

**THE KIDNEY CENTRE POST GRADUATE TRAINING INSTITUTE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**A.F. FERGUSON & Co.**  
*Chartered Accountants*  
*a member firm of the PwC network*



**Independent Auditor's Report to the Members of The Kidney Centre Post Graduate Training Institute****Opinion**

We have audited the accompanying financial statements of The Kidney Centre Post Graduate Training Institute (the Institute), which comprise the statement of financial position as at June 30, 2021, and the statement of income and expenditure and other comprehensive income, the statement of changes in net assets and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as at June 30, 2021, and its financial performance and its cash flows for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

**Basis for 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 Institute 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.

**Responsibility of Management and Board of Governors for the Financial Statements**

The management of the Institute is responsible for the preparation and fair presentation of the financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan, and for such internal control as the 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, the management is responsible for assessing the Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

The Board of Governors are responsible for overseeing the Institute'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 Institute'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 Institute'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 Institute 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 Board of Governors 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 Azhar Hussain.



**Chartered Accountants  
Karachi**

**Date: December 29, 2021**


**THE KIDNEY CENTRE POST GRADUATE TRAINING INSTITUTE**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2021**

	Note	2021	2020
		-----Rupees-----	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	396,947,520	387,371,913
Intangible assets	5	125,455	241,279
Long-term deposits		1,309,195	1,389,195
		<u>398,382,170</u>	<u>389,002,387</u>
<b>CURRENT ASSETS</b>			
Inventories	6	102,737,810	147,551,468
Accounts receivable	7	20,365,267	15,521,453
Advances, deposits, prepayments and other receivables	8	14,198,396	16,015,477
Short-term investments	9	1,755,740,031	1,405,516,600
Cash and bank balances	10	92,480,394	152,824,547
		<u>1,985,521,898</u>	<u>1,737,429,545</u>
<b>TOTAL ASSETS</b>		<u>2,383,904,068</u>	<u>2,126,431,932</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Deferred capital contribution	11	298,175,479	240,710,551
Long-term borrowings	12	52,190,637	48,312,269
		<u>350,366,116</u>	<u>289,022,820</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	183,366,061	186,690,746
Current portion of long-term borrowings	12	104,381,273	16,104,090
Accrued interest		170,342	54,331
Deferred contribution	14	89,682,731	67,388,828
		<u>377,600,407</u>	<u>270,237,995</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	15		
		<u>727,966,523</u>	<u>559,260,815</u>
<b>NET ASSETS</b>		<u><u>1,655,937,545</u></u>	<u><u>1,567,171,117</u></u>
<b>FINANCED BY:</b>			
Restricted endowment fund	16	1,663,300,526	1,538,974,527
General fund (Operating deficit / Surplus)		(7,362,981)	28,196,590
		<u><u>1,655,937,545</u></u>	<u><u>1,567,171,117</u></u>

The annexed notes 1 to 30 form an integral part of these financial statements.



  
Chairman

  
Treasurer




**THE KIDNEY CENTRE POST GRADUATE TRAINING INSTITUTE**  
**STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021	2020
		-----Rupees-----	
<b>INCOME</b>			
Income from medical services, net	17	623,430,526	582,233,204
Value of services provided to welfare patients, net	18	394,492,275	333,745,462
Amortization of deferred capital contribution	11	17,509,949	12,168,936
		<u>1,035,432,750</u>	<u>928,147,602</u>
<b>EXPENDITURE</b>			
<b>Cost of services</b>			
Medicines consumed		326,170,103	308,492,460
Salaries and allowances		432,928,126	444,438,428
Utilities expenses		77,694,856	67,146,083
Depreciation	4.1.3	68,933,609	59,999,932
Repair, maintenance and others		34,076,113	34,262,337
Laboratory tests		10,910,260	5,807,581
Food supplies		8,585,564	7,569,276
Uniform and linen		2,070,903	2,408,018
Communication		769,499	712,567
Advertisement		2,107,760	2,716,748
Printing and stationery		3,823,789	3,694,634
Insurance		5,444,610	6,163,902
Fund raising cost		9,588,991	8,111,163
Training, development and seminars		3,984,483	5,486,277
Laundry, cleaning and sanitation		11,365,994	9,522,201
Security service		3,049,319	2,694,573
Obsolete inventories written-off	6	415,551	30,455
Provision (reversal) for accounts receivable	7.3	(350,000)	335,000
Others		130,728	63,072
		<u>1,001,700,258</u>	<u>969,654,707</u>
Administrative expenses	19	72,657,907	57,796,155
Finance cost	20	2,927,859	1,723,606
		<u>1,077,286,024</u>	<u>1,029,174,468</u>
Other income	21	(6,293,703)	(13,901,096)
		<u>1,070,992,321</u>	<u>1,015,273,372</u>
Operating deficit		(35,559,571)	(87,125,770)
Other comprehensive income		-	-
Total comprehensive loss		<u>(35,559,571)</u>	<u>(87,125,770)</u>

The annexed notes 1 to 30 form an integral part of these financial statements.



  
Chairman




Treasurer

**THE KIDNEY CENTRE POST GRADUATE TRAINING INSTITUTE**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Restricted endowment fund (note 16)	General fund (Operating deficit / Surplus)	Total
	-----Rupees-----		
<b>Balance as at July 1, 2019</b>	1,347,716,046	115,322,360	1,463,038,406
Total comprehensive loss for the year	-	(87,125,770)	(87,125,770)
Income on investments	144,959,719	-	144,959,719
Fair value adjustment	43,185,558	-	43,185,558
Unrealized exchange gain on foreign currency deposit	3,113,204	-	3,113,204
<b>Balance as at June 30, 2020</b>	1,538,974,527	28,196,590	1,567,171,117
Total comprehensive loss for the year	-	(35,559,571)	(35,559,571)
Income on investments	162,153,706	-	162,153,706
Fair value adjustment	(33,729,048)	-	(33,729,048)
Exchange loss on foreign currency deposit	(4,098,659)	-	(4,098,659)
<b>Balance as at June 30, 2021</b>	<u>1,663,300,526</u>	<u>(7,362,981)</u>	<u>1,655,937,545</u>

The annexed notes 1 to 30 form an integral part of these financial statements.



