PAKISTAN CHILDREN'S HEART FOUNDATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAKISTAN CHILDREN'S HEART FOUNDATION

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Children's Heart Foundation (the Foundation), which comprise the statement of financial position as at June 30, 2022, and the statement of income and expenditure, the statement of comprehensive income, the statement of changes in fund balances, 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 fund balances 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 Foundation's affairs as at June 30, 2022 and of the surplus and other comprehensive income, the changes in fund balances 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 Foundation in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the 'Code') and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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KARACHI LAHORE ISLAMABAD

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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation 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.

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 Foundation 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 fund balances and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Foundation's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The annual financial statements of the Foundation for the year ended June 30, 2021 have been audited by another firm of chartered accountants who vide their report dated April 11, 2022 expressed an unmodified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's report is Hammad Ali Ahmad.

A. F. Ferguson & Co.
Chartered Accountants
Lahore

Date: January 04, 2023

UDIN: AR202210092XBzVMUj7L

PAKISTAN CHILDREN'S HEART FOUNDATION

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	11,072,036	12,676,415
Capital work-in-progress	6	318,717,929	13,846,607
Investment property	7	50,000,000	50,000,000
		379,789,965	76,523,022
CURRENT ASSETS			
Advances, deposits, prepayments and other receivable	8	25,643,932	144,001
Short-term investment	9	6,594,781	11,474,250
Tax refunds due from Government	10	101,707	4,205,165
Cash and bank balances	11	91,451,980	155,657,973
		123,792,400	171,481,389
TOTAL ASSETS		503,582,365	248,004,411
FUND BALANCES AND LIABILITIES			
FUND BALANCES			
Capital fund		1,200,000	1,200,000
General fund		(23,445,312)	(16,705,274)
Restricted fund		31,866,935	23,672,684
Fund against investment property		50,000,000	50,000,000
TOTAL FUND BALANCES		59,621,623	58,167,410
NON-CURRENT LIABILITIES			
Lease liabilities	13	863,835	-
Staff retirement benefit - Gratuity	14	-	-
Deferred grants	12	369,929,172	150,234,870
		370,793,007	150,234,870
CURRENT LIABILITIES			
Current portion of lease liabilities	13	14,762	788,241
Other payables	15	73,152,973	38,806,567
Accrued markup		-	7,323
		73,167,735	39,602,131
TOTAL LIABILITIES		443,960,742	189,837,001
TOTAL FUND BALANCES AND LIABILITIES		503,582,365	248,004,411
CONTINGENCIES AND COMMITMENTS	16	-	-

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive

Director

PAKISTAN CHILDREN'S HEART FOUNDATION

STATEMENT OF INCOME AND EXPENDITURE

FOR THE YEAR ENDED JUNE 30, 2022

		2022			2021 (Restated)
		General fund	Restricted fund	Total	Total
	Note	Rupees			
Income					
Donation	17	34,902,151	97,620,671	132,522,822	127,655,264
Zakat	18	-	109,957,187	109,957,187	80,276,424
Other income	19	5,714,612	-	5,714,612	3,142,322
Amortization of deferred grants	12	55,855	1,835,200	1,891,055	1,960,700
		40,672,618	209,413,058	250,085,676	213,034,710
Expenditure					
Heart surgery expenses	20	-	(200,676,335)	(200,676,335)	(176,532,268)
Outpatient department expenses	21	-	(542,472)	(542,472)	(550,500)
General and administrative expenses	22	(47,307,490)	-	(47,307,490)	(27,149,408)
Finance cost	23	(105,166)	-	(105,166)	(186,508)
		(47,412,656)	(201,218,807)	(248,631,463)	(204,418,684)
(Deficit) / surplus of income before taxation		(6,740,038)	8,194,251	1,454,213	8,616,026
Taxation	24	-	-	-	-
(Deficit) / surplus of income after taxation		(6,740,038)	8,194,251	1,454,213	8,616,026

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive

Director

PAKISTAN CHILDREN'S HEART FOUNDATION

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021
	Rupees	Rupees
Surplus for the year	1,454,213	8,616,026
Other comprehensive income	-	-
Total comprehensive income for the year	1,454,213	8,616,026

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive

Director

PAKISTAN CHILDREN'S HEART FOUNDATION

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2022

	Capital Fund	General Fund	Restricted Fund	Fund against investment property	Total
			Rupees		
Opening balance as at July 01, 2020	1,200,000	(15,339,834)	13,691,218	50,000,000	49,551,384
(Deficit) / surplus for the year	-	(1,365,440)	9,981,466	-	8,616,026
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive (loss) / income for the year	-	(1,365,440)	9,981,466	-	8,616,026
Balance as at June 30, 2021	1,200,000	(16,705,274)	23,672,684	50,000,000	58,167,410
(Deficit) / surplus for the year	-	(6,740,038)	8,194,251	-	1,454,213
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive (loss) / income for the year	-	(6,740,038)	8,194,251	-	1,454,213
Balance as at June 30, 2022	1,200,000	(23,445,312)	31,866,935	50,000,000	59,621,623

