THE INDUS HOSPITAL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019 and of the deficit and other comprehensive income, the changes in fund balance, and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

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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.

A. F. Ferguson & Co.
Chartered Accountants

Karachi

Date: November 7, 2019

THE INDUS HOSPITAL
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019	2018
		---Rupees---	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	10,392,556,596	8,958,765,234
Intangible assets	5	9,421,924	2,483,355
Long term deposits and prepayments	6	6,600,000	18,044,248
		10,408,578,520	8,979,292,837
Current Assets			
Inventories	7	635,601,160	538,292,532
Advances, deposits, prepayments and other receivables	8	299,066,291	552,681,585
Short term investments	9	522,159,416	434,981,418
Cash and bank balances	10	2,451,935,789	4,734,547,509
		3,908,762,656	6,260,503,044
TOTAL ASSETS		14,317,341,176	15,239,795,881
FUND			
Accumulated fund		871,766,012	1,200,837,535
LIABILITIES			
Non-Current Liabilities			
Deferred capital grant	11	9,574,096,060	8,473,274,635
Current Liabilities			
Deferred income	12	2,699,295,143	3,022,516,461
Trade and other payables	13	1,172,183,961	2,543,167,250
		3,871,479,104	5,565,683,711
CONTINGENCIES AND COMMITMENTS	14		
TOTAL FUND AND LIABILITIES		14,317,341,176	15,239,795,881

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, 2019

	Note	2019	2018
		Rupees	
INCOME			
Value of services rendered to patients financed through:			
- Zakat		2,965,598,819	2,253,650,917
- Donations		1,214,629,757	929,675,762
- Deferred capital grant		132,148,003	92,426,737
Grant-Funded Research and Development Projects (GFRDP) including deferred capital grant		2,114,744,045	2,867,138,264
		6,427,120,624	6,142,891,680
Fee income		52,452,889	35,033,644
		6,479,573,513	6,177,925,324
Other income	15	84,381,364	54,758,102
		6,563,954,877	6,232,683,426
EXPENDITURE			
Salaries, wages and other benefits		2,588,081,768	1,667,999,450
Medicines and other supplies consumed	16	1,262,098,924	999,857,898
Depreciation	4.1.2	280,445,042	213,214,531
Utilities		190,487,219	143,239,545
Marketing and advertisement		113,992,818	66,451,322
Repairs and maintenance		73,466,864	71,239,825
Outsourced - Medical facilities and diagnostics charges		67,912,370	80,410,527
Rent		33,608,991	21,097,613
Printing, stationery and courier		26,374,711	17,791,027
Security services		23,942,538	21,491,082
Travelling and transportation		19,738,793	8,151,179
Training and development		15,646,681	10,778,878
License fee		14,690,014	235,818
Fuel		14,258,993	18,848,188
Communication charges		11,516,817	8,943,284
Technical and professional services		10,808,170	9,902,717
Other expenses		9,257,248	3,938,011
Loss on disposal / write-off of property, plant and equipment	4.1.1	9,819,680	3,232,030
Insurance / takaful		6,586,232	6,560,938
Amortization	5	3,371,192	1,834,933
Inventories written-off	7.1	1,279,850	2,061,146
Auditor's remuneration	17	594,435	560,000
Research and publications		303,005	-
Expenditure on account of Grant-Funded Research and Development Projects	18	2,114,744,045	2,867,138,264
		6,893,026,400	6,244,978,206
Deficit for the year		(329,071,523)	(12,294,780)
Other comprehensive income		-	-
Total comprehensive loss		(329,071,523)	(12,294,780)

The annexed notes 1 to 20 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, 2019

	2019	2018
	---Rupees---	
Balance at beginning of the year	1,200,837,535	1,213,132,315
Deficit for the year	(329,071,523)	(12,294,780)
Other comprehensive income	-	-
Total comprehensive loss	(329,071,523)	(12,294,780)
Balance at end of the year	871,766,012	1,200,837,535

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

Chief Executive Officer

Director

THE INDUS HOSPITAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		----------Rupees----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the year		(329,071,523)	(12,294,780)
Adjustments for non-cash expenses and other items:			
Depreciation		557,288,414	357,044,940
Amortization		3,371,192	1,834,933
Inventories written-off		1,279,850	234,740,949
Property, plant and equipment written-off		950,065	40,754,938
Loss on disposal of property, plant and equipment		8,869,615	3,169,218
Value of services rendered to patients through donations and zakat		(4,180,228,576)	(3,183,326,679)
Value of services rendered to patients through deferred capital grant		(132,148,003)	(92,426,737)
Income from Grant-Funded Research and Development Projects (GFRDP)		(2,114,744,045)	(2,867,138,264)
		(5,855,361,488)	(5,505,346,702)
Working capital changes			
(Increase) / decrease in current assets:			
Inventories		(98,588,478)	(412,914,447)
Advances, deposits, prepayments and other receivables		253,615,294	38,691,269
		155,026,816	(374,223,178)
(Decrease) / Increase in current liabilities:			
Trade and other payables		(1,370,983,289)	1,744,817,248
		(1,215,956,473)	1,370,594,070
Donations received during the year		1,843,682,654	1,632,942,004
Donations paid during the year		(5,743,500)	(2,514,000)
Long term deposits and prepayments - net		11,444,248	(16,401,000)
Zakat received during the year		2,193,930,451	2,506,277,325
Contribution received on account of GFRDP		1,503,662,172	2,160,971,390
		5,546,976,025	6,281,275,719
Net cash (used in) / generated from operating activities		(1,853,413,459)	2,134,228,307
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(1,606,862,249)	(3,909,803,094)
Proceeds received from disposal of property, plant and equipment		2,877,781	1,673,796
Purchase of intangible assets		(10,309,761)	(1,161,459)
Investment (made) / disposed during the year - net		(40,561,000)	16,360,000
Profit received on short term investments		215,247,231	127,167,046
Net cash used in investing activities		(1,439,607,998)	(3,765,763,711)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution for capital expenditure		1,070,409,737	3,415,401,459
Net (decrease) / increase in cash and cash equivalents		(2,222,611,720)	1,783,866,055
Cash and cash equivalents at beginning of the year		4,849,547,509	3,065,681,454
Cash and cash equivalents at end of the year	20	2,626,935,789	4,849,547,509