  
**Chairman**

  
**Treasurer**



**THE KIDNEY CENTRE POST GRADUATE TRAINING INSTITUTE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021	2020
		-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating deficit for the year		(35,559,571)	(87,125,770)
Adjustments for non-cash charges and other items:			
- Depreciation	4.1	69,097,112	60,090,758
- Amortization of intangible assets	5	115,824	115,824
- Value of services provided to welfare patients, net	18	(394,492,275)	(333,745,462)
- Amortization of deferred capital contribution	11	(17,509,949)	(12,168,936)
- Obsolete inventories written-off		415,551	30,455
- Interest on long term borrowings		978,029	54,331
- Gain on disposal of operating assets	21	(1,082,629)	(309,208)
- (Reversal) / provision for doubtful debts		(350,000)	335,000
- (Exchange loss) / unrealized exchange gain on foreign currency deposits		(4,098,659)	3,113,204
- Income on investments		-	(7,290)
Deferred contributions received during the year	14.2	416,786,178	316,326,414
Long term deposits, net		80,000	(50,000)
Working capital changes	22	38,396,689	(50,011,842)
Net cash generated from / (utilized in) operating activities		72,776,300	(103,352,522)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Short-term investments made		(284,476,552)	(1,092,063,457)
Encashment of short-term investments		25,000,000	1,026,092,500
Interest received on short-term investments		-	127,016
Purchase of property, plant and equipment		(59,175,484)	(89,618,296)
Proceeds from disposal of operating assets		1,539,071	945,000
Net cash utilized in investing activities		(317,112,965)	(154,517,237)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Deferred capital contribution - net		55,021,200	106,266,906
Proceeds from long term borrowings		144,346,187	64,416,359
Interest on long term borrowings paid		(862,018)	-
Repayment of long term borrowings		(52,190,636)	-
Income received on restricted endowment fund		39,437,000	117,580,694
Net cash generated from financing activities		185,751,733	288,263,959
Net increase in cash and cash equivalents		(58,584,932)	30,394,200
Cash and cash equivalents at beginning of the year		225,639,451	195,245,251
Cash and cash equivalents at end of the year	23	167,054,519	225,639,451

The annexed notes 1 to 30 form an integral part of these financial statements.



HC — K. —

Chairman



Treasurer



**THE KIDNEY CENTRE POST GRADUATE TRAINING INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**1. LEGAL STATUS AND OPERATIONS**

The Kidney Centre, a society registered on November 6, 1986 under the Societies Registration Act, 1860, was reorganized and re-established as a Training Institute to be known as the Dorab Patel Post Graduate Institute for Nephrology and Urology. This was effected on February 10, 2001 through promulgation of The Dorab Patel Post Graduate Training Institute for Nephrology and Urology Ordinance, 2001 (No. XI) by the Governor of Sindh. However, on August 8, 2001 the aforementioned Ordinance was repealed and replaced by a new Ordinance i.e. The Kidney Centre Post Graduate Training Institute Ordinance, 2001 (No. XXVIII). Under the new Ordinance:

- The Kidney Centre is to be known as The Kidney Centre Post Graduate Training Institute (the Institute);
- Established within the Institute is a training and research center to be known as the Dorab Patel Post Graduate Training and Research Centre; and
- The principal objective of the Institute is to construct and operate one or more hospitals with such ancillary facilities appropriate for the prevention and treatment of renal and other related diseases on charitable basis to needy patients.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

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

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

2.1.3 The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Institute's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

**2.1.4 Initial application of standards, amendments and interpretations to existing standards**

**(a) Amendments to accounting and reporting standards that became effective during the year**

There are certain amendments to accounting and reporting standards that are applicable for the financial year beginning on July 01, 2020, however, these are considered not to be relevant or do not have any significant impact on the Institute's financial reporting and operations and, therefore, have not been presented in these financial statements.

**(b) Standards and amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Institute**

There are other new standards and amendments to accounting and reporting standards that are not yet effective are either considered not to be relevant or do not have any significant impact on the Institute's financial reporting and operations and, therefore, have not have been presented in these financial statements.





## 2.2 Property, plant and equipment

### 2.2.1 Operating assets

These are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to the statement of income and expenditure and other comprehensive income using the straight-line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life at rates given in note 4.1. Depreciation on additions is charged from the month in which the asset is available for use up to the month immediately preceding the disposal. Assets received as contributions in kind are initially recognized at fair value and subsequently at valuation less accumulated depreciation and impairment, if any. Assets residual values and useful life are reviewed, and adjusted, if appropriate at each reporting date.

The carrying values of operating assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of operating assets is the greater of fair value less cost of disposal and value in use.

Subsequent costs are included in the assets' 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 Institute and the cost of the item can be measured reliably.

Maintenance and normal repairs are charged to the statement of income and expenditure and other comprehensive income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Disposal of assets is recognized when significant risks and rewards incidental to ownership have been transferred to the buyer. The gain or loss on disposal of an asset, represented by the difference between the sales proceeds and carrying amount of the asset, is recognized as an income or expense in the period of disposal.

### 2.2.2 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment, if any. Capital work-in-progress consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant operating asset or intangible assets category as and when assets are available for use.

## 2.3 Intangible assets

These are stated at cost less accumulated amortization and impairment losses, if any. Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Costs directly associated with acquiring software that have probable economic benefits exceeding one year, are recognized as an intangible asset. Direct costs include the purchase cost of software and related overhead cost. Subsequent directly attributable 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 Institute and the cost of the item can be measured reliably.

Computer software costs are amortized from the year when such assets are available for use on a straight-line basis over the asset's useful life.

The asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.





## 2.4 Financial instruments

### 2.4.1 Financial assets

The Institute classifies its financial assets in the following categories: at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

#### a) At amortized cost

Financial assets are measured at amortized cost where assets are held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### b) At fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income where assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### c) At fair value through profit or loss

Financial assets, that are not measured at amortized cost or at fair value through other comprehensive income on initial recognition, are classified as fair value through profit or loss.

#### 2.4.1.1 Recognition and measurement

All financial assets are recognized at the time when the Institute becomes a party to the contractual position of the instrument. Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the Institute commits to purchase or sell the asset.

Financial assets at amortized cost are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

Investments, classified as fair value through other comprehensive income, are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair values. Increase or decrease in respect of these investments is recognized directly in other comprehensive income till the investment is sold or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognized in the net assets is included in income.

Any changes in the fair value of investments which are acquired from the funds restricted for capital expenditure purpose or endowment fund is recognized directly in deferred capital contribution or restricted endowment fund, respectively.

Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income and expenditure and other comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Institute has transferred substantially all risks and rewards of ownership. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of income and expenditure and other comprehensive income within 'other income / other expenses' in the period in which they arise.



#### 2.4.2 Impairment of financial assets

The Institute recognises lifetime expected credit losses (ECL) for accounts receivable. The ECL on accounts receivable are estimated using a provision matrix based on the Institute's historical credit loss experience, adjusted for factors i.e general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial asset has not increased significantly since initial recognition, the Institute measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

The amount of ECL is updated at each reporting date to reflect change in credit risk since initial recognition of the respective financial asset.

#### 2.4.3 Financial liabilities

All financial liabilities are recognized at the time when the Institute becomes a party to the contractual provisions of the instrument.

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 statement of income and expenditure and other comprehensive income.

#### 2.4.4 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Institute or the counterparty.

#### 2.5 Inventories

Inventories are valued at lower of cost, determined on moving average basis, or net realizable value. Cost comprises invoice value plus other charges incurred thereon.

Provision is made for slow moving inventories, where necessary, and recognized in the statement of income and expenditure and other comprehensive income. Obsolete items are written off and are recorded at Nil value.

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

#### 2.6 Accounts receivables

Accounts receivable are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Institute holds the accounts receivable with the objective to collect contractual cash flows and, therefore, measures them subsequently at amortised cost using the effective interest method. Provision for impairment is recognised for lifetime expected credit losses under the simplified model for accounts receivables.

The amount of the provision for impairment is charged to the statement of income and expenditure and other comprehensive income. Accounts receivable considered irrecoverable are written-off.

## **2.7 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, balance with banks on current, deposit and savings accounts and short-term investments with original maturities of three months or less.

## **2.8 Retirement benefits**

The Institute operates an approved contributory provident fund for its permanent employees. Equal monthly contributions are made, both by the Institute and the employees, to the fund at the rate of 10% of basic salary.

## **2.9 Compensated absences**

Annual leave earned and not availed may be accumulated in the employee's annual leave account to a maximum of 42 days as of first day of January of each year. An employee who has not availed annual leave will be allowed to encash his / her leave balance.

## **2.10 Trade and other payables**

Trade and other payables are recognized initially at fair value of the consideration to be paid in the future for goods and services received, and are subsequently measured at amortized cost using the effective interest method.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

## **2.11 Borrowings**

Borrowings are recognized initially at fair value, net of attributable transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income and expenditure and other comprehensive income over the period of the borrowings using the effective interest rate method.

## **2.12 Provisions**

Provisions are recognized when the Institute 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. Provisions are reviewed at each reporting date and adjusted to reflect current best estimates.

## **2.13 Deferred contributions**

Specific donations and zakat contributed by donors are initially recognized as deferred contributions on receipt. Subsequently, they are recognized in the statement of income and expenditure and other comprehensive income to match the cost and expenses incurred in respect of the same.

## **2.14 Foreign currency transactions and translation**

The financial statements are presented in Pakistan Rupees which is the Institute's functional currency. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at rates of exchange prevailing at the reporting date. Transactions in foreign currencies are accounted for in Pakistan Rupees at daily average rates. Exchange gains and losses on contribution received for capital expenditure are added to the balance of deferred capital contribution. All other exchange gains and losses are included in the statement of income and expenditure and other comprehensive income.





## 2.15 Income recognition

The Institute follows the deferral method of accounting for contributions, charities and grants. Under this method unrestricted contributions are recognized as income when received; externally restricted contributions including zakat, charities and grants are deferred and recognized as income in the year the related expenses are recognized / services provided to welfare patients free of cost (such income is recognized at the value of medical services, net of discount); contributions externally restricted for capital assets are recorded as deferred capital contribution and are amortized on the same basis as the related asset is depreciated.

Income from medical services is recognized over time, as and when services are provided.

Investment income related to (i) deferred contribution are added to the balances thereof; (ii) restricted endowment fund (the fund) are credited directly to the fund; and (iii) other invested funds are recognized in the statement of income and expenditure and other comprehensive income.

Rental income is recognized over the term of the contract.

## 2.16 Taxation

The Institute has been granted approval as a non-profit organization under section 2(36) of the Income Tax Ordinance, 2001 (the Ordinance) by the Commissioner Inland Revenue. Therefore, the Institute based on its advice of its tax consultant, is of the view that its income would not be liable to tax in view of tax credit available under section 100C of the Ordinance.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Institute makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

### 3.1 Operating assets

The Institute reviews appropriateness of the rate of depreciation, useful life and residual values used for recording the depreciation on annual basis. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

### 3.2 Accounts and other receivables

An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. Any difference between the amounts actually collected in future periods and the amounts expected to be received is recognized in the statement of income and expenditure and other comprehensive income.