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive

Director

PAKISTAN CHILDREN'S HEART FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
Cash flow from operating activities			
Surplus of income before taxation		1,454,213	8,616,026
Adjustments for non-cash items:			
Amortization of deferred grant - restricted	12.1	(1,835,200)	(1,877,333)
Amortization of deferred grant - general	12.2	(55,855)	(83,367)
Depreciation on operating fixed assets	5.1	2,318,104	2,363,986
Depreciation on right-of-use assets	5.2	340,988	539,706
Finance cost	23	105,166	186,508
Provision for gratuity	14	-	226,562
Provision for provident fund	15.2	2,080,759	1,319,900
Tax refundable written-off		1,799,388	-
Other income	19	(2,517,000)	(2,877,322)
		2,236,350	(201,360)
Surplus before working capital changes		3,690,563	8,414,666
Effect on cash flow due to working capital changes:			
(Increase) / decrease in advances, deposits, prepayments and other receivable		(28,697,543)	1,715,786
Increase in other payables		35,628,905	11,885,967
		6,931,362	13,601,753
Cash generated from operations		10,621,925	22,016,419
Tax paid		(49,863)	(3,527,671)
Gratuity paid		-	(1,609,891)
Provident fund paid		(846,258)	(68,500)
Finance cost paid		(112,489)	(202,265)
Net cash generated from operating activities		9,613,315	16,608,092
Cash flow from investing activities			
Purchase of property and equipment		(233,613)	(4,000,000)
Additions in capital work-in-progress		(302,517,389)	(13,846,607)
Interest on short-term investments		3,197,612	2,877,322
Proceeds from short-term investment - net		11,474,250	30,325,750
Net cash (used in) / generated from investing activities		(288,079,140)	15,356,465
Cash flow from financing activities			
Grants received during the year - restricted	12.1	221,585,357	71,321,366
Lease rentals paid - net		(730,744)	(926,013)
Net cash generated from financing activities		220,854,613	70,395,353
Net (decrease) / increase in cash and cash equivalents		(57,611,212)	102,359,910
Cash and cash equivalents at the beginning of the year		155,657,973	53,298,063
Cash and cash equivalents at the end of the year	25	98,046,761	155,657,973

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive Officer

Director

PAKISTAN CHILDREN'S HEART FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

1 Status and nature of business

Pakistan Children's Heart Foundation (the Foundation) is a Foundation Limited by Guarantee not having share capital, incorporated on August 31, 2012 and licensed as a non-profit organization under section 42 of the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Foundation is principally engaged in raising funds in Pakistan and abroad. The objective of the Foundation is to utilize the funds raised for establishment, promotion & maintainence of hospitals / healthcare facilities, to provide high standard health & medical care services for poor / needy families and to provide a platform for clinical research & development. The registered office of the Foundation is situated at University of Lahore, 1- KM Defence road, near Bhuptian Chowk, Lahore.

On July 17, 2012, the Securities and Exchange Commission of Pakistan (Commission) accorded approval of license for not for profit organization (License) under section 42 of the repealed Companies Ordinance, 1984 (now Companies Act, 2017) to the Foundation. The License was valid for five years and due for renewal on or before July 16, 2017. On May 20, 2017, the Foundation applied to the Commission for renewal of the license which was granted by the Commission on February 15, 2019, valid till July 16, 2020. However, as per the SRO 1574(I)/2021 dated November 29, 2021, the requirement for renewal of license has been omitted by the Commission.

The funds raised in the United States of America are incorporated in the accounts of the charitable trust(s) that is a separate legal entity registered in the respective country.

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 applicable at year end comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);

- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by Institute of Chartered Accountant of Pakistan as notified under the Act; and

- Provisions of and directives issued under the Act.

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

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Foundation's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments and interpretations to accounting standards that became effective during the year and are relevant

During the year IFRSs became applicable to the Foundation as per guidance of the Third Schedule of the Act. The following standards were effective for the first time during the year:

First time adoption of IFRS 16 - Leases

This standard was notified by the SECP to be effective from annual periods beginning on or after January 1, 2019. This standard replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The impact resulting from the initial adoption of IFRS 16 by the Foundation is disclosed in note 4.1 to these financial statements.

First time adoption of IFRS 9 – Financial Instruments

This standard was notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective from annual periods ending on or after June 30, 2019. This standard replaces the guidance in International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement'. Key changes in the new standard include requirements on the classification, measurement and derecognition of financial assets and liabilities. The standard also contains new requirements for hedge accounting and replaces the current incurred loss impairment model with an expected credit loss model. Accordingly, the Foundation's management has assessed which business models apply to the financial assets held by the Foundation and has classified its financial instruments into the appropriate IFRS 9 categories. The impact resulting from the initial adoption of IFRS 9 by the Foundation is disclosed in note 4.2 to these financial statements.

In addition to the above, there are certain standards, amendments to the approved accounting standards and new interpretations that are mandatory for the Foundation's accounting periods beginning on or after July 1, 2021 but are considered not to be relevant or to have any significant effect on the Foundation's operations and are, therefore, not detailed in these financial statements.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Foundation

The following amendments and interpretations to existing standards have been published and are mandatory for the Foundation's accounting periods beginning on or after their respective effective dates but the Foundation has not early adopted them.

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

Standard or interpretation	Effective Date (Annual periods beginning on or after)
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	January 01, 2022
Cost of Fulfilling an Onerous Contract – Amendments to IAS 37	January 01, 2022
Updating a Reference to the Conceptual Framework – Amendments to IFRS 3	January 01, 2022
Amended by Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
Deferred tax related to assets and liabilities arising from a single transaction – Amendment to IAS 12	January 01, 2023
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 01, 2024

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in previous years. Such improvements are generally effective for accounting periods beginning on or after January 01, 2022 and January 01, 2023 respectively. The Foundation expects that such improvements to the standards will not have any significant impact on the Foundation's financial statements in the period of initial application.

2.3 Basis of measurement

These financial statements have been prepared under historical cost convention unless otherwise stated.

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2.4 **Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Foundation operates ('the functional currency'). The financial statements are presented in Pak Rupees, which is the Foundation's functional and presentation currency. All the financial information presented in Rupees has been rounded off to the nearest rupee, unless otherwise stated.

