,629,186
Less: Transfers to operating assets - note 5	-	(8,600,000)
Balance at end of the year	35,349,102	26,629,186

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	June 30, 2018	June 30, 2017
	-------------------Rupees-------------------	

7. INTANGIBLE ASSETS - Computer software

Balance at beginning of the year	685,484	1,028,226
Less: Amortization charge for the year - note 7.1	(342,742)	(342,742)
Balance at end of the year	342,742	685,484
Cost	1,713,710	1,713,710
Less: Accumulated amortization	(1,370,968)	(1,028,226)
Net carrying value	342,742	685,484

7.1 The cost is being amortized over a period of 5 years

8. INVENTORIES

Medicines	34,586,286	32,329,230
Food supplies, stationery and tools	29,600,867	18,328,777
	64,187,153	50,658,007

9. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Advances to suppliers and others	4,719,542	3,168,348
Deposits	2,833,000	3,537,000
Other receivables	2,280,353	56,750
	9,832,895	6,762,098

10. RECEIVABLE FROM THE INDUS HOSPITAL

Balance at beginning of the year	17,206,594	81,535,191
Add: Fund received from RTEHT	763,177,641	612,108,867
Add: Funds received from others	13,718,545	14,068,867
	794,102,780	707,712,925
Less: Payment made for capital expenditure and operations of the Project	(688,879,385)	(690,506,331)
Balance at end of the year	105,223,395	17,206,594

	June 30, 2018	June 30, 2017 (Restated)
	-------------------Rupees-------------------	

11. DEFERRED CAPITAL GRANT

Balance at beginning of the year - as previously reported	545,499,218	412,101,080
Effect of restatement	-	124,742,825
Balance at the beginning of the year - restated	545,499,218	536,843,905
Add:		
- Donations from RTEHT for capital expenditure	5,000,000	93,138,867
- Donation in kind	-	-
	5,000,000	93,138,867
Less Deferred capital grant released	(82,029,139)	(84,483,554)
Balance at end of the year	468,470,079	545,499,218

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12. DEFERRED CONTRIBUTION

	June 30, 2018			June 30, 2017		
	Zakat	Donations	Total	Zakat	Donations	Total
	Rupees			Rupees		
Balance at the beginning of the year	17,600,000	63,420,206	81,020,206	-	76,460,501	76,460,501
Add:						
Zakat / donations received from RTEHT	20,600,000	737,577,641	758,177,641	17,600,000	501,370,000	518,970,000
Donations in kind	-	26,349,912	26,349,912	-	28,743,616	28,743,616
Profit on donation account	1,488,636	4,818,442	6,307,078	-	793,466	793,466
	22,088,636	768,745,995	790,834,631	17,600,000	530,907,082	548,507,082
Less:						
Value of services rendered to patients	(39,477,041)	(695,542,142)	(735,019,183)	-	(543,947,377)	(543,947,377)
Balance at end of the year	211,595	136,624,059	136,835,654	17,600,000	63,420,206	81,020,206

	June 30, 2018	June 30, 2017
	Rupees	
13. CREDITORS AND ACCRUED LIABILITIES		
Creditors	10,521,880	16,901,312
Accrued liabilities	6,362,861	4,297,945
	16,884,741	21,199,257
14. OTHER INCOME		
Proceeds from sale of waste material	390,000	-
Revenue from cafeteria sales	10,142,077	7,456,233
Exchange gain	101,355	2,235,842
Employee accomodation and meal recoveries	6,256,190	2,617,009
Others	694,096	966,317
	17,583,718	13,275,401
15. MEDICINES AND OTHER SUPPLIES CONSUMED		
Opening Inventory	50,658,007	60,816,098
Add: Purchases	224,429,540	177,732,650
Closing Inventory	(64,187,153)	(50,658,007)
	210,900,394	187,890,741

	June 30, 2018	June 30, 2017
	Rupees	
16. CASH AND CASH EQUIVALENTS		
Short term investment	-	81,600,000
Cash on hand	187,058	194,479
	187,058	81,794,479

	2018	2017
	Number of employees	
17. NUMBER OF EMPLOYEES		
Average number of employees during the year	676	563
Number of employees as at June 30	825	591

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18. CORRESPONDING FIGURES

During the year, the Project, for better presentation reclassified 'Restricted Fund' to 'Deferred Contribution' amounting to Rs. 81,020,206.

19. DATE OF AUTHORIZATION FOR ISSUE

These special purpose financial statements were approved and authorised for issue on 03 APR 2019 by the board of directors of the Indus Hospital.

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, 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Indus Hospital

Opinion

We have audited the special purpose financial statements of the 'Operations of Mian Muhammad Shahbaz Sharif Hospital managed by The Indus Hospital' (the Project), which comprises the statement of financial position as at June 30, 2018 and the related income and expenditure statement and statement of cash flows for the year ended June 30, 2018, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Project as at June 30, 2018 and its surplus and its cash flows for the year then ended, 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 International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose 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 special purpose 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.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to note 2.1 to the special purpose financial statements, which describes the basis of accounting. 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 (RTEHT) and for submission to the Government of Punjab and should not be distributed to or used by the parties other than The Indus Hospital, RTEHT and the Government of Punjab. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Special Purpose 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 special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose 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.

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>

▪KARACHI ▪LAHORE ▪ISLAMABAD

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial statements.

As part of an audit in accordance with the ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose 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 special purpose 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 special purpose financial statements, including the disclosures, and whether the special purpose 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.

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: April 29, 2019

OPERATIONS OF MIAN MUHAMMAD SHAHBAZ SHARIF HOSPITAL
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	June 30, 2018	June 30, 2017
		Rupees	
ASSETS			
Non-Current Assets			
Operating assets	5	99,056,568	101,104,128
Capital work-in-progress	6	215,050	-
Intangible assets	7	1,548,082	2,203,214
		100,819,700	103,307,342
Current Assets			
Inventories	8	57,880,409	25,518,428
Advances, deposits, prepayments and other receivables	9	17,633,812	3,774,583
Receivable from The Indus Hospital	10	62,121,318	57,843,667
Cash in hand		258,179	161,731
		137,893,718	87,298,409
Total Assets		238,713,418	190,605,751
LIABILITIES			
Non-Current Liabilities			
Deferred capital grant	11	121,717,653	103,307,342
Current Liabilities			
Deferred contribution	12	75,274,379	66,883,275
Creditors and accrued liabilities	13	41,721,386	20,415,134
		116,995,765	87,298,409
Total Liabilities		238,713,418	190,605,751

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

Chief Executive Officer

Director

OPERATIONS OF MIAN MUHAMMAD SHAHBAZ SHARIF HOSPITAL
(MANAGED BY THE INDUS HOSPITAL)
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018	June 30, 2017
		----------------Rupees----------------	
INCOME			
Value of services rendered to patients financed through deferred income	12	375,350,269	255,819,393
Deferred capital grant released	11	32,331,163	24,664,858
Other income	14	1,211,137	628,244
Total Income		408,892,569	281,112,495
EXPENDITURE			
Salaries, wages and other benefits		234,576,092	152,790,364
Medicines and related supplies consumed	15	101,836,175	71,268,415
Utilities		10,528,137	7,777,251
Technical and professional services		273,550	142,499
Depreciation	5	31,676,031	24,047,621
Amortization	7	655,132	617,237
Training and development		2,850,408	3,547,017
Security services		4,424,697	3,504,606
Travelling and transportation		10,316,005	8,777,444
Repairs and maintenance		3,759,259	1,787,574
Uniform and laundry		1,942,420	1,038,367
Freight expenses		1,461,711	1,507,880
Insurance / takaful		752,796	322,727
Communication charges		1,151,712	869,367
Advertising and marketing		136,650	1,342,462
Printing, stationery and courier		392,167	438,961
Auditor's remuneration		275,000	184,500
Other expenses		1,884,627	1,148,203
Total expenditure		408,892,569	281,112,495
Surplus for the period		-	-

The annexed notes 1 to 18 form an integral part of these special purpose 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, 2018

	June 30, 2018	June 30, 2017
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	-	-
Adjustments for non-cash charges and other items:		
Depreciation	31,676,031	24,047,621
Amortization	655,132	617,237
Donations received in kind	17,042,646	20,621,711
Value of services rendered to patients financed through deferred contribution and deferred capital grant released	(407,681,432)	(280,484,251)
	(358,307,623)	(235,197,682)
Working capital changes		
(Increase) / decrease in current assets:		
Inventories	(32,361,981)	(11,864,208)
Advances, deposits, prepayments and other receivables	(13,859,229)	3,649,546
Receivable from The Indus Hospital	(4,277,651)	(14,359,083)
	(50,498,861)	(22,573,745)
Increase in current liabilities:		
Creditors and accrued liabilities	21,306,252	7,218,157
	(29,192,609)	(15,355,588)
Net cash utilized in operating activities	(387,500,232)	(250,553,270)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of operating assets and capital work-in-progress	(28,149,437)	(21,437,066)
Profit on donation bank account	3,311,229	1,510,970
Net cash utilized in investing activities	(24,838,208)	(19,926,096)
CASH FLOW FROM FINANCING ACTIVITY		
Donations received during the year	412,434,888	270,462,821
Net increase / (decrease) in cash and cash equivalents	96,448	(16,545)
Cash and cash equivalents at beginning of the year	161,731	178,276
Cash and cash equivalents at end of the year	258,179	161,731

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

Chief Executive Officer

Director

1. GENERAL INFORMATION

1.1 Mian Muhammad Shahbaz Sharif Hospital (the Project) 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 deliver, handover and transfer complete control of the Project to the RTEHT:
- The District Government will transfer the usufruct of the existing land and the Project 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 recurrent annual running cost of the Project; 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 Project to TIH. As per the agreement, TIH will be responsible for the entire operations and the management of the Project 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 Project, as managed by TIH. These special purpose 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 Revised 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 special purpose 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 Project 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 Project reviews appropriateness of the rate of depreciation / amortization, useful lives 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 Operating assets

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

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 6 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 statement.

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

4.2 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.

4.3 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 Project 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.

4.4 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.

4.5 Receivables

Receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Project will not be able to collect all amounts due according to the original terms of receivables. Receivables considered irrecoverable are written off.

4.6 Cash and cash equivalents

Cash and cash equivalent for the purpose of statement of cash flow comprises of cash on hand.

4.7 Deferred contribution and deferred capital grant

Deferred contribution and deferred capital grant are recognized in statement of financial position on receipt basis. These are recognised in income and expenditure statement when the expense is incurred for which the deferred contribution and deferred capital grant is released for the Project. Donations in kind are recognized at fair value determined at the time when the donations are received.

4.8 Creditors and accrued liabilities

Creditors and accrued liabilities 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.

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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 Revenue recognition

- The 'Deferred contribution' is adjusted for the operating expenditure incurred during the year for running the operations of the Project.
- Donations for capital items is classified as deferred capital grant in the statement of financial position. 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 is recognized on accrual basis.

