

M/S DR AQ KHAN TRUST
FINANCIAL STATEMENTS
YEAR ENDED ON 30 JUNE 2019

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

Opinion

We have audited the annexed financial statements of **DR.AQ KHAN HOSPITAL TRUST**, which comprise the Statement of Financial Position as at **June 30, 2019** and the statement of income and expenditure, the statement of comprehensive income, statement of changes in accumulated 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 explanations which, to the best of our knowledge and belief, were necessary for the purpose of our 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, statement of changes in accumulated 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 Company's affairs as at June 30, 2019 and of the surplus, the changes in equity and its cash flow for the year then ended.

Basis of Opinion

We conducted our audit in accordance with the 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.

Responsibilities of Trustees for the Financial Statements

Trustees is responsible for the preparation and fair presentation of the financial statements in accordance with the approved Accounting Standards as applicable in Pakistan and requirements of the Companies Act, 2017 (XIX of 2017) for such internal controls as the trustees determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, Trustees 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 Trustee either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Board of Trustees 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 misstatements, 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 guarantee that an audit conducted in accordance with ISAs will always detect material misstatements when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk 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 of 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 controls 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 Trustees.
- Conclude on the appropriateness of Trustee'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 going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Rashid Khan, FCA.

Nauman Javed Hasnain Rashid

Nauman Javed Hasnain Rashid
CHARTERED ACCOUNTANTS
LAHORE
DATE: 17-03-2020

**DR. A.Q. KHAN HOSPITAL TRUST
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30 2019**

	Note	2019 Rupees	2018 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	6	81,477,649	97,541,910
Capital work in progress	7	237,304,973	121,759,551
Intangible assets	8	267,300	187,300
Long term investments	9	2,959,422	2,908,943
		322,009,344	222,397,704
Current assets			
Inventory	10	1,955,871	1,629,893
Advances, deposits, prepayments and other receivables	11	26,379,259	31,054,070
Cash and bank balances	12	218,497,829	197,452,000
		246,832,958	230,135,963
Total Assets		568,842,302	452,533,667
LIABILITIES			
Current Liabilities			
Trade and other payables	13	29,479,758	34,840,967
Total Liabilities		29,479,758	34,840,967
FUNDS			
Unrestricted			
General fund		339,637,165	317,903,060
Restricted			
Construction fund		199,725,380	99,789,640
Total funds		539,362,545	417,692,700
Contingencies and Commitments	14	-	-
Total Liabilities and Funds		568,842,302	452,533,667

The annexed notes from 1 to 29 form an integral part of these accounts.

Lahore:


Chairman


General Secretary

**DR. A.Q. KHAN HOSPITAL TRUST
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2019**

Note	2019		2018	
	Unrestricted General fund	Restricted Construction fund	Unrestricted General fund	Restricted Construction fund
	Rupees		Rupees	
INCOME				
15 Clinical income	11,141,132	-	7,153,611	-
16 Donations	143,223,899	99,935,740	102,145,321	99,789,640
	154,365,031	99,935,740	109,298,932	99,789,640
17 Other loss	-	-	(91,057)	(91,057)
EXPENSES				
18 Clinical expenses	66,950,260	-	49,241,335	-
19 General and administration expenses	19,007,203	-	22,510,796	-
20 Marketing and fund raising expenses	47,164,880	-	36,243,720	-
Capital expenditure	-	-	-	-
	133,122,343	-	107,995,851	-
21 Exchange gain	546,363	-	143,595	-
22 Financial charges	(54,946)	-	(71,958)	-
Surplus for the year	21,734,105	99,935,740	1,283,661	99,789,640

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The annexed notes from 1 to 29 form an integral part of these accounts.

