# THE KIDNEY CENTRE POST GRADUATE TRAINING INSTITUTE
## FINANCIAL STATEMENTS
## FOR THE YEAR ENDED JUNE 30, 2023

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## 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, 2023, 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, 2023, 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 comprises the 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, 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.

### Responsibilities 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.

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### 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.

A F Ferguson & Co

**A. F. Ferguson & Co.**
**Chartered Accountants**
**Karachi**

**Date: February 20, 2024**

**UDIN: AR202310290Vd87FQbKg**

**THE KIDNEY CENTRE POST GRADUATE TRAINING INSTITUTE**
**STATEMENT OF FINANCIAL POSITION**
**AS AT JUNE 30, 2023**

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | ----------Rupees---------- | |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 4 | 761,216,831 | 590,050,321 |
| Intangible assets | 5 | 2,798,023 | 2,319,304 |
| Long-term deposits | | 2,757,371 | 1,309,195 |
| | | 766,772,225 | 593,678,820 |
| **CURRENT ASSETS** | | | |
| Inventories | 6 | 237,178,197 | 99,976,211 |
| Accounts receivable | 7 | 24,388,067 | 17,164,361 |
| Advances, deposits, prepayments and other receivables | 8 | 24,399,102 | 16,730,680 |
| Short-term investments | 9 | 1,961,379,958 | 2,016,464,998 |
| Cash and bank balances | 10 | 394,697,168 | 124,964,158 |
| | | 2,642,042,492 | 2,275,300,408 |
| **TOTAL ASSETS** | | 3,408,814,717 | 2,868,979,228 |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred capital contribution | 11 | 507,505,925 | 346,906,713 |
| Long-term borrowings | 12 | 93,416,590 | 123,213,163 |
| | | 600,922,515 | 470,119,876 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 13 | 245,314,804 | 252,694,837 |
| Current portion of long-term borrowings | 12 | 50,732,000 | 85,523,970 |
| Accrued interest | | 184,794 | 217,854 |
| Deferred contribution | 14 | 283,841,543 | 198,430,165 |
| | | 580,073,141 | 536,866,826 |
| **CONTINGENCIES AND COMMITMENTS** | 15 | - | - |
| | | 1,180,995,656 | 1,006,986,702 |
| **NET ASSETS** | | 2,227,819,061 | 1,861,992,526 |
| **FINANCED BY:** | | | |
| Restricted endowment fund | 16 | 2,186,927,370 | 1,854,502,606 |
| General fund - operating surplus | | 40,891,691 | 7,489,920 |
| | | 2,227,819,061 | 1,861,992,526 |

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, 2023**

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | ----------Rupees---------- | |
| **INCOME** | | | |
| Income from medical services, net | 17 | 858,443,751 | 751,307,513 |
| Value of services provided to welfare patients, net | 18 | 500,382,443 | 429,982,401 |
| Amortization of deferred capital contribution | 11 | 18,854,147 | 18,431,023 |
| | | 1,377,680,341 | 1,199,720,937 |
| **EXPENDITURE** | | | |
| **Cost of services** | | | |
| Medicines consumed | | 379,833,386 | 346,189,003 |
| Salaries and allowances | | 586,408,530 | 492,501,009 |
| Utilities expenses | | 97,311,421 | 81,435,600 |
| Depreciation | 4.1.3 | 75,959,244 | 75,697,189 |
| Repair, maintenance and others | | 47,508,382 | 39,515,831 |
| Laboratory tests | | 7,890,691 | 10,990,922 |
| Food supplies | | 12,050,787 | 10,222,969 |
| Uniform and linen | | 2,856,951 | 1,873,977 |
| Communication | | 1,032,838 | 888,479 |
| Advertisement | | 7,978,317 | 6,308,594 |
| Printing and stationery | | 7,995,464 | 5,535,849 |
| Insurance | | 6,932,304 | 7,427,166 |
| Fund raising cost | | 14,019,974 | 13,417,313 |
| Training, development and seminars | | 6,705,217 | 5,155,962 |
| Laundry, cleaning and sanitation | | 18,237,858 | 14,347,310 |
| Security service | | 3,606,931 | 3,300,188 |
| Obsolete inventories written-off | 6 | 14,421 | - |
| Provision / (reversal of provision) for doubtful debts | 7.3 | 322,258 | (135,000) |
| Foreign exchange loss | | 5,530,174 | 2,502,370 |
| Others | | 82,900 | 113,938 |
| | | 1,282,278,048 | 1,117,288,669 |
| Administrative expenses | 19 | 81,574,242 | 72,532,449 |
| Finance cost | 20 | 3,408,049 | 3,068,863 |
| | | 1,367,260,339 | 1,192,889,981 |
| Operating surplus before other income | | 10,420,002 | 6,830,956 |
| Other income | 21 | 22,981,769 | 8,021,945 |
| Operating surplus after other income | | 33,401,771 | 14,852,901 |
| Other comprehensive income | | - | - |
| Total comprehensive income | | 33,401,771 | 14,852,901 |