5. OPERATING ASSETS

	Equipment	Computers, printers and network cabling	Furniture and fixtures	Vehicles	Total
	Rupees				
As at July 01, 2016					
Cost	75,525,810	13,149,801	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	71,224,726	11,307,656	9,761,720	1,253,391	93,547,493
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	27,962,258	3,739,252	2,173,165	-	33,874,675
Disposals / write-offs					
Cost	(2,304,973)	-	-	-	(2,304,973)
Accumulated depreciation	34,554	-	-	-	34,554
	(2,270,419)	-	-	-	(2,270,419)
Depreciation charge	(17,065,921)	(4,426,384)	(2,269,263)	(286,053)	(24,047,621)
Net book value	79,850,644	10,620,524	9,665,622	967,338	101,104,128
As at July 01, 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	79,850,644	10,620,524	9,665,622	967,338	101,104,128
Year ended June 30, 2018					
Opening net book value	79,850,644	10,620,524	9,665,622	967,338	101,104,128
Additions including transfers	25,509,764	1,129,500	2,989,207	-	29,628,471
Depreciation charge	(22,888,635)	(5,820,136)	(2,685,126)	(282,134)	(31,676,031)
Net book value	82,471,773	5,929,888	9,969,703	685,204	99,056,568
As at June 30, 2018					
Cost	126,692,859	18,018,553	15,594,031	1,410,673	161,716,116
Accumulated depreciation	(44,221,086)	(12,088,665)	(5,624,328)	(725,469)	(62,659,548)
Net book value	82,471,773	5,929,888	9,969,703	685,204	99,056,568
Annual rate of depreciation	20%	33%	20%	20%	

	June 30, 2018	June 30, 2017
	----------Rupees----------	

6. CAPITAL WORK-IN-PROGRESS

Balance at beginning of the year	-	896,467
Add: Additions during the year	215,050	-
Less: Transfers to operating assets - note 5.1	-	(896,467)
Balance at end of the year	215,050	-

7. INTANGIBLE ASSETS - Computer software

Balance at beginning of the year	2,203,214	2,820,451
Less: Amortization charge for the year - note 6.1	(655,132)	(617,237)
Balance at end of the year	1,548,082	2,203,214
Cost	3,043,908	3,043,908
Less: Accumulated amortization	(1,495,826)	(840,694)
Net book value	1,548,082	2,203,214

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

8. INVENTORIES

Medicines	50,291,521	19,887,859
Foods supplies, stationery and tools	7,588,888	5,630,569
	57,880,409	25,518,428

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to suppliers and others	7,112,187	1,187,383
Deposits	651,380	651,380
Prepayments	244,976	504,513
Receivable from other campuses	9,278,242	1,100,514
Other receivables	347,027	330,794
	17,633,812	3,774,584

10. RECEIVABLE FROM THE INDUS HOSPITAL

Balance at beginning of the year	57,843,667	43,484,584
Add:		
- Funds received from RTEHT	412,360,247	270,417,100
- Funds received from others	8,151,990	2,184,935
	478,355,904	316,086,619
Less: Payments made for capital expenditure and operations of the Project	(416,234,586)	(258,242,952)
Balance at end of the year	62,121,318	57,843,667

	June 30, 2018	June 30, 2017
	------Rupees------	

11. DEFERRED CAPITAL GRANT

Balance at beginning of the year	103,307,342	99,590,776
Add:		
- Donations from RTEHT for capital expenditure	49,047,390	19,110,701
- Donations in kind	1,694,084	11,541,142
	50,741,474	30,651,843
Less:		
- Deferred capital grant released	(32,331,163)	(24,664,858)
- Net book value of operating assets transferred to RTEH / Written-off - note 5.1	-	(2,270,419)
	(32,331,163)	(26,935,277)
Balance at end of the year	121,717,653	103,307,342

12. DEFERRED CONTRIBUTION

Balance at beginning of the year	66,883,275	49,217,867
Donations received from RTEHT	363,312,857	251,306,399
Donations in kind	17,042,646	20,621,711
Profit on donation account	3,311,229	1,510,970
Miscellaneous donation	74,641	45,721
	383,741,373	273,484,801
Less: Value of services rendered to patients	(375,350,269)	(255,819,393)
Balance at end of the year	75,274,379	66,883,275

13. CREDITORS AND ACCRUED LIABILITIES

Creditors	15,383,239	19,322,579
Accrued liabilities	26,338,147	1,092,555
	41,721,386	20,415,134

14. OTHER INCOME

Proceeds from sales of waste materials	56,576	14,972
Revenue from cafeteria sales	1,154,561	613,272
	1,211,137	628,244

15. MEDICINES AND OTHER SUPPLIES CONSUMED

Opening inventory	25,518,428	13,654,220
Add: Purchases	134,198,156	83,132,623
Closing inventory	(57,880,409)	(25,518,428)
	101,836,175	71,268,415

		2018	2017
		----------Number of employees--------	

16. NUMBER OF EMPLOYEES

	2018	2017
Average number of employees during the year	408	349
Number of employees as at June 30	443	382

17. CORRESPONDING FIGURES

During the year, the Project, for better presentation reclassified 'Restricted Fund' to 'Deferred Contribution' amounting to Rs. 66,883,275.

18. DATE OF AUTHORIZATION FOR ISSUE

These special purpose financial statements were approved and authorized for issue on [illegible] APR 2019 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 30 JUNE 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Indus Hospital

Opinion

We have audited the special purpose financial statements of the 'Operations of District Headquarter Hospital Badin, managed by The Indus Hospital' (the Project) which comprises the statement of financial position as at June 30, 2018 and the related income and expenditure statement and statement of cash flows for the year ended June 30, 2018, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Project as at June 30, 2018 and its surplus and its cash flows for the year then ended June 30, 2018, 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 International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose 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 special purpose 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.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to note 2.1 to the special purpose financial statements, which describes the basis of accounting. 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 and should not be distributed to or used by parties other than The Indus Hospital and the Government of Sindh. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the 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 determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose 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 Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose 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>

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As part of an audit in accordance with the ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose 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 special purpose 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 special purpose financial statements, including the disclosures, and whether the special purpose 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.

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: April 29, 2019

OPERATIONS OF DISTRICT HEADQUARTER HOSPITAL BADIN
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	June 30, 2018	June 30, 2017
		----------Rupees----------	
ASSETS			
Non-Current Assets			
Operating assets	5	63,901,509	36,178,122
Capital work-in-progress	6	5,500,000	13,035,920
Intangible assets	7	688,331	915,087
		70,089,840	50,129,129
Current Assets			
Inventories	8	48,008,886	39,111,559
Advances, prepayments and other receivables	9	65,915,218	4,561,200
Receivable from The Indus Hospital	10	1,085,787,423	-
Contribution receivable	12	-	160,558,078
Cash in hand		229,855	43,852
		1,199,941,382	204,274,689
Total Assets		1,270,031,222	254,403,818
LIABILITIES			
Non-Current Liabilities			
Deferred capital grant	11	361,455,274	50,129,129
Current Liabilities			
Deferred contribution	12	869,260,880	-
Payable to The Indus Hospital	10	-	146,178,265
Creditors, accrued liabilities and other payables	13	39,315,068	58,096,424
		908,575,948	204,274,689
Total Liabilities		1,270,031,222	254,403,818

The annexed notes 1 to 17 form an integral part of these special purpose financial statements.

Chief Executive Officer

Director

OPERATIONS OF DISTRICT HEADQUARTER HOSPITAL BADIN
(MANAGED BY THE INDUS HOSPITAL)
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	Note	June 30, 2018	June 30, 2017
		---Rupees---	
INCOME			
Value of services rendered to patients financed through deferred contribution	12	442,301,443	321,822,631
Deferred capital grant released	11	11,860,855	6,289,367
Total income		454,162,298	328,111,998
EXPENDITURE			
Salaries, wages and other benefits		204,118,919	135,969,998
Medicines and related supplies consumed	14	192,158,103	149,927,568
Utilities		9,595,081	8,349,815
Technical and professional services		7,244,376	4,942,687
Depreciation	5	11,634,099	6,113,037
Amortization	7	226,756	176,330
Training and development		32,233	1,519,690
Security services		14,152,224	9,278,282
Travelling and transportation		1,686,672	2,421,973
Repairs and maintenance		2,703,757	5,103,695
Insurance / takaful		240,930	124,312
Communication charges		1,177,118	1,325,697
Advertisement		1,940,280	780,699
Rent, rates and taxes		3,584,091	1,054,250
Printing, stationery and courier		284,417	438,952
Auditor's remuneration		275,000	212,500
Other expenses		3,108,242	372,513
Total expenditure		454,162,298	328,111,998
Surplus for the period		-	-

The annexed notes 1 to 17 form an integral part of these special purpose financial statements.

Chief Executive Officer **Director**

OPERATIONS OF DISTRICT HEADQUARTER HOSPITAL BADIN
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	June 30, 2018	June 30, 2017
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	-	-
Adjustments for non-cash charges and other items:		
Depreciation	11,634,099	6,113,037
Amortization	226,756	176,330
Donations received in kind	4,314,054	1,975,290
Value of services rendered to patients financed through deferred contribution	(442,301,443)	(321,822,631)
Deferred capital grant released	(11,860,855)	(6,289,367)
	(437,987,389)	(319,847,341)
Working capital changes		
(Increase) / decrease in current assets:		
Inventories	(8,897,327)	(28,174,280)
Advances, prepayments and other receivables	(61,354,018)	(3,972,060)
Receivable from The Indus Hospital	(1,085,787,423)	206,564,003
	(1,156,038,768)	174,417,663
Increase / (decrease) in current liabilities:		
Payable to The Indus Hospital	(146,178,265)	-
Creditors, accrued liabilities and other payables	(18,781,356)	52,467,110
	(1,320,998,389)	226,884,773
Net cash utilized in operating activities	(1,758,985,778)	(92,962,568)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of operating assets and capital work-in-progress	(31,821,566)	(36,109,843)
Purchase of intangible assets	-	(593,250)
Profit on donation bank account	13,119,311	1,545,149
Net cash utilized in investing activities	(18,702,255)	(35,157,944)
CASH FLOW FROM FINANCING ACTIVITY		
Donations received during the year	1,777,874,036	128,164,364
Net increase in cash and cash equivalents	186,003	43,852
Cash and cash equivalents at beginning of the year	43,852	-
Cash and cash equivalents at end of the year	229,855	43,852

The annexed notes 1 to 17 form an integral part of these special purpose financial statements.

Chief Executive Officer **Director**

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 Project), 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 Project to TIH;
- GoS to release the entire annual budgetary allocation of the Project 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 Project 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 Project 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 Project.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements are a special purpose financial statements of the operations of the Project as managed by TIH. These special purpose 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 special purpose 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 Project 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 Project reviews appropriateness of the rate of depreciation / amortization, useful lives 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.

4.1 Operating assets

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

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

4.2 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.

4.3 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 Project 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.

4.4 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.

4.5 Receivables

Receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Project will not be able to collect all amounts due according to the original terms of receivables. Receivables considered irrecoverable are written off.

4.6 Cash and cash equivalents

Cash and cash equivalent for the purpose of statement of cashflows comprises of cash on hand.