Lahore:

Chairman
Chairman

Secretary
General Secretary

DR. A.Q. KHAN HOSPITAL TRUST
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Unrestricted General fund	Restricted Construction fund	Total
	-----Rupees-----		
Balance as at June 30, 2016	210,626,325		210,626,325
Comprehensive income			
Surplus for the year	105,993,074		105,993,074
Other comprehensive income			-
Total comprehensive income	105,993,074	-	105,993,074
Balance as at June 30, 2017	316,619,399	-	316,619,399
Surplus for the year	1,283,661	99,789,640	101,073,301
Other comprehensive income			-
Total comprehensive income	1,283,661	99,789,640	101,073,301
Balance as at June 30, 2018	317,903,060	99,789,640	417,692,700
Surplus for the year	21,734,105	99,935,740	121,669,845
Other comprehensive income			-
Total comprehensive income	21,734,105	99,935,740	121,669,845
Balance as at June 30, 2019	339,637,165	199,725,380	539,362,545


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The annexed notes from 1 to 29 form an integral part of these accounts.

Lahore:



 Chairman




 General Secretary


DR. A.Q. KHAN HOSPITAL TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		121,669,844	101,073,300
Adjustment for non-cash items			
Depreciation	6.1	10,195,862	10,618,927
Donation in kind	16	(21,228,573)	(19,043,879)
Medicines consumed received in kind	18.1	11,228,573	10,693,879
Loss on investment	17	-	91,057
Exchange gain	21	(546,363)	(143,595)
Financial charges	22	54,946	71,958
		(295,555)	2,288,347
Operating profit before working capital changes		121,374,289	103,361,647
Working capital changes			
Inventory	10	(11,554,551)	(212,595)
Advances, deposits, prepayments and other receivables	11	4,674,811	(29,074,630)
Trade and other payables	13	(5,361,209)	33,086,740
		(12,240,948)	3,799,515
Cash generated from operations		109,133,341	107,161,162
Finance cost paid	22	(54,946)	(71,958)
Net cash from operating activities		109,078,395	107,089,204
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	6.1	27,096,972	(8,961,084)
Intangible assets		(80,000)	(187,300)
Capital expenditure	7	(115,545,422)	(120,681,551)
Long term investments	9	495,885	(2,908,943)
Net cash used in investing activities		(88,032,565)	(132,738,878)
Net increase/(decrease) in cash & cash equivalents		21,045,829	(25,649,673)
Cash and cash equivalents at the beginning of year		197,452,000	223,101,673
Cash and cash equivalents at the end of year		218,497,829	197,452,000

The annexed notes from 1 to 29 form an integral part of these accounts.

Lahore:


Chairman


General Secretary

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DR. A.Q. KHAN HOSPITAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1 The trust, operations and registered office

Dr. A.Q. Khan Hospital Trust is formed by Doctor Abdul Qadeer Khan (Mohsin-e-Pakistan) and his associate personnel registered under Trust Act 1882, on October 29, 2013. Dr. A.Q. Khan Hospital Trust is providing services of health and awareness for poor and underprivileged people of Pakistan. Dr. A.Q. Khan Hospital is located at 78 Maulana Ahmed Ali Road near Minar-e-Pakistan, Lahore. It is a 300 bed hospital. The trust's registered office is situated at 18-K, Model Town, Lahore.

2 Statement of compliance and Basis of preparation

2.1 Statement of compliance

These accounts have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial reporting Standard for Medium-Sized Entities issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

2.2 Basis of preparation

The financial statements have been prepared under the "historical cost" convention. Except for the cash flow statement, all transactions in these financial statements have been accounted for on accrual basis.

3 Significant accounting estimates and judgments

The preparation of financial statements in conformity with Accounting and Financial Reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources, actual results may differ from the estimates. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made and in any future periods affected.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in applications of accounting policies are as follows:

- Useful life of property, plant and equipment
- Provisions for doubtful debts
- Provisions for slow moving inventories
- Taxation

4 Change in accounting policy

In accordance with the guidelines issued by The Institute of Chartered Accountants of Pakistan for "ACCOUNTING AND FINANCIAL REPORTING BY NON-PROFIT ORGANISATIONS (NPOs)", Trust has changed its accounting policy regarding classification of funds collected or received from general public to give more reliable and relevant information to the donors and other stakeholders. The funds are in the following two categories:-

