



Parker Russell-A.J.S.
CHARTERED ACCOUNTANTS

THE DIABETES CENTRE

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2023



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INDEPENDENT AUDITORS' 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, 2023** and the statement of income and expenditure, the statement of comprehensive income, the 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, the statement of income and expenditure, the statement of comprehensive income, the 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, 2023** and of the deficit, total comprehensive loss, 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 (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Directors' Report but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material





misstatement of this other information, we are required to report that fact. We have nothing to report in this respect.

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.

Auditors' Responsibilities for the Audit of 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 auditors' 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 misstatements 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 controls.
- 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 auditors' 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 auditors' 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, the 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, expenditures incurred and guarantees extended during the year 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).

Other matter

The financial statements of the Company for the year ended June 30, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on November 08, 2022.

The engagement partner on the audit resulting in this independent auditors' report is **Mr. Junaid Subhani – FCA.**


CHARTERED ACCOUNTANTS
FAISALABAD
DATE: October 07, 2023
UDIN: AR202310478YvpJr1x2L

**THE DIABETES CENTRE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023**

| | | 2023 | 2022 |
|---|------|--------------------|--------------------|
| | Note | Rupees | |
| ASSETS | | | |
| Non - current assets | | | |
| Property and equipment | 4 | 678,503,865 | 681,189,775 |
| Intangible asset | 5 | - | - |
| Security deposits | | 909,096 | 809,096 |
| | | 679,412,961 | 681,998,871 |
| Current assets | | | |
| Stock | 6 | 40,121,632 | 49,379,582 |
| Prepayments, accrued interest and other receivables | 7 | 7,955,365 | 7,707,492 |
| Cash and bank balances | 8 | 54,518,456 | 29,414,858 |
| | | 102,595,453 | 86,501,932 |
| TOTAL ASSETS | | 782,008,414 | 768,500,803 |
| Less: Current Liabilities | | | |
| Trade and other payables | 9 | 19,112,438 | 19,551,113 |
| Lease liability | 10 | 3,120,892 | 2,506,614 |
| | | 22,233,330 | 22,057,727 |
| Less: Non current liabilities | | | |
| Deferred government grant | 11 | 68,064,549 | 73,678,488 |
| Lease liability | 10 | 1,489,053 | 4,609,945 |
| | | 69,553,602 | 78,288,433 |
| NET ASSETS | | 690,221,482 | 668,154,643 |
| Funds | | | |
| Accumulated surplus fund | | 49,302,719 | 77,166,118 |
| Restricted fund - Zakat | | 29,376,804 | 18,744,081 |
| Restricted fund - Building | | 325,407,459 | 286,109,944 |
| Restricted fund - Land | | 202,509,500 | 202,509,500 |
| | | 606,596,482 | 584,529,643 |
| Surplus on revaluation of land | 4 | 83,625,000 | 83,625,000 |
| | | 690,221,482 | 668,154,643 |
| Contingencies and commitments | 12 | - | - |

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

**THE DIABETES CENTRE
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2023**

| | | 2023 | 2022 |
|---|------|---------------------|--------------------|
| | Note | -----Rupees----- | |
| INCOME | | | |
| Clinical income | 13 | 183,641,633 | 153,891,406 |
| Donations | 14 | 29,179,521 | 10,238,243 |
| Income recognized from restricted funds | | 91,509,152 | 76,180,301 |
| Transfers from Deferred grant | 11 | 5,613,939 | 6,307,662 |
| Other income | 15 | 2,468,503 | 1,685,996 |
| | | 312,412,748 | 248,303,608 |
| EXPENDITURES | | | |
| Clinical expenses | 16 | 283,355,367 | 217,879,632 |
| Flood victim expenses | | 21,497,472 | - |
| Administrative expenses | 17 | 28,420,151 | 25,287,128 |
| Loss due to expiry of medicine | | 5,792,631 | - |
| Impairment loss | | - | 3,866,965 |
| Finance cost | 18 | 1,210,526 | 719,972 |
| | | 340,276,147 | 247,753,697 |
| Taxation | | - | - |
| Net (deficit) / surplus for the year | | (27,863,399) | 549,911 |

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

**THE DIABETES CENTRE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023**

| | 2023 | 2022 |
|---|----------------------------|-----------------------|
| | -----Rupees----- | |
| Net (deficit) / surplus for the year | (27,863,399) | 549,911 |
| Other comprehensive income | - | - |
| Total comprehensive (loss) / income for the year | <u>(27,863,399)</u> | <u>549,911</u> |

