

THE KIDNEY CENTRE POST GRADUATE TRAINING INSTITUT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

AF·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, 2022, 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, 2022, 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.

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

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual 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 on the other information obtained prior to the date of this auditor's report, 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.

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: February 8, 2023

UDIN: AR202210290RZ6dTKahq

THE KIDNEY CENTRE POST GRADUATE TRAINING INSTITUTE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	2022	2021
-----Rupees-----			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	590,050,321	396,947,520
Intangible assets	5	2,319,304	125,455
Long-term deposits		1,309,195	1,309,195
		<u>593,678,820</u>	<u>398,382,170</u>
CURRENT ASSETS			
Inventories	6	99,976,211	102,737,810
Accounts receivable	7	17,164,361	20,365,267
Advances, deposits, prepayments and other receivables	8	16,730,680	14,198,396
Short-term investments	9	2,016,464,998	1,755,740,031
Cash and bank balances	10	124,964,158	92,480,394
		<u>2,275,300,408</u>	<u>1,985,521,898</u>
TOTAL ASSETS		<u>2,868,979,228</u>	<u>2,383,904,068</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred capital contribution	11	346,906,713	298,175,479
Long-term borrowings	12	123,213,163	52,190,637
		<u>470,119,876</u>	<u>350,366,116</u>
CURRENT LIABILITIES			
Trade and other payables	13	252,694,837	183,366,061
Current portion of long-term borrowings	12	85,523,970	104,381,273
Accrued interest		217,854	170,342
Deferred contribution	14	198,430,165	89,682,731
		<u>536,866,826</u>	<u>377,600,407</u>
CONTINGENCIES AND COMMITMENTS	15		
		1,006,986,702	727,966,523
NET ASSETS		<u>1,861,992,526</u>	<u>1,655,937,545</u>
FINANCED BY:			
Restricted endowment fund	16	1,854,502,606	1,663,300,526
General fund (Operating surplus / (deficit))		7,489,920	(7,362,981)
		<u>1,861,992,526</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 INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022	2021
		-----Rupees-----	
INCOME			
Income from medical services, net	17	751,307,513	623,430,526
Value of services provided to welfare patients, net	18	429,982,401	394,492,275
Amortization of deferred capital contribution	11	18,431,023	17,509,949
		<u>1,199,720,937</u>	<u>1,035,432,750</u>
EXPENDITURE			
Cost of services			
Medicines consumed		348,691,373	326,170,103
Salaries and allowances		492,501,009	432,928,126
Utilities expenses		81,435,600	77,694,856
Depreciation	4.1.3	75,697,189	68,933,609
Repair, maintenance and others		39,515,831	34,076,113
Laboratory tests		10,990,922	10,910,260
Food supplies		10,222,969	8,585,564
Uniform and linen		1,873,977	2,070,903
Communication		888,479	769,499
Advertisement		6,308,594	2,107,760
Printing and stationery		5,535,849	3,823,789
Insurance		7,427,166	5,444,610
Fund raising cost		13,417,313	9,588,991
Training, development and seminars		5,155,962	3,984,483
Laundry, cleaning and sanitation		14,347,310	11,365,994
Security service		3,300,188	3,049,319
Obsolete inventories written-off	6	-	415,551
Reversal of provision for doubtful debts	7.3	(135,000)	(350,000)
Others		113,938	130,728
		<u>1,117,288,669</u>	<u>1,001,700,258</u>
Administrative expenses	19	72,532,449	72,657,907
Finance cost	20	3,068,863	2,927,859
		<u>1,192,889,981</u>	<u>1,077,286,024</u>
Other income	21	(8,021,945)	(6,293,703)
		<u>1,184,868,036</u>	<u>1,070,992,321</u>
Operating surplus / (deficit)		14,852,901	(35,559,571)
Other comprehensive income		-	-
Total comprehensive income / (loss)		<u>14,852,901</u>	<u>(35,559,571)</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, 2022