N/A

DR. A.Q. KHAN HOSPITAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

- General fund *unrestricted*
- Construction fund *restricted*

Effect of change is as follows

	Note	2019 Rupees	2018 Rupees
Unrestricted fund			
General fund	16	102,145,321	102,145,321
Restricted fund			
Construction fund		99,789,640	99,789,640
		<u>201,934,961</u>	<u>201,934,961</u>

5 Summary of significant accounting policies

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

Judgment made by management in the application of approved standards as applicable in Pakistan that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent year are as follows;

5.1 Property, plant and equipment

Owned operating assets

Fixed assets are stated at cost less accumulated depreciation and any identified impairment loss except freehold land which is stated at cost. Cost includes expenditure that are directly attributable to the acquisition of the item.

Depreciation is recognized in Income and Expenditure by applying reducing balance method over the useful life of each item of fixed asset, using the rates specified in note 6 to the accounts. The asset's residual values, depreciation method and useful lives are reviewed, at each year end and adjusted if impact on depreciation is significant.

Depreciation on additions to fixed asset is charged from the month in which the item becomes available for use. Depreciation is discontinued for the month in which it is disposed off or classified as held for disposal.

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 Trust and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Normal repairs and maintenance is charged to profit and loss account as and when incurred, while major renewals and replacements are capitalized if it is probable that the respective future economic benefits will flow to the Company and the cost of the item can be measured reliably, and assets so replaced, if any, are retired."

Profit or loss on disposal of operating fixed assets is included to current year's income.

5.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any and includes the expenditures on material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of hospital building. These costs are transferred to property, plant and equipment as and when related items become available for intended use.

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DR. A.Q. KHAN HOSPITAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

5.3 Inventory

These are valued at the lower of cost and net realizable value. Cost is determined using the following basis :

Raw materials	on moving average
Work-in-process	at estimated manufacturing cost including appropriate overheads
Finished goods	on annual average manufacturing cost including appropriate

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

5.4 Taxation

The Trust takes into account income tax law and decisions taken by appellate authorities. Instances where the Trust's view differs from the view taken by tax department at the assessment stage and where the Trust considers that its view of items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

5.5 Provisions

A provision is recognized when the Company has a present, legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation of which reliable estimate can be made.

5.6 Functional Currency

All monetary assets and liabilities in foreign currency are translated into Pakistan rupees at the rates of exchange prevailing on the balance sheet date, while the transaction in foreign currency ruling the year are initially recorded in functional currency at the rates of exchange prevailing at the transactions date.

5.7 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

5.8 Offsetting of financial assets with financial liabilities

All the financial assets and financial 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. Financial liabilities are de-recognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.

5.9 Advances, deposits , prepayments and other receivables

Advances, deposits, prepayments and other receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amount. Carrying amount of advances and receivables are assessed on a regular basis.

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DR. A.Q. KHAN HOSPITAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

5.10 Creditors, accrued and other Liabilities

Creditors, accrued and other liabilities are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the trust.

5.11 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, cash at bank in current account, deposit accounts and foreign currency accounts.

5.12 Provision for taxation

Dr. A. Q. Khan Hospital Trust is exempted from tax Under Section 2(36) of Income Tax Ordinance, 2001.

5.13 Dividend Income

Dividend income is recognized when the Trust's right to receive payment has been established and is recognized in Statement of Income and Expenditure and included in other income.

5.14 Revenue recognition

Donations are recognized when they are received in cash or deposited in banks. Donations received in kind are measured at the market value prevailing at the time of the transaction.

5.14.1 Unrestricted/General fund

Funds received as donations without any direct request being made, or without any defined terms and conditions being laid down with regard to utilisation, are unrestricted. In such circumstances, there will be an unwritten agreement, that the funds will be utilised within the objectives of the Trust.

5.14.2 Restricted fund

Construction fund

Donations received from general public under construction fund are recognized on receipt basis and are used for construction of new hospital building located at 78 Maulana Ahmed Ali Road near Minar-e-Pakistan, Lahore.