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, 2023**

| | Restricted Endowment Fund (note 16) | General fund - Operating surplus / (deficit) | Total |
|---|---|---|---|
| | ---------------------------------Rupees--------------------------------- | | |
| **Balance as at July 1, 2021** | 1,663,300,526 | (7,362,981) | 1,655,937,545 |
| 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** | 1,854,502,606 | 7,489,920 | 1,861,992,526 |
| Total comprehensive income for the year | - | 33,401,771 | 33,401,771 |
| Income on investments | 331,247,474 | - | 331,247,474 |
| Fair value adjustment | 1,177,290 | - | 1,177,290 |
| **Balance as at June 30, 2023** | 2,186,927,370 | 40,891,691 | 2,227,819,061 |

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, 2023**

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | ----------Rupees---------- | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Operating surplus for the year | | 33,401,771 | 14,852,901 |
| Adjustments for non-cash charges and other items: | | | |
| - Depreciation | 4.1.3 | 76,525,990 | 76,246,723 |
| - Amortization of intangible assets | 5 | 1,220,451 | 323,556 |
| - Value of services provided to welfare patients, net | 18 | (500,382,443) | (429,982,401) |
| - Amortization of deferred capital contribution | 11 | (18,854,147) | (18,431,023) |
| - Obsolete inventories written-off | 6 | 14,421 | - |
| - Interest on long-term borrowings accrued | 20 | 41,072 | 474,785 |
| - Gain on disposal of operating assets, net of written-off | 21 | (6,409,183) | (360,939) |
| - Reversal of provision for doubtful debts | 7.3 | 322,258 | (135,000) |
| - Exchange loss on foreign currency deposits | | - | - |
| Deferred contributions received during the year | 14.1 | 585,793,821 | 538,729,835 |
| Long-term deposits, net | | (1,448,176) | - |
| Working capital changes | 22 | (159,810,826) | 72,893,997 |
| Net cash generated from operating activities | | 10,415,009 | 254,612,434 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Short-term investments made | | (478,861,155) | (274,926,171) |
| Encashment of short-term investments | | 1,171,719,832 | 437,698,375 |
| Purchase of property, plant and equipment | | (232,248,037) | (310,468,070) |
| Proceeds from disposal of operating assets | | 6,507,002 | 746,078 |
| Payment for acquisition of intangible asset (software) | | (1,699,170) | (2,517,405) |
| Net cash generated from / (utilized in) investing activities | | 465,418,472 | (149,467,193) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Deferred capital contribution - net | | 179,453,359 | 64,975,257 |
| Proceeds from long-term borrowings | | - | 200,000,000 |
| Interest on long-term borrowings paid | | (968,542) | (960,371) |
| Repayment of long-term borrowings | | (79,236,415) | (104,381,273) |
| Income received on restricted endowment fund | | 598,659,977 | 60,421,935 |
| Net cash generated from financing activities | | 697,908,379 | 220,055,548 |
| Net increase in cash and cash equivalents | | 1,173,741,860 | 325,200,789 |
| **Cash and cash equivalents at beginning of the year** | | 492,255,308 | 167,054,519 |
| **Cash and cash equivalents at end of the year** | 23 | 1,665,997,168 | 492,255,308 |

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, 2023**

## 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, Rafiqui 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 judgement in the process of applying the Institute's accounting policies. The areas involving a higher degree of judgement 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**

There are certain amendments to accounting and reporting standards that are applicable for the financial year beginning on July 01, 2022, 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 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 recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognized 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 recognized 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 the 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 recognized 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.

## 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.

## 2.18 Endowment Fund

Represents a restricted fund which is retained for the benefit of the Institute. The main objective of the fund is to fund capital expenditure, training of doctors and welfare patients treatment. Only endowment contributions and investment income subject to restrictions stipulating that it be added to the principal amount of the endowment fund would be reported as income of the endowment fund. The utilization of this fund is subject to the Board's discretion.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 an annual basis. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

### 3.2 Capital work-in-progress

The Institute reviews the appropriateness of the rate of amortization of deferred capital contribution received in relation to the calculation and recognition of depreciation of the related fixed operating assets on an annual basis.

