

**Pakistan Kidney and Liver Institute and Research Center
Independent Auditors' Report and
Audited Financial Statements
For the Year Ended December 31, 2019**



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**INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF GOVERNORS OF
PAKISTAN KIDNEY AND LIVER INSTITUTE AND RESEARCH CENTER**

Opinion

We have audited the financial statements of Pakistan Kidney and Liver Institute and Research Center (the Institute), which comprise the statement of financial position as at December 31, 2019 and the statement of income and expenditure, the statement of comprehensive income, the statement of changes in fund 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 December 31, 2019, 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 of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 operation, or has no realistic alternative but to do so.

Those charged with governance 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, misrepresentation, 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 those charged with governance 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.


RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Date: 24 JAN 2024

Place: Lahore

Engagement Partner: Inam ul Haque

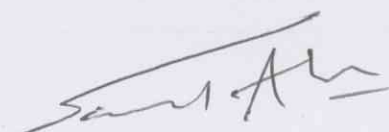


PAKISTAN KIDNEY AND LIVER INSTITUTE AND RESEARCH CENTER
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Note	2019 Rupees	2018 Rupees *Restated	2017 Rupees *Restated
ASSETS				
NON-CURRENT ASSETS				
Property and equipment	5	17,339,598,674	15,799,204,202	11,574,802,679
Intangible assets	6	200,430,067	5,455,795	3,266,401
Long term deposits against utilities		152,825,180	152,825,180	193,196,025
		<u>17,692,853,921</u>	<u>15,957,485,177</u>	<u>11,771,265,105</u>
CURRENT ASSETS				
Stores		16,603,107	10,182,593	-
Stock of medicine and supplies	7	260,455,553	365,645,986	36,706,652
Advances, deposits, prepayments and other receivables	8	36,419,970	11,474,473	46,488,070
Cash and bank balances	9	2,124,326,708	2,744,916,766	4,919,691,124
		<u>2,437,805,338</u>	<u>3,132,219,818</u>	<u>5,002,885,846</u>
TOTAL ASSETS		<u><u>20,130,659,259</u></u>	<u><u>19,089,704,995</u></u>	<u><u>16,774,150,951</u></u>
FUND AND LIABILITIES				
General fund		886,182,244	566,284,057	245,696,281
NON-CURRENT LIABILITIES				
Deferred grants	10	18,893,660,274	17,915,491,256	16,264,002,039
CURRENT LIABILITIES				
Trade and other payables	11	350,816,741	607,929,682	264,452,631
TOTAL FUND AND LIABILITIES		<u><u>20,130,659,259</u></u>	<u><u>19,089,704,995</u></u>	<u><u>16,774,150,951</u></u>
COMMITMENTS	12	-	-	-

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

(* For restatements, refer to Note 5 and 10).


 CHAIRMAN


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**PAKISTAN KIDNEY AND LIVER INSTITUTE AND RESEARCH CENTER
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Note	2019 Rupees	2018 Rupees *Restated
INCOME			
Clinical income	13	110,410,450	82,548,844
Profit on saving accounts		145,169,436	164,447,769
Amortization of deferred grants	10.3	3,292,288,349	3,805,298,569
Other Income	14	64,318,301	73,591,163
		<u>3,612,186,536</u>	<u>4,125,886,345</u>
EXPENDITURE			
Clinical expenses	15	2,688,150,653	2,897,636,285
General and administrative expenses	16	578,176,245	794,154,207
Marketing expenses	17	25,838,383	113,242,845
Finance cost		123,068	265,232
		<u>3,292,288,349</u>	<u>3,805,298,569</u>
Surplus for the year before taxation		319,898,187	320,587,776
Provision for taxation	18	-	-
Surplus for the year		<u>319,898,187</u>	<u>320,587,776</u>

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

(* For restatements, refer to Note 5 and 10).



CHAIRMAN



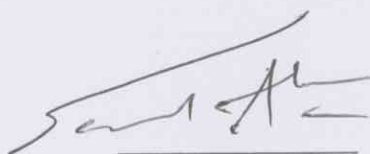
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PAKISTAN KIDNEY AND LIVER INSTITUTE AND RESEARCH CENTER
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
	Rupees	Rupees
		*Restated
Surplus for the year	319,898,187	320,587,776
Other comprehensive income	-	-
Total comprehensive income for the year	<u>319,898,187</u>	<u>320,587,776</u>

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

(* For restatements, refer to Note 5 and 10).



