Building a better
working world

HAJI MOHAMMAD ASGHAR GHURKI TRUST

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

EY Ford Rhodes
Chartered Accountants
96-B-1, 4th Floor, Pace Mall Building
M. M. Alam Road, Gulberg-II
P.O. Box 104, Lahore 54660

Tel: +9242 3577 8402-11
Fax: +9242 3577 8412-13
ey.lhr@pk.ey.com
ey.com/pk

EY
Building a better working world

EY Ford Rhodes
Chartered Accountants
96-B-1, 4th Floor, Pace Mall Building
M. M. Alam Road, Gulberg II
P.O. Box 104, Lahore 54660

Tel: +9242 3577 8402-11
Fax: +9242 3577 8412-13
ey.lhr@pk.ey.com
ey.com/pk

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF TRUSTEES OF HAJI MOHAMMAD ASGHAR GHURKI TRUST

Opinion

We have audited the accompanying financial statements of **Haji Mohammad Asghar Ghurki Trust** ("the Trust") which comprise of the statement of financial position as at **31 December 2020** and the statement of income and expenditure, The statement of comprehensive income, the statement of changes in funds and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of **Haji Mohammad Asghar Ghurki Trust** as at **31 December 2020**, and of its financial performance and its cash flows and changes in fund's balance for the year then ended in accordance with the approved accounting and reporting standards as applicable in Pakistan.

Basis of 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 Trust** 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.

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

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing **the Trust'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 Trust** or to cease operation, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing **the Trust'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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, 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 the effectiveness of **the Trust'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 Trust'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 Trust** to cease to continue as a going concern.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Sajjad Hussain Gill.

Chartered Accountants
Lahore: 12 October 2021

HAJI MOHAMMAD ASGHAR GHURKI TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 Rupees	2019 Rupees
FUND BALANCE		388,163,471	329,121,580
REPRESENTED BY:			
NON-CURRENT ASSETS			
Property and equipment	8	530,884,520	558,157,013
Capital work in progress	9	656,589,794	49,134,736
Intangible assets	10	13,590,000	-
Deferred cost	11	-	376,471
Long term advances	12	25,728,737	62,682,559
Right of use assets	13	-	809,692
		1,226,793,051	671,160,471
CURRENT ASSETS			
Inventory	14	32,763,437	41,486,470
Stores and spares		10,260,781	10,171,001
Debtors - considered good		4,745,093	2,863,252
Advances, deposits, prepayments and other receivables	15	41,088,640	46,162,197
Cash and bank balances	16	141,709,058	207,302,145
		230,567,009	307,985,065
TOTAL ASSETS		1,457,360,060	979,145,536
LESS:			
NON CURRENT LIABILITIES			
Deferred income	17	743,778,771	482,239,494
Lease liabilities	18	-	364,739
		743,778,771	482,604,233
CURRENT LIABILITIES			
Lease liabilities	18	-	530,000
Contract liabilities		3,637,382	651,522
Creditors, accrued and other liabilities	19	321,780,436	166,238,201
		325,417,818	167,419,723
NET ASSETS		388,163,471	329,121,580
CONTINGENCIES AND COMMITMENTS	20	-	-

The annexed notes from 1 to 33 form an integral part of these financial statements.

(CHAIRMAN)

(FINANCE SECRATERY)

HAJI MOHAMMAD ASGHAR GHURKI TRUST
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 Rupees	2019 Rupees
INCOME			
Unrestricted:			
Income from medical services	21	771,211,720	746,980,331
Donations and contributions	22	339,576,962	321,215,471
Deferred grant recognized-Donations	17	44,767,315	51,153,878
Income from nursing school		2,138,000	2,638,500
Other income	23	14,767,916	8,244,950
Restricted:			
Income realized against government grant	17	5,453,358	5,809,190
		1,177,915,271	1,136,043,320
LESS: EXPENDITURES			
Medical expenses	24	(1,041,225,634)	(1,013,564,956)
Administrative expenses	25	(130,688,849)	(122,881,380)
Finance costs	26	(108,897)	(170,778)
		(1,172,023,380)	(1,136,617,114)
Excess / (deficit) of income over expenditure before taxation		5,891,891	(573,794)
Taxation	27	-	-
Excess / (deficit) of income over expenditure after taxation		5,891,891	(573,794)

The annexed notes from 1 to 33 form an integral part of these financial statements.

(CHAIRMAN)

(FINANCE SECRATERY)

HAJI MOHAMMAD ASGHAR GHURKI TRUST
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 Rupees	2019 Rupees
Excess / (deficit) of income over expenditure after taxation	5,891,891	(573,794)
Other comprehensive income:		
Items that may be reclassified to income and expenditure in subsequent periods	-	-
Items that will not be reclassified to income and expenditure in subsequent periods	-	-
Total other comprehensive income	-	-
Total comprehensive income / (loss) for the year	5,891,891	(573,794)

The annexed notes from 1 to 33 form an integral part of these financial statements.