### 3.3 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.

| | 2023 | 2022 |
|---|---|---|
| | ------------------Rupees------------------ | |
| **4. PROPERTY, PLANT AND EQUIPMENT** | | |
| Operating fixed assets (note 4.1) | 303,207,470 | 357,418,000 |
| Capital work-in-progress (note 4.2) | 458,009,361 | 232,632,321 |
| | 761,216,831 | 590,050,321 |

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## 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 | Books | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees | | | | | | | | | | | | |
| **As at 1 July 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 | 885,011,978 |
| Accumulated depreciation | - | (90,215,752) | (306,041,281) | (13,348,226) | (57,181,102) | (9,687,771) | (2,800,191) | (15,060,998) | (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 |
| **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 | 3,947,692 | 1 | 2,670,000 | 1 | 359,427,186 |
| Additions including transfers - note 4.2 | - | - | 55,482,763 | 4,337,932 | 2,583,314 | 531,373 | - | 3,679,004 | 8,008,290 | - | - | - | 74,622,676 |
| Less: Disposals / Write-offs - note 4.1.2 | | | | | | | | | | | | | |
| Cost | - | - | 2,961,694 | - | - | - | - | 674,295 | - | - | - | - | 3,635,989 |
| Accumulated depreciation | - | - | (2,650,464) | - | - | - | - | (600,386) | - | - | - | - | (3,250,850) |
| | - | - | 311,230 | - | - | - | - | 73,909 | - | - | - | - | 385,139 |
| Less: Depreciation charge - note 4.1.3 | - | 6,995,368 | 55,496,343 | 2,090,851 | 5,173,614 | 759,690 | 373,256 | 1,806,241 | 2,661,360 | - | 890,000 | - | 76,246,723 |
| 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 1 July 2022** | | | | | | | | | | | | | |
| Cost | 12,586,845 | 190,992,938 | 565,340,024 | 20,876,438 | 73,168,252 | 13,953,974 | 3,920,753 | 29,283,986 | 28,792,084 | 3,987,766 | 12,582,414 | 513,191 | 955,998,665 |
| Accumulated depreciation | - | (97,211,120) | (358,887,160) | (15,439,077) | (62,354,716) | (10,447,461) | (3,173,447) | (16,266,853) | (19,497,462) | (3,987,765) | (10,802,414) | (513,190) | (598,580,665) |
| 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 |
| **Year ended 30 June 2023** | | | | | | | | | | | | | |
| Opening 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 |
| Additions including transfers - note 4.2 | - | - | 17,390,717 | - | - | 779,628 | - | 2,518,434 | 1,724,500 | - | - | - | 22,413,279 |
| Less: Disposals / Write-offs - note 4.1.2 | | | | | | | | | | | | | |
| Cost | - | - | 26,377,943 | 18,000 | 2,100,843 | 14,500 | - | 934,774 | 3,076,510 | - | - | - | 32,522,570 |
| Accumulated depreciation | - | - | (26,356,975) | (18,000) | (2,100,843) | (14,500) | - | (857,933) | (3,076,500) | - | - | - | (32,424,751) |
| | - | - | 20,968 | - | - | - | - | 76,841 | 10 | - | - | - | 97,819 |
| Less: Depreciation charge - note 4.1.3 | - | 6,994,876 | 54,631,440 | 1,767,616 | 5,306,916 | 831,274 | 319,425 | 2,113,992 | 3,670,451 | - | 890,000 | - | 76,525,990 |
| Closing net book value | 12,586,845 | 86,786,942 | 169,191,173 | 3,669,745 | 5,506,620 | 3,454,867 | 427,881 | 13,344,734 | 7,348,661 | 1 | 890,000 | 1 | 303,207,470 |
| **As at 30 June 2023** | | | | | | | | | | | | | |
| Cost | 12,586,845 | 190,992,938 | 556,352,798 | 20,858,438 | 71,067,409 | 14,719,102 | 3,920,753 | 30,867,646 | 27,440,074 | 3,987,766 | 12,582,414 | 513,191 | 945,889,374 |
| Accumulated depreciation | - | (104,205,996) | (387,161,625) | (17,188,693) | (65,560,789) | (11,264,235) | (3,492,872) | (17,522,912) | (20,091,413) | (3,987,765) | (11,692,414) | (513,190) | (642,681,904) |
| Net book value | 12,586,845 | 86,786,942 | 169,191,173 | 3,669,745 | 5,506,620 | 3,454,867 | 427,881 | 13,344,734 | 7,348,661 | 1 | 890,000 | 1 | 303,207,470 |
| **Annual rate of depreciation (%)** | | 5 | 3.33 - 20 | 20 | 10 | 10 | 20 | 10 | 25 | 10 | 10 | 15 | |

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**4.1.1** The building has been constructed on the land owned by the Military Lands and Cantonments. 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 to Nil (2022: Rs. 911,312) having net book value amounting to Nil (2022: Rs. 218,964).