## 4. PROPERTY, PLANT AND EQUIPMENT

Operating assets (note 4.1)  
Capital work-in-progress (note 4.2)

	2021	2020
	-----Rupees-----	
	359,427,186	373,572,281
	37,520,334	13,799,632
	<u>396,947,520</u>	<u>387,371,913</u>



## 4.1 Operating fixed assets

	Leasehold land	Building (note 4.1.1)	Electro medical Equipment	Laboratory Equipment	Plant and Machinery	Furniture and Fixture	Vehicles	Office Equipment	Computers	Electrical Equipment and Fittings	Elevators	Boats	Total
	Rupees												
As at 1 July 2019													
Cost	-	177,066,579	476,313,564	23,013,327	70,089,738	12,512,801	3,429,479	20,430,992	18,335,145	3,987,766	12,582,414	513,191	818,274,996
Accumulated depreciation	-	(77,173,247)	(272,772,977)	(17,928,274)	(47,195,734)	(8,612,780)	(2,779,663)	(14,707,163)	(15,153,134)	(3,987,765)	(8,132,414)	(513,190)	(469,956,341)
Net book value	-	99,893,332	203,540,587	5,085,053	22,894,004	3,900,021	649,816	5,723,829	3,182,011	1	4,450,000	1	349,318,655
Year ended 30 June 2020													
Opening net book value	-	99,893,332	203,540,587	5,085,053	22,894,004	3,900,021	649,816	5,723,829	3,182,011	1	4,450,000	1	349,318,655
Additions including transfers - note 4.2	-	6,388,698	70,631,244	297,000	570,000	126,800	1,043,364	3,394,068	2,529,002	-	-	-	84,980,176
Disposals / Write-offs - note 4.1.2													
Cost	-	-	32,494,309	7,047,256	57,800	99,000	-	1,403,215	-	-	-	-	41,101,580
Accumulated depreciation	-	-	(31,879,717)	(7,047,256)	(57,800)	(99,000)	-	(1,382,015)	-	-	-	-	(40,465,788)
	-	-	614,592	-	-	-	-	21,200	-	-	-	-	635,792
Depreciation charge - note 4.1.3	-	(6,414,300)	(42,771,777)	(1,375,411)	(5,011,584)	(679,072)	(199,362)	(1,165,877)	(1,583,375)	-	(890,000)	-	(60,990,758)
Closing net book value	-	99,867,730	230,785,462	4,006,642	18,452,420	3,347,749	1,493,818	7,930,820	4,127,638	1	3,560,000	1	373,572,281
As at 30 June 2020													
Cost	-	183,455,277	514,450,499	16,263,071	70,801,938	12,540,601	4,472,843	22,421,845	20,864,147	3,987,766	12,582,414	513,191	862,153,562
Accumulated depreciation	-	(83,587,547)	(283,666,037)	(12,256,429)	(52,149,518)	(9,192,852)	(2,979,025)	(14,491,025)	(16,736,509)	(3,987,765)	(9,022,414)	(513,190)	(488,581,311)
Net book value	-	99,867,730	230,785,462	4,006,642	18,452,420	3,347,749	1,493,818	7,930,820	4,127,638	1	3,560,000	1	373,572,281
Year ended 30 June 2021													
Opening net book value	-	99,867,730	230,785,462	4,006,642	18,452,420	3,347,749	1,493,818	7,930,820	4,127,638	1	3,560,000	1	373,572,281
Additions including transfers - note 4.2	12,586,845	7,537,661	26,908,017	618,000	-	1,080,000	-	4,981,284	1,666,652	-	-	-	55,408,459
Disposals / Write-offs - note 4.1.2													
Cost	-	-	28,539,561	342,565	17,000	198,000	552,090	1,123,852	1,777,005	-	-	-	32,550,073
Accumulated depreciation	-	-	(28,334,752)	(342,564)	(17,000)	(198,000)	(552,090)	(872,223)	(1,777,002)	-	-	-	(32,093,631)
	-	-	204,809	1	-	-	-	251,629	3	-	-	-	456,442
Depreciation charge - note 4.1.3	-	(6,628,205)	(50,710,996)	(1,434,361)	(5,048,584)	(692,919)	(373,256)	(1,442,199)	(1,876,595)	-	(890,000)	-	(69,097,112)
Closing net book value	12,586,845	100,777,186	206,777,674	3,190,280	13,403,836	3,734,830	1,120,562	11,218,279	3,947,692	1	2,670,000	1	359,427,186
As at 30 June 2021													
Cost	12,586,845	190,992,938	512,818,955	16,538,506	70,584,938	13,422,601	3,920,753	26,279,277	20,783,794	3,987,766	12,582,414	513,191	865,011,978
Accumulated depreciation	-	(90,215,752)	(306,041,281)	(13,348,226)	(57,181,102)	(9,687,771)	(2,800,191)	(15,060,996)	(16,836,102)	(3,987,765)	(9,912,414)	(513,190)	(525,584,792)
Net book value	12,586,845	100,777,186	206,777,674	3,190,280	13,403,836	3,734,830	1,120,562	11,218,279	3,947,692	1	2,670,000	1	359,427,186
Annual rate of depreciation (%)	5	3.33 - 20	20	10	10	10	20	10	25	10	10	15	

4.1.1 The building has been constructed on the land owned by the Military Land and Cantonment. The lease for such land is still in process of being granted to the Institute.

4.1.2 This includes operating assets written-off during the year costing Rs. 782,712 (2020: Nil) having net book value amounting to Rs. 59,598 (2020: Nil).