(CHAIRMAN)

(FINANCE SECRATERY)

HAJI MOHAMMAD ASGHAR GHURKI TRUST
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED 31 DECEMBER 2020

	General fund	Endowment fund	Total
		Rupees	
Balance as on 01 January 2019	105,195,374	185,800,000	290,995,374
Funds received during the year	-	38,700,000	38,700,000
Deficit after tax	(573,794)	-	(573,794)
Other comprehensive income	-	-	-
	(573,794)	-	(573,794)
Balance as at 31 December 2019	**104,621,580**	**224,500,000**	**329,121,580**
Funds received during the year	-	**53,150,000**	**53,150,000**
Excess of income over expenditure after taxation	**5,891,891**	-	**5,891,891**
Other comprehensive income	-	-	-
	5,891,891	-	**5,891,891**
Balance as at 31 December 2020	**110,513,471**	**277,650,000**	**388,163,471**

The annexed notes from 1 to 33 form an integral part of these financial statements.

(CHAIRMAN)

(FINANCE SECRATERY)

HAJI MOHAMMAD ASGHAR GHURKI TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess / (deficit) of income over expenditure before taxation		5,891,891	(573,794)
Adjustments for non cash items:			
Depreciation of property and equipment	8.1	76,710,774	88,337,429
Amortization of intangible assets	10	3,397,500	83,333
Amortization of deferred income		(50,220,673)	(56,963,068)
Amortization of deferred cost	11	376,471	378,279
Depreciation of right of use assets	13	383,538	511,385
Loans and advances written off - net	25	453,963	(321,186)
Loss on disposal of lease liability		11,577	-
Unrealized exchange gain		(6,748,539)	-
Finance cost		108,897	170,778
		24,473,508	32,196,950
Cash flows before working capital changes		30,365,399	31,623,156
Changes in working capital:			
Decrease / (increase) in inventory		8,723,033	(15,150,322)
(Increase) / decrease in stores and spares		(89,780)	4,593,988
Increase in debtors - considered good		(1,881,841)	(1,616,249)
Decrease / (increase) in advances, deposits, prepayments and other receivables		24,803,771	(21,449,283)
Increase in contract liabilities		2,985,860	651,522
Increase in creditors, accrued and other liabilities		162,171,434	21,320,116
		196,712,477	(11,650,208)
Cash generated from operations		227,077,876	19,972,948
Finance cost paid		(24,761)	(34,616)
Taxes paid		(98,515)	(25,087)
Net cash flows from operating activities		226,954,600	19,913,245
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(38,874,410)	(16,986,909)
Additions to capital work in progress		(518,018,927)	(41,496,754)
Net cash used in investing activities		(556,893,337)	(58,483,663)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liability	18	(564,300)	(562,500)
Endowment funds received during the year		53,150,000	38,700,000
Government grant received during the year	17	3,750,000	6,250,000
Donations received for assets	17	308,009,950	108,000,000
Cash inflows from financing activities		364,345,650	152,387,500
Net (decrease) / increase in cash and cash equivalents during the year		(65,593,087)	113,817,082
Cash and cash equivalents at the beginning of the year		207,302,145	93,485,063
Cash and cash equivalents at the end of the year	16	141,709,058	207,302,145

The annexed notes from 1 to 33 form an integral part of these financial statements.

(CHAIRMAN)

(FINANCE SECRATERY)

HAJI MOHAMMAD ASGHAR GHURKI TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

Haji Mohammad Asghar Ghurki Trust ("the Trust") having a registered office and hospital to provide medical and health care facilities at Jallo More, Lahore, Pakistan was registered in Pakistan as a non-profit organization in August, 1991 under the Societies Registration Act, 1860. The objective of the Trust is to provide medical and health care facilities to the general public on charitable basis by setting-up a modern hospital affiliated with a medical educational institution. The Trust is also registered in United Kingdom with the Charity Commission and United States of America with the Internal Revenue Service as a charity institute.

2 IMPACT OF IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The World Health Organization declared COVID-19 a global pandemic on 11 March 2020. Accordingly, on 20 March 2020, the Government of Pakistan announced temporary lock down as a measure to reduce the spread of COVID-19. The outbreak of COVID-19 had a distressing impact on overall demand in the global economy with notable downgrade in growth forecast.

After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Trust continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its operations. While COVID-19 did affect patients volumes and operations of the Trust for approximately three months in the financial year due to temporary lock downs by the Government, however, it has not significantly impacted Trust's overall financial position and performance.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified by Securities and Exchange Commission of Pakistan and Accounting Standards for Not-for-Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP).

4 BASIS OF MEASURMENT

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the accounting policies below.

4.1 Functional and presentation currency

These financial statements are presented in Pakistan Rupees (Pak Rupee), which is also the Trust's functional currency. All financial information presented in Pak Rupees has been rounded off to the nearest Rupee.

4.2 Significant estimates and judgements

The preparation of financial statements, in conformity with the approved accounting standards, requires the use of certain critical accounting estimates. It also requires the management to examine its judgment in the process of applying the Trust's accounting policies. Estimates and judgments are continuously evaluated and are based on historical experiences, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Trust's financial statements and where judgment was exercised in the application of relevant accounting policies are as follows:

- Depreciation method, rates and useful lives of property and equipment;
- Amortization rate of deferred cost of the Trust;
- Fair value of donation received in kind;
- Estimation of net realizable value of inventory, stores and spares;
- Lease term and discount rates for leases;
- Impairment of non financial assets;
- Impairment of financial assets; and
- Provisions and contingencies.