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

| | 2023 | 2022 |
|---|---|---|
| | Rupees | |
| Cost of services | 75,959,244 | 75,697,189 |
| Administrative expenses (note 19) | 566,746 | 549,534 |
| | 76,525,990 | 76,246,723 |

## 4.2 Capital work-in-progress

| | Civil works and construction | Plant, Machinery and Electro-medical equipment | Total |
|---|---|---|---|
| | | Rupees | |
| **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 & 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 | 18,359,839 | 214,272,482 | 232,632,321 |
| **Year ended June 30, 2023** | | | |
| Balance at July 1, 2022 | 18,359,839 | 214,272,482 | 232,632,321 |
| Additions during the year (notes 4.2.1 & 4.2.2) | 13,139,335 | 224,985,412 | 238,124,747 |
| Transfers to operating assets | - | (12,747,707) | (12,747,707) |
| Balance at June 30, 2023 | 31,499,174 | 426,510,187 | 458,009,361 |

**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. 218,083,085 (2022: Rs. 243,528,494) pertaining to MOTC out of which parts amounting to Nil (2022: Rs. 30,788,452) are in-transit at the year end.

As per the progress report, majority of the milestones have been achieved as at June 30, 2023 and the Board of Governors (BOG) expects the MOTC project to be completed in the month of December 2023.

**4.2.2** This includes borrowing costs capitalized during the year amounting to Rs. 15,542,282 (2022: Rs. 7,055,160). The rate used to determine the amount of borrowing costs eligible for capitalisation is 13.6% (2022: 13.6%) 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 recognized on loans availed at below market interest rates, referred to in note 12.3.

| | 2023 | 2022 |
|---|---|---|
| | ------------------Rupees------------------ | |

## 5. INTANGIBLE ASSETS

| | 2023 | 2022 |
|---|---|---|
| Gross carrying value | | |
| Cost - Computer software | 4,679,850 | 2,980,680 |
| Less: Accumulated amortization | (1,881,827) | (661,376) |
| Net book value | 2,798,023 | 2,319,304 |
| Net carrying value<br>Movement during the year: | | |
| Balance at beginning of the year | 2,319,304 | 125,455 |
| Add: Purchase of software | 1,699,170 | 2,517,405 |
| Less: Amortization charge for the year (note 19) | (1,220,451) | (323,556) |
| Balance at end of the year | 2,798,023 | 2,319,304 |

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

## 6. INVENTORIES

| | 2023 | 2022 |
|---|---|---|
| Medicines | 212,983,468 | 86,033,959 |
| General store | 24,209,150 | 13,942,252 |
| | 237,192,618 | 99,976,211 |
| Less: | | |
| - Obsolete inventories written-off | 14,421 | - |
| | 237,178,197 | 99,976,211 |

## 7. ACCOUNTS RECEIVABLE - unsecured

| | 2023 | 2022 |
|---|---|---|
| Considered good (notes 7.1 and 7.2) | 24,388,067 | 17,164,361 |
| Considered doubtful (note 7.3) | 722,258 | 400,000 |
| | 25,110,325 | 17,564,361 |
| Provision for doubtful debts (note 7.3) | (722,258) | (400,000) |
| | 24,388,067 | 17,164,361 |

7.1 As at June 30, 2023, accounts receivables amounting to Rs.12,876,431 (2022: Rs. 8,519,849) were neither past due nor impaired.

7.2 As at June 30, 2023, accounts receivable aggregating to Rs. 11,511,636 (2022: Rs. 8,644,512) 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:

| | 2023 | 2022 |
|---|---|---|
| | ------------------Rupees------------------ | |
| Upto 3 months | 10,232,100 | 8,226,656 |
| 3 to 6 months | 1,279,536 | 417,856 |
| More than 6 months | - | - |
| | 11,511,636 | 8,644,512 |

**7.3** As at June 30, 2023, accounts receivable aggregating to Rs. 722,258 (2022: Rs. 400,000) were deemed to have been impaired and provided for. The movement in provision during the year is as follows:

| | 2023 | 2022 |
|---|---|---|
| | ------------------Rupees------------------ | |
| Balance at beginning of the year | 400,000 | 535,000 |
| Provision made / (reversed) during the year | 322,258 | (135,000) |
| Balance at end of the year | 722,258 | 400,000 |