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

Chief Executive Officer **Director**

THE INDUS HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. LEGAL STATUS AND OPERATIONS

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

i) Indus Hospital Korangi Campus, Karachi, Sindh;

ii) Indus Dialysis Centre and Family Medicine Clinics, PIB Colony, Karachi, Sindh;

iii) Sheikh Saeed Memorial Maternity Hospital, Korangi, Karachi, Sindh; and

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

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

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

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

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

1.2 Hospital / facility management services

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

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 standards, amendments to approved accounting and reporting standards and interpretations

a) Standards, amendments to approved accounting and reporting standards and interpretations that are effective for the Hospital's accounting periods beginning on or after July 1, 2018

The Hospital has adopted the following accounting standards and amendments of IFRSs which became effective for the current year:

- **IFRS 9 'Financial instruments' (effective for reporting year / period ending on or after June 30, 2019)**

  IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). 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.

The standard also includes an expected credit losses (ECL) model that replaces the current incurred loss impairment model. The ECL model involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

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.

Furthermore, on July 1, 2018, the management has assessed which business models apply to the financial assets held by the Hospital and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from the reclassification as at that date are as follows:

Particulars	Classification & Measurement category		Carrying Amount	
	Original	New	Original	New
	IAS - 39	IFRS - 9	IAS - 39	IFRS - 9
			------Rupees------	
Non-current assets				
Long term deposits	Loans and Receivables	Amortized cost	4,343,248	4,343,248
Current assets				
Deposits and other receivables	Loans and Receivables	Amortized cost	233,529,474	233,529,474
Short term investment - mutual funds	FVTPL	FVTPL	3,439,010	3,439,010
Short term investment - others	Held to Maturity	Amortized cost	431,542,408	431,542,408
Cash and bank balances	Loans and Receivables	Amortized cost	4,734,547,509	4,734,547,509
Current liabilities				
Trade and other payables	Amortized cost	Amortized cost	2,541,676,507	2,541,676,507

- **IFRS 15 'Revenue from contracts with customers' (effective for annual accounting period beginning on or after July 1, 2018)**

IFRS 15 'Revenue from contracts with customers' 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 recognised 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.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The above is generally consistent with the timing and amounts of revenue the Hospital recognized in accordance with the previous standard, IAS 18. Therefore, after the detailed assessment carried out by the Hospital's management the adoption of IFRS 15 did not have any material impact on the timing and amounts of revenue recognition of the Hospital.

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

- **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 in the process of assessing the impact of changes laid down by the standard on its financial statements.

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 Impairment of non-current assets

The carrying amounts of non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to assess whether the carrying value of asset exceeds its recoverable amount. Where carrying value exceeds the estimated recoverable amount, asset is written down to its recoverable amount. Impairment losses are recognised as expense in the statement of income and expenditure. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.6 Financial instruments

2.6.1 Financial assets

Classifications

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). The measurement basis is determined by reference to both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

a) Amortised cost

Financial asset is measured at amortised cost where asset is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) At fair value through other comprehensive income

Financial asset is measured at fair value through other comprehensive income where assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) At fair value through profit or loss

Financial assets, that are not measured at amortised cost or at fair value through other comprehensive income on initial recognition, are classified as fair value through profit or loss.

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

Impairment of financial assets

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

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

2.6.2 Financial liabilities

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

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

2.6.3 Offsetting of financial assets and liabilities

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

2.7 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.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 **Income recognition**

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

- Donations and Zakat received for the Hospital are regarded as restricted contribution and are recognized as income as and when expenses are incurred on providing services to needy / deserving patients. Such Zakat / donations are credited to income on pre-determined service rates as "value of services rendered" which are reviewed by the Hospital quarterly.

- Fee income comprises of admission fee and monthly tuition fee, which is recognized over time, as and when services are rendered.

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

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

- Deferred capital grant is recognized as income to match depreciation and amortisation provided during the year on the related capital assets.

- Proceeds generated from sale of food items in the Hospital's cafeteria, being unrestricted receipts, are recognized on receipt basis in the statement of income and expenditure and other comprehensive income.

- Cost recovery from blood bank clients against blood products are separately billed to the clients and are recognized on accrual basis.