4.7 Deferred contribution / contribution receivable and deferred capital grant

Deferred contribution and deferred capital grant are recognized in statement of financial position on receipt basis. These are recognized in income and expenditure statement when the expense is incurred for which the deferred contribution and deferred capital grant is released for the Project. Donations in kind are recognized at fair value determined at the time when the donations are received.

Committed grants are recognised as contribution on a receivable basis.

4.8 Creditors, accrued liabilities and other payables

Creditors and accrued liabilities 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 (the 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 'Deferred contribution' is adjusted for the operating expenditure incurred during the period for running the operations of the Project.
- Donations for capital items is classified as deferred capital grant in the statement of financial position. 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.

5. Operating assets

	Building	Equipment	Computers, printers and network cabling	Furniture and fixtures	Vehicles	Total
			--Rupees--			
As at July 01, 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 July 01, 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	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 July 01, 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 July 01, 2017	11,157,664	12,637,242	8,728,360	767,746	2,887,110	36,178,122
For the year ended June 30, 2018						
Opening net book value	11,157,664	12,637,242	8,728,360	767,746	2,887,110	36,178,122
Additions including transfers - note 6	13,504,666	12,036,646	9,366,610	4,449,564	-	39,357,486
Depreciation charge	(2,449,276)	(4,113,815)	(4,105,048)	(200,677)	(765,283)	(11,634,099)
Closing net book value	22,213,054	20,560,073	13,989,922	5,016,633	2,121,827	63,901,509
As at June 30, 2018						
Cost	25,059,910	26,252,313	21,380,279	5,315,552	3,774,000	81,782,054
Accumulated depreciation	(2,846,856)	(5,692,240)	(7,390,357)	(298,919)	(1,652,173)	(17,880,545)
Net book value as on June 30, 2018	22,213,054	20,560,073	13,989,922	5,016,633	2,121,827	63,901,509
Annual rate of depreciation	10%	20%	33%	20%	20%	

6. CAPITAL WORK-IN-PROGRESS

	Jun 30, 2018	Jun 30, 2017
	------Rupees------	
Balance at beginning of the year	13,035,920	14,849,345
Add: Additions during the year	11,146,746	13,009,793
Less: Transfers to operating assets	(18,682,666)	(14,823,218)
Balance at end of the year	5,500,000	13,035,920

7. INTANGIBLE ASSET - Computer Software

Balance at beginning of the year	915,087	498,167
Add: Additions at cost	-	593,250
Less: Amortization charge for the year - note 7.1	(226,756)	(176,330)
Balance at end of the year	688,331	915,087
Cost	1,118,250	1,118,250
Less: Accumulated amortization	(429,919)	(203,163)
Net book value	688,331	915,087

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

	Jun 30, 2018	Jun 30, 2017
	Rupees	

8. INVENTORIES

	Jun 30, 2018	Jun 30, 2017
Medicines	48,008,886	37,740,738
Foods supplies, stationery and tools	-	1,370,821
	48,008,886	39,111,559

9. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Jun 30, 2018	Jun 30, 2017
Advances to suppliers and others	65,498,973	3,624,270
Prepayments	-	929,976
Other receivables	416,245	6,954
	65,915,218	4,561,200

10. RECEIVABLE FROM / (PAYABLE TO) THE INDUS HOSPITAL

	Jun 30, 2018	Jun 30, 2017
Balance at beginning of the year	(146,178,265)	60,385,738
Add:		
- Funds received from Government of Sindh	1,773,933,377	126,697,000
- Funds received from others	17,059,970	3,012,513
	1,790,993,347	129,709,513
Less:		
- Payments made for capital expenditure and operations of the Project	(559,027,659)	(336,273,516)
Balance at end of the year	1,085,787,423	(146,178,265)

11. DEFERRED CAPITAL GRANT

	Jun 30, 2018	Jun 30, 2017
Balance at beginning of the year	50,129,129	17,901,978
Add: Funds received from Government of Sindh for capital expenditure	323,187,000	-
Add: Funds transfer from deferred contribution for capital expenditure - note 12	-	38,516,518
	373,316,129	56,418,496
Less: Deferred capital grant released	(11,860,855)	(6,289,367)
Balance at end of the year	361,455,274	50,129,129

12. DEFERRED CONTRIBUTION / CONTRIBUTION RECEIVABLE

	June 30, 2018			June 30, 2017		
	Zakat	Donations	Total	Zakat	Donations	Total
		Rupees			Rupees	
Balance at beginning of the year	1,106,000	(161,664,078)	(160,558,078)	-	68,096,268	68,096,268
Add:						
Donation received from Government of Sindh	-	1,450,746,377	1,450,746,377	-	126,697,000	126,697,000
Donation in kind for operations	-	4,314,054	4,314,054	-	1,975,290	1,975,290
Zakat / Donations from others	320,388	3,620,272	3,940,659	1,106,000	361,364	1,467,364
Bank profit on funds received during the year	-	13,119,311	13,119,311	-	1,545,149	1,545,149
	320,388	1,471,800,013	1,472,120,401	1,106,000	130,578,803	131,684,803
Less:						
Value of services rendered to patients	-	(442,301,443)	(442,301,443)	-	(321,822,631)	(321,822,631)
Funds transfer from deferred contribution to deferred capital grant - note 11	-	-	-	-	(38,516,518)	(38,516,518)
Balance at end of the year	1,426,388	867,834,491	869,260,880	1,106,000	(161,664,078)	(160,558,078)

	June 30, 2018	June 30, 2017
	---------------Rupees---------------	

13. CREDITORS, ACCRUED LIABILITIES AND OTHER PAYABLES

	June 30, 2018	June 30, 2017
Creditors	38,028,116	55,270,677
Accrued liabilities	13,008	991,263
Other payables	1,273,944	1,834,484
	39,315,068	58,096,424

14. MEDICINES AND OTHER SUPPLIES CONSUMED

	June 30, 2018	June 30, 2017
Opening inventory	39,111,559	10,937,279
Add: Purchases	201,055,430	178,101,848
Closing inventory - note 8	(48,008,886)	(39,111,559)
	192,158,103	149,927,568

15. NUMBER OF EMPLOYEES

	June 30, 2018	June 30, 2017
	-------------Numbers-------------	
Average number of employees during the year	401	349
Number of employees as at	517	400

16. CORRESPONDING FIGURES

During the year, the Project, for better presentation reclassified 'Restricted Fund' to 'Contribution Receivable', amounting to Rs. 160,558,078.

17. DATE OF AUTHORIZATION FOR ISSUE

These special purpose financial statement were approved and authorized for issue on [illegible] APR [illegible] 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 YEAR ENDED JUNE 30, 2018

pwc

A·F·FERGUSON&Co.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Indus Hospital

Opinion

We have audited the special purpose financial statements of the 'Operations of Manawa Hospital, managed by The Indus Hospital' (the Project), which comprises the statement of financial position as at June 30, 2018 and the related income and expenditure statement and statement of cash flows for the year ended June 30, 2018, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Project as at June 30, 2018 and its surplus and its cash flows for the year ended June 30, 2018, 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 International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose 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 special purpose 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.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to note 2.1 to the special purpose financial statements, which describes the basis of accounting. 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 Tayyib Erdogan Hospital Trust (RTEHT) for submission to the Government of Punjab and should not be distributed to or used by parties other than The Indus Hospital, RTEHT and the Government of Punjab. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the 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 determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose 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 Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose 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>

KARACHI ▪ LAHORE ▪ ISLAMABAD

As part of an audit in accordance with the ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose 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 special purpose 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 special purpose financial statements, including the disclosures, and whether the special purpose 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.

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: April 29, 2019

OPERATIONS OF MANAWA HOSPITAL, LAHORE
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	June 30, 2018	June 30, 2017
		Rupees	
ASSETS			
Non-Current Assets			
Operating assets	5	144,649,612	-
Intangible assets	6	632,800	-
		145,282,412	-
Current Assets			
Inventories	7	44,778,671	-
Advances, deposits and other receivables	8	10,068,684	12,397,506
Receivable from The Indus Hospital	9	84,236,062	183,685,902
Cash in hand		275,675	-
		139,359,092	196,083,408
Total Assets		284,641,504	196,083,408
LIABILITIES			
Non-Current Liabilities			
Deferred capital grant	10	172,157,225	-
Current Liabilities			
Deferred contribution	11	84,582,505	195,554,649
Creditors and accrued liabilities	12	27,901,774	528,759
		112,484,279	196,083,408
Total Liabilities		284,641,504	196,083,408

The annexed notes 1 to 17 form an integral part of these special purpose financial statements.

Chief Executive Officer

Director

OPERATIONS OF MANAWA HOSPITAL, LAHORE
(MANAGED BY THE INDUS HOSPITAL)
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018	April 29, 2017 to June 30, 2017
		----Rupees----	
INCOME			
Value of services rendered to patients financed through deferred contribution		429,295,488	4,445,351
Deferred capital grant released		27,690,453	-
Other income	13	1,406,437	-
Total income		458,392,378	4,445,351
EXPENDITURE			
Salaries, wages and other benefits		273,322,959	2,308,747
Medicines and related supplies consumed	14	90,437,184	-
Utilities		15,863,846	-
Technical and professional services		283,301	-
Depreciation	5	27,532,253	-
Amortization	6	158,200	-
Training and development		285,969	-
Security services		19,068,519	225,940
Travelling and transportation		10,399,765	351,636
Repairs and maintenance		16,068,809	-
Uniform and laundry		1,104,640	-
Insurance / Takaful		421,038	-
Communication charges		854,272	-
Advertising and marketing		384,553	1,313,914
Printing, stationery and courier		200,912	35,620
Auditor's remuneration		475,000	190,000
Other expenses		1,531,158	19,494
Total expenditure		458,392,378	4,445,351
Surplus for the year / period		-	-

The annexed notes 1 to 17 form an integral part of these special purpose financial statements.

Chief Executive Officer

Director

OPERATIONS OF MANAWA HOSPITAL, LAHORE
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018	April 29, 2017 to June 30, 2017
		---Rupees---	
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year / period		-	-
Adjustments for non-cash charges and other items:			
Depreciation	5	27,532,253	-
Amortization	6	158,200	-
Donations received in kind		5,458,667	-
Value of services rendered to patients financed through deferred contribution		(429,295,488)	(4,445,351)
Deferred capital grant released		(27,690,453)	-
		(423,836,821)	(4,445,351)
Working capital changes			
(Increase) / decrease in current assets:			
Inventories		(44,778,671)	-
Advances, deposits and other receivables		2,328,822	(12,397,506)
Receivable from The Indus Hospital		99,449,840	(183,685,902)
		56,999,991	(196,083,408)
Incrase in creditors and accrued liabilities		27,373,015	528,759
		84,373,006	(195,554,649)
Net cash utilized in operating activities		(339,463,815)	(200,000,000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of operating assets		(119,215,504)	-
Proceeds from sale of operating assets		267,000	-
Purchase of intangible assets		(791,000)	-
Profit on donation bank account		4,265,505	-
Net cash utilized in investing activities		(115,473,999)	-
CASH FLOW FROM FINANCING ACTIVITY			
Donations received during the year / period		455,213,489	200,000,000
Net increase in cash and cash equivalents		275,675	-
Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at end of the period		275,675	-

The annexed notes 1 to 17 form an integral part of these special purpose financial statements.