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

THE DIABETES CENTRE
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

| | Accumulated surplus fund | Restricted fund- Zakat | Restricted fund- Building | Restricted fund- Land | Surplus on revaluation of land | Total |
|------------------------------------|--------------------------|------------------------|---------------------------|-----------------------|--------------------------------|--------------------|
| -----Rupees----- | | | | | | |
| Balance as at July 1, 2021 | 76,616,207 | 18,556,172 | 257,712,991 | 32,500,000 | 83,625,000 | 469,010,370 |
| Surplus for the year | 549,911 | - | - | - | - | 549,911 |
| Other comprehensive income | - | - | - | - | - | - |
| Donations received | - | 63,812,190 | 40,952,973 | 170,009,500 | - | 274,774,663 |
| Income recognised during the year | - | (63,624,281) | (12,556,020) | - | - | (76,180,301) |
| Balance as at June 30, 2022 | 77,166,118 | 18,744,081 | 286,109,944 | 202,509,500 | 83,625,000 | 668,154,643 |
| (Deficit) for the year | (27,863,399) | - | - | - | - | (27,863,399) |
| Other comprehensive income | - | - | - | - | - | - |
| Donations received | - | 90,213,656 | 51,225,734 | - | - | 141,439,390 |
| Income recognised during the year | - | (79,580,933) | (11,928,219) | - | - | (91,509,152) |
| Balance as at June 30, 2023 | 49,302,719 | 29,376,804 | 325,407,459 | 202,509,500 | 83,625,000 | 690,221,482 |

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

**THE DIABETES CENTRE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

| | 2023 | 2022 |
|--|--------------|--------------|
| Note | Rupees | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (deficit) / surplus for the year | (27,863,399) | 549,911 |
| Adjustments for: | | |
| Depreciation on property and equipment | 23,992,551 | 20,967,181 |
| Amortization of Intangible asset | - | 417,247 |
| Amortization of Government grant | (5,613,939) | (6,307,662) |
| Amortization of restricted fund | (91,509,152) | (76,180,301) |
| Impairment loss | - | 3,866,965 |
| Finance cost | 1,210,526 | 719,972 |
| | (71,920,014) | (56,516,598) |
| Changes in working capital | | |
| (Increase) / decrease in current assets | | |
| Stock | 9,257,950 | (22,032,591) |
| Prepayments, accrued interest and other receivables | (247,873) | (1,396,443) |
| Increase / (decrease) in current liabilities | | |
| Trade and other payables | (438,675) | 15,310,346 |
| Cash generated from / (used in) operations | 8,571,402 | (8,118,688) |
| Finance cost paid | (546,140) | (290,531) |
| Net cash used in operating activities | (91,758,151) | (64,375,906) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (21,306,641) | (74,769,042) |
| Payment of deposits | (100,000) | (340,346) |
| Net cash used in investing activities | (21,406,641) | (75,109,388) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Donations received on account of zakat | 90,213,656 | 63,812,190 |
| Donations received for construction of building | 51,225,734 | 40,952,973 |
| Lease payments | (3,171,000) | (1,710,000) |
| Net cash generated from financing activities | 138,268,390 | 103,055,163 |
| Net increase/(decrease) in cash and cash equivalents | 25,103,598 | (36,430,131) |
| Cash and cash equivalents at the beginning of the year | 29,414,858 | 65,844,989 |
| Cash and cash equivalents at the end of the year | 54,518,456 | 29,414,858 |

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

**THE DIABETES CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

1 Status and nature of business

- 1.1 The Diabetes Centre 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).

Geographical location and address of hospitals/clinics/pharmacy are as under:

| Location | Purpose |
|---|--|
| Phulgran stop, near toll Plaza Murree Expressway Islamabad, Pakistan | Registered office / Head Office /Hospital |
| Crescent Arcade, G-8 Markaz, Islamabad | Clinic/Pharmacy |
| Auburn Arcade, Main G-T Road, Islamabad | Clinic |
| 19-Kamran Block, Wahdat Road, Allama Iqbal Town, Lahore, Pakistan | Clinic |
| 88-6R Naiki wala, opposite Palm Villas, Sahiwal, Pakistan | Hospital |

- 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, Sahiwal and Lahore.
- 1.3 The Company's Memorandum of Understanding (MoU) with Economic Affairs Division (EAD) of Pakistan has been renewed on January 12, 2022 which shall remain valid till January 11, 2024, for period of two years.

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 and Accounting Standards for NPOs 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, 3.5, 3.6 and 3.8

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.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of income and expenditure during the year in which they are incurred. Gains and losses on disposal / retirement of operating fixed assets are recognized in statement of income and expenditure.

3.3 Revaluation surplus on land

Any revaluation increase arising on the revaluation of land is recognized in other comprehensive income and presented as a separate component statement of changes in funds as "Surplus on revaluation of land", except to the extent that it reverses a revaluation decrease for the same asset previously recognized in statement of income and expenditure, in which case the increase is credited to statement of income and expenditure to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land is charged to statement of income and expenditure to the extent that it exceeds the balance, if any, held in the revaluation surplus on land relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution.