6 Property, plant and equipment

Operating fixed assets

Note	2019 Rupees	2018 Rupees
6.1	81,477,649	97,541,910
	<u>81,477,649</u>	<u>97,541,910</u>

6.1 Please refer to operating fixed assets schedule.

7 Capital work in progress

Construction of OPD building:

Opening balance
 Add: Additions during the year
 Less: Transferred to property, plant and equipment
 Closing balance

121,759,551	1,078,000
115,545,422	120,681,551
-	-
<u>237,304,973</u>	<u>121,759,551</u>

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DR. A.Q. KHAN HOSPITAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

8 Intangible Assets

Opening balance		187,300	-
add: Additions during the year		80,000	234,125
less: Disposals during the year		-	-
Amortization		(53,460)	(46,825)
Closing balance		267,300	187,300

Note	2019 Rupees	2018 Rupees
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9 Long term investment

NAFA Islamic Capital Preservation Plan 1 28,983 units @ 100.3672 (2018: 28,983)	9.1	2,959,422	2,908,943
		2,959,422	2,908,943

9.1 It is an Open Ended Shariah Compliant Fund of Funds - Capital Preservation Plan regulated by Securities and Exchange Commission of Pakistan. The Benchmark of NAFA Islamic Capital Preservation Plan - I is Daily Weighted Return of KMI-30 Index and 3-months average deposit rate of three AA rated Islamic Banks or Islamic windows of Conventional Banks as selected by Mutual Funds Association of Pakistan (MUFAP), on the basis of actual investment by the Plan in equity and money market schemes. The initial Maturity of the Plan is two (2) years from the commencement of the Life of the Plan. However, the duration of the Plan is perpetual.

10 Inventory

Inventory	1,955,871	1,629,893
	1,955,871	1,629,893

11 Advances, deposits, prepayments and other receivables

Security deposit	327,109	327,109
Advances income tax	2,313,493	1,441,969
Advance against capital expenditure	1,000,000	-
Advances to employees <i>Considered good</i>	125,962	246,192
Advances to suppliers (Secured)	10,167,495	-
Mobilization advance SCC (PVT) Ltd.	12,445,200	29,038,800
	26,379,259	31,054,070

12 Cash and bank balances

Cash in hand	182,693	226,229
Cash at bank		
- current accounts	218,315,136	197,225,771
	218,497,829	197,452,000

13 Trade and other payables

Security payable	13.1	1,786,931	1,599,024
Tax deducted at source		7,755,168	10,784,026
Others		19,937,659	22,457,917
		29,479,758	34,840,967

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DR. A.Q. KHAN HOSPITAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

13.1 This amount represents the amount payable to employees in respect of deduction from salaries.

Note	2019 Rupees	2018 Rupees
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14 Contingencies and commitments

Management is in negotiation with the Government regarding Land under operating lease for more than a decade for Hospital Building and of the view to settle with Government with nominal payment but outflow and its timing can not reliably be measured yet.

15 Clinical income

Receipts from OPD	8,987,466	5,793,066
Receipts from lab centre	5,015,870	2,973,520
Less: Discount to poor patients	(2,862,204)	(1,612,974)
	<u>11,141,132</u>	<u>7,153,611</u>

16 Funds

	Unrestricted General fund	Restricted Construction fund		
Donations	121,995,326	99,935,740	221,931,066	182,891,082
Donations in kind	21,228,573	-	21,228,573	19,043,879
	<u>143,223,899</u>	<u>99,935,740</u>	<u>243,159,639</u>	<u>201,934,961</u>

Please refer to note 5.14.

17 Other Loss

Loss on investment	-	(91,057)
	<u>-</u>	<u>(91,057)</u>

18 Clinical expenses

Medicines consumed	18.1	26,917,550	20,133,805
Other consumables		1,918,033	2,222,639
Salaries, wages and other benefits		20,876,772	13,965,439
Utility bills		2,309,051	967,857
Printing and stationery		222,853	184,502
Computer accessories consumption		73,225	77,030
Entertainment		385,987	426,172
Travelling and conveyance		247,347	243,366
Repair & maintenance		298,160	481,804
Depreciation	6.2	12,715,776	9,836,462
Cleaning & sanitation		462,922	246,556
Miscellaneous		522,585	455,703
		<u>66,950,260</u>	<u>49,241,335</u>