	Note	2022	2021
-----Rupees-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating surplus / (deficit) for the year		14,852,901	(35,559,571)
Adjustments for non-cash charges and other items:			
- Depreciation	4.1	76,246,723	69,097,112
- Amortization of intangible assets	5	323,556	115,824
- Value of services provided to welfare patients, net	18	(429,982,401)	(394,492,275)
- Amortization of deferred capital contribution	11	(18,431,023)	(17,509,949)
- Obsolete inventories written-off		-	415,551
- Interest on long-term borrowings accrued	20	474,785	978,029
- Gain on disposal of operating assets, net of written-off	21	(360,939)	(1,082,629)
- Reversal of provision for doubtful debts		(135,000)	(350,000)
- Exchange loss on foreign currency deposits		-	(4,098,659)
Deferred contributions received during the year	14.1	538,729,835	416,786,178
Long-term deposits, net		-	80,000
Working capital changes	22	72,893,997	38,396,689
Net cash generated from operating activities		<u>254,612,434</u>	<u>72,776,300</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Short-term investments made		(274,926,171)	(284,476,552)
Encashment of short-term investments		437,698,375	25,000,000
Purchase of property, plant and equipment		(310,468,070)	(59,175,484)
Proceeds from disposal of operating assets		746,078	1,539,071
Payment for acquisition of intangible asset (software)		(2,517,405)	-
Net cash utilized in investing activities		<u>(149,467,193)</u>	<u>(317,112,965)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Deferred capital contribution - net		64,975,257	55,021,200
Proceeds from long-term borrowings		200,000,000	144,346,187
Interest on long-term borrowings paid		(960,371)	(862,018)
Repayment of long-term borrowings		(104,381,273)	(52,190,636)
Income received on restricted endowment fund		60,421,935	39,437,000
Net cash generated from financing activities		<u>220,055,548</u>	<u>185,751,733</u>
Net increase / (decrease) in cash and cash equivalents		<u>325,200,789</u>	<u>(58,584,932)</u>
Cash and cash equivalents at beginning of the year		167,054,519	225,639,451
Cash and cash equivalents at end of the year	23	<u>492,255,308</u>	<u>167,054,519</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, 2022

	Restricted endowment fund (note 16)	General fund (Operating surplus / (deficit))	Total
	-----Rupees-----		
Balance as at July 1, 2020	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)
Balance as at June 30, 2021	<u>1,663,300,526</u>	<u>(7,362,981)</u>	<u>1,655,937,545</u>
Total comprehensive income for the year	-	14,852,901	14,852,901
Income on investments	226,556,737	-	226,556,737
Fair value adjustment	(35,354,657)	-	(35,354,657)
Balance as at June 30, 2022	<u><u>1,854,502,606</u></u>	<u><u>7,489,920</u></u>	<u><u>1,861,992,526</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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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.

The Institute, located at 197/9, Rafiqi Shaheed Road, Karachi, provides all medical services as specified in note 17. In addition, the Institute also provides filter clinic services at its Korangi location - 19, Sector 31/A, Korangi Township, Karachi.

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, 2021, 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 amortized 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 Government Grants

Grants from the government relating to property, plant and equipment are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Institute will comply with all attached conditions. Government grants are netted off against the carrying amount of the property, plant and equipment in the statement of financial position.

2.13 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.

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2.14 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.

2.15 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.

2.16 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 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.

2.17 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.

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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.

2022 2021

Rupees

4. PROPERTY, PLANT AND EQUIPMENT

Operating assets (note 4.1)	357,418,000	359,427,186
Capital work-in-progress (note 4.2)	232,632,321	37,520,334
	<u>590,050,321</u>	<u>396,947,520</u>