2.5 **Key estimates and judgements**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated 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 carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

	Note
- Useful lives and residual values and depreciation method of property and equipment	3.1
- Useful lives and residual values and depreciation method of investment property measured at cost	3.3
- Impairment of financial and non - financial assets	3.8.4
- Lease term and discount rate for lease liabilities	13
- Provisions and contingencies	3.13

3 **Significant accounting policies**

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

3.1 **Property and equipment**

3.1.1 **Operating fixed assets**

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss, except for freehold land which is stated at cost. Cost comprises of acquisition and other directly attributable costs.

Depreciation on all operating fixed assets is charged to statement of income and expenditure on reducing balance method so as to write off the historical cost of an asset over its estimated useful life at the rates referred to in Note 5 to the financial statements.

Depreciation on additions to operating fixed assets is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

Depreciation methods, residual values and the useful lives of the assets are reviewed at least at each financial year end, and adjusted prospectively, if impact on depreciation is significant.

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

The Foundation assesses at each statement of financial position date whether there is any indication that fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of income and expenditure. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

An item of equipment is derecognized upon disposal when no future economic benefits are expected from its use or disposal. Gain or loss on sale of an item of property and equipment are determined by comparing the proceeds from sale with the carrying amount of property and equipment and is recognized in statement of income and expenditure.

3.1.2 Right-of-use asset and Lease liability

During the year, IFRS 16 - Leases became applicable to the Foundation. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases - Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Foundation's accounting policy in this regard has been disclosed in note 4.1 to the financial statements.

3.2 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss, if any, and includes the expenditures on material, labor and appropriate overheads directly relating to the project. These costs are transferred to Operating fixed assets as and when assets are available for intended use.

3.3 Investment property

Investment property is stated at cost and accumulated impairment losses, if any. Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of income and expenditure in the year of derecognition.

3.4 Short-term lease / Musharaka lease

The Foundation applies a practical expedient and, does not recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less, if any. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term.

Certain leases previously classified as operating leases have been classified to right-of-use assets in accordance with recognitions criteria mentioned in note 4 to these financial statements.

Musharaka leases

Musharaka / finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is apportioned between the liability and finance charges using the effective interest method. Rental obligations, net of finance charges, are included in borrowings in the statement of financial position.

3.5 Staff retirement benefits

Gratuity

An unrecognized gratuity scheme was discontinued by the Foundation with the approval of Board of Directors during the financial year ended June 30, 2021. The scheme covered all employees with termination benefits. Gratuity was paid as one month gross salary for each completed year of service. All head office employees were eligible for gratuity from the date of completion of one year of service with the Foundation, till their actual date of leaving the Foundation.

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Provident Fund

The Foundation operates an unrecognized provident fund scheme for all permanent employees. Equal monthly contribution at the rate of 10% of basic salary per month is made by the employees and the Foundation to the scheme. Provident fund is administered by the Foundation.

3.6 Trade and other payables

Trade payables are obligations under normal short-term credit terms. These are measured at the undiscounted amount of cash to be paid.

3.7 Investments

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

3.8 Financial assets

3.8.1 Classification

The Foundation classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value [either through other comprehensive income ('OCI') or through profit or loss]; and

- those to be measured at amortized cost.

The classification depends on the Foundation's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Foundation has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Foundation reclassifies debt investments when and only when its business model for managing those assets changes.

3.8.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade date, being the date on which the Foundation commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Foundation has transferred substantially all the risks and rewards of ownership.

3.8.3 Measurement

At initial recognition, the Foundation measures a financial asset at its fair value plus, in the case of a financial asset not at Fair Value through Profit or Loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in income and expenditure account.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Foundation's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Foundation classifies its debt instruments:

i) **Amortized cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in income and expenditure account. Impairment losses are presented as a separate line item in the income and expenditure account.

ii) **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in income and expenditure account. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from fund balance to income and expenditure account. Interest income from these financial assets is included in other income using the effective interest rate method. Impairment expenses are presented as a separate line item in the income and expenditure account.

iii) **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in income and expenditure account in the period in which it arises.

Equity instruments

The Foundation subsequently measures all equity investments at fair value. Where the Foundation's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to income and expenditure account following the derecognition of the investment. Dividends from such investments continue to be recognized in income and expenditure account as other income when the Foundation's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in the income and expenditure account. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3.8.4 Impairment of financial assets other than investment in equity instruments

The Foundation assesses on a forward-looking basis the Expected Credit Losses (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For other receivables, the Foundation applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance to be recognized from initial recognition of the receivables, while general 3-stage approach for loans, deposits, other receivables and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

Following are the financial assets that are subject to the ECL model:

- Bank balances;
- Short term investments; and
- Deposits and other receivables

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 (adjusted for factors that are specific to the counterparty, 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). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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The Foundation recognizes life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Foundation recognizes an impairment loss in the income and expenditure account for financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, 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.

The Foundation writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of counterparty's sources of income or assets to generate sufficient future cash flows to repay the amount. The Foundation may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

3.9 Financial liabilities

All financial liabilities are recognized at the time when the Foundation becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are charged to the income and expenditure account.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortized cost using the effective yield method.

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

3.10 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Foundation intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

3.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand and balances at banks.

3.12 Other payables

Other payables are non derivative financial liabilities and are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method if applicable. The Foundation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

3.13 Provisions and contingencies

Provisions are recognized when the Foundation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate. Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

3.14 **Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the Foundation at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognized in statement of income and expenditure.

3.15 **Income recognition**

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

3.15.1 **General Fund**

Zakat and donations received for purposes other than heart surgeries are used for running expenses of the Foundation.

3.15.2 **Restricted Fund**

Zakat and donations explicitly received for heart surgeries are recognized in statement of income and expenditure as internally restricted funds.

3.15.3 **Deferred contributions**

Restricted contributions are the contributions which are received explicitly for hospital construction are recognized as deferred contributions under non-current liabilities. These are recognized as income in the same period or periods as the related expenses are recognized.

Grants are recognized as income over the period necessary to match them with the related costs which they are intended to compensate on systematic basis.