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DR. A.Q. KHAN HOSPITAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
18.1 Medicines Consumed			
Opening stocks		1,629,893	1,417,298
Donation		11,228,573	10,693,879
Purchases		16,014,954	9,652,521
		28,873,421	21,763,699
Less: Closing stock		1,955,871	1,629,893
		<u>26,917,550</u>	<u>20,133,805</u>
19 General and administration expenses			
Salaries ,wages and other benefits		6,867,093	12,011,117
Travelling and conveyance		1,388,446	1,486,337
Utility bills		1,785,353	2,078,506
Printing and stationery		877,925	695,408
Computer accessories consumption		642,909	313,150
Entertainment		883,002	851,391
Vehicle running and maintenance		1,210,983	1,369,771
Rent, rates and taxes		970,200	882,000
Repair & maintenance		701,172	303,990
Legal and professional		335,900	462,440
Postage		1,194,208	566,493
Depreciation	6.2	1,170,593	782,465
Amortization	8	53,460	46,825
Auditors remuneration	19.1	130,000	130,000
Miscellaneous		795,960	530,904
		<u>19,007,203</u>	<u>22,510,796</u>
19.1 Auditors remuneration			
Audit fee		130,000	130,000
Out of pocket expenses		-	-
		<u>130,000</u>	<u>130,000</u>
20 Marketing and fund raising expenses			
Salaries, wages and other benefits		5,943,040	5,147,621
Travelling and conveyance		595,048	637,002
Utility bills		765,151	768,743
Printing and stationery		376,253	298,032
Advertisement		35,479,486	25,469,699
Fund raising events campaigns		3,486,909	3,335,579
Vehicle running and maintenance		518,993	587,045
		<u>47,164,880</u>	<u>36,243,720</u>

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DR. A.Q. KHAN HOSPITAL TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note	2019 Rupees	2018 Rupees
21 Exchange gain		
Exchange gain	546,363	143,595
	546,363	143,595
22 Financial charges		
Bank charges	54,946	71,958
	54,946	71,958
23 Financial instruments by category		
Financial assets as per balance sheet		
Trade deposits	26,379,259	31,054,070
Cash and bank balances	218,497,829	197,452,000
	244,877,087	228,506,070
Financial liabilities as per balance sheet		
Trade and other payables	29,479,758	34,840,967
	29,479,758	34,840,967

23.1 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

24 Financial instruments

24.1 Financial risk factors

The Trust's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Trust's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Trust's finance department under policies approved by the Board of Governors.

24.2 Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Trust is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Trust's foreign exchange risk exposure is restricted to foreign currency bank balances and foreign currency donations.

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	Note	2019 Rupees	2018 Rupees
Cash at bank in foreign currency (USD 20,612, 2018 8,612.00)		3,275,247	1,532,323
Net exposure		<u>3,275,247</u>	<u>1,532,323</u>

The following significant exchange rates have been applied at the reporting dates:

USD to PKR	<u>158.90</u>	<u>121.50</u>
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(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Trust has no interest-bearing assets, therefore the Trust's income and operating cash flows are substantially independent of changes in market interest rates.

(iii) Fair value sensitivity analysis for fixed rate instruments:

The Trust does not account for any fixed rate financial assets and liabilities at fair value through Income and Expenditure. Therefore, a change in interest rates at the reporting date would not affect Statement of Income and Expenditure.

(iv) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Trust is not exposed to equity securities price risk as there is no investment in listed securities.

(v) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge an obligation.

The Trust monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which have not impaired are as under:

	Note	2019 Rupees	2018 Rupees
Trade deposits		26,379,259	31,054,070
Cash and bank balances		218,497,829	197,452,000
		<u>244,877,087</u>	<u>228,506,070</u>

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history, however, no losses. The credit quality of Trust's bank balances can be assessed with reference to external credit ratings as follows:

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Bank	Rating agency	Short Term Borrowings	Short Term Borrowings
United Bank Limited	JCR-VIS	A1+	A1+
Habib Bank Limited	JCR-VIS	A1+	A1+
Summit Bank Limited	JCR-VIS	A1+	A1+

(vi) Liquidity risk

Liquidity risk represents the risk that the Trust will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Trust's operations, the Board maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts of the Trust's cash and cash equivalents on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Trust. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Trust's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal requirements, and maintaining debt financing plans.