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

| | | |
|---|---|---|
| Advances to: | | |
| - suppliers and others | 12,225,550 | 3,292,141 |
| - employees | 122,764 | 107,000 |
| Prepayments | 3,463,147 | 5,524,774 |
| Taxation refundable | 4,606,005 | 3,737,669 |
| Unbilled medical services | 924,572 | 3,025,743 |
| Other receivables | 3,057,064 | 1,043,353 |
| | 24,399,102 | 16,730,680 |

## 9. SHORT-TERM INVESTMENTS

| | | |
|---|---|---|
| Special Savings Certificates (notes 9.1 and 9.2) | - | 1,155,824,334 |
| Treasury Bills (notes 9.1 and 9.2) | - | 49,474,200 |
| Pakistan Investment Bonds (notes 9.1, 9.2 and 9.3) | 670,950,726 | 487,712,163 |
| Term Deposits (notes 9.1, 9.2 and 9.4) | 1,290,429,232 | 323,454,301 |
| | 1,961,379,958 | 2,016,464,998 |

**9.1** The above pertains to investments made out of Restricted Endowment Fund except Term Deposits having face value of 18,300,000 (2022: Rs. 169,000,000).

**9.2** Short-term investments includes profit / interest receivable amounting Rs. 41,472,462 (2022: Rs. 308,884,965) out of which profit / interest receivable amounting to Rs. 38,450,924 (2022: Rs. 308,133,404) pertains to investments made out of Restricted Endowment Fund.

**9.3** These carry mark-up at rate ranging from 8.00% to 22.42% per annum (2022: 8.00% to 15.02% per annum) having latest maturity in August 2028.

**9.4** These carry mark-up at rate ranging from 16.85% to 21.60% per annum (2022: 13.00% to 13.25% per annum) having latest maturity in July 2023.

| | 2023 | 2022 |
|---|---|---|
| | ------------------Rupees------------------ | |

## 10. CASH AND BANK BALANCES

| | | |
|---|---|---|
| Balances with banks in: | | |
| - savings accounts (note 10.1) | 388,823,372 | 85,138,928 |
| - current accounts | 1,416,858 | 37,489,202 |
| | 390,240,230 | 122,628,130 |
| Cash in hand | 4,456,938 | 2,336,028 |
| | 394,697,168 | 124,964,158 |

**10.1** These carry mark-up at rates ranging from 3.40% to 19.50% (2022: 2.24% to 12.25%) per annum.

## 11. DEFERRED CAPITAL CONTRIBUTION

| | 2023 | 2022 |
|---|---|---|
| | Rupees | |
| Balance at beginning of the year | 346,906,713 | 298,175,479 |
| Deferred capital contribution received during the year (note 11.1) | 179,453,359 | 67,162,257 |
| | 526,360,072 | 365,337,736 |
| Amortization of deferred capital contribution | (18,854,147) | (18,431,023) |
| Balance at end of the year | 507,505,925 | 346,906,713 |

**11.1** This represents contributions received specifically for capital expenditure inclusive of specific donation received amounting to Rs. 168,254,059 (2022: Rs. 57,205,757) for MOTC (as referred in note 4.2.1).

## 12. LONG-TERM BORROWINGS

| | 2023 | 2022 |
|---|---|---|
| | Rupees | |
| Loans from Bank Al Habib Limited (BAHL), a related party | | |
| - Salary refinance scheme (note 12.1) | - | 52,190,637 |
| - Refinance Facility for Combatting COVID-19 scheme (notes 12.2 and 12.3) | 144,148,590 | 156,546,496 |
| | 144,148,590 | 208,737,133 |
| Less: Current portion shown under current liabilities | (50,732,000) | (85,523,970) |
| | 93,416,590 | 123,213,163 |

**12.1** The Institute had a long-term loan agreement under the Salary Refinancing Scheme introduced by the State Bank of Pakistan (SBP). The principal amount of loan was repayable in eight equal quarterly installments. The loan was secured against 100% lien over Pakistan Investment Bonds held with BAHL.

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

During the year, the Institute has settled the outstanding amount of loan.

**12.2** During the year ended June 30, 2022, the Institute entered into a long-term loan agreement amounting to 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 Pakistan Investment Bonds held with Bank Al-Habib Limited.

