THE DIABETES CENTRE - TDC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Yousuf Adil
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the members of The Diabetes Centre

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of The Diabetes Centre (the Company), which comprise the statement of financial position as at June 30, 2021, the statement of Income and expenditure, the statement of comprehensive income, statement of changes in funds, 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, the statement of comprehensive income, statement of changes in funds 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 Company's affairs as at June 30, 2021 and of the surplus, other comprehensive income, the changes in funds 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 Company 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 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.

Emphasis of Matter

We draw attention to note 1.3 to the financial statements, which describes the status of registration process with Economic Affairs Division of Pakistan. Our opinion is not modified in respect of this matter.

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

Management is responsible for the other information. The other information includes the director's report, but does not include the financial statements and our auditor's report thereon. The director's report was not made available for our review.

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 the audit of 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 in the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of income and expenditure, the statement of comprehensive income, statement of changes in funds 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 period were for the purpose of the Company'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 Shahzad Ali.

Yousuf Adil

Chartered Accountants

Islamabad
Date: 22 OCT 2021

THE DIABETES CENTRE - TDC
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021	2020
		-----------------Rupees-----------------	
ASSETS			
Non - current assets			
Property and equipment	4	**450,695,535**	368,030,653
Intangible assets	5	**4,284,212**	2,646,070
Security deposit		**468,750**	168,750
		455,448,497	370,845,473
Current assets			
Stock	6	**27,346,991**	9,493,075
Prepayments, accrued interest and other receivables	7	**6,306,810**	7,265,633
Investment	8	**-**	10,000,000
Cash and bank balances	9	**65,844,989**	23,337,443
		99,498,790	50,096,151
TOTAL ASSETS		**554,947,287**	420,941,624
Less: Liabilities			
Trade and other payables	10	**5,950,767**	7,841,365
Less: Non current liabilities			
Deferred grants	11	**79,986,150**	87,153,269
NET ASSETS		**469,010,370**	325,946,990
Funds			
Accumulated surplus fund		**76,616,207**	66,834,584
Restricted fund - Zakat		**18,556,172**	-
Restricted fund - Building		**290,212,991**	252,987,406
		385,385,370	319,821,990
Surplus on revaluation of land	4	**83,625,000**	6,125,000
		469,010,370	325,946,990
Contingencies and commitments	12		

The annexed notes from 1 to 24 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

THE DIABETES CENTRE - TDC
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021	2020
		--Rupees--	
INCOME			
Clinical income	13	131,488,381	71,925,997
Donations	14	9,814,207	5,450,582
Income recognized from restricted funds		58,464,399	120,062,575
Transferred from deferred Grant	11	7,167,119	6,584,892
Other income	15	1,388,501	2,136,874
		208,322,607	206,160,920
EXPENDITURES			
Clinical expenses	16	178,978,633	181,830,448
Administrative expenses	17	19,194,754	21,104,315
Finance cost		367,597	127,594
		198,540,984	203,062,357
Taxation	3.19	-	-
Net Surplus for the year		9,781,623	3,098,563

The annexed notes from 1 to 24 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

THE DIABETES CENTRE - TDC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
	----------------Rupees----------------	
Total surplus for the year	**9,781,623**	3,098,563
Other comprehensive income for the year		
Items that will not be reclassified to statement of income and expenditure		
Surplus on revaluation of land	**77,500,000**	-
Total comprehensive income for the year	**87,281,623**	**3,098,563**

The annexed notes from 1 to 24 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