2.16 **Taxation**

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

	2019	2018
	---Rupees---	

4. PROPERTY, PLANT AND EQUIPMENT

	2019	2018
Operating assets (note 4.1)	3,937,306,775	4,177,752,595
Capital work-in-progress (note 4.2)	6,455,249,821	4,781,012,639
	10,392,556,596	8,958,765,234

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, 2017								
Cost	1,369,086,200	345,443,904	1,253,955,203	101,029,265	55,319,458	117,277,479	2,194,313	3,244,305,822
Accumulated depreciation	(27,274,574)	(97,345,605)	(566,029,506)	(52,217,167)	(43,886,774)	(18,109,202)	(1,251,874)	(806,114,702)
Net book value	1,341,811,626	248,098,299	687,925,697	48,812,098	11,432,684	99,168,277	942,439	2,438,191,120
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 July 01, 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
Year ended June 30, 2019								
Opening 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
Additions including transfers from CWIP	75,300	36,039,476	225,274,349	46,655,666	11,692,978	9,287,872	514,414	329,540,055
Disposals / Write-offs (note 4.1.1)								
Cost	-	-	(36,539,209)	(4,510,550)	(725,871)	(428,000)	-	(42,203,630)
Accumulated depreciation	-	-	24,390,580	4,332,116	355,473	428,000	-	29,506,169
	-	-	(12,148,629)	(178,434)	(370,398)	-	-	(12,697,461)
Depreciation charge (note 4.1.2)	(18,465,445)	(33,350,714)	(401,904,751)	(45,544,656)	(12,260,778)	(45,165,543)	(596,527)	(557,288,414)
Closing net book value	1,782,339,804	498,036,552	1,383,323,154	84,452,981	37,597,166	150,485,505	1,071,613	3,937,306,775
As at June 30, 2019								
Cost	1,846,544,515	649,663,574	2,566,988,827	209,550,364	104,073,876	242,643,511	3,358,877	5,622,823,544
Accumulated depreciation	(64,204,711)	(151,627,022)	(1,183,665,673)	(125,097,383)	(66,476,710)	(92,158,006)	(2,287,264)	(1,685,516,769)
Net book value	1,782,339,804	498,036,552	1,383,323,154	84,452,981	37,597,166	150,485,505	1,071,613	3,937,306,775
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 with book value below Rs 500,000								
Plant, Machinery & Equipment	Various	10,378,680	4,247,641	6,131,039	1,049,502	(5,081,537)	Tender	Local Scrap Dealers
Computers, Printers, Network cabling and installation	Various	1,465,624	1,287,190	178,434	36,035	(142,399)	Tender	Local Scrap Dealers
Furniture & Fixture	Various	420,000	49,603	370,397	73,092	(297,305)	Tender	Local Scrap Dealers
Vehicles	Various	428,000	428,000	-	163,600	163,600	Tender	Local Scrap Dealers
Items sold during the year with book value above Rs 500,000								
Plant, Machinery and Equipment	CT Scan Machine	11,458,785	10,827,432	631,353	1,000,000	368,647	Tender	H.H Technofab Corporation
Plant, Machinery and Equipment	X-Ray Tube Siemens Angiography	3,771,314	1,467,196	2,304,118	85,123	(2,218,995)	Tender	Raze Traders
Plant, Machinery and Equipment	Bone Mineral Density Measuring Machine	3,000,000	867,945	2,132,055	470,429	(1,661,626)	Tender	Raze Traders
		30,922,403	**19,175,007**	**11,747,396**	**2,877,781**	**(8,869,615)**		
Fully depreciated / obsolete items written off during the year								
Computers, Printers, Network cabling and installation	Various	3,044,926	3,044,926	-	-	-	Not Applicable	Not Applicable
Plant, Machinery & Equipment	Various	7,930,430	6,980,365	950,065	-	(950,065)	Not Applicable	Not Applicable
Furniture & Fixture	Various	305,871	305,871	-	-	-	Not Applicable	Not Applicable
		11,281,227	**10,331,162**	**950,065**	-	**(950,065)**		
June 30, 2019		**42,203,630**	**29,506,169**	**12,697,461**	**2,877,781**	**(9,819,680)**		
June 30, 2018		**51,023,070**	**5,425,118**	**45,597,952**	**43,557,674**	**(2,040,278)**		

4.1.2 Comprises of depreciation amounting to Rs. 280,445,042 (2018: Rs. 213,214,531) pertaining to operating expenses and Rs. 276,843,372 (2018: Rs. 143,830,409) 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, 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	108,237,152	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
Year ended June 30, 2019							
Balance at beginning 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
Add: Additions during the year	920,739,077	42,394,407	107,011,791	2,808,593	840,000	271,000	1,074,064,868
Add: Additions for QFT and NST during the year	-	667,442,222	55,650,820	-	-	-	723,093,042
Less: Transfers to operating assets	(8,360,204)	(16,072,182)	(88,174,051)	-	(773,100)	(9,541,191)	(122,920,728)
Balance at end of the year	3,844,202,986	2,494,109,291	104,413,084	11,219,260	1,305,200	-	6,455,249,821

	2019	2018
	----Rupees----	

5. INTANGIBLE ASSETS

	2019	2018
Net carrying value		
Balance at beginning of the year	2,483,355	3,156,829
Add: Additions	10,309,761	1,161,459
Less: Amortization charge for the year	(3,371,192)	(1,834,933)
Balance at end of the year	9,421,924	2,483,355
Gross carrying value		
Cost	20,081,709	9,771,948
Less: Accumulated amortization	(10,659,785)	(7,288,593)
Net book value	9,421,924	2,483,355

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

6. LONG TERM DEPOSITS AND PREPAYMENTS

	2019	2018
Deposits	6,600,000	8,243,248
Prepayments	-	9,801,000
	6,600,000	18,044,248

7. INVENTORIES

	2019	2018
Medicines	303,132,864	325,432,837
Consumables	224,232,965	118,459,493
General	81,172,879	71,882,800
	608,538,708	515,775,130
Stock in-transit	12,525,171	5,816,355
Stores and spares	14,537,281	16,701,047
	635,601,160	538,292,532

7.1 During the year, inventories spoiled / damaged, amounting to Rs. 1,279,850 (2018: Rs. 2,061,146) were written off.

7.2 Inventories include medicines, consumables and general supplies amounting to Rs. 184,922,568 (2018: Rs. 257,424,569) held on account of GFRDP out of which inventories amounting to Rs. 157,979,122 (2018: Rs. 240,709,182) were stored in warehouse owned and operated by TCS Logistics (Private) Limited.