Grant and donations related to non-current assets, including non-monetary grants at fair value are presented in statement of financial position by setting up the grants as deferred income which is recognized as income on systematic basis over the useful life of the asset.

In case of donation or purchase of non-depreciable assets from restricted capital grants and donations, an amount equivalent to market value or cost of the asset respectively is transferred directly to the net assets of the Foundation.

3.16 **Contingent liabilities**

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and 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 Foundation; or

- there is present 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.

3.17 **Taxation**

Income tax expense represents tax expense for current and prior years. Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates, if any.

Subject to certain conditions, the Foundation is entitled to 100% tax credit of the income tax payable, including minimum and final taxes payable, under section 100C of the Income Tax Ordinance, 2001. Therefore, no provision of current income tax has been accounted for in these financial statements.

3.18 **Allocation of proceeds received against 'Restricted Funds' and contributions for 'Deferred grant' to 'General Fund'**

On initial recognition of income / proceeds received against 'Restricted Fund' (Zakat & Donation receipts from donors & Directors) and 'Deferred grants' for the construction of 'Children's Heart Hospital and Research Institute'. The Foundation allocates 7% of such income / proceeds to the 'General Fund' to cover common expenses of the Foundation.

The allocation of proceeds at initial recognition has been approved by the Board of Directors in consultation with the Shariah Advisor of the Foundation.

4 Changes in accounting policies

4.1 First time adoption of IFRS 16 - Leases

During the period, IFRS 16 - Leases became applicable to the Foundation. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases - Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Foundation has adopted IFRS 16 from July 1, 2021, and has not restated comparatives for the year ended June 30, 2021 reporting period, as permitted under the specific transitional provisions in the standard. The impact of adoption of this standard is therefore recognized in the opening statement of financial position on July 1, 2021.

On adoption of IFRS 16, the Foundation recognized certain lease liabilities which had previously been classified as 'operating leases' under IFRSs for SMEs. These liabilities were measured at the present value of the remaining lease payments, discounted using the Foundation's incremental borrowing rate of 8.7% per annum as of July 1, 2021 determined using market approach. The lease liability is subsequently measured at amortized cost using the effective interest rate method.

The following summary reconciles the Foundation's operating lease commitments at June 30, 2021 as the previously disclosed in the Foundation's annual financial statements as at June 30, 2021 to the lease liabilities recognized on initial application of IFRS 16 at July 1, 2021:

	Rupees
Operating lease commitments as at June 30, 2021	12,673,175
Discounted using the lessee's incremental borrowing rate of at the date of initial application	821,100
Add: finance lease liabilities recognized as at June 30, 2021	-
Lease liability recognized as at July 1, 2021	821,100
Of which are:	
Current lease liabilities	13,420
Non-current lease liabilities	807,680
	821,100

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognized in the statement of financial position immediately before the date of initial application.

The right-of-use assets recognized subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

	June 30, 2022 Rupees	July 01, 2021 Rupees
The recognized right-of-use assets relate to the following types of assets:		
Land	803,934	821,100

The effect of this change in accounting policy is as follows:

		June 30, 2022	July 01, 2021
4.1.1	**Impact on statement of financial position**		
	Assets		
	Increase in right-of-use assets	803,934	821,100
	Decrease in other assets - Advances, deposits, prepayment and other receivable	-	-
	Increase in total assets	803,934	821,100
	Liabilities		
	Increase in total lease liability against right-of-use assets	878,597	821,100
	Decrease in taxation - provision less payment	-	-
	Increase in total liabilities	878,597	821,100
	Decrease in net assets	(74,663)	-

		June 30, 2022 Rupees
4.1.2	**Impact on statement of statement of profit and loss account**	
	(Increase) / decrease in Administrative and general expenses:	
	Increase in depreciation on right-of-use assets	(17,166)
	Decrease in rent expense	13,420
		(3,746)
	Increase in finance cost	(70,917)
	Increase in other income	-
	Decrease in profit before tax	(74,663)
	Decrease in tax	-
	Decrease in profit after tax	(74,663)

4.1.3 **Practical expedients applied**

In applying IFRS 16 for the first time, the Foundation has used the following practical expedients permitted by the standard:

- grandfathered the assessment of which transactions are lease on the date of initial application;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at July 01, 2021 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

4.2 **First time adoption of IFRS 9 - Financial Instruments**

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. In respect of application of IFRS 9 from July 01, 2021, the Foundation has adopted modified retrospective approach as permitted by this standard, according to which the Foundation is not required to restate the prior period results.

Upon initial adoption of IFRS 9 there were no adjustments resulting in the measurement of financial assets and liabilities of the Foundation from the previously applicable IFRS 39.

In respect of classification of financial assets, the Foundation's management has assessed which business models apply to the financial assets held by the Foundation and has classified its financial instruments into the appropriate IFRS 9 categories as follows on July 01, 2021:

	Original classification under IAS 39	**New classification under IFRS 9**
Financial assets		
Advances, deposits, prepayments and other receivables	Loans and receivables	Amortized Cost
Short Term Investments	Loans and receivables	Amortized Cost
Cash and bank balances	Loans and receivables	Amortized Cost

Financial liabilities

There has been no change in the classification of the Foundation's financial liabilities under IFRS 9 from its previous classification under IAS 39.