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 MOTC (note 4.2.1), as summarized below:

| | 2023 | 2022 |
|---|---|---|
| | Rupees | |
| Opening at beginning of the year | 156,546,496 | - |
| Loan received during the year | - | 200,000,000 |
| Less: Government grant recognized | - | (49,975,567) |
| Principal paid during the year | (27,045,778) | - |
| Add: Amortization of loan during the year | 14,647,872 | 6,522,063 |
| Balance at end of the year | 144,148,590 | 156,546,496 |

## 13. TRADE AND OTHER PAYABLES

| | 2023 | 2022 |
|---|---|---|
| Creditors | 46,969,216 | 125,972,067 |
| Accruals, provisions and other liabilities (note 13.1) | 115,024,827 | 118,586,951 |
| Retention money | 1,171,552 | 472,010 |
| Book overdraft | 70,944,722 | - |
| Advances from patients and others | 11,204,487 | 7,663,809 |
| | 245,314,804 | 252,694,837 |

**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. 3,129,640 (2022: Rs. 7,894,793).

## 14. DEFERRED CONTRIBUTION

| | 2023 | 2022 |
|---|---|---|
| | Rupees | |
| Zakat | 205,952,416 | 146,169,844 |
| Sponsor a patient and other charities | 77,889,127 | 52,260,321 |
| | 283,841,543 | 198,430,165 |

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:

| | 2023 | 2022 |
|---|---|---|
| | Rupees | |
| Balance at beginning of the year | 198,430,165 | 89,682,731 |
| Deferred contribution received during the year (note 14.3) | 585,793,821 | 538,729,835 |
| Funds utilized during the year (note 18) | (500,382,443) | (429,982,401) |
| Balance at end of the year | 283,841,543 | 198,430,165 |

**14.2** An Independent Shariah Advisor has reviewed and confirmed that the entire process related to Zakat, implemented by the Institute, is Shariah compliant and that the Zakat collected and utilized is in accordance with the principles of Shariah.

**14.3** Includes funds received from:

a) Grant in Aid from Government of Sindh amounting to Rs. 200,000,000 (2022: Rs. 200,000,000) spent on various medical services.

b) Sindh Zakat Fund from Ministry of Religious Affairs amounting to Rs. 8,000,000 (2022: 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, 2023 amounted to Rs. 105,000,000 (2022: Rs. 105,000,000) of which the amount remaining unutilized as at year end was Rs. 94,241,099 (2022: Rs. 78,159,226). The Institute has pledged the balance in IPS accounts to the extent of Rs. 105,000,000 (2022: Rs. 105,000,000) against the aforementioned facility.

**15.2** Bank guarantees have been provided to SSGCL for supply of high pressure gas line amounting to Rs. 3,300,000 (2022: Rs. 3,300,000) and to K-Electric for load extension of supply of electricity for MOTC amounting to Rs 868,909 (2022: Nil).

**15.3** As at June 30, 2023, the outstanding commitments entered into in respect of construction of MOTC, referred to in note 4.2.1 amounted to Rs. 52,366,402 (2022: Rs. 54,116,970) and the outstanding purchase orders amounted to Rs. 23,364,917 (2022: Rs. 12,588,710).

## 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 and Term Deposits.

| | 2023 | 2022 |
|---|---|---|
| | ------------------Rupees------------------ | |
| **17. INCOME FROM MEDICAL SERVICES, NET** | | |
| Dialysis clinic | 360,399,603 | 323,010,316 |
| Pharmacy | 137,734,571 | 115,248,405 |
| Operation theatre | 333,618,857 | 292,774,620 |
| Laboratory | 171,823,047 | 148,160,680 |
| Radiology | 75,208,190 | 66,893,311 |
| Out-patient | 125,690,118 | 98,773,185 |
| Lithotripsy | 9,188,450 | 10,242,070 |
| Casualty | 42,740,285 | 38,869,548 |
| Wards | 104,560,552 | 93,726,929 |
| Intensive Care Unit | 44,523,138 | 33,019,671 |
| Histopathology | 4,704,188 | 3,729,812 |
| Cardiology | 14,507,340 | 13,042,070 |
| | 1,424,698,339 | 1,237,490,617 |
| Less: Treatment of welfare patients including discounts | (566,254,588) | (486,183,104) |
| | 858,443,751 | 751,307,513 |

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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:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Number of treatments | Rupees | Number of treatments | Rupees |
| Dialysis | 39,722 | 199,423,200 | 38,089 | 189,830,869 |
| Surgery and other related services | 3,048 | 216,300,261 | 3,005 | 172,558,878 |
| Medical procedures | 33,400 | 132,348,944 | 35,649 | 114,472,667 |
| Lithotripsy | 286 | 4,247,400 | 298 | 4,936,550 |
| Filter clinic | 13,985 | 13,934,783 | 4,737 | 4,384,140 |
| | | 566,254,588 | | 486,183,104 |
| Less: | | | | |
| - Discount | | 65,872,145 | | 56,200,703 |
| | | 500,382,443 | | 429,982,401 |