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

	2021	2020
	Rupees	
Cost of services	68,933,609	59,999,932
Administrative expenses (note 19)	163,503	90,826
	<u>69,097,112</u>	<u>60,090,758</u>

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## 4.2 Capital work-in-progress

	Civil works and construction	Plant, Machinery and Electro medical Equipment	Total
<b>Year ended June 30, 2020</b>			
Balance at July 1, 2019	-	9,161,512	9,161,512
Additions during the year	8,838,018	38,123,706	46,961,724
Transfers to operating assets	(7,929,074)	(34,394,530)	(42,323,604)
Balance at June 30, 2020	<u>908,944</u>	<u>12,890,688</u>	<u>13,799,632</u>
<b>Year ended June 30, 2021</b>			
Balance at July 1, 2020	908,944	12,890,688	13,799,632
Additions during the year (note 4.2.1 and 11.3)	21,561,019	38,646,614	60,207,633
Transfers to operating assets	(20,124,507)	(16,362,424)	(36,486,931)
Balance at June 30, 2021	<u>2,345,456</u>	<u>35,174,878</u>	<u>37,520,334</u>

- 4.2.1 This include Plant, Machinery and Electro medical equipment in-transit amounting to Rs. 12,056,529 (2020: Nil).

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

## 5. INTANGIBLE ASSETS

**Gross carrying value**

Cost - Computer software	463,275	463,275
Less: Accumulated amortization	(337,820)	(221,996)
Net book value	<u>125,455</u>	<u>241,279</u>

**Net carrying value****Movement during the year**

Balance at beginning of the year	241,279	357,103
Less: Amortization charge for the year (note 19)	(115,824)	(115,824)
Balance at end of the year	<u>125,455</u>	<u>241,279</u>

- 5.1 The cost is being amortized over a period of 4 years.

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## 6. INVENTORIES

	2021	2020
	-----Rupees-----	
Medicines (note 6.1)	95,946,337	141,657,280
General store	7,207,024	5,924,643
	<u>103,153,361</u>	<u>147,581,923</u>
Less:		
- Obsolete inventories written-off	(415,551)	(30,455)
	<u>102,737,810</u>	<u>147,551,468</u>

6.1 This include medicines in-transit amounting to Nil (2020: Rs.35,382,495).

## 7. ACCOUNTS RECEIVABLE- unsecured

	2021	2020
	-----Rupees-----	
Considered good (note 7.1 and 7.2)	20,365,267	15,521,453
Considered doubtful (note 7.3)	535,000	885,000
	<u>20,900,267</u>	<u>16,406,453</u>
Provision for doubtful debts (note 7.3)	(535,000)	(885,000)
	<u>20,365,267</u>	<u>15,521,453</u>

7.1 As at June 30, 2021, accounts receivables amounting to Rs. 10,010,424 (2020: Rs.6,910,772) were neither past due nor impaired.

7.2 As at June 30, 2021 accounts receivable aggregating to Rs 10,354,843 (2020: Rs.8,610,681) were past due but not impaired. These relate to various patients including corporate patients and autonomous bodies for which there is no history of default. The aging of these accounts receivable is as follows:

	2021	2020
	-----Rupees-----	
Upto 3 months	9,054,077	7,686,000
3 to 6 months	1,295,274	919,189
More than 6 months	5,492	5,492
	<u>10,354,843</u>	<u>8,610,681</u>

7.3 As at June 30, 2021, accounts receivable aggregating to Rs. 535,000 (2020: Rs. 885,000) were deemed to have been impaired and provided for. The movement in provision during the year is as follows:

	2021	2020
	-----Rupees-----	
Balance at beginning of the year	885,000	550,000
Provision made during the year	-	335,000
Provision reversed during the year	(350,000)	-
Balance at end of the year	<u>535,000</u>	<u>885,000</u>



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

**8. ADVANCES, DEPOSITS, PREPAYMENTS  
AND OTHER RECEIVABLES**

Advances to:

- suppliers and others	2,898,501	4,111,798
- employees	140,000	94,998
Security deposits	35,000	430,000
Prepayments	3,593,498	1,846,578
Taxation refundable	3,601,421	5,956,540
Unbilled medical services	3,620,391	2,793,433
Other receivables	309,585	782,130
	<u>14,198,396</u>	<u>16,015,477</u>

**9. SHORT-TERM INVESTMENTS**

- Special Savings Certificates (notes 9.1, 9.2 and 9.3)	1,031,376,908	933,124,594
- Treasury Bills (notes 9.1 and 9.2)	144,369,396	-
- Pakistan Investment Bonds (notes 9.1 and 9.2)	472,963,135	399,406,334
- Foreign Currency Deposit {Nil (2020: US\$ 433,422)} (notes 9.1 and 9.2)	-	72,985,672
- Term Deposit (note 9.2)	75,207,808	-
- Certificate of Investment (notes 9.1 and 9.2)	31,822,784	-
	<u>1,755,740,031</u>	<u>1,405,516,600</u>

9.1 The above pertain to investments made out of Restricted Endowment Fund.

9.2 Short term investments includes profit / interest receivable amounting to Rs. 197,180,582 (2020: Rs. 74,463,876) out of which profit / interest receivable amounting to Rs.172,957,892 (2020: Rs.74,463,876) pertains to investments made out of Restricted Endowment Fund.

9.3 These represent Special Savings Certificates issued by the Government of Pakistan carrying profit / interest rate ranging from 11.40% to 13.90% having maturity dates in 2022.

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

**10. CASH AND BANK BALANCES**

Balances with banks in:

- savings accounts	87,591,404	149,079,609
- current accounts	2,007,280	944,215
	<u>89,598,684</u>	<u>150,023,824</u>
Cash in hand	2,881,710	2,800,723
	<u>92,480,394</u>	<u>152,824,547</u>

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	2021	2020
	-----Rupees-----	
<b>11. DEFERRED CAPITAL CONTRIBUTION</b>		
Balance at beginning of the year	240,710,551	146,612,581
Deferred capital contribution received during the year (notes 11.1, 11.2 and 11.3)	<u>74,974,877</u>	<u>106,266,906</u>
	315,685,428	252,879,487
Amortization of deferred capital contribution	<u>(17,509,949)</u>	<u>(12,168,936)</u>
Balance at end of the year	<u>298,175,479</u>	<u>240,710,551</u>

- 11.1 This represents contributions received specifically for capital expenditure.
- 11.2 Includes specific donation received amounting to Rs.35,000,000 (2020: Nil) for the Modular Operation Theatre which is being constructed on the 7th floor of the Institute's premises .
- 11.3 This includes the Korangi Filter Clinic received as a donation during the year.