3.4 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 and equipment as and when these are available for use.

3.5 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.

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.

3.6 Impairment of non-financial assets

Assets that have an infinite useful life - for example land - are not subject to depreciation/amortization. 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.

3.7 Investment

Investment intended to be held for less than twelve months from the statement of financial position 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.

3.8 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.

3.8.1 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 instruments

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 and any other initial cost.

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 statement of income and expenditure 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 statement of income and expenditure.

(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 statement of income and expenditure 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 statement of income and expenditure. 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 statement of income and expenditure. 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 statement of income and expenditure, but is transferred to retained earnings.

3.8.2 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 statement of income and expenditure.

3.9 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, 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.

3.10 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.

3.11 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 statement of financial position date and the difference in the fair value is charged to statement of income and expenditure.

3.12 Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease. If the implicit rate cannot be readily determined, the Company's incremental borrowing rate is used. Subsequently these are increased by interest, decreased by lease payments and remeasured for lease modifications, if any.

Liabilities in respect of short term and low value leases are not recognised and payments against such leases are recognised as expense in statement of income and expenditure.

3.13 Right of use assets

Right of use assets are initially measured at cost being the present value of payments, initial direct cost, any lease payments made at or before the commencement of the lease as reduced by any incentives received. These are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation on assets held under right of use asset is charged in a manner consistent with that for depreciable assets which are owned by the Company. Where the ownership of the asset is transferred to the Company at the end of the lease term or if the cost of the asset reflects that the Company will exercise the bargain purchase option, depreciation is charged over the useful life of the asset which is 3 years.

3.14 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.

3.15 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.

3.16 Cash and cash equivalents

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

3.17 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.
- h) Rental income is recognized as income when received or receivables, if the amount to be received can be reliably estimated and collection is reasonably assured.

3.18 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 statment of financial position date.

3.19 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.

3.20 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.

Land fund

Land fund has been established to complete and maintain building structure of the TDC hospital on these land.

3.21 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 statement of income and expenditure on a systematic and rational basis over the useful lives of the related assets.

3.22 Taxation

The Company is approved as non-profit organization for purpose of section 2(36) of Income tax ordinance 2001 till June 30, 2024 as approved by Commissioner Inland Revenue and is eligible to claim 100% tax credit against tax payable.

3.23 New accounting standards/amendments and IFRS interpretations

a) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2022:

| | Effective from Accounting period beginning on or after |
|--|---|
| -IAS 37 - Onerous contract | Jan 01, 2022 |
| -IAS 16 Property , Plant and Equipment - Proceeds before an asset's intended use | Jan 01, 2022 |

The above-mentioned amendments to approved accounting standards did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

b) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2021 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

c) Amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2022 or later periods:

| Standards | Effective date (accounting period beginning on or after) |
|--|---|
| IAS 1 Classification of Liabilities as current or non current | January 01, 2024 |
| IFRS 16 Sales and leaseback transaction | January 01, 2024 |
| IFRS 9 'Financial Instruments' - Amendments | January 01, 2022 |
| IFRS 16 'Leases' - Amendments | January 01, 2022 |
| IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement' (Disclosure of Accounting Policies) - Amendments | January 01, 2022 |
| IAS 12 'Income taxes' (Deferred Tax related to Assets and Liabilities arising from a Single Transaction) - Amendments | January 01, 2023 |
| IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors (Change in definition of Accounting Estimate) - Amendments | January 01, 2023 |

The above amendments and improvements are likely to have no significant impact on the financial statements.

| | 2021 | 2022 |
|---------------------------|--------------------|--------------------|
| | Rupees | |
| 4 Property and equipment: | | |
| Operating fixed assets | 687,667,378 | 672,476,447 |
| Capital work in progress | 10,838,487 | 8,713,328 |
| | <u>678,505,865</u> | <u>681,189,775</u> |