Chief Executive Officer | **Director**

OPERATIONS OF MANAWA HOSPITAL, LAHORE
(MANAGED BY THE INDUS HOSPITAL)
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. GENERAL INFORMATION

1.1 Manawa Hospital, Lahore (the Project) 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 Project to the RTEHT;

- District Government will transfer the usufruct of the existing land and the Project 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;

- GoPb and District Government shall pay 100% of recurrent annual running cost of the Project; 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 Project 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 special purpose financial statements of the operations of the Project, as managed by TIH. These special purpose 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 special purpose 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 these special purpose 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 Project 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 Project 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 Operating assets

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 5 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 statement.

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

4.2 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 Project 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 Receivables

Receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Project will not be able to collect all amounts due according to the original terms of receivables. Receivables considered irrecoverable are written off.

4.5 Cash and cash equivalents

Cash and cash equivalent for the purpose of statement of cash flows comprises of cash on hand.

4.6 Deferred contribution and deferred capital grant

Deferred contribution and deferred capital grant are recognized in statement of financial position on receipt basis. These are recognised in income and expenditure statement when the expense is incurred for which the deferred contribution and deferred capital grant is released for the Project. Donations in kind are recognized at fair value determined at the time when the donations are received.

4.7 Creditors and accrued liabilities

Creditors and accrued liabilities 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.

4.8 Provident fund

A contributory provident fund (the 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.

4.9 Revenue recognition

- The 'Deferred contribution' is adjusted for the operating expenditure incurred during the year for running the operations of the Project.

- Donations for capital items is classified as deferred capital grant in the statement of financial position. 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.

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5. OPERATING ASSETS

	Machinery and equipment	Computers, printers and network cabling	Furniture and fixtures	Vehicles	Total
	--------------------	--------------------	Rupees	--------------------	--------------------
Movement for the year ended June 30, 2018					
Additions	113,735,164	28,302,052	26,303,399	4,108,250	172,448,865
Disposals					
Cost	(129,000)	-	(138,000)	-	(267,000)
Accumulated depreciation	-	-	-	-	-
	(129,000)	-	(138,000)	-	(267,000)
Depreciation charge	(15,561,312)	(8,214,737)	(3,216,006)	(540,198)	(27,532,253)
Closing net book value	98,044,852	20,087,315	22,949,393	3,568,052	144,649,612
As at June 30, 2018					
Cost	113,606,164	28,302,052	26,165,399	4,108,250	172,181,865
Accumulated depreciation	(15,561,312)	(8,214,737)	(3,216,006)	(540,198)	(27,532,253)
Net book value	98,044,852	20,087,315	22,949,393	3,568,052	144,649,612
Annual rate of depreciation (%)	**20%**	**33%**	**20%**	**20%**	

	June 30, 2018	June 30, 2017
	---------- Rupees	----------

6. INTANGIBLE ASSETS - Computer software

Movement for the year ended June 30, 2018		
Additions at cost	791,000	-
Less: Amortization charge for the year / period - note 6.1	(158,200)	-
	632,800	-
Cost	791,000	-
Less: Accumulated amortization	(158,200)	-
Net book value	632,800	-

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

7. INVENTORIES

Medicines	36,052,960	-
Foods supplies, stationery and tools	8,725,711	-
	44,778,671	-

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	June 30, 2018	June 30, 2017
	-----Rupees-----	

8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

	June 30, 2018	June 30, 2017
Advances to suppliers and others	4,820,539	12,397,506
Deposits	40,000	-
Receivable from associated entities	5,166,569	-
Other receivables	41,576	-
	10,068,684	12,397,506

9. RECEIVABLE FROM THE INDUS HOSPITAL

	June 30, 2018	June 30, 2017
Balance at beginning of the year / period	183,685,902	-
Funds received from RTEHT	454,675,236	200,000,000
Funds received from others	6,210,195	-
Payments made for capital expenditure and operations of the Project	(560,335,271)	(16,314,098)
Balance at end of the year / period	84,236,062	183,685,902

10. DEFERRED CAPITAL GRANT

	June 30, 2018	June 30, 2017
Balance at beginning of the year / period	-	-
Donations received from RTEHT - note 9	146,614,317	-
Donations in kind	53,233,361	-
	199,847,678	-
Deferred capital grant released	(27,690,453)	-
Balance at end of the year / period	172,157,225	-

11. DEFERRED CONTRIBUTION

	June 30, 2018	June 30, 2017
Balance at beginning of the year / period	195,554,649	-
Donations received from RTEHT - note 9	308,060,919	200,000,000
Donation in kind	5,458,667	-
Miscellaneous donation	538,253	-
Profit on donation account	4,265,505	-
	513,877,993	200,000,000
Value of services rendered to patients financed through deferred contribution	(429,295,488)	(4,445,351)
Balance at end of the year / period	84,582,505	195,554,649

12. CREDITORS AND ACCRUED LIABILITIES

	June 30, 2018	June 30, 2017
Creditors	24,666,854	338,759
Accrued liabilities	3,234,920	190,000
	27,901,774	528,759

		June 30, 2018	April 29, 2017 to June 30, 2017
		----------Rupees----------	
13.	**OTHER INCOME**		
	Proceeds from sales of waste materials	75,995	-
	Revenue from cafeteria sales	1,330,442	-
		1,406,437	-
14.	**MEDICINES AND OTHER SUPPLIES CONSUMED**		
	Purchases	135,215,855	-
	Closing inventory	(44,778,671)	-
		90,437,184	-
15.	**NUMBER OF EMPLOYEES**	**2018**	**2017**
	Average number of employees during the year / period	429	18
	Number of employees as at June 30	534	24

16. CORRESPONDING FIGURES

During the year, the Project, for better presentation reclassified 'Restricted Fund' to 'Deferred Contribution', amounting to Rs. 195,554,649.

17. DATE OF AUTHORIZATION FOR ISSUE

These special purpose financial statements were approved and authorized for issue on 3[illegible] APR [illegible] 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 YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Indus Hospital

Opinion

We have audited the special purpose financial statements of the 'Operations of Multan Institute of Kidney Diseases, managed by The Indus Hospital' (the Project) which comprises the statement of financial position as at June 30, 2018 and the related income and expenditure statement and statement of cash flows for the year ended June 30, 2018, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Project as at June 30, 2018 and its surplus and its cash flows for the year ended June 30, 2018, 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 International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose 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 special purpose 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.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to note 2.1 to the special purpose financial statements, which describes the basis of accounting. 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 (RTEHT) and for submission to the Government of Punjab and should not be distributed to or used by the parties other than The Indus Hospital, RTEHT and the Government of Punjab. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Special Purpose 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 special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose 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 Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial statements.

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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>

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As part of an audit in accordance with the ISAs 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 special purpose 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 special purpose 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 special purpose financial statements, including the disclosures, and whether the special purpose 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.

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: April 29, 2019

OPERATIONS OF MULTAN INSTITUTE OF KIDNEY DISEASES
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	June 30, 2018	June 30, 2017
		---Rupees---	
ASSETS			
Non-Current Assets			
Operating assets	5	502,672,104	-
Intangible assets	6	902,300	-
		503,574,404	-
Current Assets			
Inventories	7	89,065,543	-
Advances, prepayments and other receivables	8	13,520,505	5,605,981
Receivable from The Indus Hospital	9	146,877,254	213,967,717
Cash on hand		217,509	-
		249,680,811	219,573,698
Total Assets		753,255,215	219,573,698
LIABILITIES			
Non-Current Liabilities			
Deferred capital grant	10	583,733,342	211,125,835
Current Liabilities			
Deferred contribution	11	151,581,750	7,948,234
Creditors and accrued liabilities	12	17,940,123	499,629
		169,521,873	8,447,863
Total Liabilities		753,255,215	219,573,698

The annexed notes 1 to 17 form an integral part of these special purpose financial statements.

Chief Executive Officer **Director**

OPERATIONS OF MULTAN INSTITUTE OF KIDNEY DISEASES
(MANAGED BY THE INDUS HOSPITAL)
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018	April 29, 2017 to June 30, 2017
		----------Rupees----------	
INCOME			
Value of services rendered to patients financed through deferred contribution		496,109,576	2,051,766
Deferred capital grant released		39,759,931	-
Other income	13	1,351,131	-
Total income		537,220,638	2,051,766
EXPENDITURE			
Salaries, wages & other benefits		260,080,684	772,493
Medical and other supplies consumed	14	142,903,451	-
Outsourced medical services		43,875	-
Utilities		44,951,974	-
Technical and professional services		1,494,660	-
Depreciation	5	39,731,231	-
Amortization	6	28,700	-
Training and development		236,654	-
Security services		8,142,337	61,712
Travelling and transportation		2,963,319	666,473
Repair and maintenance		24,155,814	150,000
Laundry expense		97,912	-
Freight expenses		2,867,173	-
Insurance / Takaful		443,826	-
Communication charges		879,112	18,800
Advertising and marketing		577,593	148,739
Printing, stationery and courier		475,339	14,419
Rent		6,360,500	-
Entertainment expenses		171,718	-
Fuel		218,512	-
Finance expenses		1,230	-
Auditor's remuneration		275,000	190,000
Other expenses		120,024	29,130
Total expenditure		537,220,638	2,051,766
Surplus for the year / period		-	-

The annexed notes 1 to 17 form an integral part of these special purpose financial statements.

Chief Executive Officer

Director

OPERATIONS OF MULTAN INSTITUTE OF KIDNEY DISEASES
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018	April 29, 2017 to June 30, 2017
		---Rupees---	
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year / period		-	-
Adjustments for non-cash charges and other items:			
Depreciation	5	39,731,231	-
Amortization	6	28,700	-
Donation received in kind		107,355,248	-
Value of services rendered to patients financed through deferred contribution		(496,109,576)	(2,051,766)
Deferred capital grant released		(39,759,931)	-
		(388,754,328)	(2,051,766)
Working capital changes			
(Increase) / decrease in current assets:			
Inventories		(89,065,543)	-
Advances, prepayments and other receivables		(7,914,524)	(5,605,981)
Receivable from The Indus Hospital		67,090,463	(213,967,717)
		(29,889,604)	(219,573,698)
Increase in creditors and accrued liabilities		17,440,494	499,629
		(12,449,110)	(219,074,069)
Net cash utilized in operating activities		(401,203,438)	(221,125,835)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of operating assets		(130,096,196)	-
Purchase of intangible assets		(931,000)	-
Profit on donation bank account		5,948,549	-
Net cash utilized in investing activities		(125,078,647)	-
CASH FLOW FROM FINANCING ACTIVITY			
Donations received during the year / period		526,499,594	221,125,835
Net increase in cash and cash equivalents		217,509	-
Cash and cash equivalents at beginning of the year / period		-	-
Cash and cash equivalents at end of the year / period		217,509	-

The annexed notes 1 to 17 form an integral part of these special purpose financial statements.