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	2019	2018
	Rupees	
8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Considered Good		
Advances to:		
- Suppliers and others (note 8.2)	59,446,479	153,782,292
- Employees	1,480,318	781,813
- Global Fund sub-recipients (note 8.1)	97,250,094	142,152,288
- IRD Pakistan (Private) Limited	26,809,830	114,202
Deposits	42,576,956	13,883,541
Prepayments	26,251,198	25,117,628
Receivable under Hospital Management Services (notes 8.3 and 8.5)	15,658,617	-
Other receivables	28,488,911	15,745,933
Tax refundable / adjustable	1,103,888	1,103,888
Insurance claim receivable	-	200,000,000
	299,066,291	552,681,585

8.1 This represents advances given by the Hospital to the sub-recipients Community Health Solutions (Private) Limited (CHS) and Green Star Social Marketing Pakistan (GSSMP) for the project titled: "Contribute towards achieving the targets of National Strategic Plan for reducing the burden of TB and MDR-TB in Pakistan" amounting to Rs. 60,891,307 (2018: Rs. 69,518,996) and Rs. 23,436,770 (2018: Rs. 51,005,236) 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. 3,036,529 (2018: Rs. 13,773,270) and Rs. 9,885,488 (2017: Rs. 7,854,786) 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.

8.2 Includes advances made to suppliers amounting to Rs. 9,277,619 (2018: Rs. 81,980,747) on account of purchases made on behalf of the managed hospitals.

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

Name of hospital / medical facility	Agreement entered into with	Receivable / (Payable) at beginning of the year	Transferred from payable under Hospital Management Services	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	Receivable / (Payable) at end of the year
		Rupees					
Mian Shahbaz Sharif Hospital - Lahore	RTEHT	-	(62,121,314)	(293,000,000)	(3,147,246)	366,754,962	8,486,402
Tehsil Headquarter Hospital - Sabzazaar Lahore	RTEHT	-	(58,492,609)	(324,000,001)	(3,021,989)	387,039,587	1,524,988
Tehsil Headquarter Hospital - Raiwind Lahore	RTEHT	-	(52,871,685)	(279,000,000)	(2,467,362)	335,570,271	1,231,224
Marvi Mother & Child Clinic - Site Tharyo Halepota	Engro Energy Limited & Sindh Engro Coal Mining Company	-	-	(13,088,831)	-	17,504,834	4,416,003
		-	(173,485,608)	(909,088,832)	(8,636,597)	1,106,869,654	15,658,617

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8.5 The maximum aggregate amount outstanding from Mian Shahbaz Sharif Hospital, Tehsil Headquarter Hospital Sabzazaar Lahore, Tehsil Headquarter Hospital Raiwind Lahore and Marvi Mother & Child Clinic, related parties, at the end of any month was Rs. 86,023,817 (2018: Nil), Rs. 48,831,441 (2018: Nil), Rs. 29,198,596 (2018: Nil) and Rs. 7,902,589 (2018: Nil) respectively. 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 months**
	Rupees		
2019	15,658,617	15,658,617	-
2018	-	-	-

	2019	2018
	Rupees	
9. SHORT TERM INVESTMENTS		
- At fair value through profit or loss		
- Meezan Sovereign Fund	1,418,581	1,390,067
- Allied Bank Limited - Islamic Income Fund	2,220,835	2,048,943
	3,639,416	3,439,010
- Amortized Cost		
- Islamic Income Certificate - Habib Metropolitan Bank Limited	316,520,000	285,546,217
-Term deposit - Bank Alfalah Limited	-	29,700,000
-Term deposit - Faysal Bank Limited	-	116,296,191
-Term deposit - Bank Islami Pakistan Limited	100,000,000	
-Term deposit - Dubai Islamic Bank Limited	27,000,000	-
-Term deposit - Meezan Bank Limited	75,000,000	-
	518,520,000	431,542,408
	522,159,416	434,981,418
10. CASH AND BANK BALANCES		
Local currency		
Cash in hand	2,255,811	2,153,254
Balances with banks in:		
- current accounts	56,022,093	8,142,024
- savings accounts (notes 10.1 and 10.2)	2,389,173,987	4,717,009,659
	2,445,196,080	4,725,151,683
Foreign currency		
Balances with banks in current accounts	4,483,898	7,242,572
	2,451,935,789	4,734,547,509