4.1 Operating fixed assets

| Description | Land | Building | Furniture and fixtures | Computer equipment | Freehold | | | | | Vehicles | Sub-total | Right of use assets | | Total | |
|-------------------------------------|-------------|-------------|------------------------|--------------------|------------------|---------------|-------------------|-------------------|-------------|-----------|-----------|---------------------|---|-------------|--|
| | | | | | Office equipment | Lab equipment | Medical equipment | Medical equipment | Leasehold | | | Leasehold | | | |
| Cost | | | | | | | | | | | | | | | |
| As at July 1, 2021 | 110,000,000 | 291,650,672 | 7,382,227 | 9,804,328 | 34,171,767 | 12,185,567 | 33,004,781 | 5,280,716 | 503,450,058 | - | - | - | - | 503,450,058 | |
| Additions | 250,034,900 | - | 1,479,903 | 942,721 | 1,346,040 | - | 2,205,150 | - | 266,055,714 | - | - | - | - | 266,055,714 | |
| Revaluation Surplus | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| As at June 30, 2022 | 360,034,900 | 291,650,672 | 8,862,130 | 10,747,049 | 35,520,807 | 12,185,567 | 35,213,931 | 5,280,716 | 759,505,772 | - | - | - | - | 767,902,890 | |
| As at July 1, 2022 | 360,034,900 | 291,650,672 | 8,862,130 | 10,787,049 | 35,520,807 | 12,185,567 | 35,213,931 | 5,280,716 | 759,505,772 | - | - | - | - | 767,902,890 | |
| Additions | - | - | 1,172,991 | 2,186,050 | 5,281,143 | 5,638,232 | 4,865,096 | - | 19,183,482 | - | - | - | - | 19,183,482 | |
| As at June 30, 2023 | 360,034,900 | 291,650,672 | 10,035,091 | 12,973,099 | 40,801,950 | 17,793,799 | 40,019,027 | 5,280,716 | 778,689,254 | - | - | - | - | 787,986,272 | |
| Accumulated depreciation | | | | | | | | | | | | | | | |
| As at July 1, 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 | - | - | - | - | 72,754,523 | |
| Charge for the year | - | 12,556,020 | 654,339 | 1,354,127 | 2,560,574 | 873,206 | 2,641,873 | 327,042 | 20,967,181 | - | - | - | - | 22,671,920 | |
| As at June 30, 2022 | - | 53,086,294 | 2,165,965 | 7,482,948 | 12,003,951 | 4,296,713 | 10,713,285 | 3,972,548 | 93,721,704 | - | - | - | - | 95,426,443 | |
| As at July 1, 2022 | - | 53,086,294 | 2,165,965 | 7,482,948 | 12,003,951 | 4,296,713 | 10,713,285 | 3,972,548 | 93,721,704 | - | - | - | - | 95,426,443 | |
| Charge for the year | - | 11,928,219 | 731,894 | 1,608,930 | 2,433,778 | 1,235,463 | 2,803,846 | 261,634 | 21,193,782 | - | - | - | - | 23,992,551 | |
| As at June 30, 2023 | - | 65,014,513 | 2,897,859 | 9,091,878 | 14,437,727 | 5,532,176 | 13,517,131 | 4,234,182 | 114,915,486 | - | - | - | - | 119,118,994 | |
| Carrying amount as at June 30, 2022 | 360,034,900 | 238,564,378 | 6,696,165 | 3,304,101 | 23,516,856 | 7,888,854 | 24,500,646 | 1,308,168 | 685,784,068 | 5,692,379 | - | - | - | 677,476,447 | |
| Carrying amount as at June 30, 2023 | 360,034,900 | 228,536,159 | 7,137,142 | 3,881,221 | 26,364,223 | 12,271,683 | 26,501,896 | 1,046,534 | 663,773,759 | 3,893,620 | - | - | - | 667,667,378 | |
| Rate of depreciation per annum % | - | 5% | 10% | 33% | 10% | 10% | 10% | 10% | 20% | - | - | - | - | - | |

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

| | 2023 | 2022 |
|-------------------------|-------------------|-------------------|
| | Rupees | |
| Clinical expenses | 20,393,668 | 19,271,132 |
| Administrative expenses | 3,598,883 | 3,400,788 |
| | <u>23,992,551</u> | <u>22,671,920</u> |

4.1.2 The carrying value of land is the fair value based on valuation carried by independent valuer Axis Consultants (SMC-Private) Limited on June 30, 2021. Fair value was determined based on detailed inspection of land and inquiries from the local market. Previously the revaluation of freehold land was carried on by an independent valuer "M/s Dimensions" on November 16, 2016 to replace the carrying amount with current market price.

4.1.3 Had there been no revaluation, the related figure of carrying amount of freehold land as on June 30, 2023 would have been Rs. 276,409,900/-.

4.1.4 This includes acquisition of lands by the company in Sahiwal and Lahore for hospital building. The land in Sahiwal costing Rs. 160 Million has been donated to the Company through gift deed dated November 13, 2021. The other land in model town Lahore has been purchased by the Company at a price of Rs. 90,034 million.