## 19. ADMINISTRATIVE EXPENSES

| | 2023 | 2022 |
|---|---|---|
| | ------Rupees------ | |
| Salaries and allowances | 65,993,814 | 63,604,588 |
| Communication | 24,340 | 13,179 |
| Advertisement & marketing | 4,886,261 | 2,342,569 |
| Printing and stationery | 876,489 | 629,216 |
| Insurance | 1,484,928 | 1,110,246 |
| Repair, maintenance and others | 1,131,743 | 1,657,860 |
| Training, development and seminars | 677,887 | 321,840 |
| Laundry, cleaning and sanitation | 222,908 | 124,962 |
| Depreciation (note 4.1.3) | 566,746 | 549,534 |
| Amortization (note 5) | 1,220,451 | 323,556 |
| Auditors' remuneration (note 19.1) | 1,221,556 | 1,438,660 |
| Legal and professional charges | 3,224,596 | 391,200 |
| Uniform and linen | 42,523 | 25,039 |
| | 81,574,242 | 72,532,449 |

### 19.1 Auditors' remuneration

| | 2023 | 2022 |
|---|---|---|
| Audit fee | 200,000 | 200,000 |
| Fee for taxation services | 961,524 | 1,182,233 |
| Out of pocket expenses | 60,032 | 56,427 |
| | 1,221,556 | 1,438,660 |

## 20. FINANCE COST

| | 2023 | 2022 |
|---|---|---|
| Interest on long-term borrowings | 41,072 | 474,785 |
| Credit card collection fee | 3,145,523 | 2,480,265 |
| Bank charges | 221,454 | 113,813 |
| | 3,408,049 | 3,068,863 |

## 21. OTHER INCOME

| | 2023 | 2022 |
|---|---|---|
| **From financial assets** | | |
| Income on savings bank accounts | 15,652,285 | 6,849,892 |
| **From other than financial assets** | | |
| Gain on disposal of operating assets - net of write off (note 4.1.2) | 6,409,183 | 360,939 |
| Rental income | 465,850 | 418,500 |
| Others | 454,451 | 392,614 |
| | 22,981,769 | 8,021,945 |

| | 2023 | 2022 |
|---|---|---|
| | ----Rupees---- | |

## 22. WORKING CAPITAL CHANGES

| | 2023 | 2022 |
|---|---|---|
| (Increase) / decrease in current assets: | | |
| Inventories | (137,216,407) | 2,761,599 |
| Accounts receivable | (7,545,964) | 3,335,906 |
| Advance, deposits, prepayments and other receivables | (7,668,422) | (2,532,284) |
| | (152,430,793) | 3,565,221 |
| (Decrease) / increase in current liabilities | | |
| Trade and other payables | (7,380,033) | 69,328,776 |
| | (159,810,826) | 72,893,997 |

## 23. CASH AND CASH EQUIVALENTS

| | 2023 | 2022 |
|---|---|---|
| Short-term investments (note 9) | | |
| - Term deposits | 1,271,300,000 | 319,000,000 |
| - Treasury bills | - | 48,291,150 |
| | 1,271,300,000 | 367,291,150 |
| Cash and bank balances (note 10) | 394,697,168 | 124,964,158 |
| | 1,665,997,168 | 492,255,308 |

## 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:

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Officiating CEO / Dean | Administrator | Executives | Total | Officiating CEO / Dean | Administrator | Executives | Total |
| | Rupees | | | | | | | |
| Managerial remuneration | 19,263,725 | 7,057,042 | 46,981,979 | 73,302,746 | 14,480,000 | 6,543,667 | 10,356,371 | 31,380,038 |
| Contribution for staff retirement benefits | 176,400 | 435,996 | 699,061 | 1,311,457 | 670,000 | 391,335 | 669,424 | 1,730,759 |
| Total | 19,440,125 | 7,493,038 | 47,681,040 | 74,614,203 | 15,150,000 | 6,935,002 | 11,025,795 | 33,110,797 |
| Number of persons including those who worked part of the year | 1 | 1 | 3 | | 1 | 1 | 2 | |