4.1 Operating fixed assets

	Leasehold land	Building (note 4.1.1)	Electro medical Equipment	Laboratory Equipment	Plant and Machinery	Furniture and Fixtures	Vehicles	Office Equipment	Computers	Electrical Equipment and Fittings	Electors	Books	Total
Rupees													
As at 1 July 2020													
Cost	-	183,455,277	514,450,486	18,203,071	70,801,838	12,540,801	4,472,843	22,421,845	20,854,147	3,967,789	12,582,414	513,191	882,153,282
Accumulated depreciation	-	(83,587,547)	(283,695,037)	(12,296,429)	(52,148,518)	(9,192,852)	(2,979,025)	(14,481,025)	(16,736,509)	(5,987,785)	(8,022,414)	(513,190)	(488,581,311)
Net book value	-	99,867,730	230,755,449	4,006,642	18,452,420	3,347,949	1,493,818	7,940,820	4,117,638	1	3,560,000	1	373,572,281
Year ended 30 June 2021													
Opening net book value	-	99,867,730	230,755,442	4,006,642	18,452,420	3,347,949	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	7,537,981	28,908,017	818,000	-	1,082,000	-	4,981,284	1,656,652	-	-	-	55,408,489
Deposits / Write-offs - note 4.1.2													
Cost	-	-	28,539,561	342,595	17,000	198,000	552,080	1,129,852	1,777,006	-	-	-	32,900,073
Accumulated depreciation	-	-	(28,334,732)	(942,564)	(17,000)	(198,000)	(552,080)	(872,223)	(1,777,006)	-	-	-	(32,900,636)
	-	-	204,829	1	-	-	-	251,629	3	-	-	-	456,442
Depreciation charge - note 4.1.3	-	(6,628,200)	(30,710,996)	(1,434,361)	(5,048,584)	(882,818)	(333,256)	(1,442,199)	(1,878,528)	-	(850,000)	-	(89,067,112)
Closing net book value	12,586,845	100,777,185	206,777,674	3,190,280	13,403,836	3,734,830	1,120,562	11,218,279	3,947,882	1	2,670,000	1	359,427,186
As at 1 July 2021													
Cost	12,586,845	190,992,938	512,818,955	16,598,506	70,584,038	13,422,801	3,920,763	26,279,277	20,783,794	3,987,786	12,582,414	513,191	885,011,978
Accumulated depreciation	-	(80,215,752)	(306,041,281)	(13,348,228)	(57,181,102)	(9,587,771)	(7,600,191)	(15,060,988)	(16,836,102)	(3,987,785)	(8,912,414)	(513,190)	(625,584,732)
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	3,947,882	1	2,670,000	1	359,427,186
Year ended 30 June 2022													
Opening 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	3,947,882	1	2,670,000	1	359,427,186
Additions including transfers - note 4.2	-	-	55,482,783	4,337,882	2,583,314	531,373	-	3,679,004	8,008,290	-	-	-	74,622,676
Deposits / Write-offs - note 4.1.2													
Cost	-	-	2,981,864	-	-	-	-	674,295	-	-	-	-	3,656,159
Accumulated depreciation	-	-	(2,680,454)	-	-	-	-	(800,385)	-	-	-	-	(3,250,839)
	-	-	301,410	-	-	-	-	73,909	-	-	-	-	305,320
Depreciation charge - note 4.1.3	-	(5,095,388)	(55,496,343)	(2,090,851)	(5,173,614)	(758,650)	(373,258)	(1,806,241)	(2,561,380)	-	(830,000)	-	(75,246,723)
Closing net book value	12,586,845	93,781,818	206,452,864	5,437,361	10,813,536	3,506,513	747,306	13,017,133	9,294,622	1	1,780,000	1	357,418,000
As at 30 June 2022													
Cost	12,586,845	190,992,938	525,340,024	20,876,438	73,166,252	13,953,874	3,920,763	29,283,988	28,782,084	3,987,786	12,582,414	513,191	955,988,955
Accumulated depreciation	-	(97,211,120)	(338,887,160)	(15,439,077)	(62,264,716)	(10,447,481)	(3,173,447)	(15,266,832)	(19,491,462)	(3,987,785)	(10,802,414)	(513,190)	(698,580,653)
Net book value	12,586,845	93,781,818	206,452,864	5,437,361	10,813,536	3,506,513	747,306	13,017,133	9,294,622	1	1,780,000	1	357,418,000
Annual rate of depreciation (%)	5	3.33 - 20	20	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.911,312 (2021: Rs.782,712) having net book value amounting to Rs. 218,964 (2021: Rs. 59,598).