CHAIRMAN



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**PAKISTAN KIDNEY AND LIVER INSTITUTE AND RESEARCH CENTER
STATEMENT OF CHANGES IN GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Note	Rupees
Balance as at January 01, 2018 as previously reported		262,082,731
Effect of correction of error	10.4	(16,386,450)
Balance as at January 01, 2018 as restated		245,696,281
Total comprehensive income for the year		
Surplus for the year		320,587,776
Other comprehensive income		-
		320,587,776
Balance as at December 31, 2018		566,284,057
Total comprehensive income for the year		
Surplus for the year		319,898,187
Other comprehensive income		-
		319,898,187
Balance as at December 31, 2019		886,182,244

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

(* For restatements, refer to Note 5 and 10).



CHAIRMAN



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PAKISTAN KIDNEY AND LIVER INSTITUTE AND RESEARCH CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		Rupees	Rupees
A) CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year before taxation		319,898,187	320,587,776
Adjustments for non cash and non operating Items:			
Depreciation on property and equipment	5.1	857,028,423	511,113,652
Amortization on intangible assets	6	1,800,791	2,239,178
Provision for doubtful receivable	8	8,150,581	-
Amortization of deferred grants	10.3	(3,292,288,349)	(3,805,298,569)
Profit on saving accounts		(145,169,436)	(164,447,769)
		<u>(2,570,477,990)</u>	<u>(3,456,393,508)</u>
Cash flow before working capital changes		<u>(2,250,579,803)</u>	<u>(3,135,805,732)</u>
Working capital changes:			
Increase / (decrease) in current assets:			
Stores		(6,420,514)	(10,182,593)
Stock of medicine and supplies		105,190,433	(328,939,334)
Advances, prepayments and other receivables		(33,096,078)	35,013,597
Increase / (decrease) in current liabilities			
Trade and other payable		(257,112,941)	343,477,051
		<u>(191,439,100)</u>	<u>39,368,721</u>
Net cash flow from operating activities		<u>(2,442,018,903)</u>	<u>(3,096,437,011)</u>
B) CASH FLOWS FROM INVESTING ACTIVITIES			
Additions in property and equipment	5	(2,397,422,895)	(4,735,515,175)
Additions in intangible assets	6	(196,775,063)	(4,428,572)
Long term deposits against utilities		-	40,370,845
Profit on saving accounts		145,169,436	164,447,769
Net cash flow from investing activities		<u>(2,449,028,522)</u>	<u>(4,535,125,133)</u>
C) CASH FLOWS FROM FINANCING ACTIVITIES			
Grants received during the year		4,166,667,000	5,633,333,000
Profit on grant funds		108,334,670	38,310,478
Grants utilized during the year - related to HPTP Sites	10.1.2.1	(4,544,303)	(214,855,692)
Net cash flow from financing activities		<u>4,270,457,367</u>	<u>5,456,787,786</u>
Net (decrease) in cash and cash equivalents (A+B+C)		<u>(620,590,058)</u>	<u>(2,174,774,358)</u>
Cash and cash equivalents at the beginning of year		<u>2,744,916,766</u>	<u>4,919,691,124</u>
Cash and cash equivalents at the end of year	9	<u>2,124,326,708</u>	<u>2,744,916,766</u>

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

(* For restatements, refer to Note 5 and 10).


CHAIRMAN


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1 STATUS AND ACTIVITIES

1.1 Pakistan Kidney and Liver Institute and Research Center ("the Institute") is a body corporate established on 08 December 2014 as a Not-for-Profit Organization under the repealed Pakistan Kidney and Liver Institute and Research Center Act, 2014, repealed by the Pakistan Kidney and Liver Institute and Research Center Act, 2019 (the Act). The principal objectives of the Institute are to establish a center of excellence in medical and surgical care, teaching and research with respect to kidney, liver, bladder, prostate and pancreatic diseases with an objective to provide free of cost, shared cost or full cost basis diagnosis and treatment. The registered office of the Institute is situated at 1 - PKLI Avenue, Opposite DHA Phase VI, Knowledge City, Lahore, Pakistan.