10.1 These savings accounts carry markup ranging from 3.00% to 12.35% (2018: 2.60% to 6.55%) per annum.

10.2 This includes Rs. 57,683,656 (2018: Rs. 58,967,126) on which bank has charged lien in respect of letter of credits.

		2019	2018
		-----Rupees-----	
11.	**DEFERRED CAPITAL GRANT**		
11.1	Movement in deferred capital grant is as follows:		
	Balance at beginning of the year	8,473,274,635	4,475,856,223
	Add: Deferred capital grant received against:		
	- Donation for construction of Paeds Ward	137,166,041	115,277,132
	- Donation for other construction and capital expenditure (note 11.3)	917,685,653	2,122,548,023
	- Donation in kind	396,914,988	794,600,791
	- Donation for capital expenditure on account of GFRDP	15,558,043	1,177,576,304
	- Profit on Paeds Ward funds held in short term investments	16,551,221	13,964,933
	- Profit on funds for other construction and capital expenditure held in daily product account	25,936,854	9,708,375
		1,509,812,800	4,233,675,558
	Less: Deferred capital grant released against:		
	- Depreciation on account of other construction and capital expenditure	58,980,422	34,237,804
	- Depreciation of Paeds Ward	17,516,420	5,178,882
	- Depreciation of donated assets	55,651,161	53,010,051
	- Depreciation of assets pertaining to GFRDP (note 4.1.2)	276,843,372	143,830,409
		408,991,375	236,257,146
	Balance at end of the year	9,574,096,060	8,473,274,635
11.2	Balance at end of the year comprises of:		
	- Donation for construction of Paeds Ward	898,756,593	762,555,751
	- Donation for other construction and capital expenditure (note 11.3)	5,183,725,023	4,299,082,938
	- Donation in kind	2,266,486,734	1,925,222,907
	- Donation for capital expenditure on account of GFRDP	1,225,127,710	1,486,413,039
		9,574,096,060	8,473,274,635

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

12. DEFERRED INCOME

Movement in the deferred income balance is as follows:

	2019				2018			
	Zakat	Donations	GFRDP	Total	Zakat	Donations	GFRDP	Total
	Rupees							
Balance at beginning 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
Zakat / donations / grants received during the year (note 12.4)	2,193,930,451	1,843,682,654	1,503,662,172	5,541,275,277	2,506,277,325	1,632,942,004	2,160,971,390	6,300,190,719
Profit on short term investments	9,832,901	20,358,436	-	30,191,337	5,757,204	4,138,005	-	9,895,209
Profit on daily product account	40,299,169	66,144,005	22,741,643	129,184,817	13,226,795	52,746,504	28,970,509	94,943,808
	2,244,062,521	1,930,185,095	1,526,403,815	5,700,651,431	2,525,261,324	1,689,826,513	2,189,941,899	6,405,029,736
Value of services rendered to patients	(2,965,598,819)	(1,214,629,757)	-	(4,180,228,576)	(2,253,650,917)	(929,675,762)	-	(3,183,326,679)
Expenses incurred in respect of GFRDP	-	-	(1,837,900,673)	(1,837,900,673)	-	-	(2,723,307,855)	(2,723,307,855)
Donations utilized to aid other hospitals / patients	-	(5,743,500)	-	(5,743,500)	-	(2,514,000)	-	(2,514,000)
	(2,965,598,819)	(1,220,373,257)	(1,837,900,673)	(6,023,872,749)	(2,253,650,917)	(932,189,762)	(2,723,307,855)	(5,909,148,534)
Balance at end of the year	1,116,737	2,324,137,881	374,040,525	2,699,295,143	722,653,035	1,614,326,043	685,537,383	3,022,516,461

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.

12.4 Funds received from foreign sources during the year is Rs. 1,128,427,955 (2018 : Rs. 2,088,675,700).

13. TRADE AND OTHER PAYABLES

	2019	2018
	Rupees	
Creditors (note 13.1)	413,225,120	283,378,161
Accrued liabilities	53,039,758	121,483,535
Payable to Provident Fund	1,580,831	967,008
Retention money	51,891,614	92,565,046
Security deposit - ICON & M students (note 13.2)	5,202,600	4,766,600
Payable under Hospital Management Services (note 13.3)	636,683,100	2,031,069,553
Withholding tax payable	705,731	523,735
Miscellaneous	9,855,207	8,413,612
	1,172,183,961	2,543,167,250

13.1 This includes payable to Swiss Pharmaceuticals (Private) Limited, a related party, amounting to Rs. 2,781,325 (2018: Rs. 161,064) in respect of medical supplies purchased by the Hospital.

Assar

13.2 Represents security deposit received from the students of Indus College of Nursing & Midwifery (ICON & M) 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.

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

Name of hospital / medical facility	Agreement entered into with	(Receivable) / Payable at beginning of the year	Transferred to receivable under Hospital Management Services	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	(Receivable) / Payable at end of the year
		Rupees					
Recep Tayyip Erdogan Hospital - Muzaffargarh	RTEHT	105,223,395	-	780,490,348	21,267,427	857,913,245	49,067,925
General Hospital - Manawan Lahore	RTEHT	84,236,059	-	315,000,000	4,648,779	398,922,218	4,962,620
Institute of Kidney Diseases Multan (MIKD)	RTEHT	146,877,253	-	512,000,000	17,409,832	634,413,043	41,874,042
Regional Blood Centers at Multan and Bahawalpur	RTEHT	86,876,031	-	354,005,950	2,287,946	372,797,560	70,372,367
Regional Blood Centers in Jamshoro	Health Department - Government of Sindh	232,424,091	-	56,215,094	8,173,590	252,842,455	43,970,320
Tehsil Headquarter Hospital - Kahna Nau Lahore	RTEHT	116,159,692	-	206,000,000	3,375,663	319,395,036	6,140,319
Civil Hospital Badin	Health Department - Government of Sindh	1,085,787,424	-	132,090,381	86,845,949	900,938,151	403,785,603
Level 1 - Health Care Facility - Thatta Gurmani - Tehsil Kotadu District Muzaffargarh	The Gurmani Foundation	-	-	23,519,040	-	18,184,799	5,334,241
Jahangir Siddiqui Hospital - Sehwan	Mahvash & Jahangir Siddiqui Foundation	-	-	25,000,000	-	13,824,337	11,175,663
Mian Shahbaz Sharif Hospital - Lahore	RTEHT	62,121,314	(62,121,314)	-	-	-	-
Tehsil Headquarter Hospital - Sabzazaar Lahore	RTEHT	58,492,609	(58,492,609)	-	-	-	-
Tehsil Headquarter Hospital - Raiwind Lahore	RTEHT	52,871,685	(52,871,685)	-	-	-	-
		2,031,069,553	(173,485,608)	2,404,320,813	144,009,186	3,769,230,844	636,683,100