4.1.5 Forced sale value of revalued land on date of revaluation i.e. June 30, 2021 was Rs. 104,000,000/-.

4.1.6 This represents recognition of right of use asset against lease contracts for pharmacy and clinic building in G-6 Markaz Islamabad.

| | | 2023 | 2022 |
|------------|---|-------------------|-------------------|
| | | -----Rupees----- | |
| 4.2 | Capital work in progress | | |
| | Opening as at July,01 | 8,713,328 | 20,000,000 |
| | Additions during the year | 3,977,659 | 8,713,328 |
| | Transfer during the year | (1,854,500) | (20,000,000) |
| | | <u>10,836,487</u> | <u>8,713,328</u> |
| 4.2.1 | This includes work in progress related to construction of operation theatre in head office in Islamabad, hospital in Sahiwal and development of software. | | |
| 5 | Intangible assets | | |
| | Opening as at July 01, | - | 4,284,212 |
| | Less: Amortization for the year | - | (417,247) |
| | Net book value | - | 3,866,965 |
| | Impairment loss | - | (3,866,965) |
| | Closing as at June 30, | <u>-</u> | <u>-</u> |
| 5.1 | Intangible assets were amortized using diminishing balance method @10% per year. | | |
| 5.2 | Amortization charge for the year has been allocated as follows: | | |
| | Clinical expenses | 16 | 354,660 |
| | Administrative expenses | 17 | 62,587 |
| | | <u>-</u> | <u>417,247</u> |
| 6 | Stock | | |
| | This represents medicines and medical consumable items carried at lower of cost and net realizable value (NRV). | | |
| 7 | Prepayments, accrued interest and other receivables | | |
| | Prepayments | 1,518,853 | 1,837,033 |
| | Advances - unsecured | | |
| | Supplier | 2,032,349 | 3,656,411 |
| | Staff against - interest free | | |
| | Salary | 900,000 | - |
| | Expenses | 695,797 | 99,400 |
| | Withholding tax receivables | 2,058,229 | 1,383,238 |
| | Others | 750,137 | 731,410 |
| | | <u>7,955,365</u> | <u>7,707,492</u> |
| 8 | Cash and bank balances | | |
| | Cash in hand | 2,324,332 | 437,934 |
| | Cash at bank - local currency | | |
| | -deposit accounts | 8.1 | 21,493,147 |
| | -current accounts | | 7,429,669 |
| | Cash at bank - foreign currency | | |
| | -current account | | 54,108 |
| | | <u>54,518,456</u> | <u>29,414,858</u> |
| 8.1 | Saving account carries effective markup ranging from 4.9% - 11.5% (2022:3.25%-4.9%) per annum. | | |

| | 2023 | 2022 |
|---|-------------------|-------------------|
| | Rupees | |
| 9 Trade and other payables | | |
| Trade Creditors | 14,724,850 | 11,616,776 |
| Accrued liabilities | 1,857,271 | 196,441 |
| Salaries payable | 453,153 | 6,424,920 |
| Auditors' remuneration payable | 1,000,000 | 500,000 |
| Withholding tax payable | 1,077,164 | 812,976 |
| | <u>19,112,438</u> | <u>19,551,113</u> |
| 10 Lease liability | | |
| Opening balance as at July 01, | 7,116,559 | - |
| Add: Acquired during the year | - | 8,007,118 |
| | <u>7,116,559</u> | <u>8,007,118</u> |
| Finance cost | 664,386 | 429,441 |
| Less: Paid during the year | (3,171,000) | (1,320,000) |
| | <u>4,609,945</u> | <u>7,116,559</u> |
| Less: Current portion shown under current liabilities | (3,120,892) | (2,506,614) |
| | <u>1,489,053</u> | <u>4,609,945</u> |

| Reconciliation of minimum lease payment and their present value | 2023 | | 2022 | |
|---|-------------------------|---|-------------------------|---|
| | Not later than one year | Later than one year but not later than five years | Not later than one year | Later than one year but not later than five years |
| | RUPEES | | RUPEES | |
| Future minimum lease payments | 3,488,100 | 1,560,900 | 3,171,000 | 5,049,000 |
| Less: Interest on lease liabilities | (367,208) | (71,847) | (664,386) | (439,055) |
| Present value of future minimum lease payments | <u>3,120,892</u> | <u>1,489,053</u> | <u>2,506,614</u> | <u>4,609,945</u> |

10.1 This represents lease liability against lease contracts for pharmacy and clinic building in G-8 Markaz Islamabad.

11 Deferred government grant

| | | |
|--------------------------------------|------------------------|-------------------|
| Opening balance as at July 01, | 73,678,488 | 79,986,150 |
| Amortization charged during the year | (5,613,939) | (6,307,662) |
| Closing balance as at June 30, | 11.1 <u>68,064,549</u> | <u>73,678,488</u> |

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

The company has entered into a memorandum of agreement for the lease with occupancy rights only of the land on January, 13 2023 with Anjuman Ikhwan-e-islam, for the purpose of establishing a state of the art Diabetic Centre at Khasra No. 1704, situated at Mouza Barki, Lahore for wellbeing of general public on charitable and non for profit basis.