		Note	2022 Rupees	2021 Rupees
5	**Property and equipment**			
	Operating fixed assets	5.1	10,268,102	10,517,593
	Right-of-use of assets	5.2	803,934	2,158,822
			11,072,036	12,676,415

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5.1 Operating fixed assets

	Medical equipment	Furniture and fixtures	Computers and accessories	Office equipment	Surgical equipment	Vehicles	Total
				Rupees			
Net carrying value basis							
Year ended June 30, 2022							
Opening net book value (NBV)	9,176,000	501,714	304,628	399,258	103,161	32,832	10,517,593
Additions (at cost)	-	21,495	-	-	212,118	-	233,613
Transfers from Right of Use Asset	-	-	-	-	-	1,835,000	1,835,000
Disposals (at NBV)	-	-	-	-	-	-	-
Depreciation charge	(1,835,200)	(102,010)	(100,527)	(79,852)	(102,199)	(98,316)	(2,318,104)
Closing net book value (NBV)	7,340,800	421,199	204,101	319,406	213,080	1,769,516	10,268,102
Gross carrying value basis							
As at June 30, 2022							
Cost	13,000,000	926,489	1,008,299	807,010	865,822	1,902,500	18,510,120
Accumulated depreciation	(5,659,200)	(505,290)	(804,198)	(487,604)	(652,742)	(132,984)	(8,242,018)
	7,340,800	421,199	204,101	319,406	213,080	1,769,516	10,268,102
Depreciation rate % per annum	20%	20%	33%	20%	50%	20%	
Net carrying value basis							
Year ended June 30, 2021							
Opening net book value (NBV)	7,053,333	627,143	454,668	499,072	206,323	41,040	8,881,579
Additions (at cost)	4,000,000	-	-	-	-	-	4,000,000
Disposals (at NBV)	-	-	-	-	-	-	-
Depreciation charge	(1,877,333)	(125,429)	(150,040)	(99,814)	(103,162)	(8,208)	(2,363,986)
Closing net book value (NBV)	9,176,000	501,714	304,628	399,258	103,161	32,832	10,517,593
Gross carrying value basis							
As at June 30, 2021							
Cost	13,000,000	904,994	1,008,299	807,010	653,704	67,500	16,441,507
Accumulated depreciation	(3,824,000)	(403,280)	(703,671)	(407,752)	(550,543)	(34,668)	(5,923,914)
	9,176,000	501,714	304,628	399,258	103,161	32,832	10,517,593
Depreciation rate % per annum	20%	20%	33%	20%	50%	20%	

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		Note	2022 Rupees	2021 Rupees
5.2	**Right-of-use of assets**			
	Balance as at July 01	5.2.1	2,158,822	2,698,528
	Lease recognized during the year	5.2.2	821,100	-
	Transfer during the year at net book value	5.2.1	(1,835,000)	-
	Depreciation charge for the year		(340,988)	(539,706)
	Balance as at June 30		803,934	2,158,822

5.2.1 This represents the agreement of diminishing musharaka with Faysal Bank Limited for the purchase of vehicle. During the year, the lease agreement matured, hence the asset was transferred from right-of-use assets to operating fixed assets at net book value.

5.2.2 This represents the lease agreement with Ibadat Educational Trust and the University of Lahore for the right to use land measuring 5 Kanals of property located at University of Lahore, 1- KM Defence road, near Bhuptian Chowk, Lahore. The term of the lease is 49 years commencing from May 2, 2020.

As explained in note 4.1 to the financial statements, 'IFRS 16 - Leases' became applicable to the Foundation during the year. Therefore, the Foundation has recognized right-of-use asset equivalent to the present value of lease payments remaining over the lease term, discounted at the Foundation's incremental borrowing rate determined using market approach, as per guidance of IFRS 16.

The management has assessed that considering the land can only be used for specific purpose i.e. charitable / welfare activities within the University of Lahore premises and since an active market for lease of such specialized nature asset does not exist, therefore, fair value of the right-of-use asset can not be reasonably determined.

		Note	2022 Rupees	2021 Rupees
5.3	**The depreciation and amortization charge for the year is as follows:**			
	General Fund			
	- Depreciation		704,527	923,197
	Restricted Fund			
	- Depreciation for Heart surgery expenses		1,394,927	1,436,495
	- Depreciation for Outpatient department expenses		542,472	544,000
			2,641,926	2,903,692

		Note	2022 Rupees	2021 Rupees
6	**Capital work-in-progress**			
	Balance as at July 01		13,846,607	-
	Additions during the year	6.1	304,871,322	13,846,607
	Transfers during the year		-	-
	Written off		-	-
	Balance as at June 30		318,717,929	13,846,607

6.1 This represents cost of steel and concrete purchased, labor charges, pilling work, consultancy fee, construction charges and freight charges for the construction of Children's Heart Hospital and Research Institute located at University of Lahore.

		Note	2022 Rupees	2021 Rupees
7	**Investment property**	7.1	50,000,000	50,000,000

7.1 The land represents freehold land owned by the Foundation. The property is not occupied by the Foundation and is held for capital appreciation. The Foundation carries this investment property under cost model as its fair value cannot be reliably determined without undue cost or effort as there is no active market for this property and a recent comparable transaction for identical property is also not available. The land was capitalized based on valuation report of an external valuer 'M/s Jays Associate' in the financial year 2017. As per valuation report issued by an independent valuator 'M/s Jays Associates' dated February 25, 2021, fair value of the investment property amounts to Rs. 55,000,000.

	2022	2021
	Rupees	Rupees

8 **Advances, deposits, prepayments and other receivable**

	2022 Rupees	2021 Rupees
Advances to employees	86,940	57,600
Advances to suppliers	25,226,349	-
Security deposits	250,000	30,000
Prepayments	58,336	56,401
Interest receivable	22,307	-
	25,643,932	144,001

9 **Short-term investment**

Particulars	Short term Rating	Short term Agency	Rate of interest	Maturity date	2022	2021
					Rupees	Rupees
Term deposit receipts						
Faysal Bank Limited	A-1+	JCR-VIS	8.85%	27-Jul-22	2,594,781	5,000,000
Faysal Bank Limited	A-1+	JCR-VIS	8.85%	7-Jul-22	4,000,000	4,000,000
Faysal Bank Limited	A-1+	JCR-VIS	5.50%	8-Jul-21	-	874,250
Bank Islami	A1	PACRA	4.75%	24-Nov-21	-	1,600,000
					6,594,781	11,474,250

9.1 The short term investment relates to the Term-Deposit Receipts (TDRs) with the maturity period up to one month. After considering the requirement of funds, the Foundation is following the practice to roll forward the TDR's for the next period.