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 Contingent liabilities represent bank guarantees given to following suppliers:

	2019	2018
	Rupees	
Pakistan State Oil Company Limited	948,000	-
Canteen Stores Department	1,000,000	-
Metro Habib Cash & Carry (Private) Limited	3,000,000	3,000,000
Government of Sindh	27,000,000	27,000,000
	31,948,000	30,000,000

14.1.2 In the year 2018, Deputy Commissioner Inland Revenue raised a demand amounting to Rs. 5,919,453 (including default surcharge), vide order dated August 16, 2017, claiming short deduction of withholding taxes under section 161 of Income Tax Ordinance, 2001. The Hospital 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. 1,500,000,000 (2018: Rs. 1,000,000,000) for opening letters of credit, the amount utilized as at June 30, 2019 was Rs. 192,708,386 (2018: Rs. 117,934,252).

14.2.2 Hospital's commitment in respect of capital expenditure amounts to Rs. 2,952,121,179.

14.2.3 Commitments in respect of local and foreign purchases as at June 30, 2019 amount to Rs. 443,485,741 (2018: Rs. 592,728,753).

		2019	2018
		Rupees	
15.	**OTHER INCOME**		
	From other than financial assets		
	Proceeds from sale of waste materials	821,300	455,000
	Income from cafeteria	30,918,499	28,695,627
	Recovery of blood test cost	39,871,166	23,023,210
	Others	12,770,399	2,584,265
		84,381,364	54,758,102
16.	**MEDICINES AND OTHER SUPPLIES CONSUMED**		
	Opening inventory	280,867,963	284,785,626
	Add: Purchases	1,418,566,807	998,001,381
	Less:		
	- Inventory written-off (note 7.1)	1,279,850	2,061,146
	- Closing inventory	436,055,996	280,867,963
		1,262,098,924	999,857,898
17.	**AUDITOR'S REMUNERATION**		
	Fee for statutory audit	400,000	400,000
	Out of pocket expenses	194,435	160,000
		594,435	560,000

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:

Projects	Year ended June 30, 2019 — Grants / fund received — Cash donations / Grants (note 18.1)	Donations in- kind (note 18.1)	Expenditure — Salaries, wages and benefits	Medicines and other supplies consumed	Other costs	Total expenditure	Surplus / (Deficit)	Year ended June 30, 2018 — Grants / fund received — Cash donations / Grants (note 18.1)	Donations in- kind (note 18.1)	Expenditure — Salaries, wages and benefits	Medicines and other supplies	Other costs	Total expenditure	Surplus / (Deficit)
	Rupees							Rupees						
TB - The Global Fund	714,819,509	191,494,874	586,868,579	229,385,895	748,754,356	1,564,808,830	(658,494,447)	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	344,477,664	-	158,001,138	-	183,116,935	341,118,073	3,359,591	412,211,682	-	152,927,062	148,286,688	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	-	120,588,391	-	105,498,552	-	105,498,552	15,089,839	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	18,732,627	-	8,773,391	-	4,453,565	13,226,956	5,505,671	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	8,689,062	-	474,864	-	28,997	503,861	8,185,201	-	-	2,857,404	-	10,331,115	13,188,519	(13,188,519)
END TB Program	10,901,885	-	5,506,183	-	4,055,155	9,561,338	1,340,547	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	9,781,129	-	2,834,489	-	2,689,697	5,524,186	4,256,943	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	5,957,076	58,130	2,872,817	828,951	2,123,471	5,825,239	189,967	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	1,471,335	-	-	-	82,004	82,004	1,389,331	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	687,344		-	-	62,679	62,679	624,665	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	-		-	-	113,898	113,898	(113,898)	3,165,500		1,807,120	-	388,152	2,195,272	970,228
VAC Project	7,285,500	-	1,293,581	-	1,197,204	2,490,785	4,794,715	-	-	243,626	-	1,616,530	1,860,156	(1,860,156)
Diabetes Foot Care Clinic	-	-	380,352	12,327	76,936	469,615	(469,615)	-	-	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 - Habib Bank Foundation	4,000,000	-	5,472,880	-	2,656,928	8,129,808	(4,129,808)	447,500	-	-	-	472,790	472,790	(25,290)
Vero Cell Trial	-	-	81,595	-	79,966	161,561	(161,561)	60,000	-	4,000	137,694	274,845	416,539	(356,539)
TB Reach Project	12,760,575	-	6,985,621	-	-	6,985,621	5,774,954	-	-	-	-	126,491	126,491	(126,491)
Club Foot Disability R-2	-	-	-	-	-	-	-	-	-	-	-	25,814	25,814	(25,814)
Halo II Trial	-	-	-	-	50,000	50,000	(50,000)							
Diabetes Adherence Study	-	-	-	-	-	-	-	-	-	-	-	23,565	23,565	(23,565)
PPCCS - Perceptions of Patient Centered Care Study	-	-	-	-	-	-	-	-	-	-	-	11,245	11,245	(11,245)
Zindagi Mehfooz - WHO	-	-	3,530,747	-	-	3,530,747	(3,530,747)							
Zindagi Mehfooz - GAVI	35,581,556	-	20,674,973	-	-	20,674,973	14,906,583							
Emergency Medicine Project - HMS	4,223,081	-	47,327	-	3,703,618	3,750,945	472,136							
Lancet Indicator	14,965,284	-	6,073,785	-	10,186,414	16,260,199	(1,294,915)							
Smooking Sessions	1,817,424		842,733			842,733	974,691							
HCV - Cost effective study	817,538	-	112,311	-	-	112,311	705,227							
END TB Clinical Trial	5,867,821	-	4,627,991	-	331,140	4,959,131	908,690							
Total	1,203,036,410	312,141,395	815,255,357	335,725,725	963,762,963	2,114,744,045	(599,566,240)	2,293,754,818	799,602,043	827,831,380	624,931,906	1,414,374,976	2,867,138,254	226,218,597