THE DIABETES CENTRE - TDC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
	---Rupees---	
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	**9,781,623**	3,098,563
Depreciation on property and equipment	**22,198,335**	21,150,214
Amortization of Intangibles	**351,858**	1,885,927
Amortization of Government Grant	**(7,167,119)**	(6,584,892)
Amortization of restricted fund	**(58,464,399)**	(120,062,575)
	(43,081,325)	(103,611,326)
Changes in working capital		
(Increase) / Decrease in current assets		
Stock	**(17,853,916)**	935,690
Prepayments	**958,823**	(3,165,948)
Increase / (Decrease) in current liabilities		
Trade and other payables	**(1,890,598)**	5,659,364
Cash (used in) / generated from operations	**(18,785,691)**	3,429,106
Net cash used in operating activities	**(52,085,393)**	(97,083,657)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	**(7,363,217)**	(45,754,900)
Purchase of Intangible Assets	**(1,990,000)**	-
Receipts on maturity of investment	**10,000,000**	(168,750)
Payment of deposits	**(300,000)**	-
Advance payment against purchase of land	**(20,000,000)**	-
Net cash used in investing activities	**(19,653,217)**	(45,923,650)
CASH FLOWS FROM FINANCING ACTIVITIES		
Donations received on account of zakat	**74,989,326**	54,965,484
Donations received for construction of building	**39,256,830**	21,802,327
Net cash generated from financing activities	**114,246,156**	76,767,811
Net increase/(decrease) in cash and cash equivalents	**42,507,546**	(66,239,497)
Cash and cash equivalents at the beginning of the year	**23,337,443**	89,576,939
Cash and cash equivalents at the end of the year	**65,844,989**	23,337,443

The annexed notes from 1 to 24 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

THE DIABETES CENTRE - TDC
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Accumulated surplus fund	Restricted Fund- Zakat	Restricted Fund- Building	Surplus on revaluation of land	Total
		-----Rupees-----			
Balance as at July 1, 2019	63,736,021	53,065,846	243,216,324	6,125,000	366,143,191
Total Comprehensive income for the year					
Surplus for the year	3,098,563	-	-	-	3,098,563
Other comprehensive income	-	-	-	-	-
	3,098,563	-	-	-	3,098,563
Donations received	-	54,965,484	21,802,327	-	76,767,811
Income recognised during the year	-	(108,031,330)	(12,031,245)	-	(120,062,575)
	-	(53,065,846)	9,771,082	-	(43,294,764)
Balance as at June 30, 2020	**66,834,584**	**-**	**252,987,406**	**6,125,000**	**325,946,990**
Total Comprehensive income for the year					
Surplus for the year	9,781,623	-	-	-	9,781,623
Other comprehensive income	-	-	-	-	-
Surplus on revaluation of land	-	-	-	77,500,000	77,500,000
	9,781,623	-	-	77,500,000	87,281,623
Donations received	-	64,989,326	49,256,830	-	114,246,156
Income recognised during the year	-	(46,433,154)	(12,031,245)	-	(58,464,399)
	-	18,556,172	37,225,585	-	55,781,757
Balance as at June 30, 2021	**76,616,207**	**18,556,172**	**290,212,991**	**83,625,000**	**469,010,370**

The annexed notes from 1 to 24 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

1 STATUS AND NATURE OF BUSINESS

1.1 The Diabetes Centre - TDC is a company limited by guarantee incorporated in Pakistan on December 7, 2011 under section 42 of the Companies Ordinance, 1984 (repealed with enactment of Companies Act 2017). The Company's registered office is located at Phulgran stop, near toll Plaza Murree Expressway Islamabad.

1.2 The principal objective of TDC is to establish, support, run, manage and maintain hospitals, clinics, diagnostic center and indoor and out door treatment facilities all over Pakistan particularly for diabetes and generally for other diseases. Currently, TDC is operating in Islamabad and Lahore.

1.3 The Company has applied for registration process with Economic Affair Division (EAD) of Pakistan in the month of March 2020 . However, application is still pending with EAD.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the 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 under the Companies Act, 2017; and

- Accounting Standards for Not for Profit Organization (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, have been followed.

2.2 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2.3 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Significant estimates used by the management in preparation of these financial statements are disclosed in notes 3.2, 3.4, 3.5

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Preparation of Financial Statements

These financial statements have been prepared under the historical cost convention, except for certain items as disclosed in the relevant accounting policies below.

3.2 Property and equipment

Property and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment losses. Freehold land is stated at revalued amount less any identified impairment loss. Cost comprises acquisition and other directly attributable costs.

Depreciation on property and equipment is charged to income and expenditure account using reducing balance method so as to write-off the depreciable amount of the assets over their estimated useful life. Depreciation on additions to property and equipment is charged from the month in which the asset is available for use, while no depreciation is charged for the month in which the asset is disposed off.

3.3 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 property, plant and equipment as and when these are available for use.

3.4 Intangible assets

Computer Software

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 straight line method over a period of three years.

Amortization on additions in 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.