The table shows analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

25 Related parties

The related parties comprise associated undertaking companies, related group companies and board of governors etc. Transactions with related parties other than remuneration and other benefits paid to chairman, trustees and key management personnel which are considered at arm's-length are as follows:

Key management personnel

Dr. Abdul Qadeer Khan
 Shaukat Babar Virk
 Muhammad Sohail

Chairman
 General Secretary
 Trustee

2019	2018
Rupees	Rupees
1	1
233,750	212,500

26 Remuneration of chief executive, directors and executive

Number of person

Remuneration

27 Events after the statement of financial position date

There were no adjusting and non-adjusting events after the statement of financial position date.

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28 Date of authorization

These financial statements were authorized on 17-3-2020 2019 by the Board of Governors of the Trust.

29 General

29.1 Figures have been rounded off to the nearest rupee.

29.2 Figures of the previous year have been rearranged and reclassified wherever necessary for the purpose of comparison.

NSIR

Lahore:



Chairman



General Secretary

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6.1 Operating fixed assets schedule

Particulars	Building on free-hold land	Furniture & Fixture	Vehicles	Computers	Electric Appliances	Medical equipment	Total
Balance as at July 01, 2017	73,357,874	1,812,488	37,000	3,050,086	1,278,338	22,295,857	101,831,643
Additions	9,022,100	75,430	3,383,227	463,300	1,755,565	2,664,000	17,363,622
Disposals	-	-	-	-	-	-	-
Balance as at June 30, 2018	82,379,974	1,887,918	3,420,227	3,513,386	3,033,903	24,959,857	119,195,265
Balance as at July 01, 2018	82,379,974	1,887,918	3,420,227	3,513,386	3,033,903	24,959,857	119,195,265
Additions	11,095,000	50,500	790,000	192,607	368,125	64,170	12,560,402
Disposals	(18,428,801)	-	-	-	-	-	(18,428,801)
Balance as at June 30, 2019	75,046,173	1,938,418	4,210,227	3,705,993	3,402,028	25,024,027	113,326,866
Depreciation							
Balance as at July 01, 2017	7,125,334	424,543	19,949	980,216	345,149	2,139,237	11,034,428
On opening	6,623,254	138,795	1,705	413,974	186,638	2,015,662	9,380,027
Additions	526,289	5,934	258,415	54,972	331,215	62,075	1,238,900
Disposals	-	-	-	-	-	-	-
Balance as at June 30, 2018	14,274,878	569,271	280,069	1,449,162	863,002	4,216,974	21,653,355
Balance as at July 01, 2018	14,274,878	569,271	280,069	1,449,162	863,002	4,216,974	21,653,355
On opening	8,237,997	188,792	342,023	702,677	606,781	2,495,986	12,574,255
Additions	1,109,500	5,050	79,000	38,521	73,625	6,417	1,312,113
Disposals	(3,690,507)	-	-	-	-	-	(3,690,507)
Balance as at June 30, 2019	19,931,868	763,113	701,092	2,190,360	1,543,408	6,719,377	31,849,217
Carrying amounts							
As at June 30, 2018	68,105,096	1,318,647	3,140,158	2,064,224	2,170,901	20,742,883	97,541,910
As at June 30, 2019	55,114,305	1,175,305	3,509,135	1,515,633	1,858,620	18,304,650	81,477,649
Rate of depreciation (%)	10%	10%	10%	20%	20%	10%	

6.2 Allocation of depreciation

Cost of sales	9,347,497	155,073	-	370,599	340,203	2,502,403	12,715,776
Admin	-	38,768	421,023	370,599	340,203	-	1,170,593
	9,347,497	193,842	421,023	741,199	680,406	2,502,403	13,886,369

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