10 **Tax refunds due from government**

	2022 Rupees	2021 Rupees
Sales tax refundable	-	3,475,827
Income tax refundable	101,707	729,338
	101,707	4,205,165

10.1 During the year, the Foundation has written off income tax and sales tax refundable amounting to Rs 677,494 (2021: Nil) and Rs 1,121,894 (2021: Nil), respectively.

10.2 During the year, the Foundation has capitalized sales tax refundable amounting to Rs 2,393,533 (2021: Nil).

11 **Cash and bank balances**

	Note	2022 Rupees	2021 Rupees
Cash in hand		101,881	34,897
In Bank			
In saving account		-	-
In current accounts:			
- restricted	11.1	9,063,130	90,086,050
- general		82,286,969	65,537,026
		91,350,099	155,623,076
		91,451,980	155,657,973

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11.1 This represents restricted funds for the construction of Children's Heart Hospital and Research Institute.

12 Deferred grants	Note	2022 Rupees	2021 Rupees
Deferred grant - restricted	12.1	369,815,768	150,065,611
Deferred grant - general	12.2	113,404	169,259
		369,929,172	150,234,870

12.1 Details of grant - restricted are as follows:

Grant as at July 01		150,065,611	80,621,578
Received during the year		221,585,357	71,321,366
Amortization charged during the year	12.1.2	(1,835,200)	(1,877,333)
Grant as at June 30	12.1.1	369,815,768	150,065,611

12.1.1 The grant relates to the construction of Children's Heart Hospital and Research Institute, received from multiple donors.

12.1.2 The represents the depreciation charged for the year on medical equipment purchased using deferred grant in the prior years.

12.2 Details of grant - general are as follows:	Note	2022 Rupees	2021 Rupees
Capital grants as at July 01		169,259	252,626
Amortization charged during the year	12.2.2	(55,855)	(83,367)
Capital grants as at June 30	12.2.1	113,404	169,259

12.2.1 This represents sixteen laptops donated by Mr. Farhan Ahmad, Chief Executive Officer of the Foundation.

12.2.2 This represents depreciation charged for the year on the sixteen laptops donated by Mr. Farhan Ahmad, Chief Executive Officer of the Foundation.

13 Lease liabilities	Note	2022 Rupees	2021 Rupees
Balance as at July 01	13.2	788,241	2,579,754
Additions	13.3	821,100	-
Finance cost		98,476	177,904
Repayments		(829,220)	(1,969,417)
Balance as at June 30	13.1	878,597	788,241
Less: current maturity		(14,762)	(788,241)
		863,835	-

13.1 The minimum lease payments under finance leases fall due as follows:

Within one year	14,762	788,241
Later than one year but within five years	75,361	-
Later than five years	12,568,532	-
	12,658,655	788,241
Future finance cost	(11,780,058)	-
Total lease liability against right-of-use-asset	878,597	788,241

13.2 The Foundation has entered into diminishing musharaka agreement with Faysal Bank Limited for purchase of vehicle as shown in Note 5.2 to the financial statements. The liability under this arrangement is payable in monthly installments. Interest rates implicit in the diminishing musharaka are used as discounting factor to determine the present value of long term musharaka.

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Residual value of the musharaka asset has already been paid, at the inception, in the form of security deposit. There are no financial restrictions imposed by Faysal Bank Limited. Taxes, repairs, replacements and insurance costs are borne by the Foundation.

Salient features of the musharaka financing are as follows:

	2022	2021
Mark up rate - %	1 year KIBOR plus 2.5%	1 year KIBOR plus 2.5%
Musharaka term - months	48	48
Security deposits - %	20	20

13.3 The Foundation has entered into a lease agreement with Ibadat Education Trust for right to use the land for a period of 49 years commencing at May 02, 2020 . The liability under this arrangement is payable in monthly installments. Incremental borrowing rate is used as discounting factor to determine the present value of long term lease.

Salient features of the long term lease are as follows:

	2022	2021
Mark up rate - %	8.7%	0.00%
Lease term - months	574	0

		Note	2022 Rupees	2021 Rupees
14	**Staff retirement benefit - Gratuity**	14.1	-	-
14.1	Balance as at July 01		-	1,383,329
	Contribution for the year		-	226,562
	Payment made during the year		-	(1,609,891)
	Balance as at June 30		-	-

14.2 The gratuity fund was dissolved through the resolution of Board in the year ended June 30, 2021.

		Note	2022 Rupees	2021 Rupees
15	**Other payables**			
	Payable to hospitals	15.1	14,311,007	13,275,377
	Accrued expenses		5,798,112	6,828,778
	Provident fund payable	15.2	2,485,901	1,251,400
	Withholding tax payable		1,885,035	47,867
	Other payable		48,672,918	17,403,145
			73,152,973	38,806,567

15.1 This mainly includes payable to Ittefaq Hospital Trust, Agha Khan Hospital, University of Lahore Teaching Hospital and Bahria International Hospital, amounting to Rs.10,119,229 (2021: Rs. 10,653,031), Rs.1,953,245 (2021: 1,953,245), Rs. 645,201 (2021: 669,071) and Rs. 1,593,332 (2021: Nil) respectively against hospital fee for heart surgeries.