3.5 Impairment of non-financial assets

Assets that have an infinite useful life - for example land - are not subject to depreciation/amortization and are tested annually for impairment. Assets that are subject to depreciation/amortization are 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 asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

3.6 Investment

Investment intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of the investments at the time of purchase and re-evaluates such designation on regular basis.

Investment by the company are classified for the purpose of measurement into the following categories as explained in note 3.7.

3.7 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. The particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

3.7.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

(a) Classification of financial assets:

(i) Debt instruments designated at amortized cost

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; 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.

(ii) Debt instrument designated at other comprehensive income

Company has no debt instrument to be categorised under FVTOCI.

Amortized cost and effective interest rate method:

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in profit or loss and is included in the "finance income - interest income" line item.

(iii) Equity instruments designated as at FVTOCI

Company has no equity instrument to be categorised under FVTOCI.

(iv) Financial assets at FVTPL

Company has no financial asset to be categorised under FVTPL.

(b) Impairment of financial assets:

The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables, contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organization's, as well as consideration of various external sources of actual and forecast economic information that relate to the company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

(ii) Definition of default:

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets:

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties

(iv) Write-off policy:

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) Measurement and recognition of expected credit losses:

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(c) Derecognition of financial assets:

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3.7.2 Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

(i) Financial liabilities at FVTPL

Company has no financial liability to be categorised under FVTPL.

(ii) Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities:

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3.8 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set-off the recognized amounts and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

3.9 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Liabilities for trade and other payables are accounted for if and to the extent , the work is certified and invoiced by the vendors. Accruals for contract cost are made if and to the extent, the work is certified by the technical team of the Company whether or not invoiced by the vendors. Accrual for administrative and marketing costs of recurring nature are made on time completion basis.

3.10 Donation in kind

Land and properties received as donation are initially measured at the market value prevailing at the date of acquisition of the property. At subsequent reporting date, these are remeasured at their fair value prevailing at balance sheet date and the difference in the fair value is charged to income.

3.11 Stock

Stock is stated at lower of cost and net realizable value. Cost is determined on weighted average value basis. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sale.

3.12 Trade and other receivables

Trade debts and other receivables are stated at original invoice amount as reduced by appropriate provision for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

3.13 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposit held at call with banks.

3.14 Income recognition

a) Externally restricted contributions are recognized as revenue in the year in which the related expense are recognized.

b) Contribution restricted for the purchase of capital assets/construction of building are deferred and amortized into revenue based on the amortization rate on the related capital assets.

c) Endowment contributions are presented as direct increase in net assets.

d) Unrestricted contributions are recognized as revenue when received or receivables, if the amount to be received can be reliably estimated and collection is reasonably assured.

e) Return on deposits is accrued on time proportion basis by reference to the principal outstanding and the applicable rate of return.

f) Clinical income is recognized at the time when service are rendered.

g) Zakat and donations are recognized when received.

3.15 Foreign Currency

Transaction in foreign currency during the year are translated in to PKR at the rate of exchange prevailing at the date of transaction. All monetary assets and liabilities are translated into PKR at the rate of exchange prevailing at the balance sheet date.

3.16 Unrestricted Fund

Unrestricted funds represents donations by donors on account of charity and sadqa. 20% of donation received is classified as separate unrestricted fund and is used to fund the operating expenses. 80% of donation received is classified as separate restricted fund for construction of building and accumulated in respective balance of building fund.

3.17 Restricted Fund

Zakat Fund

This restricted fund is utilized for the treatment of patients who are eligible for zakat.

Building Fund

Building fund has been established to complete and maintain building structure of the TDC hospital.

3.18 Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in the income and expenditure account on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the statement of financial position and transferred to income and expenditure account on a systematic and rational basis over the useful lives of the related assets.

3.19 Taxation

The Company is approved as non-profit organization for purpose of section 2(36) of Income tax ordinance 2001 and is exempt from income tax.

3.20 New Accounting Standards/Amendments and IFRS Interpretations

3.21 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2021

'The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from Accounting period beginning on or after
"Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
'Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
'Amendments to IFRS 3 'Business Combinations' - Definition of a business	'January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
'Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020

'Certain annual improvements have also been made to a number of IFRSs.

3.22 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from Accounting period beginning on or after
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023

'Certain annual improvements have also been made to a number of IFRSs.

'Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

4 PROPERTY AND EQUIPMENT

	Note	2021	2020
		Rupees	
Operating fixed assets	4.1	**430,695,535**	368,030,653
Capital work in progress	4.2	**20,000,000**	-
		450,695,535	368,030,653

4.1 Operating fixed assets

Description	Land	Building	Furniture and Fixtures	Computer Equipment	Office Equipment	Lab Equipment	Medical Equipment	Vehicles	Total
	(Rupees)								
Cost									
As at July 1, 2019	32,500,000	244,245,136	2,217,739	7,750,885	26,269,430	10,615,966	24,498,845	5,200,898	353,298,899
Additions	-	47,272,871	457,145	1,234,258	6,500,131	1,539,601	8,283,936	-	65,287,942
As at June 30, 2020	32,500,000	291,518,007	2,674,884	8,985,143	32,769,561	12,155,567	32,782,781	5,200,898	418,586,841
As at July 1, 2020	**32,500,000**	**291,518,007**	**2,674,884**	**8,985,143**	**32,769,561**	**12,155,567**	**32,782,781**	**5,200,898**	**418,586,841**
Additions	-	**132,665**	**4,707,343**	**819,185**	**1,402,206**	-	**222,000**	**79,818**	**7,363,217**
Revaluation Surplus	**77,500,000**	-	-	-	-	-	-	-	**77,500,000**
As at June 30, 2021	**32,500,000**	**291,650,672**	**7,382,227**	**9,804,328**	**34,171,767**	**12,155,567**	**33,004,781**	**5,280,716**	**503,450,058**
Accumulated depreciation									
As at July 1, 2019	-	15,286,393	406,059	2,581,007	4,213,013	1,505,477	2,657,977	2,756,048	29,405,974
Charge for the year	-	12,031,245	473,312	1,994,834	2,550,899	947,801	2,663,153	488,970	21,150,214
As at June 30, 2020	-	27,317,638	879,371	4,575,841	6,763,912	2,453,278	5,321,130	3,245,018	50,556,188
As at July 1, 2020	-	**27,317,638**	**879,371**	**4,575,841**	**6,763,912**	**2,453,278**	**5,321,130**	**3,245,018**	50,556,188
Charge for the year	-	**13,212,636**	**632,255**	**1,552,980**	**2,679,465**	**970,229**	**2,750,282**	**400,488**	**22,198,335**
As at June 30, 2021	-	**40,530,274**	**1,511,626**	**6,128,821**	**9,443,377**	**3,423,507**	**8,071,412**	**3,645,506**	**72,754,523**
Carrying amount as at June 30, 2020	32,500,000	264,200,369	1,795,513	4,409,302	26,005,649	9,702,289	27,461,651	1,955,880	368,030,653
Carrying amount as at June 30, 2021	**32,500,000**	**251,120,398**	**5,870,601**	**3,675,507**	**24,728,390**	**8,732,060**	**24,933,369**	**1,635,210**	**430,695,535**
Rate of depreciation per annum %	-	5%	10%	33%	10%	10%	10%	20%	

4.1.1 Depreciation charge for the year has been allocated as follows:

	2021	2020
	Rupees	
Clinical expenses	**18,868,585**	17,977,682
Administrative expenses	**3,329,750**	3,172,532
	22,198,335	21,150,214

4.1.2 The carrying value of land is the fair value based on valuaiton, on June 30, 2021,carried by independent valuer Axis Consultants (SMC-Private) Limited. Fair value was determined based on detailed inspection of land and inquiries from the local market.

		Note	2021	2020
			----------------Rupees------------	
4.2	**Capital work in progress**			
	Opening balance		-	19,533,042
	Additions/(Transfer) during the year	**4.2.1**	**20,000,000**	(19,533,042)
			20,000,000	-
4.2.1	**Cost of construction**			
	Opening balance		-	1,203,133
	Additions/(Transfer) during the year	**4.2.1.1**	**20,000,000**	- 1,203,133
			20,000,000	-
4.2.2	**Advances for construction work**			
	Opening balance		-	18,329,909
	(Adjustments) / additions during the year		-	(18,329,909)
			-	-

4.2.1.1 This represents advance paid against purchase of 09 kanal land situated at Mouza Sadhoki, Tehsil Model Town, district Lahore for hospital building. Subsequent to year end, Company has paid whole amount to land lord amounting to Rs 58.8 million and obtained legal title of the land.