Chief Executive Officer

Director

1. GENERAL INFORMATION

1.1 Multan Institute of Kidney Diseases (the Project) 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 Project to the RTEHT;

- The District Government shall transfer the usufruct of the existing land and the Project 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 Project; 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 Project to TIH. As per the agreement, TIH will be responsible for the entire operations and the management of the Project to provide free of cost services to the patients.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements are special purpose financial statements of the operations of the the Project, as managed by TIH. These special purpose 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 special purpose 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 accounting policies of the Project. The areas involving higher degree of judgement or complexity, or areas where assumption and estimates are significant to the special purpose 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 Project 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 Project 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 Operating assets

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 statement.

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

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4.2 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 Project 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 Receivables

Receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Project will not be able to collect all amounts due according to the original terms of receivables. Receivables considered irrecoverable are written off.

4.5 Cash and cash equivalents

Cash and cash equivalent for the purpose of statement of cash flows comprises of cash on hand.

4.6 Deferred contribution and deferred capital grant

Deferred contribution and deferred capital grant are recognized in statement of financial position on receipt basis. These are recognised in income and expenditure statement when the expense is incurred for which the deferred contribution and deferred capital grant is released for the Project. Donations in kind are recognized at fair value determined at the time when the donations are received.

4.7 Creditors and accrued liabilities

Creditors and accrued liabilities 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.

4.8 Provident fund

A contributory provident fund (the 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.

4.9 Revenue recognition

- The 'Deferred contribution' is adjusted for the operating expenditure incurred during the year for running the operations of the Project.

- Donations for capital items is classified as deferred capital grant in the statement of financial position. 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.

5 OPERATING ASSETS

	Machinery and equipment	Computers, printers and network cabling	Furniture and fixtures	Vehicles	Total
			Rupees		
Movement for the year					
Additions	446,501,067	61,597,714	30,308,727	3,995,827	542,403,335
Depreciation charge	(26,834,121)	(10,842,054)	(1,654,824)	(400,232)	(39,731,231)
Closing net book value	419,666,946	50,755,660	28,653,903	3,595,595	502,672,104
As at June 30, 2018					
Cost	446,501,067	61,597,714	30,308,727	3,995,827	542,403,335
Accumulated depreciation	(26,834,121)	(10,842,054)	(1,654,824)	(400,232)	(39,731,231)
Net book value	419,666,946	50,755,660	28,653,903	3,595,595	502,672,104
Annual rate of depreciation	20%	33%	20%	20%	

	June 30,2018	June 30, 2017
	---Rupees---	
6. INTANGIBLE ASSETS - Computer software		
Movement during the year	-	-
Additions at cost	931,000	-
Amortization charge for the year - note 6.1	(28,700)	-
	902,300	-
Cost	931,000	-
Less: Accumulated amortization	(28,700)	-
Net book value	902,300	-

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

7. INVENTORIES

	June 30,2018	June 30, 2017
Medicines	43,394,512	-
Foods supplies, stationery and tools	49,250,016	-
	92,644,528	-
Less: Inventory written off	(3,578,985)	-
Closing inventory	89,065,543	-

8. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	June 30,2018	June 30, 2017
Advances to suppliers and others	12,791,300	5,375,101
Prepayments	45,001	230,880
Receivable from associated entities	75,944	-
Other receivables	608,260	-
	13,520,505	5,605,981

9. RECEIVABLE FROM THE INDUS HOSPITAL

	June 30,2018	June 30, 2017
Balance at beginning of the year / period	213,967,717	-
Funds received from RTEHT	526,499,594	221,125,835
Funds received from others	7,299,680	-
	747,766,991	221,125,835
Payments made for capital expenditure and operations of the project	(600,889,737)	(7,158,118)
Balance at end of the year / period	146,877,254	213,967,717

10. DEFERRED CAPITAL GRANT

	June 30,2018	June 30, 2017
Balance at beginning of the year / period	211,125,835	-
Donations from RTEHT for capital expenditure	-	211,125,835
Donations in kind	412,307,139	-
Profit on donation account	60,299	-
	412,367,438	211,125,835
Deferred capital grant released	(39,759,931)	-
Balance at end of the year / period	583,733,342	211,125,835

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		June 30,2018	June 30, 2017
		------Rupees------	
11.	**DEFERRED CONTRIBUTION**		
	Balance at beginning of the year / period	7,948,234	-
	Donations from RTEHT	526,499,594	10,000,000
	Donations in kind	107,355,248	-
	Profit on donation account	5,888,250	-
		639,743,092	10,000,000
	Value of services rendered to patients financed through deferred contribution	(496,109,576)	(2,051,766)
	Balance at end of the year / period	151,581,750	7,948,234
12.	**CREDITORS AND ACCRUED LIABILITIES**		
	Creditors	12,676,813	309,629
	Accrued liabilities	5,263,310	190,000
		17,940,123	499,629

		Year ended June 30, 2018	April 29, 2017 to June 30, 2017
		------Rupees------	
13.	**OTHER INCOME**		
	Proceeds from sales of waste materials	352,800	-
	Revenue from cafeteria sales	651,757	-
	Income from other sources	346,574	
		1,351,131	-
14.	**MEDICINES AND OTHER SUPPLIES CONSUMED**		
	Movement during the year		
	Purchases	231,968,994	-
	Closing inventory	89,065,543	-
		142,903,451	-
15.	**NUMBER OF EMPLOYEES**		
	Average number of employees during the year / period	434	29
	Number of employees as at June 30	562	29

16. CORRESPONDING FIGURES

During the year, the Project, for better presentation reclassified 'Restricted Fund' to 'Deferred Contribution', amounting to Rs. 7,948,234.

17. DATE OF AUTHORIZATION FOR ISSUE

These special purpose financial statements were approved and authorized for issue on 0[illegible] APR [illegible] by the Board of Directors of The Indus Hospital.

Chief Executive Officer **Director**

OPERATIONS OF TEHSIL HEADQUARTER HOSPITAL SABZAZAR
(MANAGED BY THE INDUS HOSPITAL)

SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD JULY 16, 2017 TO JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Indus Hospital

Opinion

We have audited the special purpose financial statements of the 'Operations of Tehsil Headquarter Hospital Sabzazar, managed by The Indus Hospital' (the Project) which comprises the statement of financial position as at June 30, 2018 and the related income and expenditure statement and statement of cash flows for the period July 16, 2017 to June 30, 2018, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Project as at June 30, 2018 and its surplus and its cash flows for the period July 16, 2017 to June 30, 2018, 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 International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose 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 special purpose 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.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to note 2.1 to the special purpose financial statements, which describes the basis of accounting. 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 Tayyib Erdogan Hospital Trust (RTEHT) and for submission to the Government of Punjab and should not be distributed to or used by the parties other than The Indus Hospital, RTEHT and the Government of Punjab. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the 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 determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose 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 Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial statements.

As part of an audit in accordance with the ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose 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 special purpose 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 special purpose financial statements, including the disclosures, and whether the special purpose 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.

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: April 29, 2019

OPERATIONS OF TEHSIL HEADQUARTER HOSPITAL SABZAZAR
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	June 30, 2018 -------Rupees------
ASSETS		
Non-Current Assets		
Operating assets	5	159,604,944
Intangible assets	6	850,864
		160,455,808
Current Assets		
Inventories	7	29,329,931
Advances, deposits and other receivables	8	14,549,168
Receivable from The Indus Hospital	9	58,492,611
Cash in hand		171,804
		102,543,514
Total Assets		262,999,322
LIABILITIES		
Non-Current Liabilities		
Deferred capital grant	10	181,777,818
Current Liabilities		
Deferred contribution	11	40,796,170
Creditors and accrued liabilities	12	40,425,334
		81,221,504
Total Liabilities		262,999,322

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

Chief Executive Officer

Director

OPERATIONS OF TEHSIL HEADQUARTER HOSPITAL SABZAZAR
(MANAGED BY THE INDUS HOSPITAL)
INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD JULY 16, 2017 TO JUNE 30, 2018

	Note	July 16, 2017 to June 30, 2018 -------Rupees--------
INCOME		
Value of services rendered to patients financed through deferred contribution	11	290,091,468
Deferred capital grant released	10	17,245,283
Other income	13	1,015,306
Total income		308,352,057
EXPENDITURE		
Salaries, wages and other benefits		188,822,226
Medicines and related supplies consumed	14	46,581,610
Utilities		7,404,974
Technical and professional services		413,872
Depreciation	5	17,083,387
Amortization	6	161,896
Training and development		198,016
Security services		3,632,875
Travelling and transportation		5,878,565
Repairs and maintenance		16,915,425
Housekeeping services		12,336,592
Uniform and laundry		751,734
Freight expenses		74,160
Rent expense		1,464,344
Takaful		241,207
Communication charges		881,126
Advertising and marketing		692,400
Printing, stationery and courier		424,102
Medical facility charges		84,090
Out-sourced diagnostic charges		2,952,876
Auditors' remuneration		475,000
Other expenses		881,580
Total expenditure		308,352,057
Surplus for the period		-

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

Chief Executive Officer | **Director**

OPERATIONS OF TEHSIL HEADQUARTER HOSPITAL SABZAZAR
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF CASH FLOWS
FOR THE PERIOD JULY 16, 2017 TO JUNE 30, 2018

	Note	July 16, 2017 to June 30, 2018 -------Rupees-------
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the period		-
Adjustments for non-cash charges and other items:		
Depreciation	5	17,083,387
Amortization	6	161,896
Donations received in kind		4,137,743
Value of services rendered to patients financed through deferred contribution		(290,091,468)
Deferred capital grant released		(17,245,283)
		(285,953,725)
Working capital changes		
Increase in current assets:		
Inventories		(29,329,931)
Advances, deposits and other receivables		(14,549,168)
Receivable from The Indus Hospital		(58,492,611)
		(102,371,710)
Increase in current liabilities:		
Creditors and accrued liabilities		40,425,334
		(61,946,376)
Net cash utilized in operating activities		(347,900,101)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of operating assets		(145,831,393)
Purchase of intangible assets		(1,012,760)
Profit on donation account		1,077,630
Net cash utilized in investing activities		(145,766,523)
CASH FLOW FROM FINANCING ACTIVITY		
Donations received during the period		493,838,428
Net increase in cash and cash equivalents		171,804
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period		171,804

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

Chief Executive Officer **Director**

OPERATIONS OF TEHSIL HEADQUARTER HOSPITAL SABZAZAR
(MANAGED BY THE INDUS HOSPITAL)
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD JULY 16, 2017 TO JUNE 30, 2018

1. GENERAL INFORMATION

1.1 Tehsil Headquarter Sabzazar Hospital, Lahore (the Project) has been constructed by the Government of Punjab, at Sabzazar, 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 Project to the RTEHT;
- District Government will transfer the usufruct of the existing land and the Project 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 RTEHT;
- GoPb and District Government shall pay 100% of recurrent annual running cost of the Project; 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 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 special purpose financial statements of the operations of the Project, as managed by TIH. These special purpose 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 special purpose financial statements of the Project and have been prepared from July 16, 2017, the commencement date of management of operations of the Hospital till June 30, 2018.