		2022 Rupees	2021 Rupees
15.2	Movement in provident fund payable is as follows:		
	Balance as at July 01	1,251,400	-
	Contribution for the year	2,080,759	1,319,900
	Payment made during the year	(846,258)	(68,500)
	Balance as at June 30	2,485,901	1,251,400

15.3 The Foundation is in the process of opening a special account for provident fund in a scheduled bank as per the requirements of section 218 of the Companies Act, 2017.

16 **Contingencies and commitments**

16.1 **Contingencies**

There are no contingencies to report as at June 30, 2022 (2021: Nil).

16.2 **Commitments**

The Foundation's commitment in respect of rentals of land held under operating lease are as follows:

	Note	2022 Rupees	2021 Rupees
Not later than one year		-	13,310
Later than one year and not later than five years		-	67,949
Late than five years		-	12,591,916
		-	12,673,175

17 **Donation income**

Donation income received during the year is as follows;

		2022 Rupees	2021 (Re-stated) Rupees
General			
Allocation of 7% proceeds	3.18	30,599,105	19,509,050
Foundation charity receipts From Directors		40,486	-
Foundation charity receipts from donors		4,262,560	3,235,737
Restricted			
Donations receipts from donors		61,409,426	67,176,565
Donations receipts from patient		36,211,245	37,728,810
Donations receipts from directors		-	5,102
		132,522,822	127,655,264

18 **Zakat Income**

	2022 Rupees	2021 Rupees
Zakat receipts from Directors	151,590	837,000
Zakat receipts from donors	109,805,597	79,439,424
	109,957,187	80,276,424

19 **Other Income**

The other income earned for the year is classified as follows;

	2022	2021
From financial assets		
Income from Investments	3,197,612	2,877,322
From non-financial assets		
Payable waived off as donation	2,210,000	-
Payable(s) written-off	307,000	265,000
	5,714,612	3,142,322

			2022	2021 (Re-stated)
20	**Heart surgery expenses**	Note	Rupees	Rupees
	University of Lahore Teaching Hospital			
	Surgeon and surgical team fees		25,451,640	17,001,000
	Medicines		35,984,800	20,083,366
	Staff salaries		18,118,669	15,624,837
	Hospital service charges		14,319,677	8,324,928
	Travel and food		2,091,590	1,531,450
	Depreciation	5.3	1,394,927	1,436,495
	Staff uniform		25,600	52,200
	Laboratory charges		729,300	-
	Reimbursement through Sehat Insaf Card	20.1	(13,579,000)	(2,295,000)
			84,537,203	61,759,276
	Children heart surgeries from other hospitals			
	Ittefaq Hospital Lahore		103,872,411	109,993,365
	Armed Forces Institute of Cardiology		5,623,384	3,648,420
	Bahria International Hospital		1,593,332	-
	Agha Khan Hospital		-	597,307
	Hameed Latif Hospital		-	530,000
	Children's Hospital Lahore		5,050,005	-
	Other		-	3,900
			116,139,132	114,772,992
			200,676,335	176,532,268

20.1 This represents the reimbursements made to Pakistan Children's Heart Foundation by the University of Lahore, after deduction of fixed hospital charges, against the pediatric cardiac surgeries which are covered under the Government of Pakistan's Sehat Sahulat Program (SSP).

			2022	2021
21	**Outpatient department expenses**	Note	Rupees	Rupees
	Depreciation	5.3	542,472	544,000
	Other expenses		-	6,500
			542,472	550,500

22	**General and administrative expenses**			
	Staff salaries and benefits	22.1	17,436,840	12,199,414
	Advertisement		19,727,317	10,090,958
	Depreciation	5.3	704,527	923,197
	Repair and maintenance		230,100	876,617
	Office and land rent		61,500	767,251
	Utilities		454,943	569,240
	Printing and stationery		697,923	450,405
	Entertainment		309,287	233,800
	Auditors' remuneration	22.2	225,000	210,000
	Travelling and conveyance		5,481,361	165,983
	Legal and professional charges		8,571	124,965
	Fee and subscription		752,575	85,790
	Insurance expenses		64,273	67,673
	Other expenses		1,153,273	384,115
			47,307,490	27,149,408

22.1 This includes contributions of Rs. 2,080,759 and Nil (2021: Rs. 1,319,900 and Rs. 226,562) towards provident fund and gratuity scheme, respectively.

22.2 This includes audit fee of Rs. 210,000 (2021: Rs. 210,000).

	2022 Rupees	2021 Rupees
23 Finance cost		
Finance charge on lease liability	98,476	177,904
Bank charges	6,690	8,604
	105,166	186,508

24 Taxation

As referred in Note 3.18, subject to certain conditions, the Foundation is eligible for 100% tax credit for income tax payable, including minimum and final taxes payable under section 100C of the Income Tax Ordinance 2001. Therefore, the Foundation has not recognized any provision in respect of current tax for the year.

	Note	2022 Rupees	2021 Rupees
25 Cash and cash equivalents			
Term deposit receipts	9	6,594,781	-
Cash and bank balances	11	91,451,980	155,657,973
		98,046,761	155,657,973

26 Related party transactions

The related parties and associated undertakings comprise associated company, company in which Directors are interested, Directors and key management personnel. Amounts due from and to related parties, Directors and key management personnel if any, are shown under receivables and payables. Other significant transactions with related parties are as follows:

Related parties	Relationship	Nature of transactions	2022 Rupees	2021 Rupees
Mr. Farhan Ahmad	Chief Executive	Donation and Zakat	653,000	850,000
Mr. Misbah ul Haq	Member	Contribution for Hospital Construction	3,000,000	2,500,000
Maj. Gen. (Rtd.) Syed Shahid Mukhtar Shah	Member	Zakat	-	300,000
Mr. Hasan Ali Bukhari	Member	Zakat	-	240,000
Mr. Shahid Qayyum	Company Secretary / Chief Financial Officer	Zakat	316,000	1,000
Mr. Mujtaba Mehmood Bhatti	Director	Donation	451,952	-

27 Financial risk management

27.1 Financial risk factors

Financial instruments comprise of loans and advances, trade deposits, trade debts, other receivables, short term investments, cash and bank balances, short term borrowings, long term deposits, interest/mark-up accrued on short term borrowings, and trade and other payables.