Company has no other contingency and commitment as at June 30, 2023 (2022: nil).

| | Note | 2023 Rupees | 2022 Rupees |
|--|------|--------------------|--------------------|
| 13 Clinical income | | | |
| 13.1 This represents income earned in respect of fees charged to patients. | 13.1 | <u>183,641,633</u> | <u>153,891,406</u> |
| 14 Donations | | | |
| Donations | 14.1 | 12,806,434 | 10,238,243 |
| Donation for flood victims in Pakistan | | <u>16,373,087</u> | <u>-</u> |
| | | <u>29,179,521</u> | <u>10,238,243</u> |

14.1 The amount of donation in note # 14 in prior years financial statements was shown as Rs.42,240,143/- being a typing error as the correct figure was Rs.10,238,243/- which was shown on the face of statement of income and expenditure. Now the typing error in note # 14 has been corrected in comparatives accordingly.

| | Note | 2023 Rupees | 2022 Rupees |
|---|-------|--------------------|--------------------|
| 15 Other income | | | |
| Income from financial assets | | | |
| Interest on deposits and investment | | 1,388,142 | 254,379 |
| Income from non-financial assets | | | |
| Rental Income | | 840,000 | 350,000 |
| Cafeteria income | | - | 1,081,617 |
| Others | | <u>240,361</u> | <u>-</u> |
| | | <u>2,468,503</u> | <u>1,685,996</u> |
| 16 Clinical expenses | | | |
| Salaries, wages and benefits | | 79,359,596 | 63,220,154 |
| Medical supplies and consumables | | 138,063,243 | 105,881,289 |
| Depreciation | 4.1.1 | 20,393,668 | 19,271,132 |
| Amortization | 5.2 | - | 354,660 |
| Zakat management system fee | | 1,416,000 | 1,286,716 |
| Utilities | | 8,095,640 | 5,965,076 |
| Security expenses | | 3,322,457 | 2,875,321 |
| Printing and stationery | | 1,344,296 | 306,958 |
| Professional fees and charges | | 3,194,288 | 2,375,007 |
| Entertainment | | 1,112,225 | 149,580 |
| Communication | | 3,506,084 | 3,303,526 |
| Travelling and conveyance | | 5,105,908 | 1,607,171 |
| Repair and maintenance | | 5,510,486 | 3,812,588 |
| Vehicle running and maintenance | | 1,868,451 | 945,134 |
| Fuel for generator | | 3,907,521 | 1,836,626 |
| Insurance expense | | 1,526,784 | 561,361 |
| Miscellaneous expense | | 2,502,950 | 594,963 |
| Office rent | | 1,354,815 | 1,281,375 |
| Office supplies | | <u>1,770,955</u> | <u>2,250,995</u> |
| | | <u>283,355,367</u> | <u>217,879,632</u> |

| | Note | 2023 | 2022 |
|---|--|------------------------|------------------------|
| | | Rupees | |
| 17 Administrative expenses | | | |
| Salaries, wages and benefits | | 14,004,635 | 11,824,467 |
| Utilities | | 1,428,642 | 1,052,661 |
| Security expenses | | 586,316 | 507,410 |
| Marketing expenses | | 2,530,245 | 4,581,814 |
| Printing and stationery | | 237,229 | 54,169 |
| Professional fees and charges | | 563,698 | 419,119 |
| Auditors' remuneration | 17.1 | 500,000 | 500,000 |
| Entertainment | | 196,275 | 26,396 |
| Communication | | 618,721 | 582,975 |
| Travelling and conveyance | | 901,043 | 283,618 |
| Repair and maintenance | | 972,439 | 672,810 |
| Vehicle running and maintenance | | 329,727 | 166,788 |
| Fuel for generator | | 689,562 | 324,110 |
| Insurance expense | | 269,433 | 99,064 |
| Depreciation | 4.1.1 | 3,598,883 | 3,400,788 |
| Amortization | 5.2 | - | 62,587 |
| Miscellaneous expense | | 441,697 | 104,993 |
| Office rent | | 239,085 | 226,125 |
| Office supplies | | 312,521 | 397,234 |
| | | <u>28,420,151</u> | <u>25,287,128</u> |
| 17.1 Auditor's remuneration | | | |
| Annual audit fee | | 350,000 | 350,000 |
| Fee for compliance report on licensing conditions | | 100,000 | 100,000 |
| Out of Pocket | | 50,000 | 50,000 |
| | | <u>500,000</u> | <u>500,000</u> |
| 18 Finance cost | | | |
| Interest on lease liabilities | 10 | 664,386 | 429,441 |
| Bank charges | | 546,140 | 290,531 |
| | | <u>1,210,526</u> | <u>719,972</u> |
| 19 Transactions with related parties | | | |
| 19.1 | Related parties of the Company comprises of chief executive, directors, associated entities and key management personnel. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows: | | |
| Basis of relationship | Nature of transaction | 2023 RUPEES | 2022 RUPEES |
| Chief executive officer / Directors | Donations received from directors | 15,354,433 | 18,810,761 |
| | Rental received from directors | 840,000 | 350,000 |
| | Remuneration | 270,000 | - |
| | Allowances | 180,000 | - |
| TDC AUSTRALIA | Donations | 34,474,405 | 6,099,515 |