	2021	2020
	-----Rupees-----	
<b>12. LONG TERM BORROWINGS</b>		
Loan from Bank Al Habib Limited (BAHL)	156,571,910	64,416,359
Less: Current portion shown under current liabilities	<u>(104,381,273)</u>	<u>(16,104,090)</u>
	<u>52,190,637</u>	<u>48,312,269</u>

- 12.1 During the year, the Institute has entered into a long term loan agreement under the Salary Refinancing Scheme introduced by the State Bank of Pakistan (SBP). The principal amount of loan is repayable in eight equal quarterly installments. The loan is secured against 100% lien over Pakistan Investment Bonds held with bank.

The loan carries a mark-up of 0.5% per annum starting after a grace period of six months from the date of disbursement and is payable on quarterly basis in arrears. Any late payment by the Institute is subject to the markup to be calculated at the prevailing market interest rate.

	2021	2020
	-----Rupees-----	
<b>13. TRADE AND OTHER PAYABLES</b>		
Creditors	65,561,661	78,448,496
Accruals, provisions and other liabilities (note 13.1)	111,835,515	102,509,611
Retention money	472,010	1,051,883
Advances from patients and others	<u>5,496,875</u>	<u>4,680,756</u>
	<u>183,366,061</u>	<u>186,690,746</u>

- 13.1 Includes provision in respect of gas charges short billed by Sui Southern Gas Company Limited (SSGCL) during the period from September 2013 to August 2018 amounting to Rs.12,425,860 (2020: Rs.16,107,771).

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	2021	2020
	-----Rupees-----	
<b>14. DEFERRED CONTRIBUTION</b>		
Zakat	73,610,510	47,158,948
Sponsor a patient and other charities	16,072,221	20,229,880
	<u>89,682,731</u>	<u>67,388,828</u>

Represents unutilized amount of restricted contributions relating to zakat, sponsor a patient and other charities received close to the year end for treatment of welfare patients.

	2021	2020
	-----Rupees-----	
<b>14.1 Movement in deferred contribution</b>		
Balance at beginning of the year	67,388,828	84,807,876
Deferred contribution received during the year	416,786,178	316,326,414
Funds utilized during the year	(394,492,275)	(333,745,462)
Balance at end of the year	<u>89,682,731</u>	<u>67,388,828</u>

- 14.2 An Independent Shariah Advisor (ISA) has reviewed the documents and procedures related to Zakat for the year ended June 30, 2021. ISA has confirmed, vide their report, that the collection and utilization of Zakat by the Institute is in accordance with the principles of Islam as defined in the instructions of Shariah.

#### **15. CONTINGENCIES AND COMMITMENTS**

##### **15.1 Commitments**

The facility for opening letters of credit as at June 30, 2021 amounted to Rs.105,000,000 (2020: Rs. 105,000,000) of which the amount remaining unutilized as at year end was Rs. 59,141,058 (2020: Rs. 35,850,342). The Institute has pledged the balance in IPS accounts to the extent of Rs. 105,000,000 (2020: Rs. 105,000,000) against the aforementioned facility.

- 15.2 Bank guarantees have been provided to Sui Southern Gas Company Limited for supply of high pressure gas line amounting to Rs.3,300,000 (2020: Rs. 3,300,000).

- 15.3 During the year ended June 30, 2021, the Company entered into contracts for electrical, civil / interior finishing, plumbing and allied works related to the establishment of the Modular Operation Theatre Unit on the 7th floor of the Institute premises at a consideration of Rs. 38,000,000. As at reporting date, the outstanding commitment under these contracts amounted to Rs. 38,000,000 (2020: Nil).

#### **16. RESTRICTED ENDOWMENT FUND**

The Institute maintains an Endowment fund restricted for capital expenditure, training of doctors and for welfare patients treatment. The Funds restricted in respect thereof are invested in Special Savings Certificates, Pakistan Investment Bonds, Treasury Bills, Certificate of Investments and Foreign Currency Deposit.



2021

2020

-----Rupees-----

**17. INCOME FROM MEDICAL SERVICES, NET**

Dialysis clinic	304,347,787	293,966,027
Pharmacy	106,127,962	108,752,808
Operation theatre	257,924,075	243,080,546
Laboratory	131,703,386	123,593,541
Radiology	62,385,405	48,948,735
Out-patient	82,716,225	92,632,129
Lithotripsy	11,400,710	12,616,945
Casualty	38,207,827	36,351,764
Wards	74,864,178	69,032,224
Intensive Care Unit	26,207,413	26,188,834
Histopathology	3,225,690	3,058,500
Cardiology	13,050,590	11,263,750
	<u>1,112,161,248</u>	<u>1,069,485,803</u>
Less: Treatment of welfare patients including discounts	<u>(488,730,722)</u>	<u>(487,252,599)</u>
	<u>623,430,526</u>	<u>582,233,204</u>

**18. VALUE OF SERVICES PROVIDED TO WELFARE PATIENTS, NET**

This represents the amount transferred from deferred contribution being the value of medical services provided to welfare patients, net of discount, out of the funds received from zakat, sponsor a patient and other charities, as summarized below:

	2021		2020	
	Number of treatments	Rupees	Number of treatments	Rupees
Dialysis	42,929	181,070,430	41,186	158,249,000
Surgery	3,522	193,551,756	4,203	169,695,218
Medical procedures	38,615	108,164,786	39,485	117,373,646
Lithotripsy	367	5,899,750	473	7,351,500
Filter clinic - (note 18.2)	110	44,000	47,398	34,583,235
		<u>488,730,722</u>		<u>487,252,599</u>
Less:				
- Discount		56,438,225		61,934,613
- Financed by Institute's operating funds		<u>37,800,222</u>		<u>91,572,524</u>
		<u>394,492,275</u>		<u>333,745,462</u>

**18.1 Funds received include:**

- Grant in Aid from Government of Sindh amounting to Rs. 150,000,000 (2020: Rs. 75,000,000) spent on various medical services.
- Sindh Zakat Fund from Ministry of Religious Affairs amounting to Rs. 8,000,000 (2020: Rs. 8,000,000) which was fully utilized during the year on mustahiq dialysis patients.