		Note	2021	2020
			----------------Rupees------------	
5	**INTANGIBLE ASSETS**			
	Opening balance		**2,646,070**	4,531,997
	Additions during the year		**1,990,000**	-
	Less: Amortization for the year	5.1	**(351,858)**	(1,885,927)
	Closing balance		**4,284,212**	2,646,070

Intangible assets are amortised using diminishing balance method @10% per year.

5.1 Amortization charge for the year has been allocated as follows:

	Note	2021	2020
Clinical expenses	16	**299,079**	1,603,038
Administrative expenses	17	**52,779**	282,889
		351,858	1,885,927

6 STOCK

This represents medicines and medical consumable items carried at cost.

		Note	2021	2020
			----------------Rupees------------	
7	**PREPAYMENTS, ACCRUED INTEREST AND OTHER RECEIVABLES**			
	Prepayments		**190,436**	317,357
	Accrued interest on TDRs & PLS a/c	7.1	-	85,438
	Advances		**4,770,377**	5,790,449
	Withholding tax receivables		**1,345,997**	1,072,389
			6,306,810	7,265,633
	Provision for doubtful - other receivable	7.2	-	-
			6,306,810	7,265,633

7.1 This amount represents interest accrued on Term Deposits Receipts (TDRs) and bank balances.

	2021	2020
	---------------Rupees------------	
7.2 Provision for doubtful - Withholding tax receivables		
Opening balance	-	1,071,303
Provision charge / (reversal) for the year	-	(1,071,303)
Closing balance	-	-

8 INVESTMENT

	2021	2020
Amortized Cost		
Term Deposit Certificates	-	10,000,000

Investments made in Term Deposits Certificate carrying markup ranging from 5.20% p.a to 5.88% p.a (2020: 3.95% p.a to 4.05% p.a).

		Note	2021	2020
			---------------Rupees------------	
9 CASH AND BANK BALANCES				
Cash in hand			**2,036,911**	580,298
Cash at bank - local currency				
	-deposit account	9.1	**11,304,129**	9,652,337
	-current account		**52,449,842**	13,041,808
Cash at bank - foreign currency				
	-current account		**54,107**	63,000
			65,844,989	23,337,443

9.1 Saving account carries effective markup ranging from 2.75% to 2.90% (2020:3.25%-6.30%) per annum..

	2021	2020
	---------------Rupees------------	
10 TRADE AND OTHER PAYABLES		
Creditors	**4,408,318**	6,092,159
Salaries payable	**847,095**	559,491
Auditors' remuneration payable	**310,000**	410,000
Accrued liabilities	**202,405**	532,852
Withholding tax payable	**182,949**	246,863
	5,950,767	7,841,365

11 DEFERRED GOVERNMENT GRANT

	Note	2021	2020
Opening Balance		**87,153,269**	93,738,161
Additions during the year		-	-
Amortization charged during the year		**(7,167,119)**	(6,584,892)
Closing Balance	11.1	**79,986,150**	87,153,269

11.1 This amount has been received from the Government of Pakistan vide letter no 1(4)/2014-15-General, dated June 01, 2018 for the purchase of hospital equipment.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 The Company has pending adjudication , against National Highway Authority, before Mr. Hamayun Dilawar, Civil Judge 1st Class, East Islamabad regarding a dispute about a property measuring 3 Kanals comprising Khewat No. 688 to 731 and 751, Khatooni No 1264 to 1321, Khasra No 3077/2902 situated in Mouza Phulgran, Islamabad. TDC prayed in the suit for decree of declaration to the effect that TDC is owner on possession of the suit land and decree for permanent injunction restraining the National Highway Authority from demolishing the structure built upon the suit property. The case is fixed on arguments on civil miscellaneous application for appointment of local commission. As per assessment of the legal advisor of the Company, the case is most likely to be decided in favor of the Company.

12.2.2 The additional Commissioner Inland Revenue (CIR), RTO Islamabad initiated amendment of assessment proceedings u/s 122(5A) of the Income Tax Ordinance (ITO) 2001. The Company has duly responded to the notices, however, the additional CIR issued order u/s 122(5A) of the ITO 2001, wherein the exemption claimed as NPO was challenged and the tax demand of Rs 12.1 million was imposed. The Company had filed an appeal before CIR (Appeals-II)(CIR-AII), Islamabad against the aforementioned order, the CIR-AII, Islamabad had upheld the stance taken by the assessing officer. Feeling aggrieved the Company had filed an appeal before Appellate Tribunal Revenue Inland Revenue (ATIR), Islamabad against aforementioned order. The main appeal has been heard for order on August 04, 2021, however, to date appellate order has not been issued by FBR.