	2022	2021
	-----Rupees-----	
4.1.3 Depreciation charge for the year has been allocated as follows:		
Cost of services	75,697,189	68,933,609
Administrative expenses (note 19)	549,534	163,503
	<u>76,246,723</u>	<u>69,097,112</u>

4.2 Capital work-in-progress

	Civil works and construction	Plant, Machinery and Electro- medical equipment	Total
Year ended June 30, 2021			
Balance at July 1, 2021	908,944	12,890,688	13,799,632
Additions during the year (note 4.2.1)	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, 2022	<u>2,345,456</u>	<u>35,174,878</u>	<u>37,520,334</u>
Year ended June 30, 2022			
Balance at July 1, 2021	2,345,456	35,174,878	37,520,334
Additions during the year (notes 4.2.1 and 4.2.2)	34,719,524	257,354,392	292,073,916
Transfers to operating assets	-	(46,986,362)	(46,986,362)
Government grant (note 4.2.3)	(18,705,141)	(31,270,426)	(49,975,567)
Balance at June 30, 2022	<u>18,359,839</u>	<u>214,272,482</u>	<u>232,632,321</u>

- 4.2.1 The Institute is constructing state-of-the-art Modular Operation Theatre Complex (MOTC) on the 7th floor of the Institute premises. Capital work-in-progress includes plant, machinery and electro-medical equipment amounting to Rs. 243,528,494 (2021: Nil) pertaining to MOTC out of which Rs. 30,788,452 (2021: Rs.12,056,529) are in-transit at the year end.
- 4.2.2 This includes borrowing costs capitalized during the year amounting to Rs. 7,055,160 (2021: Nil). The rate used to determine the amount of borrowing costs eligible for capitalisation is 13.6% (2021: Nil) per annum as applied by Bank Al Habib Limited under the Refinance Facility for Combatting COVID-19 scheme, referred in note 12.2.
- 4.2.3 Represents government grant recognised on loans availed at below market interest rates, referred to in note 12.3.

	2022	2021
	-----Rupees-----	
5. INTANGIBLE ASSETS		
Gross carrying value		
Cost - Computer software	2,980,680	463,275
Less: Accumulated amortization	<u>(661,376)</u>	<u>(337,820)</u>
Net book value	<u>2,319,304</u>	<u>125,455</u>
Net carrying value		
Movement during the year		
Balance at beginning of the year	125,455	241,279
Add: Purchase of software	2,517,405	-
Less: Amortization charge for the year (note 19)	<u>(323,556)</u>	<u>(115,824)</u>
Balance at end of the year	<u>2,319,304</u>	<u>125,455</u>

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

6. INVENTORIES

Medicines	86,033,959	95,946,337
General store	13,942,252	7,207,024
	<u>99,976,211</u>	<u>103,153,361</u>
Less:		
- Obsolete inventories written-off	-	(415,551)
	<u>99,976,211</u>	<u>102,737,810</u>

7. ACCOUNTS RECEIVABLE- unsecured

Considered good (note 7.1 and 7.2)	17,164,361	20,365,267
Considered doubtful (note 7.3)	400,000	535,000
	<u>17,564,361</u>	<u>20,900,267</u>
Provision for doubtful debts (note 7.3)	(400,000)	(535,000)
	<u>17,164,361</u>	<u>20,365,267</u>

7.1 As at June 30, 2022, accounts receivables amounting to Rs. 8,519,849 (2021: Rs. 10,010,424) were neither past due nor impaired.

7.2 As at June 30, 2022, accounts receivable aggregating to Rs. 8,644,512 (2021: Rs.10,354,843) 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:

	2022	2021
	-----Rupees-----	
Upto 3 months	8,226,656	9,054,077
3 to 6 months	417,856	1,295,274
More than 6 months	-	5,492
	<u>8,644,512</u>	<u>10,854,843</u>

- 7.3 As at June 30, 2022, accounts receivable aggregating to Rs. 400,000 (2021: Rs. 535,000) were deemed to have been impaired and provided for. The movement in provision during the year is as follows:

	2022	2021
	-----Rupees-----	
Balance at beginning of the year	535,000	885,000
Provision reversed during the year	(135,000)	(350,000)
Balance at end of the year	<u>400,000</u>	<u>535,000</u>

8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to:

- suppliers and others	3,292,141	2,898,501
- employees	107,000	140,000
Security deposits	-	35,000
Prepayments	5,524,774	3,593,498
Taxation refundable	3,737,669	3,601,421
Unbilled medical services	3,025,743	3,620,391
Other receivables	1,043,353	309,585
	<u>16,730,680</u>	<u>14,198,396</u>