- 19.2 All transactions with related parties are entered into at agreed terms duly approved by the Board of Directors of the Company.
- 19.3 Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place during the year.

| S.No | Name of Related Party | Basis of Relationship |
|------|-----------------------------|------------------------------|
| 1 | Mr. Ehtesham Uddin | Member of board of Directors |
| 2 | Mr. Khawaja Shaiq Tanveer | Member of board of Directors |
| 3 | Mr. Muhammad Dabeer Rasool | Member of board of Directors |
| 4 | Ms. Nuzhat Asjad Hameed | Member of board of Directors |
| 5 | Mr. Mahood Moosa | Member of board of Directors |
| 6 | Mr. Muhammad Ghulam Mustafa | Member of board of Directors |
| 7 | Mr. Imran Mirza | Member of board of Directors |
| 8 | Mr. Asrar Hussain | Member of board of Directors |
| 9 | Mr. Tahir Mehmood Abbasi | Member of board of Directors |
| 10 | Mr. Asjad Hameed | Member of board of Directors |
| 11 | Mr. Muhammad Amin Nath | Member of board of Directors |
| 12 | Mr. Meesaq Arif | Chief Executive Officer |
| 13 | TDC Australia | Common directorship |

- 19.4 None of the key management personnel had any arrangements with the Company other than the employment contract.

| | Note | 2023 | 2022 |
|--|------|-------------------|-------------------|
| | | Rupees | |
| 20 Financial instruments | | | |
| 20.1 Financial assets and liabilities | | | |
| 20.2 Financial assets - at amortized cost | | | |
| Security deposits | | 909,096 | 809,096 |
| Other receivables | | 750,137 | 731,410 |
| Cash and bank balances | | 54,518,456 | 29,414,858 |
| | | <u>54,518,456</u> | <u>29,414,858</u> |
| Financial liabilities - at amortized cost | | | |
| Lease Liability | | 4,609,945 | 7,116,559 |
| Trade and other payables | | 18,035,274 | 18,738,137 |
| | | <u>18,035,274</u> | <u>18,738,137</u> |

20.3 Fair value of financial assets and liabilities

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

b) Fair value estimation

The Company discloses the financial instruments measured in the statement of financial position at fair value in accordance with the following fair value hierarchy:

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

As at year end, there are no financial instruments carried at fair value which require classification in the above

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

Fair value of land is based on assumptions considered to be level 2 in the fair value hierarchy due to significant observable inputs used in the valuation.

20.4 Fair value of financial assets and liabilities

Fair value of land has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input in this valuation approach is price / rate per square foot in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.'

21 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:

| Particulars | 2023 | | 2022 | |
|--------------------------|-------------------------|-------------------|-------------------------|------------------|
| | Chief executive officer | Executives | Chief executive officer | Executives |
| | -----RUPEES----- | | | |
| Managerial remuneration | 270,000 | 7,059,600 | - | 4,506,658 |
| Other Allowances | 180,000 | 4,706,400 | - | 3,004,438 |
| Total | 450,000 | 11,766,000 | - | 7,511,096 |
| Number of persons | 1 | 7 | 1 | 3 |

21.1 No remuneration is paid to the Directors of the Company.

21.2 No remuneration or meeting fee was paid to Chief Executive officer and Directors during the year other than stated above.

21.3 Executive means an employee, other than chief executive and directors, whose basic salary equal or exceeds twelve hundred thousand rupees in a financial year.

22 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk
- Operational 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.

22.1 Credit risk

Credit risk is the risk representing accounting loss that would be recognized at reporting date, if one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss without taking into account the fair value of any collateral. Out of the total financial assets of Rs. 54.52 million (2022 : Rs. 29.41 million), the financial assets which are subject to credit risk amounted to Rs. 52.20 million (2022 : Rs. 28.97 million).

The Company is exposed to credit risk from its operating activities (primary balances with banks, trade debts, loans and advances and other receivables) and from its investing activities, including deposits with banks and other financial instruments. The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with reasonably high credit rating. The names and the credit rating of major banks where the Company maintains its bank balances are as follows:

22.1.1 Counter parties with external credit rating

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:

| Name of banks | Rating Agency | Rating | |
|----------------------|---------------|-------------------------|-----------|
| | | Short term | Long term |
| Bank Alfalah Limited | PACRA | A1+ | AA+ |
| Allied Bank Limited | PACRA | A1+ | AAA |
| Dubai Bank Islamic | JCR-VIS | A1+ | AA |
| Faysal Bank Limited | PACRA | A1+ | AA |
| Habib Bank Limited | JCR-VIS | A-1+ | AAA |
| Meezan Bank Limited | JCR-VIS | A-1+ | AA |
| | | 2023 | 2022 |
| | | Note ————— Rupees ————— | |

22.1.2 Counter parties without external credit rating

Financial assets

| | | |
|-------------------|------------------|------------------|
| Security deposits | 909,096 | 809,096 |
| Other receivables | 750,137 | 731,410 |
| | <u>1,659,233</u> | <u>1,540,506</u> |

22.1.3 The Company has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counter parties. Credit exposure is controlled by counter party limits that are reviewed and approved by the management annually.