12.2 Commitments

Company has no commitment as at June 30, 2021 (2020: nil).

	Note	2021	2020
		---------------Rupees------------	
13 CLINICAL INCOME	13.1	**131,488,381**	71,925,997

13.1 This represents income earned in respect of fees charged to patients.

14 DONATIONS

	Note	2021	2020
Donations	14.1	**9,814,207**	5,450,582
Membership fee	14.2	**-**	-
		9,814,207	5,450,582

14.1 Donations includes amount received on account of sadqa and charity and it also includes donations in kind of Rs. 981,645 (2020: nil).

14.2 TDC membership is awarded on the basis of following criteria:

a) Founder members - against a one time non-refundable deposit of AED 100,000 or equivalent US$ for overseas members and Rs. 2,500,000 for Pakistani members and they will be eligible for free medical treatment for member and spouse excluding major heart or other surgery.

b) Members - against a one time non-refundable deposit of AED 10,000 or equivalent US$ for overseas members and Rs. 250,000 for Pakistani members and they will be eligible for free consultation from the hospital.

c) Voluntary membership - Free of cost and on commitment of providing personnel services for TDC development.

	Note	2021	2020
		---------------Rupees------------	
15 OTHER INCOME			
Income from financial assets			
Interest on deposits and investment		**481,080**	814,572
Exchange gain		**-**	(50,852)
Misc. receipts		**907,421**	1,373,154
		1,388,501	2,136,874

		Note	2021	2020
			---------------Rupees------------	

16 CLINICAL EXPENSES

	Note	2021	2020
Salaries, wages and benefits		**52,910,610**	57,961,603
Medical supplies and consumables		**81,699,144**	80,057,719
Depreciation	4.1.1	**18,868,585**	17,977,682
Amortization	5.1	**299,079**	1,603,038
Staff training and education expenses		**-**	45,200
Zakat management system fee		**1,265,148**	1,202,012
Utilities		**4,417,337**	4,955,537
Security expenses		**2,379,957**	3,383,439
Printing and stationery		**805,232**	1,397,324
Professional fees and charges		**1,851,388**	763,527
Entertainment		**197,032**	742,765
Communication		**3,202,789**	2,467,410
Travelling and conveyance		**165,803**	1,124,535
Repair and maintenance		**3,637,647**	2,465,674
Vehicle running and maintenance		**1,124,119**	1,548,609
Fuel for generator		**656,629**	954,303
Insurance expense		**1,141,122**	1,703,411
Miscellaneous expense		**1,066,692**	1,476,660
Office Rent		**97,750**	-
Office Supplies		**3,192,570**	-
		178,978,633	181,830,448

17 ADMINISTRATIVE EXPENSES

	Note	2021	2020
Salaries, wages and benefits		**9,337,166**	10,228,518
Utilities		**779,530**	874,506
Security expenses		**419,992**	597,077
Marketing expenses		**1,942,332**	3,064,519
Printing and stationery		**142,100**	246,587
Professional fees and charges		**326,715**	134,740
Auditors' remuneration	17.1	**300,000**	300,000
Entertainment		**34,770**	131,076
Communication		**565,198**	435,425
Travelling and conveyance		**29,259**	198,447
Repair and maintenance		**641,938**	435,119
Vehicle running and maintenance		**198,374**	273,284
Fuel for generator		**115,876**	168,406
Insurance expense		**201,375**	300,603
Depreciation	4.1.1	**3,329,750**	3,172,532
Amortization	5.1	**52,779**	282,889
Miscellaneous expense		**196,955**	260,587
Office Rent		**17,250**	-
Office Supplies		**563,395**	-
		19,194,754	21,104,315

17.1 Auditor's Remuneration

	2021	2020
Annual Audit Fee	150,000	150,000
Fee for Compliance report on Licensing Conditions	100,000	100,000
Out of Pocket	50,000	50,000
	300,000	**300,000**