9. SHORT-TERM INVESTMENTS

- Special Savings Certificates (notes 9.1,9.2 and 9.3)	1,155,824,334	1,031,376,908
- Treasury Bills (notes 9.1, 9.2 and 9.4)	49,474,200	144,369,396
- Pakistan Investment Bonds (notes 9.1, 9.2 and 9.5)	487,712,163	472,963,135
- Term Deposits (notes 9.1, 9.2 and 9.6)	323,454,301	75,207,808
- Certificate of Investment (notes 9.1 and 9.2)	-	31,822,784
	<u>2,016,464,998</u>	<u>1,755,740,031</u>

- 9.1 The above pertains to investments made out of Restricted Endowment Fund except Term Deposits having face value of Rs. 169,000,000 (2021: Rs. 75,000,000).
- 9.2 Short-term investments includes profit / interest receivable totaling Rs. 308,884,965 (2021: Rs. 173,165,700) out of which profit / interest receivable amounting to Rs. 308,133,404 (2021: Rs. 172,957,892) 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 12.70% to 13.90% having maturity dates in October 2022.
- 9.4 It carries mark-up at rate of 14.19% per annum (2021: 7.21% to 7.49% per annum) having maturity in July 2022.
- 9.5 These carry mark-up at rate ranging from 8.00% to 15.02% per annum (2021: 7.12% to 13.94% per annum) having latest maturity in August 2028.
- 9.6 These carry mark-up at rate ranging from 13.00% to 13.25% per annum (2021: 7.00% per annum) having latest maturity in August 2022.

	2022	2021
	-----Rupees-----	
10. CASH AND BANK BALANCES		
Balances with banks in:		
- savings accounts (note 10.1)	85,138,928	87,591,404
- current accounts	37,489,202	2,007,280
	<u>122,628,130</u>	<u>89,598,684</u>
Cash in hand	2,336,028	2,881,710
	<u>124,964,158</u>	<u>92,480,394</u>
10.1 These carry mark-up at rates ranging from 5.75% to 12.25% (2021: 5.5% to 5.75%) per annum.		
	2022	2021
	-----Rupees-----	
11. DEFERRED CAPITAL CONTRIBUTION		
Balance at beginning of the year	298,175,479	240,710,551
Deferred capital contribution received during the year (notes 11.1)	67,162,257	74,974,877
	<u>365,337,736</u>	<u>315,685,428</u>
Amortization of deferred capital contribution	(18,431,023)	(17,509,949)
Balance at end of the year	<u>346,906,713</u>	<u>298,175,479</u>
11.1 This represents contributions received specifically for capital expenditure inclusive of specific donation received amounting to Rs. 57,205,757 (2021: Rs.35,000,000) for the Modular Operation Theatre Complex (as referred in note 4.2.1).		
	2022	2021
	-----Rupees-----	
12. LONG-TERM BORROWINGS		
Loans from Bank Al Habib Limited (BAHL), a related party		
- Salary refinance scheme (note 12.1)	52,190,637	156,571,910
- Refinance Facility for Combatting COVID-19 scheme (notes 12.2 and 12.3)	156,546,496	-
	<u>208,737,133</u>	<u>156,571,910</u>
Less: Current portion shown under current liabilities	(85,523,970)	(104,381,273)
	<u>123,213,163</u>	<u>52,190,637</u>
12.1 The Institute has 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 BAHL.		
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.		
12.2 During the year, the Institute entered into a long-term loan agreement amounting Rs. 200,000,000 under the Refinance Facility for Combatting COVID-19 scheme (introduced by SBP) for construction of MOTC, referred in note 4.2.1. The principal amount of loan is repayable in nine equal semi-annual installments to be commenced after a grace period of six months. The loan is secured against 100% lien over Special Saving Certificates held with BAHL.		

The loan carries a mark-up of 0.5% per annum and is payable on quarterly basis in arrears. Any late payment by the Institute is subject to the markup of 20% per annum or as decided by the bank.