18.2 As a preventing measure to Covid, the filter clinic remained closed almost all of the current year.

	2021	2020
	-----Rupees-----	
<b>19. ADMINISTRATIVE EXPENSES</b>		
Salaries and allowances	64,407,434	52,771,375
Communication	2,300	9,400
Advertisement & marketing	2,645,582	731,939
Printing and stationery	386,500	367,449
Insurance	525,334	514,988
Repair, maintenance and others	1,117,473	580,697
Training, development and seminars	52,000	22,128
Laundry, cleaning and sanitation	156,018	84,252
Depreciation (note 4.1.3)	163,503	90,826
Amortization (note 5)	115,824	115,824
Auditors' remuneration (note 19.1)	2,549,631	1,070,684
Legal and professional charges	376,199	1,402,601
Uniform and linen	160,109	33,992
	<u>72,657,907</u>	<u>57,796,155</u>
<b>19.1 Auditors' remuneration</b>		
Audit fee	240,000	200,000
Fee for taxation services	2,253,737	820,684
Out of pocket expenses	55,894	50,000
	<u>2,549,631</u>	<u>1,070,684</u>
<b>20. FINANCE COST</b>		
Interest on long term borrowing	978,029	54,331
Credit card collection fee	1,857,934	1,540,921
Bank charges	91,896	128,354
	<u>2,927,859</u>	<u>1,723,606</u>
<b>21. OTHER INCOME</b>		
<b>From financial assets</b>		
Income on savings bank accounts	3,980,417	8,751,223
Income on investments	-	7,290
<b>From other than financial assets</b>		
Gain on disposal of operating assets	1,082,629	309,208
Rental income	639,736	3,517,809
Others	590,921	1,315,566
	<u>6,293,703</u>	<u>13,901,096</u>
<b>22. WORKING CAPITAL CHANGES</b>		
Decrease / (increase) in current assets		
Inventories	44,398,107	(80,027,106)
Accounts receivable	(4,493,814)	1,378,782
Advance, deposits, prepayments and other receivables	1,817,081	(1,733,574)
	<u>41,721,374</u>	<u>(80,381,898)</u>
(Decrease) / increase in current liabilities		
Trade and other payables	(3,324,685)	30,370,056
	<u>38,396,689</u>	<u>(50,011,842)</u>

2021

2020

-----Rupees-----

**23. CASH AND CASH EQUIVALENTS**

Short-term investments (note 9)

- Term deposits
- Foreign currency deposits
- Treasury bills

50,000,000	-
-	72,814,904
24,574,125	-
74,574,125	72,814,904
92,480,394	152,824,547
167,054,519	225,639,451

Cash and bank balances (note 10)

**24. REMUNERATION OF KEY MANAGEMENT PERSONNEL**

- 24.1 The aggregate amounts charged in these financial statements for remuneration; including all benefits to Administrator and certain executives of the Institute considered as key management personnel, are as follows:

	2021				2020			
	Administrator	CEO	Executives	Total	Administrator	CEO	Executives	Total
Rupees								
Managerial remuneration	5,519,000	12,846,775	10,225,945	28,591,720	4,789,641	6,187,500	21,278,799	32,255,940
Contribution for staff retirement benefits	356,335	590,323	543,057	1,489,715	247,903	-	1,136,883	1,384,786
Total	5,875,335	13,437,098	10,769,002	30,081,435	5,037,544	6,187,500	22,415,682	33,640,726
Number of persons including those who worked part of the year	1	1	3		2	1	3	

- 24.2 No remuneration is paid to the members of the Board of Governors.

2021

2020

-----Rupees-----

**25. FINANCIAL INSTRUMENTS****25.1 Financial assets****Fair value**

Short-term investments

1,504,340,043 1,258,237,820

**Amorized cost**

Long-term deposits

1,309,195 1,389,195

Short-term investments

251,399,988 72,814,904

Accounts receivable

20,365,267 15,521,453

Deposits and other receivables

3,964,976 4,005,563

Cash and bank balances

92,480,394 152,824,547

1,873,859,863 1,504,793,482

**25.2 Financial liabilities****Amorized cost**

Long-term borrowings

156,571,910 64,416,359

Accrued Interest

170,342 54,331

Trade and other payables

177,869,186 182,009,990

334,611,438 246,480,680

**25.3 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 arm's length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.



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

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

2021			
Level 1	Level 2	Level 3	Total
Rupees			
<b>Financial assets</b>			
<b>Short-term investments</b>			
Special Saving Certificates	-	1,031,376,908	1,031,376,908
Pakistan Investment Bonds	472,963,135	-	472,963,135
	<u>472,963,135</u>	<u>1,031,376,908</u>	<u>1,504,340,043</u>
2020			
Level 1	Level 2	Level 3	Total
Rupees			
<b>Financial assets</b>			
<b>Short-term investments</b>			
Special Saving Certificates	-	933,124,594	933,124,594
Pakistan Investment Bonds	399,406,334	-	399,406,334
	<u>399,406,334</u>	<u>933,124,594</u>	<u>1,332,530,928</u>

There was no change in valuation techniques during the year.

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 26.1 Financial risk factors

The Institute's activities expose it to a variety of financial risks including market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Institute's overall risk management program focuses on having cost effective funding as well as to manage financial risk and to minimize earnings volatility for smooth operations of the Institute.

Risk management is carried out by the Administrator of the Institute, under policies approved by the Board of Governors.