18 TRANSACTIONS WITH RELATED PARTIES

The related parties include Chief Executive and Directors. No remuneration or any other benefits were paid to them by company during the year. Detail of transactions with related parties are as follows:

	2021	2020
	----------------Rupees--------------	
Nature		
Donations received by the Company from Directors	**10,418,586**	-

19 FINANCIAL INSTRUMENTS

19.1 Financial instruments by category

Financials assets as per statement of financial position

	2021	2020
Accrued interest	-	85,438
Short term investment	-	10,000,000
Cash and bank balances	**65,844,989**	22,757,145
	65,844,989	32,842,583

Financials liabilities as per statement of financial position

	2021	2020
Trade and other payables	**5,767,818**	7,594,502
	5,767,818	7,594,502

20 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the Financial Statements for the year for remuneration including certain benefits to Executives is as follows:

	2021		2020	
	Chief Executive	**Executives**	**Chief Executive**	**Executives**
	----------------Rupees----------------			
Managerial Remuneratio	-	**2,662,999**	-	4,283,200
Other allowances	-	**1,775,333**	-	2,141,600
	-	**4,438,332**	-	6,424,800
	1	**2**	1	3

No remuneration is paid to the chief Executive officer and directors of the Company.

21 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. Further, quantitative disclosures are included throughout these financial statements.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

21.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits, trade debts, other receivables and bank balances. The Company's credit risk exposures are categorized under the following headings:

21.1.1 Counterparties

The Company conducts transactions with the following major types of counterparties:

Banks

The Company limits its exposure to credit risk by maintaining bank accounts only with counterparties that have a credit rating of at least AA+ and A1+. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

		Rating	
Banks	**Rating Agency**	**Short term**	**Long term**
Bank Alfalah	**PACRA**	**AA+**	**A1+**
Allied Bank Limited	**PACRA**	**AAA**	**A1+**
Dubai Bank Islamic	**JCR-VIS**	**AA+**	**A1+**
Faysal Bank Limited	**PACRA**	**AA**	**A1+**
Habib Bank Limited	**JCR-VIS**	**AAA**	**A1+**
Meezan Bank Limited	**JCR-VIS**	**AAA**	**A1+**

	2021	**2020**
	...............Rupees...............	
Exposure to credit risk		
Bank Balances	**52,449,842**	22,757,145
Investments	-	10,000,000
	52,449,842	32,757,145

21.2 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. The Company's approach to managing the liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meets its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Company's reputation. The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

	2021		
	Carrying amount	**Contractual cash flows**	
		Up to 1 year	**1 to 5 years**
	--------------------------	**Rupees**	--------------------------
Trade and other payables	**5,767,818**	**5,767,818**	-

	2020		
	Carrying amount	Contractual cash flows	
		Up to 1 year	1 to 5 years
	--------------------------	Rupees	--------------------------
Trade and other payables	7,594,502	7,594,502	-

21.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return on the risk. The Company is exposed to currency and interest rate risk.

21.3.1 Foreign currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and cash in foreign currency bank account. The Company's exposure to foreign currency risk is as follows:

	2021		**2020**	
	(Rupees)	**(AED)**	(Rupees)	(AED)
Bank balances	**54,107**	**1,264**	**57,536**	1,260

The following significant exchange rate applied during the year:

	Average rates (Rupees)		**Balance sheet date rate (Rupees)**	
	2021	2020	**2021**	2020
AED	**43.50**	**42.79**	**42.81**	45.67

21.3.2 Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. However, the Company is not exposed to any significant interest rate risk. The effective interest rates for the financial assets - Bank balance is mentioned in respective note to the financial statements.

21.4 Fair value

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. The company has no financial instruments under the fair value hierarchy as at statement of financial position date, the carrying values of the financial assets and financial liabilities are considered as their

The carrying value of the financial assets and financial liabilities approximate their fair values. 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.

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : 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 3 : inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs)

The company does not have any financial instruments which is required to be classified under aforesaid fair value hierarchies.

22 NUMBER OF EMPLOYEES

Total and average number of employees of the Company were as follows:

	2021	2020
	------- (Number) ------	
Total employees at year end	**98**	73
Average employees during the year	**94**	60

23 GENERAL

Figures have been rounded off to the nearest Rupee.

24 DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 22 OCT 2021

CHIEF EXECUTIVE OFFICER

DIRECTOR