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

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. 143,601,069 (2018: Rs. 104,658,564) has been charged during the year in respect of Hospital's contribution to the fund.

20. CASH AND CASH EQUIVALENTS

	2019	2018
	------Rupees------	
Short term investments		
-Term deposit - Faysal Bank Limited	-	115,000,000
-Term deposit - Bank Islami Pakistan Limited	100,000,000	-
-Term deposit - Meezan Bank Limited	75,000,000	-
	175,000,000	115,000,000
Cash and bank balances (note 10)	2,451,935,789	4,734,547,509
	2,626,935,789	4,849,547,509

21. The Hospital has placed margin against letter of credits for the purchase of inventory for Hospital's own use and property, plant and equipment on account of managed hospitals / facilities, from the following suppliers:

S. No.	Supplier	Country / Jurisdiction
1	Genesis BPS International Sarl	Switzerland
2	Andreas Hettich GmbH & Co.KG	Germany
3	Becton Dickinson Holdings Pte Ltd	Singapore
4	HaMedic GmbH	Germany
5	Abbott GMBH & Co. KG	Germany
6	Thermo Electron LED GmbH	Germany
7	Ortho-Clinical Diagnostics	United Kingdom
8	Immucor Med. Diagnostik GmbH	Germany
9	JMS Singapore PTE Limited	Singapore
10	Philips Electronics Singapore Pte Ltd.	Singapore
11	Varitron (FZC)	U.A.E
12	Cardioline S.p.a.	Italy
13	Greiner Bio-One GmbH	Austria
14	Scy Tek Laboratories Inc.	USA
15	Life Technologies Limited	United Kingdom
16	Qingdao Haier Biomedical Co., Ltd.	China
17	Shenzhen CoreRay Technology Co., Ltd	China
18	Karl Storz Se & Co. KG	Germany
19	Fresenius Kabi Asia Pacific Limited	Hong Kong
20	Infinium Medical Inc	USA
21	Armstrong Medical Ltd	United Kingdom
22	(Primedic) Metrax	Germany

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/or 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
Grace Knitwear (Private) Limited	Common Directorship
Feroze 1888 Mills Limited	Common directorship
Swiss Pharmaceuticals (Private) Limited	Common directorship
Hilton Pharma (Private) Limited	Common directorship
Children Cancer Foundation Pakistan Trust	Common directorship
Recep Tayyip Erdogan Hospital - Muzaffargarh	Associated undertaking
Mian Shahbaz Sharif Hospital - Lahore	Associated undertaking
Civil Hospital - Badin	Associated undertaking
General Hospital Manawan - Lahore	Associated undertaking
Institute of Kidney Diseases Multan	Associated undertaking
Tehsil Headquarter Hospital - Sabzazar Lahore	Associated undertaking
Tehsil Headquarter Hospital - Raiwind Lahore	Associated undertaking
Regional Blood Centers at Multan and Bahawalpur	Associated undertaking
Regional Blood Centers - Jamshoro Sindh	Associated undertaking
Tehsil Headquarter Hospital - Kahna Nau Lahore	Associated undertaking
Level 1 Health Care Facility - Thatta Gurmani - Muzaffargarh	Associated undertaking
Jahangir Siddiqui Hospital - Sehwan	Associated undertaking
Marvi Mother & Child Clinic	Associated undertaking
The Indus Hospital Employees' Provident Fund	Post retirement benefit plan
Mr. Yunus Hashim Bengali	Director
Mr. Salim Razzak Tabani	Director
Mr. Khaliq Ur Rehman	Director
Mr. Anwaar Ahmed Khan	Director
Mr. Muhammad Yahya Chawla	Director
Mr. Hafiz Muhammad Aamir	Director
Mr. Mian Muhammad Ahsan	Director
Mr. Muhammad Yasin Malik	Director
Mr. Nasim Hyder	Director
Dr. Abdul Bari Khan	Chief Executive Officer
Mr. Ahson Tariq	Key management personnel
Dr. Syed Zafar Zaidi	Key management personnel
Dr. M. Amin Chinoy	Key management personnel
Dr. Wasif Shahzad	Key management personnel
Dr. Muhammad Shamvil Ashraf	Key management personnel
Mr. Syed Mashhood Rizvi	Key management personnel