5 SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Property and equipment

Owned

These are stated at cost less accumulated depreciation and any identified accumulated impairment loss except freehold land which is stated at cost.

Depreciation is charged to statement of income and expenditure by applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in Note 8. The residual values and useful lives of assets are reviewed at each financial year-end and adjusted, if impact on depreciation is significant.

Depreciation on additions to operating fixed assets is charged from the month in which asset is capitalized and no depreciation is charged for the month in which the asset is disposed-off.

Normal repairs and replacements are charged to statement of income and expenditure. Major improvements and modifications are capitalized and assets replaced, if any, other than those kept as stand-by, are retired.

Gain/(loss) on disposal of operating fixed assets, is included in income / expense for the year.

Donated
Medical equipment received during the year as donations are recognized at fair value which is considered as the cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss, if any. Depreciation is charged to statement of income and expenditure by applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in Note 8.

Capital work-in-progress
Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

5.2 Impairment of non-financial asset

The Trust assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Trust estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Trust bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Trust's CGUs to which the individual assets are allocated. Impairment losses of continuing operations are recognized in the statement of income and expenditure consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Trust estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income and expenditure unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

5.3 Intangible assets

Expenditure incurred to acquire computer software is capitalized as intangible asset and stated at cost less accumulated amortization and any identified impairment loss. Computer software is amortized using the straight line method. Amortization on additions to computer software is charged from the month in which the asset is available for use while no amortization is charged for the month in which the asset is disposed off. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

5.4 Leases

The Trust initially recognized a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term against a consideration. The lease liability is measured at the present value of the consideration (lease payments) to be made over the lease term. The lease payments are discounted using the incremental rate of borrowing since the interest rate implicit in the lease is not readily determinable. The right-of-use asset is initially measured at the present value of lease liability, adjusted for lease prepayments and borrowing costs.

i) Right-of-use assets

The Trust recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Trust is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

ii) Lease liabilities

At the commencement date of the lease, the Trust recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Trust uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Trust does not have any short-term lease (i.e. lease that has a lease term of 12 months or less from the commencement date and do not contain a purchase option) or any lease of low-value assets, however, in case if such lease exists the Trust applies recognition exemption to such lease. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

5.5 Stores and spares

These are valued at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon till reporting date.

5.6 Inventory

These are valued at the lower of weighted average cost and net realizable value. Cost is arrived at on a moving average basis. Inventories in transit are stated at cost comprising invoice value plus other charges incurred thereon till reporting date. Net realizable value signifies the estimated selling price in the ordinary course of operations less costs necessary to be incurred in order to make the sale.

5.7 Debtors, advances, deposits, prepayments and other receivables

Debtors, advances, deposits, prepayments and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method. Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the respective financial asset. Bad debts are written off when considered irrecoverable.

5.8 Cash and cash equivalents

Cash and cash equivalents include cash-in-hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and borrowings in respect of short term running finances carried in current liabilities in the statement of financial position.

5.9 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Trust will comply with attached conditions.

Government grants relating to costs are deferred and recognized in the statement of income and expenditure over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to equipment are included in non-current liabilities as deferred income and are charged to the statement of income and expenditure using reducing balance method over the expected lives of the related assets.

5.10 Creditors, accrued and other liabilities

These are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liability.

15

5.11 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

The amount recognised as provision is the best estimate of consideration required to settle the present obligation at the end of reporting period, taking into account the risk and uncertainties surrounding the obligation.

5.12 Revenue recognition

Income from medical services

Revenue consists of inpatient revenue, outpatient revenue and pharmacy. The management has assessed that the performance obligations are satisfied at point in time basis when the services are provided to patients in case of inpatient, outpatient and goods are delivered to customer in case of pharmacy. Revenue is measured based on the consideration specified in respective contract with the customer.

Receivable is recognized when the services are provided or goods are delivered to customers as the performance obligation is satisfied on point in time basis and the consideration is unconditional considering that only a passage of time is required before the payment is received. The Trust recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations.

Donations, contributions and deferred income

Donations are recognized when received, however, contributions are recognized on accrual basis. Deferred income is recognized on provision of related medical services against which that income was received and as per the pattern of depreciation charged on the related assets.

5.13 Funds

i) Endowment fund

Endowment fund include funds received from the chairman of the Trust. The main objective of the fund is to provide for capital expenditures, as and when needed.

ii) Restricted funds

Restricted funds are received from Trustees and general public with a specific condition or purpose attached to its use. Such funds are initially recognized as deferred income and subsequently upon fulfilment of the specific condition or purpose these are charged to statement of income and expenditure.

iii) Unrestricted funds

Unrestricted funds are received from donors with no specific condition or purpose attached for its use. Such funds are directly charged to statement of income and expenditure.

5.14 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Trust's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Trust has applied the practical expedient, the Trust initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Trust has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Trust's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

5

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e. the date that the Trust commits to purchase or sell the asset.

ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through statement of income and expenditure and other comprehensive income.

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in statement of income and expenditure and other comprehensive income when the asset is derecognised, modified or impaired.

The Trust's financial assets at amortized cost includes debtors, deposits and other receivables included under current assets.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of income and expenditure and other comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Trust does not have any debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Trust can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of income and expenditure and other comprehensive income when the right of payment has been established, except when the Trust benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Trust does not have any financial assets for which it has elected to classify irrevocably under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of income and expenditure and other comprehensive income.