- 12.3 The value of below-market interest rate on the loans as disclosed in note 12.2, has been accounted for as government grant under IAS - 20 "Government Grant" and deducted from the cost of Modular Operation Theatre Complex (note 4.2.1), as summarized below:

	2022	2021
	-----Rupees-----	
Loan received during the year	200,000,000	-
Less: Government grant recognised	(49,975,567)	-
Add: Amortisation of loan during the year	6,522,063	-
Balance at end of the year	<u>156,546,496</u>	<u>-</u>

13. TRADE AND OTHER PAYABLES

	2022	2021
	-----Rupees-----	
Creditors	125,972,067	65,561,661
Accruals, provisions and other liabilities (note 13.1)	118,586,951	111,835,515
Retention money	472,010	472,010
Advances from patients and others	7,663,809	5,496,875
	<u>252,694,837</u>	<u>183,366,061</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. 7,894,793 (2021: Rs.12,425,860).

14. DEFERRED CONTRIBUTION

	2022	2021
	-----Rupees-----	
Zakat	146,169,844	73,610,510
Sponsor a patient and other charities	52,260,321	16,072,221
	<u>198,430,165</u>	<u>89,682,731</u>

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

14.1 Movement in deferred contribution

	2022	2021
	-----Rupees-----	
Balance at beginning of the year	89,682,731	67,388,828
Deferred contribution received during the year (note 14.3)	538,729,835	416,786,178
Funds utilized during the year (note 18)	(429,982,401)	(394,492,275)
Balance at end of the year	<u>198,430,165</u>	<u>89,682,731</u>

- 14.2 An Independent Shariah Advisor (ISA) has reviewed the documents & procedures related to Zakat for the year ended June 30, 2022 and has certified, 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.

14.3 Includes funds received from:

- a) Grant in Aid from Government of Sindh amounting to Rs. 200,000,000 (2021: Rs.150,000,000) spent on various medical services.
- b) Sindh Zakat Fund from Ministry of Religious Affairs amounting to Rs. 8,000,000 (2021: Rs. 8,000,000) which was fully utilized during the year on mustahiq dialysis patients.

15. CONTINGENCIES AND COMMITMENTS

15.1 Commitments

The facility for opening letters of credit as at June 30, 2022 amounted to Rs.105,000,000 (2020: Rs. 105,000,000) of which the amount remaining unutilized as at year end was Rs. 78,159,226 (2021: Rs.59,141,058). The Institute has pledged the balance in IPS accounts to the extent of Rs. 105,000,000 (2021: 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 (2021: Rs. 3,300,000).
- 15.3 As at June 30, 2022, the outstanding commitments entered into in respect of construction of MOTC, referred to in note 4.2.1 amounted to Rs. 54,116,970 (2021: Rs. 38,000,000) and the outstanding purchase orders amounted to Rs. 12,588,710 (2021: Rs. 17,076,767).

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, Treasury Bills, Pakistan Investment Bonds, Term Deposits and Certificate of Investment.

	2022	2021
	-----Rupees-----	
17. INCOME FROM MEDICAL SERVICES, NET		
Dialysis clinic	323,010,316	304,347,787
Pharmacy	115,248,405	106,127,962
Operation theatre	292,774,620	257,924,075
Laboratory	148,160,680	131,703,386
Radiology	66,893,311	62,385,405
Out-patient	98,773,185	82,716,225
Lithotripsy	10,242,070	11,400,710
Casualty	38,869,548	38,207,827
Wards	93,726,929	74,864,178
Intensive Care Unit	33,019,671	26,207,413
Histopathology	3,729,812	3,225,690
Cardiology	13,042,070	13,050,590
	<u>1,237,490,617</u>	<u>1,112,161,248</u>
Less: Treatment of welfare patients including discounts	<u>(486,183,104)</u>	<u>(488,730,722)</u>
	<u>751,307,513</u>	<u>623,430,526</u>

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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:

	2022		2021	
	Number of treatments	Rupees	Number of treatments	Rupees
Dialysis	38,089	189,830,869	42,929	181,070,430
Surgery and other related services	3,005	172,558,878	3,522	193,551,756
Medical procedures	35,649	114,472,667	38,615	108,164,786
Lithotripsy	298	4,936,550	367	5,899,750
Filter clinic	4,737	4,384,140	110	44,000
		<u>486,183,104</u>		<u>488,730,722</u>
Less:				
- Discount		56,200,703		56,438,225
- Deficit financed by Institute's operating funds		-		37,800,222
		<u>429,982,401</u>		<u>394,492,275</u>