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	2019 Rupees	2018 Rupees
Directors	Statement of financial position	Donation / Zakat received	13,022,136	3,878,888
Other related parties (note 22.3.3)	Statement of financial position	Donation / Zakat received	187,433,287	363,427,476
	Statement of financial position	Donation / Zakat paid	23,000	-
	Statement of income and expenditure and other comprehensive income	Purchases	6,596,896	11,934,722
Retirement benefit fund	Statement of income and expenditure and other comprehensive income	Contribution	143,601,069	104,658,564

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:

	2019		2018	
	Chief Executive	Executives	Chief Executive	Executives
	-----Rupees-----			
Management remuneration	13,200,000	770,178,121	11,258,208	663,285,688
Retirement benefits	880,000	37,986,462	750,547	44,969,818
Total	14,080,000	808,164,583	12,008,755	708,255,506
Number of persons including those who worked part of the year	1	219	1	267

23.1 No remuneration has been paid to any of the 9 (2018: 14) directors including those who worked part of the year, except the Chief Executive of the Hospital.

	2019	2018
24. NUMBER OF EMPLOYEES		
Average number of employees during the year	3,803	3,476
Number of employees including contractual employees at 30 June	4,807	4,156

	2019	2018
	Rupees	
25. FINANCIAL INSTRUMENTS BY CATEGORY		
25.1 Financial assets		
- At fair value through profit or loss		
Short term investments	3,639,416	3,439,010
- Amortized cost		
Short term investments	518,520,000	431,542,408
Deposits and other receivables	93,324,484	237,872,722
Cash and bank balances	2,451,935,789	4,734,547,509
	3,063,780,273	5,403,962,639
	3,067,419,689	5,407,401,649
25.2 Financial liabilities		
- At amortized cost		
Other financial liabilities	1,169,897,399	2,541,676,507

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, 2019				
Short term investments	3,639,416	-	-	3,639,416
Year ended June 30, 2018				
Short term investments	3,439,010	-	-	3,439,010

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 accounts. 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, 2019, 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:

	2019	2018
	----------Rupees----------	
Effect		
USD	1,069,637	2,788,197
EUR	22,439	699,359
AED	(3,052,275)	(362,129)

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. Fixed rate instruments comprises of short term investments in TDRs, islamic investment certificates and shariah-compliant mutual funds, which may expose the Company to fair value interest rate risk. However, the income from these financial assets are substantially independent of changes in market interest rates.Therefore, a change in interest rates at the reporting date would not affect the deficit of the Hospital. There are no other significant variable rate interest-bearing financial instruments.

As at June 30, 2019, if the interest rates on bank accounts had been 5% higher / lower with other variables held constant deficit for the year would have been higher / lower by Rs. 7,756,084 (2018: 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. 3,067,419,689 (2018: Rs. 5,407,401,649), the financial assets exposed to credit risk amount to Rs. 3,065,163,878 (2018: Rs. 5,405,248,395).

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

	2019	2018
	Rupees	
Deposits and other receivables	93,324,484	237,872,722
Short term investments (note 9)	522,159,416	434,981,418
Cash and bank balances (note 10)	2,449,679,978	4,732,394,255
	3,065,163,878	5,405,248,395

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	Rating Long term
Dubai Islamic Bank Pakistan Limited	VIS	A1+	AA
Bank Islami Pakistan Limited	PACRA	A-1	A+
United Bank Limited	VIS	A-1+	AAA
Al-Baraka Islamic Bank (Pakistan) Limited	PACRA	A1	A
Standard Chartered Bank (Pakistan) Limited	PACRA	A-1+	AAA
Bank Al-Falah Limited	PACRA	A1+	AA+
Habib Bank Limited	VIS	A-1+	AAA
MCB Bank Limited	PACRA	A-1+	AAA
MCB Islamic Bank Limited	PACRA	A-1	A
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Bank Al-Habib Limited	PACRA	A-1+	AA+
Meezan Bank Limited	VIS	A-1+	AA+
Sindh Bank Limited	VIS	A-1	A+
National Bank of Pakistan	PACRA	A-1+	AAA
Soneri Bank Limited	PACRA	A-1+	AA-
Askari Bank Limited	PACRA	A-1+	AA+
Samba Bank Limited	VIS	A-1	AA
Allied Bank Limited	PACRA	A-1+	AAA
Faysal Bank Limited	VIS	A-1+	AA
Bank of Punjab	PACRA	A-1+	AA
Bank of Khyber	PACRA	A-1	A
Silk Bank Limited	VIS	A-2	A-
Al-Meezan Investment Management Limited	PACRA	-	AM1
Meezan Sovereign Fund	JCR-VIS	-	AA-(f)
ABL Asset Management Company Limited	JCR-VIS	-	AM2++
Allied Bank Islamic Income Fund	JCR-VIS	-	A(f)

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, 2019			June 30, 2018		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees					
Trade and other payables	1,169,897,399	-	1,169,897,399	2,541,676,507	-	2,541,676,507

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 cashflows:

	Reclassified		Rupees
	From	To	
Deposits	Advances, deposits, prepayments and other receivables	Long term deposits and prepayments	3,900,000
Expenditure	Mess expenses - School of Nursing	Medicines and other supplies consumed	1,596,051
Expenditure	Medicines and other supplies consumed	Repair and maintenance	46,774,877
Expenditure	Other expenses	Medicines and other supplies consumed	3,237,392

The effects of other reclassifications are not material.

29. These financial statements were approved and authorized for issue on 7 NOV 2019 by the Board of Directors of the Hospital.

Chief Executive Officer

Director