The Institute is implementing a project comprising of 470 beds hospital, male and female nursing dormitories and Pakistan Kidney and Liver Institute (PKLI) Bazar. 150 beds have been operational and services of Liver & Kidney transplant along with other surgeries & procedures like urology, hepatobiliary, lithotripsy, endoscopy, ERCP, Dialysis and diagnostic services of Radiology, Pathology test and Nuclear Medicine etc. are being provided to the indigent patients who are also provided financial support through financial screening process. The hospital is planned to be a state-of-the-art, integrated healthcare facility comprising a full service hospital dedicated to urology, nephrology, hepatology and transplantation; a modern research center to undertake research on related topics; and a center of academic excellence. Moreover, the hospital complex is expected to address the dual burden of poverty and diseases related to kidney and liver in Pakistan, with particular focus on Punjab. The value proposition is to provide high quality kidney and liver healthcare to all who need it, irrespective of their ability to pay.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as applicable in Pakistan.

3 BASIS OF MEASUREMENT

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except for the recognition of Government and other grants in kind accounted for at fair value.

3.2 Functional and presentation currency

The financial statements of the Institute have been presented in Pakistani Rupee, which is also the Institute's functional currency.

3.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan, requires management to make judgments, estimates and assumptions, that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

- i. Useful lives, residual values and depreciation method of property and equipment and intangible assets - (Note 4.1 & 4.2)
- ii. Impairment - (Note 4.5)
- iii. Deferred Grant - (Note 4.13)

3.4 New, amended standards and interpretations which became effective

3.4.1 Standards, amendments to standards and interpretations becoming effective in current period

The following standards, amendments to standards and interpretations have become effective and are mandatory for financial statements of the Institute for the periods beginning on or after January 01, 2019 and therefore, have been applied in preparing these financial statements.

- **IFRS 9 - Financial Instruments**

IFRS 9 'Financial Instruments' is effective for reporting year ending on or after 30 June 2019. It replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Amendment to IFRS 4 'Insurance Contracts' - Applying IFRS 9 'Financial Instruments' with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 01 July 2018 onwards to remove from statement of income and expenditure the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

The Institute has determined that it is eligible for the temporary exemption option since the Institute has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance and the Institute does not engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Institute can defer the application of IFRS 9 until the application IFRS 17.

Fair value of financial assets that pass the 'Solely Payment of Principal and Interest (SPPI)' assessment approximate their carrying values as reported in the financial statements.

All other financial assets are classified as 'available for sale', which are measured at fair value through other comprehensive income.

- **IFRS 16 Leases**

The Institute has adopted IFRS 16 from 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in management expenses) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) results improve as the operating expense is now replaced by interest expense and depreciation in income and expenditure. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

When adopting IFRS 16 from 1 January 2019, the Institute has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 January 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets; and
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease.

The Institute has applied the modified retrospective method upon adoption of IFRS 16 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 16 to opening retained earnings. Under this transition method, comparative information for prior periods are not required to be restated and continues to be reported in accordance with the previous standards and related interpretations.

The application of IFRS 16 has not had a significant impact on the financial position and / or financial performance of the Institute. Accordingly, there was no adjustment to retained earnings on application of IFRS 16 at 1 January 2019.

- **Annual Improvements to IFRS Standards 2015–2017 Cycle, applicable for annual reporting periods beginning on or after January 01, 2019.**

In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 – Business Combinations and IFRS 11 - Joint Arrangements— The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12 - Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in income and expenditure, regardless of how the tax arises.
- IAS 23 - Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The application of these amendments has no impact on the Institute's financial statements.

- **IAS 19 - Employee Benefits**

Amendments, applicable for annual reporting periods beginning on or after January 01, 2019, relate to plan amendment, curtailment or settlement detailed as below:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The application of these amendments has no impact on the Institute's financial statements.

- **IAS 28 - Investments in Associates and Joint Ventures**

Amendments resulting from Annual Improvements 2014-2016 Cycle (clarifying certain fair value measurements), applicable for periods beginning on or after January 01, 2018, clarified that the election to measure at fair value through income and expenditure an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Further, amendments applicable for periods beginning on or after January 01, 2019 have been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The application of these amendments has no impact on the Institute's financial statements.

- **IFRIC 23 - Uncertainty over Income Tax Treatments**

IFRIC 23, effective for annual reporting periods beginning on or after January 01, 2019, clarifies the accounting for uncertainties in income taxes.

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The application of this amendment has no impact on the Institute's financial statements.

3.4.2 Standards, amendments to standards and interpretations becoming effective in current period but not relevant

There are certain new standards, amendments to standards and interpretations which became effective during the year but are considered not to be relevant to the Institute's operations and, therefore, not disclosed in these financial statements.