This category includes derivative instruments and listed equity investments which the Trust had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the statement of income and expenditure when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through statement of income and expenditure. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

The Trust does not have any financial assets for which it has elected to classify irrevocably under this category.

iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Trust's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Trust has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Trust has transferred substantially all the risks and rewards of the asset, or (b) the Trust has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Trust has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Trust continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Trust also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Trust has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Trust could be required to repay.

Financial liabilities

i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and other comprehensive income, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Trust's financial liabilities include creditors, accrued and other payables and lease liabilities.

ii) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at fair value through profit or loss and other comprehensive income

Financial liabilities at fair value through profit and loss and other comprehensive income include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through statement of income and expenditure.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Trust that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of income and expenditure.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Trust has not designated any financial liability as at fair value through profit or loss and other comprehensive income.

Financial liabilities at amortized cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of income and expenditure and other comprehensive income.

This category applies to lease liabilities, creditors, accrued and other liabilities.

iii) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income and expenditure and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

5.15 Taxation

The provision for taxation has not been recognized in these financial statements since the income received by the Trust is subject to 100% tax credit under section 100C of the Income Tax Ordinance, 2001.

F;

5.16 Related party transactions

Transactions with related parties are made at arm's length prices except in circumstances where it is in the interest of the Trust not to do so. Parties are said to be related if they are able to influence the operating and financial decisions of the Trust as defined in International Accounting Standard 24 "Related Party Disclosure".

6 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR

Certain standard, amendments and interpretations are effective for accounting period beginning on 01 January 2020 but are considered not to be relevant or to have any significant effect on the Trust's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements.

7 STANDARDS, AMENDMENTS TO ACCOUNTING STANDARDS AND IMPROVEMENTS TO ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations with respect to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below and have not been adopted early by the Trust.

Standards and IFRIC		Effective date (accounting periods beginning on or after)
IAS 1	Clarification regarding classification of current and non-current liabilities	01 January 2023
IAS 16	Proceeds before intended use (Amendments)	01 January 2022
IAS 37	Onerous Contracts - cost of fulfilling a contract (Amendments)	01 January 2022
IFRS 16	Covid-19 related rent concessions (Amendments)	01 June 2020
IFRS 3	Reference to the conceptual framework (Amendments)	01 January 2022
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform - Phase 2	01 January 2021
IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture (Amendments)	Not yet finalized

The management expects that the adoption of above standards and amendments will not have any material impact on the Trust's financial statements in the period of initial application.

In addition to the above new standards and amendments to standards, improvements to various accounting standards have also been issued by the IASB in March 2018. Such improvements are generally effective for accounting periods beginning on or after 01 January 2020. The Trust expects that such improvements to the standards will not have any material impact on the its financial statements in the period of initial application.

Further, the following new standards have been issued by the IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards		Effective date (accounting periods beginning on or after)
IFRS 1	First time Adoption of International Financial Reporting Standards	01 July 2009
IFRS 17	Insurance Contracts	01 January 2023

The management expects that the adoption of above standards and amendments will not have any material impact on the Trust's financial statements in the period of initial application.

6 PROPERTY AND EQUIPMENT

Description	2020 Cost As at 01 January 2020	Cost Additions / transfers	Cost As at 31 December 2020	Accumulated depreciation As at 01 January 2020	Accumulated depreciation For the year	Accumulated depreciation As at 31 December 2020	Net book value As at 31 December 2020	Rate %
	Rupees							
Owned:								
Free hold land	22,577,500	-	22,577,500	-	-	-	22,577,500	-
Building	228,892,527	-	228,892,527	69,631,640	7,963,044	77,594,684	151,297,843	5
Radiology equipment	112,264,996	10,563,869	122,828,865	77,959,366	8,251,097	86,210,463	36,618,402	20
Laboratory equipment	10,815,459	-	10,815,459	8,892,913	384,509	9,277,422	1,538,037	20
Medical equipment	346,615,840	29,268,230	375,884,070	178,892,624	34,877,481	213,770,105	162,113,965	20
Furniture and fixtures	40,078,814	3,236,000	43,314,814	14,183,881	2,743,751	16,927,632	26,387,182	10
Vehicles	8,984,684	-	8,984,684	4,007,670	497,701	4,505,371	4,479,313	10
Office and electrical equipment	125,593,047	3,021,866	128,614,913	42,265,712	8,490,298	50,756,010	77,858,903	10
Diesel generator	21,253,434	-	21,253,434	11,901,579	1,870,371	13,771,950	7,481,484	20
Computers	42,632,476	1,123,395	43,755,871	25,877,312	5,149,509	31,026,821	12,729,050	30
Subtotal	959,708,777	47,213,360	1,006,922,137	433,612,697	70,227,761	503,840,458	503,081,679	
Donated:								
Medical equipment	75,203,750	25,000	75,228,750	43,594,690	6,324,312	49,919,002	25,309,748	20
Furniture and fixtures	55,000	1,455,000	1,510,000	3,208	89,829	93,037	1,416,963	10
Office and electrical equipment	317,000	380,419	697,419	17,617	49,689	67,306	630,113	10
Vehicles	106,000	364,500	470,500	5,300	19,183	24,483	446,017	10
Subtotal	75,681,750	2,224,919	77,906,669	43,620,815	6,483,013	50,103,828	27,802,841	
	1,035,390,527	49,438,279	1,084,828,806	477,233,512	76,710,774	553,944,286	530,884,520	