-----2022----- 2021
-----Rupees-----

19. ADMINISTRATIVE EXPENSES

Salaries and allowances	63,604,588	64,407,434
Communication	13,179	2,300
Advertisement & marketing	2,342,569	2,645,582
Printing and stationery	629,216	386,500
Insurance	1,110,246	525,334
Repair, maintenance and others	1,657,860	1,117,473
Training, development and seminars	321,840	52,000
Laundry, cleaning and sanitation	124,962	156,018
Depreciation (note 4.1.3)	549,534	163,503
Amortization (note 5)	323,556	115,824
Auditors' remuneration (note 19.1)	1,438,660	2,549,631
Legal and professional charges	391,200	376,199
Uniform and linen	25,039	160,109
	<u>72,532,449</u>	<u>72,657,907</u>

19.1 Auditors' remuneration

Audit fee	200,000	200,000
Fee for taxation services	1,182,233	2,293,737
Out of pocket expenses	56,427	55,894
	<u>1,438,660</u>	<u>2,549,631</u>

20. FINANCE COST

Interest on long-term borrowings	474,785	978,029
Credit card collection fee	2,480,265	1,857,934
Bank charges	113,813	91,896
	<u>3,068,863</u>	<u>2,927,859</u>

	2022	2021
	-----Rupees-----	
21. OTHER INCOME		
From financial assets		
Income on savings bank accounts	6,849,892	3,980,417
From other than financial assets		
Gain on disposal of operating assets, net of written-off (note 4.1.2)	360,939	1,082,629
Rental income	418,500	639,736
Others	392,614	590,921
	<u>8,021,945</u>	<u>6,293,703</u>
22. WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Inventories	2,761,599	44,398,107
Accounts receivable	3,335,906	(4,493,814)
Advance, deposits, prepayments and other receivables	(2,532,284)	1,817,081
	<u>3,565,221</u>	<u>41,721,374</u>
(Decrease) / increase in current liabilities		
Trade and other payables	69,328,776	(3,324,685)
	<u>72,893,997</u>	<u>38,396,689</u>
23. CASH AND CASH EQUIVALENTS		
Short-term investments (note 9)		
- Term deposits	319,000,000	50,000,000
- Treasury bills	48,291,150	24,574,125
	<u>367,291,150</u>	<u>74,574,125</u>
Cash and bank balances (note 10)	124,964,158	92,480,394
	<u>492,255,308</u>	<u>167,054,519</u>

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:

	2022				2021			
	Officiating CEO / Dean	Administrator	Executives	Total	Officiating CEO / Dean	Administrator	Executives	Total
	-----Rupees-----							
Managerial remuneration	14,480,000	6,543,667	10,356,371	31,380,038	12,846,775	5,519,000	10,225,945	28,591,720
Contribution for staff retirement benefits	670,000	391,335	689,424	1,730,759	590,323	356,335	543,057	1,489,715
Total	<u>15,150,000</u>	<u>6,935,002</u>	<u>11,025,795</u>	<u>33,110,797</u>	<u>13,437,098</u>	<u>5,875,335</u>	<u>10,769,002</u>	<u>30,081,435</u>
Number of persons including those who worked part of the year	<u>1</u>	<u>1</u>	<u>2</u>		<u>1</u>	<u>1</u>	<u>3</u>	

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

	2022	2021
	-----Rupees-----	
25. FINANCIAL INSTRUMENTS		
25.1 Financial assets		
Fair value		
Short-term investments	1,643,536,497	1,504,340,043
Amortized cost		
Long-term deposits	1,309,195	1,309,195
Short-term investments	372,928,501	251,399,988
Accounts receivable	17,164,361	20,365,267
Deposits and other receivables	4,069,096	3,964,976
Cash and bank balances	124,964,158	92,480,394
	<u>2,163,971,808</u>	<u>1,873,859,863</u>
25.2 Financial liabilities		
Amortized cost		
Long-term borrowings	208,737,133	156,571,910
Accrued interest	217,854	170,342
Trade and other payables	245,031,028	177,869,186
	<u>453,986,015</u>	<u>334,611,438</u>

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).