These special purpose financial statements have been prepared under the historical cost convention in accordance with the requirements of Revised 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 special purpose 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 Project 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 Project 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.

4.1 Operating assets

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 5 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 statement.

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 statement 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 Project 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 **Receivables**

Receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Project will not be able to collect all amounts due according to the original terms of receivables. Receivables considered irrecoverable are written off.

4.5 **Cash and cash equivalents**

Cash and cash equivalent for the purpose of statement of cash flow comprises of cash in hand.

4.6 **Deferred contribution and deferred capital grant**

Deferred contribution and deferred capital grant are recognized in Statement of Financial Position on receipt basis. These are recognised in income and expenditure statement when the expense is incurred for which the deferred contribution and deferred capital grant is released for the Project. Donations in kind are recognized at fair value determined at the time when the donations are received.

4.7 **Creditors and accrued liabilities**

Creditors and accrued liabilities 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.

4.8 **Provident fund**

A contributory provident fund (the 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.

4.9 **Revenue recognition**

- The 'Deferred contribution' is adjusted for the operating expenditure incurred during the period for running the operations of the Project.

- Donations for capital items is classified as deferred capital grant in the statement of financial position. 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.

5. OPERATING ASSETS

	Machinery and equipment	Computers, printers and network cabling	Furniture and fixtures	Vehicles	Total
	--------------------	--------------------	Rupees	--------------------	--------------------
Movement for the period July 16, 2017 to June 30, 2018					
Additions	117,561,825	20,705,432	33,661,468	4,759,606	176,688,331
Depreciation charge	(9,140,927)	(5,174,770)	(2,324,497)	(443,193)	(17,083,387)
Closing net book value	108,420,898	15,530,662	31,336,971	4,316,413	159,604,944
As at June 30, 2018					
Cost	117,561,825	20,705,432	33,661,468	4,759,606	176,688,331
Accumulated depreciation	(9,140,927)	(5,174,770)	(2,324,497)	(443,193)	(17,083,387)
Net book value	108,420,898	15,530,662	31,336,971	4,316,413	159,604,944
Annual rate of depreciation	**20%**	**33%**	**20%**	**20%**	

6. INTANGIBLE ASSETS - Computer software

	June 30, 2018
	------Rupees-----
Movement for the period July 16, 2017 to June 30, 2018	
Additions at cost	1,012,760
Less: Amortization charge for the period - note 6.1	161,896
Balance at end of the period	850,864
Cost	1,012,760
Less: Accumulated amortization	161,896
Net book value	850,864

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

7. INVENTORIES

Medicines	20,595,500
Foods supplies, stationery and tools	8,734,431
	29,329,931

MDL

	June 30, 2018
	------Rupees-----

8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Advances to suppliers and others	6,929,534
Deposits	165,000
Other receivables	7,454,634
	14,549,168

9. RECEIVABLE FROM THE INDUS HOSPITAL

Movement for the period July 16, 2017 to June 30, 2018

Funds received from RTEHT	493,838,428
Funds received from others	2,092,936
Payments made for capital expenditure and operations of the Project	(437,438,753)
Balance at end of the period	58,492,611

10. DEFERRED CAPITAL GRANT

Movement for the period July 16, 2017 to June 30, 2018

Donations from RTEHT for capital expenditure	168,166,163
Donations in kind	30,856,938
	199,023,101
Deferred capital grant released	(17,245,283)
Balance at end of the period	181,777,818

11. DEFERRED CONTRIBUTION

Movement for the period July 16, 2017 to June 30, 2018

Donations from RTEHT	325,672,265
Donations in kind	4,137,743
Profit on donation account	1,077,630
	330,887,638
Value of services rendered to patients financed through deferred contribution	(290,091,468)
Balance at end of the period	40,796,170

12. CREDITORS AND ACCRUED LIABILITIES

Creditors	31,686,433
Accrued liabilities	8,738,901
	40,425,334

	July 16, 2017 to June 30, 2018
	------Rupees-----

13. OTHER INCOME

Revenue from cafeteria sales	1,000,662
Scrap sales	14,644
	1,015,306

ADZ

	July 16, 2017 to June 30, 2018
	------Rupees----

14. MEDICINES AND OTHER SUPPLIES CONSUMED

Purchases	75,911,541
Closing inventory	(29,329,931)
	46,581,610

15. NUMBER OF EMPLOYEES

Average number of employees during the period	317
Number of employees as at June 30 2018	476

16. DATE OF AUTHORIZATION FOR ISSUE

These special purpose financial statements were approved and authorized for issue on 03 APR 2019 by the Board of Directors of The Indus Hospital

Chief Executive Officer

Director

OPERATIONS OF REGIONAL BLOOD CENTRE
(MANAGED BY THE INDUS HOSPITAL)

SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 24, 2017 TO JUNE 30, 2018

pwc

A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Indus Hospital

Opinion

We have audited the special purpose financial statements of the 'Operations of Regional Blood Centre (the Project), managed by The Indus Hospital which comprises the statement of financial position as at June 30, 2018 and the related income and expenditure statement and statement of cash flows for the period August 24, 2017 to June 30, 2018, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Project as at June 30, 2018 and its surplus and its cash flows for the period August 24, 2017 to June 30, 2018, 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 International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose 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 special purpose 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.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to note 2.1 to the special purpose financial statements, which describes the basis of accounting. 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 (RTEHT) and for submission to the Government of Punjab and should not be distributed to or used by the parties other than The Indus Hospital, RTEHT and the Government of Punjab. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Special Purpose 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 special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose 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 Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial statements.

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As part of an audit in accordance with the ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose 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 special purpose 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 special purpose financial statements, including the disclosures, and whether the special purpose 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.

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: April 29, 2019

OPERATIONS OF REGIONAL BLOOD CENTRES
MANAGED BY THE INDUS HOSPITAL
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	June 30, 2018
		-------Rupees-------
ASSETS		
Non-Current Assets		
Operating assets	5	137,778,809
Intangible assets	6	731,354
		138,510,163
Current Assets		
Inventories	7	62,234,204
Advances, deposits and other receivables	8	1,751,588
Receivable from The Indus Hospital	9	86,876,031
Cash in hand		162,706
		151,024,529
		289,534,692
LIABILITIES		
Non-Current Liabilities		
Deferred capital grant	10	164,469,332
Current Liabilities		
Deferred contribution	11	111,239,700
Creditors, accrued and other liabilities	12	13,825,660
		125,065,360
		289,534,692

The annexed notes 1 to 15 form an integral part of these financial statements.

Chief Executive Officer

Director

OPERATIONS OF REGIONAL BLOOD CENTRES
MANAGED BY THE INDUS HOSPITAL
INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD AUGUST 24, 2017 TO JUNE 30, 2018

	Note	August 24, 2017 to June 30, 2018 -------Rupees-------
INCOME		
Value of services rendered to patients financed through deferred contribution		252,298,576
Deferred capital grant released		11,782,999
Other income		6,776
		264,088,351
EXPENDITURE		
Salaries, wages and other benefits		95,923,345
Medicines and related supplies consumed	13	107,004,650
Utilities		7,621,555
Technical and professional services		70,312
Depreciation	5	11,636,728
Amortization	6	146,271
Security services		3,481,212
Travelling and transportation		15,048,375
Repairs and maintenance		9,463,006
Rent		1,319,677
Clearing and forwarding		63,260
Insurance / takaful		106,316
Communication charges		2,627,590
Marketing and advertisement		1,739,219
Printing, stationery and courier		717,808
Auditor's remuneration		275,000
Housekeeping services		6,331,296
Other expenses		512,731
		264,088,351
Surplus for the period		-

The annexed notes 1 to 15 form an integral part of these financial statements.

Chief Executive Officer

Director

OPERATIONS OF REGIONAL BLOOD CENTRES
MANAGED BY THE INDUS HOSPITAL
STATEMENT OF CASH FLOWS
FOR THE PERIOD AUGUST 24, 2017 TO JUNE 30, 2018

	August 24, 2017 to June 30, 2018
	-------Rupees--------
CASH FLOW FROM OPERATING ACTIVITIES	
Surplus for the period	-
Adjustments for non-cash charges and other items:	
Depreciation	11,636,728
Amortization	146,271
Value of services rendered to patients financed through deferred contribution	(252,298,576)
Deferred capital grant released	(11,782,999)
	(252,298,576)
Working capital changes	
Increase in current assets:	
Inventories	(62,234,204)
Advances, deposits and other receivables	(1,751,588)
Receivable from The Indus Hospital	(86,876,031)
	(150,861,823)
Increase in current liabilities:	
Increase in creditors, accrued and other liabilities	13,825,660
	(137,036,163)
Net cash utilized in operating activities	(389,334,739)
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of operating assets	(137,127,961)
Purchase of intangible assets	(877,625)
Profit on donation bank account	1,859,927
Net cash utilized in investing activities	(136,145,659)
CASH FLOW FROM FINANCING ACTIVITIES	
Donations received during the period	525,643,104
Net increase in cash and cash equivalents	162,706
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at end of the period	162,706

The annexed notes 1 to 15 form an integral part of these financial statements.

Chief Executive Officer **Director**

OPERATIONS OF REGIONAL BLOOD CENTRES
MANAGED BY THE INDUS HOSPITAL
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 24, 2017 TO JUNE 30, 2018

1. GENERAL INFORMATION

1.1 Regional Blood Centres (the Project), have been constructed by the Government of Punjab, at Multan and Bahawalpur. The purpose of this Project is to setup an infrastructure of safe blood transfusion system in line with international models by strengthening its organization and physical structure in the province, which enables safe blood transfusion. This Project aims to collect process and distribute blood and blood components to the patients in hospitals and hospital blood banks (HBB).

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 Parties have agreed for the construction, expansion, establishment and operating of Regional Blood Centre Multan, Bahawalpur, HBB Bhawal & HBB Nishtar;

- The District Government shall deliver handover and transfer complete control of the Project to the RTEHT;

- District Government will transfer the usufruct of the existing land and the Project as well as the additional land required for the expansion 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.

- GoPb and District Government shall pay 100% of recurrent annual running cost of the Project.

- 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 RTEHT and The Indus Hospital (TIH) on April 06, 2017, whereby RTEHT handed over complete control and operations of the Project 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 special purpose financial statements of the operations of 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 special purpose financial statements of the Project and have been prepared from August 24, 2017, the commencement date of management of operations of the Project.

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 special purpose 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 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 Project 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 Project 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.

4.1 Operating assets

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 5 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 statement.

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 Project and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to income and expenditure statement 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 Project 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 **Receivables**

Receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Project will not be able to collect all amounts due according to the original terms of receivables. Receivables considered irrecoverable are written off.

4.5 **Cash and cash equivalents**

Cash and cash equivalent for the purpose of statement of cashflows comprises of cash in hand.

4.6 **Deferred contribution and deferred capital grant**

Deferred contribution and deferred capital grant are recognized in statement of financial position on receipt basis. These are recognised in income and expenditure statement when the expense is incurred for which the deferred contribution and deferred capital grant is released for the Project. Donations in kind are recognized at fair value determined at the time when the donations are received.