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

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors have the overall responsibility for the establishment and oversight of Foundation's risk management framework. The Board is also responsible for developing and monitoring the Foundation's risk management policies.

This note presents information about the Foundation's exposure to each of the above risks, the Foundation's objectives, policies and processes for measuring and managing risk, and the Foundation's management of capital.

The Foundation's risk management policies are established to identify and analyze the risks faced by the Foundation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Foundation's activities.

27.1.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of three types of risk: currency risk, other price risk and interest rate risk, such as equity risk. Financial instruments affected by market risk include foreign currency bank balances.

27.1.1.1 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 Foundation is not exposed to currency risk as it does not have any currency sensitive instruments.

27.1.1.2 Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is not exposed to equity price risk since there are no investments in equity securities. The Foundation is also not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

27.1.1.3 Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is not exposed to interest rate risk since there are no investments and short term borrowings which are exposed to variable rates.

27.1.2 Credit risk

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

Credit risk of the Foundation arises from certain investments, cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to related parties, including outstanding receivables and committed transactions. The management assesses the credit quality of the related parties taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilization of credit limits is regularly monitored and all transactions with these persons are settled in cash. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

Exposure to credit risk

The Foundation monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2022 Rupees	2021 Rupees
Advances, prepayments and other receivables	25,585,596	144,001
Short Term Investments	6,594,781	11,474,250
Cash and bank balances	91,350,099	155,623,076

27.1.2.1 **Credit quality of major financial assets**

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating				
	Short term	Long term	Rating Agency	2022 Rupees	2021 Rupees
Faysal Bank Limited	A-1+	AA	JCR-VIS	2,594,781	5,000,000
Faysal Bank Limited	A-1+	AA	JCR-VIS	4,000,000	4,000,000
Faysal Bank Limited	A-1+	AA	JCR-VIS	-	874,250
Bank Islami	A1	A+	PACRA	-	1,600,000
				6,594,781	11,474,250

Due to the Foundation's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Foundation. Accordingly, the credit risk is minimal.

27.1.3 **Liquidity risk**

Liquidity risk is the risk that a Foundation will encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash, marketable securities and the availability of funding through an adequate amount of committed credit facilities.

Management monitors the forecasts of the Foundation'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 Foundation. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Foundation's liquidity management policy involves projecting cash flows periodically and considering the level of liquid assets necessary to meet its liabilities, monitoring statement of financial position liquidity ratios against internal requirements and maintaining debt financing plans.

The financial liabilities as at June 30, 2022 consist of trade and other payables and lease liability against right of use asset having carrying amount of Rs. 73,152,973 (2021: Rs. 38,806,567) and Rs 878,597 (2021: Rs 788,241) respectively. The contractual maturities of financial liabilities pertaining to trade and other payables are less than one year. However, in case of lease liability aganist right of use asset, Rs 14,762 is payable in less than one year and Rs 863,835 is payable after one year.

Mr

27.2 Fair values of financial assets

The carrying values of all financial assets reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

27.3 Financial instruments by categories

	2022		
	At amortized cost	At fair value through profit or loss	Total
	Rupees		
Financial assets as per statement of financial position			
Advances, deposits, prepayments and other receivable	25,585,596	-	25,585,596
Short-term investment	6,594,781	-	6,594,781
Cash and bank balances	91,451,980	-	91,451,980
Financial liabilities as per statement of financial position			
Other payables	73,152,973	-	73,152,973
Lease liabilities	878,597	-	878,597
Accrued markup	-	-	-

	2021		
	At amortized cost	At fair value through profit or loss	Total
	Rupees		
Financial assets as per statement of financial position			
Advances, deposits, prepayments and other receivable	144,001	-	144,001
Short-term investment	11,474,250	-	11,474,250
Cash and bank balances	155,657,973	-	155,657,973
Financial liabilities as per statement of financial position			
Other payables	38,806,567	-	38,806,567
Lease liabilities	788,241	-	788,241
Accrued markup	7,323	-	7,323

27.4 Fair value estimation

IFRS 13 "Fair Value Measurement" requires the Foundation to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurement of fair value hierarchy, which has the following levels:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

28 Remuneration of Chief Executive, Directors and Executives

28.1 Total number of directors (including Chief Executive) of the Foundation as at June 30, 2022 are 5 (2021: 5). The Directors and Chief Executive of the Foundation do not withdraw any remuneration or related benefits.

28.2 The Foundation has not employed any Executive as at June 30, 2022 (2021: Nil)

		2022	2021

29 **Number of employees**

The Foundation has employed following number of persons including permanent staff:

	2022	2021
Number of employees at the end of the year	64	57
Average number of employees during the year	61	50

30 **Date of authorization**

These financial statements were approved by the Board of Directors of the Foundation and authorized for issue on January 04, 2023

31 **Corresponding Figures**

31.1 Corresponding figures have been re-arranged and reclassified, whenever necessary, for the purpose of comparison and better presentation as per applicable financial reporting framework. However, no significant re-classification has been made, except for the following;

	Rupees
- Reimbursements from the University of Lahore against the pediatric cardiac surgeries which are covered under the Government of Pakistan's Sehat Sahulat Program (SSP), previously included in 'Donation Income' as income, now included in 'Heart Surgery Expense' as a reduction of related expense.	2,295,000

Third balance sheet has not been reported since the re-classification doesn't have a material effect on the information in the statement of financial position in the beginning of the preceding period.

31.2 Figures have been rounded off to the nearest rupee, unless otherwise stated.

Chief Executive

Director