	2022			
	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
Financial assets				
Short-term investments				
Special Saving Certificates	-	-	1,155,824,334	1,155,824,334
Pakistan Investment Bonds	-	487,712,163	-	487,712,163
	<u>-</u>	<u>487,712,163</u>	<u>1,155,824,334</u>	<u>1,643,536,497</u>
	2021			
	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
Financial assets				
Short-term investments				
Special Saving Certificates	-	-	1,031,376,908	1,031,376,908
Pakistan Investment Bonds	-	472,963,135	-	472,963,135
	<u>-</u>	<u>472,963,135</u>	<u>1,031,376,908</u>	<u>1,504,340,043</u>

There was no change in valuation techniques during the year.

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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, 2022, if Pakistani Rupee had strengthened / weakened by 5% against the US Dollar with all other variables held constant, surplus for the year would have been higher / lower by Rs. 3,687,020 (2021: Rs. 1,884,166) 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 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, 2022, if interest rates on the Institute's interest bearing financial instruments had been 1% higher / lower with all other variables held constant, the returns for the year on these financial instruments would have been higher / lower by Rs. 13,805,120 (2021: Rs. 12,246,521) 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. 2,163,971,808 (2021: Rs. 1,873,859,863), the financial assets exposed to credit risk amount to Rs. 2,153,115,931 (2021: Rs. 1,860,967,729).

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:

	2022	2021
	-----Rupees-----	
Short-term investments	2,016,464,998	1,755,740,031
Long-term deposits	1,309,195	1,309,195
Accounts receivable	8,519,849	10,010,424
Deposits and other receivables	4,069,096	3,964,976
Cash and bank balances	124,964,158	92,480,394
	<u>2,155,327,296</u>	<u>1,863,505,020</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-1
Meezan Bank Limited	JCR-VIS	A+	AAA
Bank Islami	JCR-VIS	A-1	A+
Pakistan Oman Investment Company Limited	JCR-VIS	A-1+	AA+
HBL First Micro Finance Bank	PACRA	A-1	A+

(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.

	2022			2021		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
-----Rupees-----						
Financial liabilities						
Long-term borrowings	85,523,970	123,213,163	208,737,133	104,968,980	52,288,639	157,257,619
Trade and other payables	245,031,028	-	245,031,028	177,869,186	-	177,869,186

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:

Nature of relationship	Nature of transactions	2022	2021
		-----Rupees-----	
Associated undertakings			
Jaffer Brothers (Pvt.) Limited	Purchase of services	406,420	181,480
	Funds / donations received	-	730,800
	Billing medical services	301,009	760,858
Jaffer Business Systems (Pvt.) Limited	Funds / donations received	50,000	-
	Purchase of services	3,558,057	7,851,916
Jaffer Agro Services (Pvt.) Limited	Funds / donations received	860,000	-
Patient Aid Foundation	Billing medical services	27,300	-
Vikor Enterprises (Pvt.) Limited	Funds / donations received	53,559	-
	Purchase of goods	23,219	22,043
Shell Pakistan Limited	Funds / donations received	4,650,400	-
Sapphire Textile Mills Limited	Funds / donations received	608,400	1,521,000
Bank Al Habib Limited	Donations	-	26,000,000
Coastal Converters (Pvt.) Limited	Funds / donations received	20,000	-
Sulaiman & Haroon Jaffer Trust	Donations	20,000	20,000
Sindh Club	Funds / donations received	20,000	20,000
Pakistan Petroleum Limited	Billing medical services	5,188,245	5,045,791
The Kidney Centre, London Chapter	Funds / donations received	12,903,233	-
Members of the Board Of Governors	Donations	600,000	1,170,200
Staff retirement provident fund	Contributions	15,062,028	14,330,547

29. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purpose of comparison, the effects of which are not material.

30. DATE OF AUTHORIZATION

These financial statements were authorized for issue on 10.1 NOV 2022 by the Board of Governors of the Institute.

Handwritten mark

R. K. . . .

Chairman

Patricia
Treasurer