#### a) Market risk

##### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Institute imports medical consumables (including medicines) and is exposed to currency risk, primarily with respect to liabilities denominated in US Dollars. The Institute manages its currency risk by close monitoring of currency markets.

As at June 30, 2021, if Pakistani Rupee had strengthened / weakened by 5% against the US Dollar with all other variables held constant, deficit for the year would have been lower / higher by Rs. 1,884,166 (2020: Rs. 1,842,740) mainly as a net result of foreign exchange gains / losses on translation of US Dollar denominated trade payables.



**(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. The Institute has interest-bearing assets in the shape of investments in Treasury Bills, Term Deposits, Foreign Currency Deposits, Certificates of Investment and Special Savings Certificates which are on fixed rates and Pakistan Investment Bonds which are on floating and fixed rates. Moreover, the Institute has interest bearing liability in the form of long term borrowings at fixed rate.

The Institute analyses its interest rates exposure on a regular basis by monitoring existing return on investments against prevailing market interest rates and taking into account various other investing options available.

As at June 30, 2021, if interest rates on the Institute's interest bearing financial instruments had been 1% higher / lower with all other variables held constant, the deficit for the year would have been higher / lower by Rs. 12,246,521 (2020: Rs. 11,494,785) mainly as a result of higher / lower interest exposure on interest bearing financial instruments.

**(iii) 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 Institute is not exposed to equity securities price risk as it carries no such financial instrument.

**b) Credit risk**

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge an obligation. The Institute's credit risk is primarily attributable to its accounts receivables. The majority of receivables relate mainly to corporate clients who generally have good credibility. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The maximum exposure to credit risk is equal to the carrying amount of the financial assets. Out of the total financial assets of Rs. 1,873,859,863 (2020: 1,504,793,482), the financial assets exposed to credit risk amount to Rs. 1,860,967,729 (2020: Rs. 1,495,081,987).

The Institute 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 are neither past due nor impaired are as follows:

	2021	2020
	-----Rupees-----	
Short term investments	1,755,740,031	1,331,052,724
Long-term deposits	1,309,195	1,389,195
Accounts receivable	10,010,424	6,910,772
Deposits and other receivables	3,964,976	4,005,563
Cash and bank balances	92,480,394	152,824,547
	<u>1,863,505,020</u>	<u>1,496,182,801</u>





The credit quality of receivables can be assessed with reference to their historical performance with no major defaults in recent history. The credit quality of the Institute's bank balances and short-term investments can be assessed with reference to external credit ratings as follows:

Bank	Rating Agency	Rating	
		Short term	Long term
Bank Al Habib Limited	PACRA	A1+	AAA
Habib Bank Limited	JCR-VIS	A-1+	AAA
United Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank	PACRA	A-1+	AA+
Sindh Bank	PACRA	A-1+	A+
Meezan Bank Limited	JCR-VIS	A-1+	AAA
Bank Islami	JCR-VIS	A-1	A+
Pakistan Oman Investment Company Limited	JCR-VIS	A-1+	AA+

### (c) Liquidity risk

Liquidity risk represents the risk that the Institute will encounter difficulties in meeting obligations associated with financial liabilities. The Institute's liquidity risk management involves maintaining sufficient cash, projecting cash flows and considering the level of liquid assets necessary to meet obligations associated with financial liabilities.

The table below analyses the Institute's financial liabilities held at amortized cost into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2021			2020		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
Rupees						
<b>Financial liabilities</b>						
Long-term borrowings	104,968,980	52,288,639	157,257,619	16,400,036	48,523,894	64,923,930
Trade and other payables	177,869,186	-	177,869,186	182,009,990	-	182,009,990
	<u>282,838,166</u>	<u>52,288,639</u>	<u>335,126,805</u>	<u>198,410,026</u>	<u>48,523,894</u>	<u>246,933,920</u>

## 27. FUND MANAGEMENT

The Institute's objectives when managing fund balances is to safeguard its ability to continue as a going concern and to maintain strong fund base to support the sustained development of its operations.



## 28. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, retirement benefit funds, members of the Board of Governors and key management personnel. Details of the transactions with related parties, other than those which have been disclosed elsewhere in the financial statements, are as follows:

		2021	2020
		Rupees	
Nature of relationship	Nature of transactions		
Associated undertakings			
Jaffer Brothers (Pvt.) Limited	Purchase of services	181,480	217,957
	Funds / donations received	730,800	97,129
	Billing medical services	760,858	782,903
Jaffer Brothers Systems Pvt Limited	Purchase of goods	7,851,916	2,091,150
Vikor Enterprises (Pvt.) Limited	Purchase of goods	22,043	-
Shell Pakistan Limited	Funds / donations received	-	2,400,000
Sapphire Textile Mills Limited	Funds / donations received	1,521,000	-
Bank Al Habib Limited	Donations	26,000,000	1,000,000
Coastal Converters (Pvt.) Limited	Funds / donations received	-	20,000
Sulaiman & Haroon Jaffer Trust	Donations	20,000	1,170,000
Sindh Club	Funds / donations received	20,000	-
Pakistan Petroleum Limited	Billing medical services	5,045,791	-
The Kidney Centre, London Chapter	Funds / donations received	-	54,459,916
Members of the Board Of Governors	Donations	1,170,200	2,250,000
Staff retirement provident fund	Contributions	14,330,547	14,313,787

## 29. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purpose of better comparison. Following are the major reclassifications that have been made during the

Description	Reclassified		Amount
	From	To	
Profit / interest receivable	Advances, deposits, prepayments and other receivable	Short term investments	
	- Special Saving Certificate		60,124,594
	- Pakistan Investment Bonds		14,168,514
	- Foreign Currency Deposits		170,768





## 30. DATE OF AUTHORIZATION

27 DEC 2021

These financial statements were authorized for issue on \_\_\_\_\_ by the Board of  
Governors of the Institute.



Chairman



Treasurer