Description	2019 Cost As at 01 January 2019	Additions / transfers	As at 31 December 2019	Accumulated depreciation As at 01 January 2019	For the year	As at 31 December 2019	Net book value As at 31 December 2019	Rate %
	Rupees							
Owned:								
Free hold land	22,577,500	-	22,577,500	-	-	-	22,577,500	-
Building	216,892,547	11,999,980	228,892,527	61,378,469	8,253,171	69,631,640	159,260,887	5
Radiology equipment	112,264,996	-	112,264,996	69,382,958	8,576,408	77,959,366	34,305,630	20
Laboratory equipment	10,815,459	-	10,815,459	8,412,277	480,636	8,892,913	1,922,546	20
Medical equipment	337,435,765	9,180,075	346,615,840	137,397,384	41,495,240	178,892,624	167,723,216	20
Furniture and fixtures	36,469,719	3,609,095	40,078,814	11,414,843	2,769,038	14,183,881	25,894,933	10
Vehicles	8,984,684	-	8,984,684	3,454,666	553,002	4,007,670	4,977,014	10
Office and electrical equipment	117,965,298	7,627,749	125,593,047	33,179,097	9,086,615	42,265,712	83,327,335	10
Diesel generator	21,253,434	-	21,253,434	9,563,615	2,337,964	11,901,579	9,351,855	20
Computers	40,689,478	1,942,998	42,632,476	19,020,347	6,856,965	25,877,312	16,755,164	30
Subtotal	925,348,980	34,359,797	959,708,777	353,203,658	80,408,039	433,611,697	526,096,080	
Donated:								
Medical equipment	75,203,750	-	75,203,750	35,692,425	7,902,265	43,594,690	31,609,060	20
Furniture and fixtures	-	55,000	55,000	-	3,208	3,208	51,792	10
Office and electrical equipment	-	317,000	317,000	-	17,617	17,617	299,383	10
Vehicles	-	106,000	106,000	-	5,300	5,300	100,700	10
Subtotal	75,203,750	478,000	75,681,750	35,692,425	7,928,390	43,620,815	32,060,935	
	1,000,552,730	34,837,797	1,035,390,527	388,896,083	88,337,428	477,233,512	558,157,013	

8.1 **Allocation of depreciation**

	Note	2020 Rupees	2019 Rupees
Medical expenses	24	48,837,399	58,454,548
Administrative expenses	25	26,873,375	29,882,880
		76,710,774	88,337,428

9 CAPITAL WORK IN PROGRESS

	Note	2020 Rupees	2019 Rupees
Opening balance		48,134,738	25,468,878
Additions during the year		618,016,927	41,496,754
Transferred to property and equipment		(10,563,869)	(17,852,868)
Closing balance	9.1	656,588,794	49,134,738

15

	2020 Rupees	2019 Rupees
9.1 Capital work in progress represents		
Building	135,915,179	38,101,781
Medical equipment	498,384,155	11,032,955
Office and electrical equipment	22,290,460	-
	656,589,794	49,134,736

10 INTANGIBLE ASSETS

Description	2020							
	Cost			Amortization			Net book value	Rate
	As at 01 January 2020	Transfer (Note 10.1)	As at 31 December 2020	As at 01 January 2020	Charge for the year (Note 10.2)	As at 31 December 2020	As at 31 December 2020	%
	Rupees							
Software	-	16,987,500	16,987,500		3,397,500	3,397,500	13,590,000	20
License fee	500,000	-	500,000	500,000	-	500,000	-	20
2020	500,000	16,987,500	17,487,500	500,000	3,397,500	3,897,500	13,590,000	

Description	2019							
	Cost			Amortization			Net book value	Rate
	As at 01 January 2019	Additions / (deletions)	As at 31 December 2019	As at 01 January 2019	Charge for the year	As at 31 December 2019	As at 31 December 2019	%
	Rupees							
License fee	500,000	-	500,000	416,667	83,333	500,000	-	20
2019	500,000	-	500,000	416,667	83,333	500,000	-	

10.1 The represents amount transferred from advances to suppliers with respect to Hospital Management Information System during the year.

10.2 Amortization is being charged to administrative expenses.

11	DEFERRED COST	Note	2020 Rupees	2019 Rupees
	Opening balance		378,471	754,750
	Less: Amortization for the year	25	(378,471)	(378,279)
	Closing balance		-	376,471

This represents payments made to various companies including Lahore Electric Supply Company Limited, Sui Northern Gas Pipelines Limited and others against capital cost of utility connections. This is being amortized over a period of five years at the rate of 20% (2019: 20%). The amortization is charged to administrative expenses.