22.2 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 meet 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:

| | 2023 | | |
|--------------------------|-------------------|------------------------|------------------|
| | Carrying amount | Contractual cash flows | |
| | | Up to 1 year | 1 to 5 years |
| | Rupees | | |
| Lease Liability | 4,609,945 | 3,120,892 | 1,489,053 |
| Trade and other payables | 19,112,438 | 19,112,438 | - |
| | <u>23,722,383</u> | <u>22,233,330</u> | <u>1,489,053</u> |
| | 2022 | | |
| | Carrying amount | Contractual cash flows | |
| | | Up to 1 year | 1 to 5 years |
| | Rupees | | |
| Lease Liability | 7,116,559 | 2,506,614 | 4,609,945 |
| Trade and other payables | 18,738,137 | 18,738,137 | - |
| | <u>18,738,137</u> | <u>21,244,751</u> | <u>4,609,945</u> |

23 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, foreign exchange rates or the equity prices due to a 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.

Under market risk the Company is exposed to currency risk, interest rate risk and other price risk (equity price risk).

(a) Currency risk

Foreign 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. As of the reporting date, the Company is exposed to currency risk as the company has cash in foreign currency bank account. Had Pakistani rupees strengthened / weakened by 5% against the AED with all other variable held constant, deficit/surplus for the year would have been higher / lower by Rs.4,924 (2022 : Rs .2,705). This will may result in foreign gain / (loss) on translation of AED.

Foreign exchange risk arises from commercial transactions and recognized assets and liabilities. The Company's exposure to foreign currency risk at the reporting date is as follows:

| | 2023 | 2022 |
|---------------|---------------|---------------|
| | AED | |
| Bank balances | <u>1,264</u> | <u>1,264</u> |
| | Rupees | |
| Bank balances | <u>98,478</u> | <u>54,108</u> |

| | 2023 | 2022 |
|--|------------------|-------|
| | -----Rupees----- | |
| The following significant exchange rates have been applied: | | |
| Closing rate of Pakistani Rupee to AED at the year end | 77.92 | 42.81 |
| Average rate of Pakistani Rupee to U.S. AED for the year end | 60.36 | 42.81 |

b) Interest rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

The Company is exposed to interest rate risk on balances with banks in saving deposit accounts. Deposit issued at variable rates expose the Company to cash flow risk and deposit issued at fixed rate expose the Company to fair value interest rate risk. Significant interest rate risk exposures are primarily managed by a suitable mix of deposits. At June 30, 2023, the Company's interest bearing financial assets amounted to Rs.38,718 million (2022 : Rs.21,493 million). At June 30, 2023, if the interest rate on the Company's deposits had been higher / lower by 100 bps with other variables held constant, profit before tax for the year would have been higher / (lower) by Rs. 0.38 million (2022 : Rs. 0.21 million) mainly as a result of higher / (lower) interest income.

At the reporting date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

| | | | 2023 | 2022 |
|--|------------|------------|------------------|------------|
| | | | -----Rupees----- | |
| Variable rate instruments | 2023 | 2022 | | |
| | % | % | | |
| Financial assets | | | | |
| Saving account | 4.9%-11.5% | 3.25%-4.9% | 38,718,496 | 21,493,147 |
| Total financial assets at variable rate risk | | | 38,718,496 | 21,493,147 |

(c) Equity price risk

Equity price risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in the market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

As at year end, there are no financial instruments which are subject to equity price risk.

23.1 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities, either internally within the Company or externally at the Company's service providers and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operational behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its business objective and generating returns for investors.

Primary responsibility for the development and implementation of controls over operational risk rests with the management of the Company. This responsibility encompasses the controls in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.
- operational and qualitative track record of the plant and equipment supplier and related service providers.

24 Number of employees

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

| | 2023 | 2022 |
|-----------------------------------|----------------|------------|
| | —— (Number) —— | |
| Total employees at year end | <u>136</u> | <u>116</u> |
| Average employees during the year | <u>126</u> | <u>107</u> |

25 Date of authorization

These financial statements have been authorized for issue on **October 05, 2023** by the board of directors of the Company.

26 General

Corresponding figures have been re-classified and re-arranged where necessary for better presentation. Moreover, figures have been rounded off to the nearest rupee unless otherwise stated.


CHIEF EXECUTIVE OFFICER


DIRECTOR