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

| | 2023 | 2022 |
|---|---|---|
| | ----Rupees---- | |

## 25. FINANCIAL INSTRUMENTS

### 25.1 Financial assets

| | 2023 | 2022 |
|---|---|---|
| Fair value: | | |
| Short-term investments | 670,950,726 | 1,643,536,497 |
| Amortized cost: | | |
| Long-term deposits | 2,757,371 | 1,309,195 |
| Short-term investments | 1,290,429,232 | 372,928,501 |
| Accounts receivable | 24,388,067 | 17,164,361 |
| Deposits and other receivables | 3,057,064 | 4,069,096 |
| Cash and bank balances | 394,697,168 | 124,964,158 |
| | 2,386,279,628 | 2,163,971,808 |

| | 2023 | 2022 |
|---|---|---|
| | Rupees | |

### 25.2 Financial liabilities

| | 2023 | 2022 |
|---|---|---|
| Amortized cost: | | |
| Long-term borrowings | 144,148,590 | 208,737,133 |
| Accrued interest | 184,794 | 217,854 |
| Trade and other payables | 234,110,318 | 245,031,028 |
| | 378,443,702 | 453,986,015 |

### 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).

| | 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | Rupees | | | |
| **Financial assets** | | | | |
| **Short-term investments** | | | | |
| Pakistan Investment Bonds | - | 670,950,726 | - | 670,950,726 |
| | - | 670,950,726 | - | 670,950,726 |

| | 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 |
| | - | 487,712,163 | 1,155,824,334 | 1,643,536,497 |

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, 2023, 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 Nil (2022: Rs. 3,687,020) 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, 2023, 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. 22,455,209 (2022: Rs. 13,805,120) 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. 2,386,279,628 (2022: Rs. 2,163,971,808), the financial assets exposed to credit risk amount to Rs. 2,368,946,259 (2022: Rs. 2,153,115,931).

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:

| | 2023 | 2022 |
|---|---|---|
| | ------Rupees------ | |
| Short-term investments | 1,961,379,958 | 2,016,464,998 |
| Long-term deposits | 2,757,371 | 1,309,195 |
| Accounts receivable | 12,876,431 | 8,519,849 |
| Deposits and other receivables | 3,057,064 | 4,069,096 |
| Cash and bank balances | 394,697,168 | 124,964,158 |
| | 2,374,767,992 | 2,155,327,296 |

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 Limited | PACRA | A-1+ | AA+ |
| Sindh Bank Limited | PACRA | A-1 | A+ |
| Meezan Bank Limited | JCR-VIS | A-1+ | AAA |
| Bank Islami Pakistan Limited | JCR-VIS | A-1 | AA- |
| Pakistan Oman Investment Company Limited | JCR-VIS | A-1+ | AA+ |
| HBL First Micro Finance Bank Limited | 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.

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Maturity upto one year | Maturity after one year | Total | Maturity upto one | Maturity after one | Total |
| | ------Rupees------ | | | | | |
| **Financial liabilities** | | | | | | |
| Long-term borrowings | 51,550,520 | 123,138,588 | 174,689,108 | 86,564,203 | 168,330,235 | 254,894,438 |
| Trade and other payables | 234,110,318 | - | 234,110,318 | 245,031,028 | - | 245,031,028 |

## 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 | 2023 | 2022 |
|---|---|---|---|
| | | --Rupees-- | |
| **Associated undertakings** | | | |
| Jaffer Brothers (Pvt.) Limited | Purchase of services | - | 406,420 |
| | Billing medical services | - | 301,009 |
| Jaffer Business Systems (Pvt.) Limited | Funds / donations received | - | 50,000 |
| | Purchase of services | 2,839,158 | 3,558,057 |
| Jaffer Agro Services (Pvt.) Limited | Funds / donations received | - | 860,000 |
| Patient Aid Foundation | Billing medical services | 20,890 | 27,300 |
| Vikor Enterprises (Pvt.) Limited | Funds / donations received | - | 53,559 |
| | Purchase of goods | 18,143 | 23,219 |
| Shell Pakistan Limited | Funds / donations received | 1,500,000 | 4,650,400 |
| Sapphire Textile Mills Limited | Funds / donations received | - | 608,400 |
| Bank Al Habib Limited | Donations | 500,000 | - |
| Coastal Converters (Pvt.) Limited | Funds / donations received | 20,000 | 20,000 |
| Sulaiman & Haroon Jaffer Trust | Donations | - | 20,000 |
| Sind Club | Funds / donations received | 20,000 | 20,000 |
| Pakistan Petroleum Limited | Billing medical services | 6,480,462 | 5,188,245 |
| The Kidney Centre, London Chapter | Funds / donations received | - | 12,903,233 |
| Members of the Board Of Governors | Donations | 3,725,000 | 600,000 |
| **Staff retirement funds** | | | |
| Staff retirement provident fund | Contributions | 17,356,572 | 15,062,028 |

## 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 15 JAN 2024 by the Board of Governors of the Institute.

**Chairman**

**Treasurer**