4.7 Creditors, accrued and other liabilities

Creditors, accrued and other liabilities 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.

4.8 Provident fund

A contributory provident fund (the 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.

4.9 Revenue recognition

- The 'Deferred contribution' is adjusted for the operating expenditure incurred during the period for running the operations of the Project.

- Donations for capital items is classified as deferred capital grant in the statement of financial position. 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.

5. OPERATING ASSETS

	Building	Machinery and equipment	Computers, printers and network cabling	Furniture and fixtures	Vehicles	Total
	-----Rupees-----					
Movement for the period August 24, 2017 to June 30, 2018						
Additions	28,266,076	63,962,393	8,130,192	4,476,200	44,580,676	149,415,537
Depreciation charge	(510,360)	(6,033,484)	(1,344,106)	(276,931)	(3,471,847)	(11,636,728)
Closing net book value	27,755,716	57,928,909	6,786,086	4,199,269	41,108,829	137,778,809
As at June 30, 2018						
Cost	28,266,076	63,962,393	8,130,192	4,476,200	44,580,676	149,415,537
Accumulated Depreciation	(510,360)	(6,033,484)	(1,344,106)	(276,931)	(3,471,847)	(11,636,728)
Net book value	27,755,716	57,928,909	6,786,086	4,199,269	41,108,829	137,778,809
Annual rate of depreciation	**5%**	**20%**	**33%**	**20%**	**20%**	

Abba

	June 30, 2018
	-------Rupees-------

6. INTANGIBLE ASSETS - Computer software

Movement for the period August 24, 2017 to June 30, 2018

Additions at cost	877,625
Less: Amortization charge for the period - note 6.1	(146,271)
Balance at end of the period	731,354
Cost	877,625
Less: Accumulated amortization	(146,271)
Net book value	731,354

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

7. INVENTORIES

Medicines	1,356,441
General	60,877,763
	62,234,204

8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Advances to suppliers and others	1,600,845
Deposits	10,000
Other receivables	140,743
	1,751,588

9. RECEIVABLE FROM THE INDUS HOSPITAL

Funds received from RTEHT	525,643,104
Payments made for capital expenditure and operations of the Project	(438,767,073)
	86,876,031

10. DEFERRED CAPITAL GRANT

Movement for the period August 24, 2017 to June 30, 2018

Donation from RTEHT for capital expenditure	163,964,755
Donation in kind	12,287,576
	176,252,331
Deferred capital grant released	(11,782,999)
Balance at end of the period	164,469,332

11. DEFERRED CONTRIBUTION

Movement for the period August 24, 2017 to June 30, 2018

Donations from RTEHT	361,678,349
Profit on donation account	1,859,927
	363,538,276
Value of services rendered to patients financed through deferred contribution	(252,298,576)
Balance at end of the period	111,239,700

	June 30, 2018
	-------Rupees-------

12. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	8,463,761
Accrued liabilities	2,242,517
Other liabilities	3,119,382
	13,825,660

	August 24, 2017 to June 30, 2018
	-------Rupees-------

13. MEDICINES AND OTHER SUPPLIES CONSUMED

Purchases	169,238,854
Closing inventory	(62,234,204)
	107,004,650

14. NUMBER OF EMPLOYEES

Average number of employees during the period	167
Number of employees as at June 30, 2018	219

15. DATE OF AUTHORIZATION FOR ISSUE

These special purpose financial statements were approved and authorized for issue on 03 APR 2019 by the Board of Directors of The Indus Hospital.

CHIEF EXECUTIVE OFFICER

DIRECTOR

OPERATIONS OF TEHSIL HEADQUARTER HOSPITAL, RAIWIND
(MANAGED BY THE INDUS HOSPITAL)

SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE PERIOD OCTOBER 1, 2017 TO JUNE 30, 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Indus Hospital

Opinion

We have audited the special purpose financial statements of the 'Operations of Tehsil Headquarter Hospital, Raiwind, managed by The Indus Hospital' (the Project), which comprises the statement of financial position as at June 30, 2018 and the related income and expenditure statement and statement of cash flows for the period October 1, 2017 to June 30, 2018, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Project as at June 30, 2018 and its surplus and its cash flows for the period October 1, 2017 to June 30, 2018, 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 International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose 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 special purpose 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.

Emphasis of Matter - 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. 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 (RTEHT) and for submission to the Government of Punjab and should not be distributed to or used by the parties other than The Indus Hospital, RTEHT and the Government of Punjab. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the 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 determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose 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 Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose 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>

KARACHI ▪ LAHORE ▪ ISLAMABAD

As part of an audit in accordance with the ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose 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 special purpose 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 special purpose financial statements, including the disclosures, and whether the special purpose 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.

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: April 29, 2019

OPERATIONS OF TEHSIL HEADQUARTER HOSPITAL, RAIWIND
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	June 30, 2018 -------Rupees------
ASSETS		
Non-Current Assets		
Operating assets	5	143,935,713
Intangible assets	6	698,717
		144,634,430
Current Assets		
Inventories	7	50,137,268
Advances, deposits and other receivables	8	32,440,896
Receivable from The Indus Hospital	9	52,871,685
Cash in hand		382,898
		135,832,747
Total Assets		280,467,177
LIABILITIES		
Non-Current Liabilities		
Deferred capital grant	10	174,630,637
Current Liabilities		
Deferred contribution	11	77,858,616
Creditors, accrued and other liabilities	12	27,977,924
		105,836,540
Total Liabilities		280,467,177

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

Chief Executive Officer

Director

OPERATIONS OF TEHSIL HEADQUARTER HOSPITAL, RAIWIND
(MANAGED BY THE INDUS HOSPITAL)
INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD OCTOBER 1, 2017 TO JUNE 30, 2018

	Note	October 1, 2017 to June 30, 2018 -------Rupees------
INCOME		
Value of services rendered to patients financed through deferred contribution	11	261,219,151
Deferred capital grant released	10	13,566,952
Other income	13	623,177
Total income		275,409,280
EXPENDITURE		
Salaries, wages and other benefits		154,368,816
Medicines and related supplies consumed	14	57,996,555
Utilities		7,365,896
Technical and professional services		92,998
Depreciation	5	13,474,669
Amortization	6	92,283
Training and development		399,492
Security services		3,701,124
Travelling and transportation		8,947,862
Repairs and maintenance		13,828,731
Housekeeping services		11,868,047
Uniform and laundry		754,133
Communication charges		413,606
Advertising and marketing		513,376
Printing, stationary and courier		89,866
Insurance expense		29,075
Auditor's remuneration		275,000
Other expenses		1,197,751
Total expenditures		275,409,280
Surplus for the period		-

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

Chief Executive Officer **Director**

OPERATIONS OF TEHSIL HEADQUARTER HOSPITAL, RAIWIND
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF CASH FLOWS
FOR THE PERIOD OCTOBER 1, 2017 TO JUNE 30, 2018

	October 1, 2017 to June 30, 2018 ------Rupees-----
CASH FLOWS FROM OPERATING ACTIVITIES	
Surplus for the period	-
Adjustments for non-cash charges and other items:	
Depreciation	13,474,669
Amortization	92,283
Donations received in kind	30,062,593
Value of services rendered to patients financed through deferred contribution	(261,219,151)
Deferred capital grant released	(13,566,952)
	(231,156,558)
Working capital changes	
Increase in current assets:	
Inventories	(50,137,268)
Advances, deposits and other receivables	(32,440,896)
Receivable from The Indus Hospital	(52,871,685)
	(135,449,849)
Increase in creditors, accrued and other liabilities	27,977,924
	(107,471,925)
Net cash utilized in operating activities	(338,628,483)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of operating assets	(138,283,073)
Purchase of intangible assets	(791,000)
Profit on donation account	3,085,454
Net cash utilized in investing activities	(135,988,619)
CASH FLOW FROM FINANCING ACTIVITY	
Donations received during the period	475,000,000
Net increase in cash and cash equivalents	382,898
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at end of the period	382,898

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

Chief Executive Officer **Director**

1. GENERAL INFORMATION

1.1 Operation of Tehsil Headquarter Hospital, Raiwind (the Project) has been constructed by the Government of Punjab, at Kot Radha Kishan Road, Raiwind, 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 Project to the RTEHT;

- District Government will transfer the usufruct of the existing land and the Project 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 RTEHT;

- GoPb and District Government shall pay 100% of recurrent annual running cost of the Project; and

- GoPb and Dictrict 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 special purpose financial statements of the operations of the Project, as managed by TIH. These special purpose 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 special purpose financial statements of the Project and have been prepared from October 01, 2017, the commencement date of management of operations of the Hospital.

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 special purpose 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 Project 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 Project 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.

4.1 Operating assets

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 statement.

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

4.2 **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 Project 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 **Receivables**

Receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Project will not be able to collect all amounts due according to the original terms of receivables. Receivables considered irrecoverable are written off.

4.5 **Cash and cash equivalents**

Cash and cash equivalent for the purpose of statement of cash flows comprises of cash in hand.

4.6 **Deferred contribution and deferred capital grant**

Deferred contribution and deferred capital grant are recognized in statement of financial position on receipt basis. These are recognised in income and expenditure statement when the expense is incurred for which the deferred contribution and deferred capital grant is released for the Project. Donations in kind are recognized at fair value determined at the time when the donations are received.

4.7 Creditors, accrued and other liabilities

Creditors, accrued and other liabilities 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.

4.8 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.

4.9 Revenue recognition

- The 'Deferred contribution' is adjusted for the operating expenditure incurred during the year for running the operations of the Project.

- Donations for capital items is classified as deferred capital grant in the statement of financial position. 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.