12	LONG TERM ADVANCES	Note	2020 Rupees	2019 Rupees
	As at 01 January		70,580,461	49,601,837
	Addition during the year		68,611,832	38,918,000
	Transferred to:			
	- capital work in progress		(79,865,950)	(2,980,963)
	- intangible assets		(16,987,500)	(6,463,027)
	- inventory		(6,313,837)	(3,374,841)
	- admin and medical expenses		(6,249,436)	(5,120,411)
			(109,416,723)	(17,939,240)
	As at 31 December		29,775,570	70,580,461
	Current portion	15	(4,046,833)	(7,897,902)
	Non current portion		25,728,737	62,682,559

13	RIGHT OF USE ASSETS	Note	2020 Rupees	2019 Rupees
	Cost			
	As at 01 January		1,321,077	-
	Adjustments due to adoption of IFRS 16		-	1,321,077
	Deletions during the year		(1,321,077)	-
	As at 31 December		-	1,321,077
	Accumulated Depreciation			
	As at 01 January		511,385	-
	For the year charge	25	383,538	511,385
	Deletions during the year		(894,923)	
	As at 31 December		-	511,385
	Net book value as at 31 December 2019		-	809,692
	Lease term (in years)		-	3 years
14	INVENTORY	14.1	32,763,437	41,485,470

14.1 Inventory represents medicines which are consumed internally and are sold to indoor as well as outdoor patients.

15	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2020 Rupees	2019 Rupees
	Advances (unsecured) to:			
	Employees		154,487	1,122,783
	Suppliers	12	4,046,833	7,897,902
			4,201,320	9,020,685
	Advance income tax		2,114,076	1,887,121
	Security deposits		326,000	525,000
	Prepayments		120,500	37,250
	Rent receivable		400,896	377,893
	Other receivables		636,208	803,396
	Receivable from Lahore Medical and Dental College		33,389,741	33,440,802
			41,288,640	46,162,187

16 CASH AND BANK BALANCES

	Note	2020 Rupees	2019 Rupees
Cash in hand		997,390	839,171
Cash at bank - current accounts			
- local currency		140,554,265	206,002,974
- foreign currency		157,403	-
		141,709,058	207,302,145

17 DEFERRED INCOME

	Note	2020 Rupees	2019 Rupees
Government grant - restricted			
As at 01 January		2,416,168	1,975,358
Additions during the year	17.1	3,750,000	6,250,000
Recognized as income during the year		(5,453,358)	(5,809,190)
As at 31 December		712,810	2,416,168
Donations received for assets - unrestricted			
As at 01 January		479,823,326	422,977,204
Additions during the year	17.2	308,009,950	108,000,000
Recognized as income during the year		(44,767,315)	(51,153,878)
As at 31 December		743,065,961	479,823,326
Deferred income		743,778,771	482,239,494

17.1 This represents grant received from Zakat and Ushr Department of Punjab on the basis of Memorandum of Understanding signed between the Trust and Zakat and Ushr Department of Punjab for the treatment of Health Welfare Committee (HWC) patients. This is being recognized as income on the pattern of expenses incurred on the treatment of HWC patients.

17.2 This represents donations received during the year for the construction of Cyberknife, Musafir khana and Kidney Dialysis Centre. The same will be recognized as income on the pattern of depreciation charged on the related assets.

18 LEASE LIABILITIES

	Note	2020 Rupees	2019 Rupees
As at 01 January		894,739	-
Adjustments due to adoption of IFRS 16		-	1,321,077
Accretion of interest	26	84,138	136,162
Lease payments		(564,300)	(562,500)
Deletions during the year		(414,577)	-
As at 31 December	18.1	-	894,739
Current portion		-	(530,000)
Non-current portion		-	364,739

18.1 The amount of the future payments of the lease, as shown in the statement of financial position, and the period in which these payments will become due are as follows:

	2020 Rupees	2019 Rupees
Present value of lease payments	-	894,739
Less: Current maturity	-	(530,000)
	-	364,739
Lease rentals payable		
- not later than one year	-	618,750
- later than one year and not later than five years	-	381,150
	-	999,900
Less: future financial charges	-	(105,161)
Net lease obligation	-	894,739

19 CREDITORS, ACCRUED AND OTHER LIABILITIES

	2020 Rupees	2019 Rupees
Creditors	260,293,423	98,512,165
Accrued expenses	53,044,682	48,708,973
Withholding tax payable	523,825	404,585
Security deposits	3,705,000	4,555,000
Other liabilities	4,213,498	14,557,478
	321,780,435	165,238,201

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

Proceedings for the tax periods from 1st January 2017 to 31st December 2018 were initiated vide show cause notice issued by the learned Additional Commissioner Punjab Revenue Authority, whereby sales tax demand of Rs. 60.2 million has been raised with regard to withholding tax obligations in terms of Punjab Sales Tax on Services Act, 2012 read with Punjab Sales Tax on Services (Withholding) Rules, 2015. In response to the aforesaid show cause notice, the Trust filed detailed response against which order/response by the department is pending to date. Based on the tax advisor's opinion, management of the Trust is confident of favourable outcome. Therefore, no provision has been made in these financial statements.

20.2 Commitments

Commitments with respect to letter of credit for capital expenditure as at year end amounts to Rs. Nil (2019: Rs.387,119,000).