5. OPERATING ASSETS

	Machinery and equipment	Computers, printers and network cabling	Furniture and fixtures	Vehicles	Total
	Rupees				
Movement for the period October 1, 2017 to June 30, 2018					
Additions	115,013,225	20,955,332	18,222,371	3,219,454	157,410,382
Depreciation charge	(8,912,862)	(3,310,816)	(1,197,333)	(53,658)	(13,474,669)
Closing net book value	106,100,363	17,644,516	17,025,038	3,165,796	143,935,713
As at June 30, 2018	-	-	-		-
Cost	115,013,225	20,955,332	18,222,371	3,219,454	157,410,382
Accumulated depreciation	(8,912,862)	(3,310,816)	(1,197,333)	(53,658)	(13,474,669)
Net book value	106,100,363	17,644,516	17,025,038	3,165,796	143,935,713
Annual rate of depreciation	20%	33%	20%	20%	

	June 30, 2018
	---------Rupees--------

6. INTANGIBLE ASSETS - Computer software

Movement for the period October 1, 2017 to June 30, 2018	
Add: Additions at cost	791,000
Less: Amortization charge for the period - note 6.1	(92,283)
Balance at end of the period	698,717
Cost	791,000
Less: Accumulated amortization	(92,283)
Net book value	698,717

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

7. INVENTORIES

Medicines	41,467,581
Foods supplies, stationery and tools	8,669,687
	50,137,268

8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Advances to suppliers and others	2,391,393
Receivable from associated entities	29,914,057
Other receivables	135,446
	32,440,896

9. RECEIVABLE FROM THE INDUS HOSPITAL

Movement for the period October 1, 2017 to June 30, 2018

Funds received from RTEHT - note 10 and 11	475,000,000
Funds received from others	3,708,631
	478,708,631
Payments made for capital expenditure and operations of the Project	(425,836,946)
	52,871,685

10. DEFERRED CAPITAL GRANT

Movement for the period October 1, 2017 to June 30, 2018

Donations from RTEHT for capital expenditure	169,070,280
Donations in kind	19,127,309
	188,197,589
Deferred capital grant released	(13,566,952)
	174,630,637

	June 30, 2018
	---------Rupees--------

11. DEFERRED CONTRIBUTION

Movement for the period October 1, 2017 to June 30, 2018

Donations received from RTEHT	305,929,720
Donations in kind	30,062,593
Profit on donation account	3,085,454
	339,077,767
Value of services rendered to patients financed through deferred contribution	(261,219,151)
Balance at end of the period	77,858,616

12. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	26,494,284
Accrued liabilities	1,075,283
Payable to associated entities	408,357
	27,977,924

	October 1, 2017 to June 30, 2018
	---------Rupees--------

13. OTHER INCOME

Revenue from cafeteria sales	585,997
Scrap sales	37,180
	623,177

14. MEDICINES AND RELATED SUPPLIES CONSUMED

Purchases	108,133,823
Closing inventory	(50,137,268)
	57,996,555

15. NUMBER OF EMPLOYEES

Average number of employees during the period	366
Number of employees as at June 30 2018	475

16. DATE OF AUTHORIZATION FOR ISSUE

These special purpose financial statements were approved and authorized for issue on 03 APR 2019 by the Board of Directors of The Indus Hospital.

Chief Executive Officer

Director

OPERATIONS OF TEHSIL HEADQUARTER HOSPITAL, KAHNA NAU (MANAGED BY THE INDUS HOSPITAL)

SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1, 2018 TO JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Indus Hospital

Opinion

We have audited the special purpose financial statements of the 'Operations of Tehsil Head Quarter Hospital, Kahna Nau, managed by The Indus Hospital' (the Project) which comprises the statement of financial position as at June 30, 2018 and the related income and expenditure statement and statement of cash flows for the period January 1, 2018 to June 30, 2018, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Project as at June 30, 2018 and its surplus and its cash flows for the period January 1, 2018 to June 30, 2018, 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 International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose 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 special purpose 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.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to note 2.1 to the special purpose financial statements, which describes the basis of accounting. 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 (RTEHT) and for submission to the Government of Punjab and should not be distributed to or used by the parties other than The Indus Hospital, RTEHT and the Government of Punjab. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the 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 determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose 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 Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial statements.

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A·F·FERGUSON&Co.

As part of an audit in accordance with the ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose 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 special purpose 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 special purpose financial statements, including the disclosures, and whether the special purpose 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.

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: April 29, 2019

OPERATIONS OF TEHSIL HEADQUARTER HOSPITAL, KAHNA NAU
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	June 30, 2018
		----Rupees----
ASSETS		
Non-Current Assets		
Operating assets	5	114,001,463
Intangible assets	6	732,054
		114,733,517
Current Assets		
Inventories	7	26,008,008
Advances and other receivables	8	20,577,289
Receivable from The Indus Hospital	9	116,159,696
Cash in hand		376,439
		163,121,432
Total Assets		277,854,949
LIABILITIES		
Non-Current Liabilities		
Deferred capital grant	10	149,972,433
Current Liabilities		
Deferred contribution	11	84,569,757
Creditors and accrued liabilities	12	43,312,759
		127,882,516
Total Liabilities		277,854,949

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

Chief Executive Officer

Director

OPERATIONS OF TEHSIL HEADQUARTER HOSPITAL, KAHNA NAU
(MANAGED BY THE INDUS HOSPITAL)
INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD JANUARY 1, 2018 TO JUNE 30, 2018

	Note	January 1, 2018 to June 30, 2018 ----Rupees----
Income		
Value of services rendered to patients financed through deferred contribution	11	73,931,285
Deferred capital grant released	10	3,934,576
Other income	13	198,332
Total income		78,064,193
Expenditure		
Salaries, wages and other benefits		59,149,806
Medicines and related supplies consumed	14	6,345,419
Utilities		3,528,598
Technical and professional services		310,750
Depreciation	5	3,875,630
Amortization	6	58,946
Training and development		36,443
Security services		709,158
Travelling and transportation		1,971,352
Repairs and maintenance		127,020
Insurance / Takaful		45,747
Communication charges		69,949
Advertising and marketing		845,000
Printing, stationery and courier		353,010
Auditor's remuneration		275,000
Other expenses		362,365
Total expenditure		78,064,193
Surplus for the period		-

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

Chief Executive Officer

Director

OPERATIONS OF TEHSIL HEADQUARTER HOSPITAL, KAHNA NAU
(MANAGED BY THE INDUS HOSPITAL)
STATEMENT OF CASH FLOWS
FOR THE PERIOD JANUARY 1, 2018 TO JUNE 30, 2018

	Note	January 1, 2018 to June 30, 2018
		---------Rupees---------
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the period		-
Adjustments for non-cash charges and other items:		
Depreciation	5	3,875,630
Amortization	6	58,946
Donation received in kind		141,842
Value of services rendered to patients financed through deferred contribution		(73,931,285)
Deferred capital grant released		(3,934,576)
		(73,789,443)
Working capital changes		
Increase in current assets:		
Inventories		(26,008,008)
Advances and other receivables		(20,577,289)
Receivable from The Indus Hospital		(116,159,696)
		(162,744,993)
Increase in current liabilities:		
Creditors and accrued liabilities		43,312,759
		(119,432,234)
Net cash utilized in operating activities		(193,221,677)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of operating assets		(104,148,364)
Purchase of intangible assets		(791,000)
Profit on donation bank account		3,359,200
Net cash utilized in investing activities		(101,580,164)
CASH FLOW FROM FINANCING ACTIVITY		
Donations received during the period		295,178,280
Net increase in cash and cash equivalents		376,439
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period		376,439

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

Chief Executive Officer

Director

1. GENERAL INFORMATION

1.1 Tehsil Head Quarters Hospital, Kahna Nau (the Project) has been constructed by the Government of Punjab, at Kasur Road, Kahna Nau, 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 Project to the RTEHT;
- District Government will transfer the usufruct of the existing land and the Project 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 RTEHT;
- GoPb and District Government shall pay 100% of recurrent annual running cost of the Project; 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 Project to TIH. As per the agreement, TIH will be responsible for the entire operations and the management of the Project to provide free of cost services to the patients.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements are special purpose financial statements of the operations of the Project, as managed by TIH. These special purpose 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 special purpose financial statements of the Project and have been prepared from January 1, 2018, the commencement date of management of operations of the Project.

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 special purpose 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 Project 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 Project 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.

4.1 Operating assets

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 5 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 statement.

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 Project and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to income and expenditure statement 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 Project 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 **Receivables**

Receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Project will not be able to collect all amounts due according to the original terms of receivables. Receivables considered irrecoverable are written off.

4.5 **Cash and cash equivalents**

Cash and cash equivalent for the purpose of statement of cash flows comprises of cash in hand.

4.6 **Deferred contribution and deferred capital grant**

Deferred contribution and deferred capital grant are recognized in statement of financial position on receipt basis. These are recognised in income and expenditure statement when the expense is incurred for which the deferred contribution and deferred capital grant is released for the Project. Donations in kind are recognized at fair value determined at the time when the donations are received.

4.7 **Creditors and accrued liabilities**

Creditors and accrued liabilities 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.

4.8 **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 'Deferred contribution' is adjusted for the operating expenditure incurred during the period for running the operations of the Project.

- Donations for capital items is classified as deferred capital grant in the statement of financial position. 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.

5. OPERATING ASSETS

	Machinery and equipment	Computers, printers and, network cabling	Furniture and fixtures	Total
	---Rupees---			
Movement for the period January 1, 2018 to June 30, 2018				
Additions	72,983,464	25,427,902	19,465,727	117,877,093
Depreciation charge	(1,889,468)	(1,635,612)	(350,550)	(3,875,630)
Closing net book value	71,093,996	23,792,290	19,115,177	114,001,463
As at June 30, 2018				
Cost	72,983,464	25,427,902	19,465,727	117,877,093
Accumulated Depreciation	(1,889,468)	(1,635,612)	(350,550)	(3,875,630)
Net book value	71,093,996	23,792,290	19,115,177	114,001,463
Annual rate of depreciation	**20%**	**33%**	**20%**	

6. INTANGIBLE ASSETS

	June 30, 2018
	------Rupees-----
Movement for the period January 1, 2018 to June 30, 2018	
Add: Additions at cost	791,000
Less: Amortization charge for the period - note 6.1	(58,946)
Balance at end of the period	732,054
Cost	791,000
Less: Accumulated amortization	(58,946)
Net book value	732,054

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

7. INVENTORIES

Medicines	19,886,103
Food supplies, stationery and tools	6,121,905
	26,008,008

		June 30, 2018
		------Rupees-----

8. ADVANCES AND OTHER RECEIVABLES

Advances to suppliers and others	15,576,906
Other receivables	5,000,383
	20,577,289

9. RECEIVABLE FROM THE INDUS HOSPITAL

Movement for the period January 1, 2018 to June 30, 2018	
Funds received from RTEHT	295,178,280
Funds received from others	3,557,532
	298,735,812
Payments made for capital expenditure and operations of the project	(182,576,116)
Balance at end of the period	116,159,696

10. DEFERRED CAPITAL GRANT

Movement for the period January 1, 2018 to June 30, 2018	
Donations received from RTEHT	140,178,280
Donations in kind	13,728,729
	153,907,009
Deferred capital grant released	(3,934,576)
Balance at end of the period	149,972,433

11. DEFERRED CONTRIBUTION

Movement for the period January 1, 2018 to June 30, 2018	
Donations received from RTEHT	155,000,000
Donations in kind	141,842
Profit on donation account	3,359,200
	158,501,042
Value of services rendered to patients financed through deferred income	(73,931,285)
Balance at end of the period	84,569,757

12. CREDITORS AND ACCRUED LIABILITIES

Creditors	22,913,010
Accrued liabilities	20,399,749
	43,312,759

		January 1, 2018 to June 30, 2018
		------Rupees-----

13. OTHER INCOME

Proceeds from sales of waste materials	3,328
Revenue from cafeteria sales	195,004
	198,332

ADL

		January 1, 2018 to June 30, 2018 ------Rupees-----
14.	**MEDICINES AND RELATED SUPPLIES CONSUMED**	
	Purchases	32,353,427
	Closing inventory	(26,008,008)
		6,345,419

15. NUMBER OF EMPLOYEES

Average number of employees during the period	184
Number of employees as at June 30, 2018	385

16. DATE OF AUTHORIZATION FOR ISSUE

These special purpose financial statement were approved and authorized for issue on 30 APR 2019 by the Board of Directors of The Indus Hospital.

CHIEF EXECUTIVE OFFICER

DIRECTOR