21 INCOME FROM MEDICAL SERVICES	Note	2020 Rupees	2019 Rupees
Income from medical services	21.1	**942,416,994**	996,526,745
Less: Free and subsidized treatment		**(171,205,274)**	(249,546,414)
		771,211,720	746,980,331

21.1 Disaggregated revenue information

Type of revenue		
- Medical services	**563,103,390**	596,077,622
- Pharmacy sales	**379,313,604**	400,449,123
	942,416,994	996,526,745
Timing of revenue recognition		
Services transferred at point in time	**942,416,994**	996,526,745

22 DONATIONS AND CONTRIBUTIONS

	Note	2020 Rupees	2019 Rupees
Donations	22.1	**105,225,890**	126,617,861
Contribution by affiliated medical institution against:			
-deficit		**68,376,686**	31,373,077
-salaries		**165,974,386**	163,225,533
	22.2	**234,351,072**	194,598,610
		339,576,962	321,216,471

22.1 This represents donations received from general public, corporations and Government.

22.2 This represents contributions from Lahore Medical and Dental College (Private) Limited (LMDC) in respect of deficit for the year, salaries and annual increments of post graduate trainees, senior registrars and house officers under the provisions of the agreement with LMDC.

23 OTHER INCOME	Note	2020 Rupees	2019 Rupees
Tender fee		**421,500**	419,000
Rental income		**4,579,428**	4,182,746
Scrap sales		-	771,373
Loans and advances written off - net		-	321,184
Exchange gain - net	23.1	**7,762,521**	-
Miscellaneous income		**2,004,467**	2,550,647
		14,767,916	8,244,950

23.1 This includes foreign exchange gain on balances payable to suppliers against purchases. The breakup of realized and unrealized exchange gain is as follows:

	2020 Rupees	2019 Rupees
- realized	**1,013,982**	-
- unrealized	**6,748,539**	-
	7,762,521	

万

24	MEDICAL EXPENSES	Note	2020 Rupees	2019 Rupees
	Salaries and wages		511,516,845	484,905,369
	Inventory consumed		309,470,107	324,022,426
	Operation theatre expenses		62,319,755	22,563,821
	Printing and stationary		5,753,909	8,917,198
	Repair and maintenance		20,848,918	18,272,812
	Utilities		58,009,998	58,984,752
	Internet		1,808,000	1,798,800
	Entertainment		3,762,740	4,404,575
	MRI and CT scan reporting fee		1,675,000	2,172,500
	Executive Clinic Fee		14,021,829	16,278,130
	Sanitation, wastage and cleaning expenses		8,145,471	8,352,144
	Depreciation	8.1	49,837,399	58,454,549
	Insurance expenses		-	183,336
	Miscellaneous expenses		4,958,863	5,204,744
			1,041,225,834	1,013,564,956

25	ADMINISTRATIVE EXPENSES	Note	2020 Rupees	2019 Rupees
	Salaries and wages	25.1	56,835,205	53,682,930
	Printing and stationary		1,438,477	1,729,300
	Postage and stamps		214,365	269,556
	Repair and maintenance		5,212,238	4,568,200
	Utilities		14,502,499	14,746,188
	Advertisement		209,338	386,961
	Travelling and conveyance		4,751,964	2,572,259
	Entertainment		940,685	1,101,144
	Telephone and internet expenses		1,227,576	1,305,033
	Legal and professional expenses		2,928,140	2,168,033
	Auditors' remuneration		300,000	292,500
	Depreciation of property and equipment	8.1	26,873,375	28,882,880
	Amortization of intangible assets	10.2	3,397,900	83,333
	Amortization of deferred cost	11	378,471	378,279
	Depreciation of right of use assets	13	383,538	511,385
	Sanitation and cleaning expenses		1,556,368	1,837,786
	Marketing expenses		6,844,009	8,187,724
	Security service expense		1,066,997	-
	Advances written off		453,963	-
	Stores written down		-	804,897
	Fine and penalties		150,963	-
	Loss on disposal of right of use - net		11,577	-
	Miscellaneous expenses		1,613,909	1,301,189
			130,688,849	122,881,380

25.1 No remuneration, allowance or other reimbursements against expenses including travelling has been made to the Board of Trustees.

26	FINANCE COSTS	Note	2020 Rupees	2019 Rupees
	Accretion of interest against lease	18	84,138	136,162
	Bank charges		24,759	34,616
			108,897	170,778

27	TAXATION			
	Current	27.1	-	-

27.1 Provision for tax has not been recognized in the financial statements since the income received by the Trust is subject to 100% tax credit under section 100C of the Income Tax Ordinance, 2001.

28 RELATED PARTY TRANSACTIONS

The related parties comprise of Trustees and key management personnel. Significant transactions with related parties are as under:

Related party	Nature of relationship	Nature of Transaction	2020 Rupees	2019 Rupees
Mr. Mushtaq Ahmed	Trustee	Loan received during the year	15,900,000	-
		Loan repaid during the year	(16,279,000)	-
		Exchange loss on repayment	379,000	
Endowment fund	Trustees	Contribution received from Trustees during the year	53,150,000	38,700,000

29 FINANCIAL RISK MANAGEMENT

29.1 Financial risk factors

The Trust's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Trust's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Trust's financial performance.

Risk management is carried out by the Trust's finance department under policies approved by the Board of Trustees. The Trust's finance department evaluates its financial risks during the year. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk and investment of excess liquidity.

(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. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

Reporting date rupees per:	2020		2019	
	Average rate	Reporting date rate	Average rate	Reporting date rate
USD	157.34	159.83	146.88	154.55

	2020 Rupees	2019 Rupees
Foreign currency denominated monetary liabilities in:		
USD	922,488	-

Currency sensitivity analysis:

If the functional currency, at reporting date, had increased / (decrease) by 1% against the foreign currencies with all other variables held constant, the impact on Trust's profit before tax for the year would have been as follows:

	Changes in USD Rate	2020	2019
		Effects on excess of income over expenditure before taxation	
		Rupees	Rupees
Creditors			
	+1%	(1,474,450)	-
	-1%	1,474,450	-

(ii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust has no interest-bearing assets therefore the Trust is not exposed to interest rate risk at reporting date.

(iii) Other price risk

Other price risk represents 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 interest rate risk or currency 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 Trust is not exposed to any commodity price risk at reporting date.

15

(b) **Credit risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2020 Rupees	2019 Rupees
Debtors - considered good	4,745,083	2,883,252
Security deposits	225,000	525,000
Rent receivable	400,896	377,693
Other receivables	636,268	863,388
Receivable from Lahore Medical and Dental College	33,308,741	33,440,862
Bank balances	140,711,868	206,082,974
	180,108,405	244,733,367

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about the counter-party default rate. Significant financial asset as at reporting date pertains to the bank balances for which the external credit rating is as follows:

	Short Term	Long Term	Agency	2020 Rupees	2019 Rupees
Habib Bank Limited	AAA	A1+	JCR-VIS	8,361,875	8,528,526
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	97,544	97,544
Bank Alfalah Limited	A1+	AA+	PACRA	60,788	80,788
Al-Baraka Limited	A1	A+	PACRA	50,000	50,000
Sindh Bank Limited	A1	A+	JCR-VIS	110,152,661	74,506,690
Dubai Islamic Bank Limited	A1+	AA	JCR-VIS	21,989,000	125,420,426
				140,711,868	206,082,974

Due to the Trust's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the management does not expect non-performance by these counter parties on their obligations to the Trust. Accordingly, the credit risk is minimal and no expected credit loss has been recognized in these financial statements.

(c) **Liquidity risk**

Liquidity risk is the risk that the Trust will encounter difficulty in meeting its obligations associated with the financial liabilities. The Trust manages liquidity risk by maintaining sufficient cash and bank balances. The management believes that the liquidity risk for the Trust is low. Following are the contractual maturities of the financial liabilities, including interest payments. The amount disclosed in the table below represents the undiscounted cash flows.

Contractual Maturities of financial liabilities as at 31 December 2020

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 year	More than 2 years
Non-derivative financial liabilities						
Creditors, accrued and other liabilities	321,256,511	321,256,511	261,624,482	-	59,632,029	-

Contractual Maturities of financial liabilities as at 31 December 2019

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 year	More than 2 years
Non-derivative financial liabilities						
Creditors, accrued and other liabilities	165,833,616	165,833,616	165,833,616	-	-	-
Liability against assets subject to lease	894,739	999,900	309,375	309,375	381,150	-
	166,728,355	166,833,516	166,142,991	309,375	381,150	-

29.2 Financial instruments by categories

	2020 Rupees	2019 Rupees
Financial assets as per statement of financial position		
Financial assets at amortized cost		
Debtors - considered good	4,745,093	2,863,252
Security deposits	225,000	520,000
Rent receivable	400,898	377,893
Other receivables	836,208	863,386
Receivable from Lahore Medical and Dental College	33,308,741	33,440,862
Bank balances	140,711,668	206,662,974
	180,108,605	244,733,367
Financial liabilities as per statement of financial position		
Financial liabilities at amortized cost		
Creditors, accrued and other liabilities	321,256,511	105,728,355

29.2 Fair value of financial instruments

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 measurement date. Underlying the definition of fair value is the presumption that the Trust is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Accordingly, the fair values are not disclosed separately in these financial statements. Fair value is determined on the basis of objective evidence at each reporting date.

Specific valuation techniques used to value financial instruments include:

- 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

30 CAPITAL/FUND RISK MANAGEMENT

The Trust's objectives when managing capital are to safeguard the Trust's ability to continue as a going concern in order to provide benefits for stakeholders and support its operations. The Trust does not have any interest bearing borrowings from any commercial bank. The Trust manages its funds structure and makes adjustments to it, in the light of changes in economic conditions. No changes were made in the objectives, policies or processes from the previous year.

31 NUMBER OF EMPLOYEES

The total number of employees of the Trust as at 31 December 2020 are 1,185 (2019: 1,224)

32 DATE OF AUTHORIZATION FOR ISSUANCE

The financial statements were authorized for issuance by the Board of Trustees in their meeting held on 11 October 2021

33 CORRESPONDING FIGURES

Corresponding figures have been rearranged / reclassified, wherever considered necessary for the purposes of better and fair presentation. However, no significant rearrangement / reclassifications has been made in the financial statements except as follows:

Description	Reclassified from	Reclassified to	Note	Amount in Rs. 2019
Advances to suppliers against operating fixed assets	Advances, deposits, prepayments and other receivables - Advances to supplier	Long term advances	12	13,200,000

(CHAIRMAN)

(FINANCE SECRATERY)