3.4.3 Standards, amendments to standards and interpretations becoming effective in future periods

The following standards, amendments to standards and interpretations have been published and are mandatory for the Institute's accounting periods beginning on or after their respective effective dates.

- **IFRS 3 – Business Combinations**

The IASB has issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

The application of this amendment has no impact on the Institute's financial statements.

- **IFRS 7 — Financial Instruments: Disclosures, IFRS 9 — Financial Instruments and IAS 39 — Financial Instruments: Recognition and Measurement**

The amendments deal with 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as IASB's first reaction to the potential effects the IBOR reform on financial reporting. It deals with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements. The amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The application of these amendment has no impact on the Institute's financial statements.

- **Amendments to References to the Conceptual Framework in IFRS Standards:**

The IASB issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework. The amendments, where they actually are updates, are effective for annual periods beginning on or after January 1, 2020.

The application of these amendment has no impact on the Institute's financial statements.

- **IAS 1 – Presentation of Financial Statements**

IASB has issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of and to align the definition used in the Conceptual Framework and the Standards themselves.

'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendment is effective for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The application of these amendment has no impact on the Institute's financial statements.

IASB has issued 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The amendments in Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They: (i) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; (ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and (iii) make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are to be applied retrospectively. Earlier application is permitted. The application of these amendment has no impact on the Institute's financial statements.

- **Standards issued by IASB but not applicable in Pakistan**

Following new standards have been issued by IASB which are yet to be notified by the SECP for purpose of applicability in Pakistan:

- IFRS 1 - First-time adoption of International Financial Reporting Standards
- IFRS 17 - Insurance Contracts

3.4.4 Standards, amendments to standards and interpretations becoming effective in future period but not relevant

There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Institute's operations, therefore, not disclosed in these financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of significant accounting policies which have been adopted in the preparation of financial statements of the Institute are as follows:

4.1 PROPERTY AND EQUIPMENT

4.1.1 Operating fixed assets

Property and equipment, except freehold land, are stated at cost less accumulated depreciation and impairment losses, if any, whereas freehold land is stated at cost less accumulated impairment loss, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Institute and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of income and expenditure during the period in which they are incurred.

Depreciation is charged on reducing balance method at the rates stated in Note 5.1. Depreciation on additions is charged for the month in which the asset is available for use while no depreciation is charged for the month in which the asset is disposed off. The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any changes in estimate is accounted for on a prospective basis.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in statement of income and expenditure in the period in which the asset is de-recognized.

4.1.2 Capital work in progress

Capital work in progress includes civil works and consultancy which are measured at cost less impairment loss, if any, and consists of expenditure incurred up to financial year end. These are transferred to specific assets as and when the assets are available for use.

4.2 Intangible

These assets are initially recognized at cost. After initial recognition, these are measured at cost less accumulated amortization and accumulated impairment losses, if any.

Costs associated with routine maintenance of intangible assets are recognized as an expense when incurred. However, costs that are directly attributable to identifiable intangible assets and which enhance or extend the performance of intangible assets beyond the original specification and useful life are recognized as capital improvement and added to the original cost of the software.

Amortization is charged so as to allocate the cost of assets over their estimated useful lives, using the reducing balance method at the rates specified in note 6 to the financial statements.

The useful lives, residual values and amortization method are reviewed on a regular basis. The effect of any changes in estimate accounted for on a prospective basis.

An item of intangible assets is de-recognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in statement of income and expenditure in the period in which the asset is de-recognized.

4.3 Stock of medicine and supplies

Stock of medicine and supplies are stated at lower of cost and net realizable value. Cost is determined on average cost method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated price in the ordinary course of business less the estimated costs necessary to deliver the medicine and supplies.

A review is made on each reporting date for excess stock, obsolescence and declines in net realizable value and an allowance is recorded for any such declines.

4.4 Stores

These are valued at moving average cost except stores in transit which are stated at cost comprising invoice value plus other charges paid thereon up to the statement of financial position date. Adequate provision is made against items considered obsolete/ slow moving.

4.5 Impairment of non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the assets' recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in the statement of income and expenditure. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a pre tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flows have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in the statement of income and expenditure.

4.6 Financial Instruments

Financial assets and financial liabilities are recognised at cost, using the trade date accounting, when the Institute becomes a party to the contractual provisions of the instruments and derecognised when the Institute loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

Other particular recognition methods adopted by the Institute are disclosed in the individual policy statements associated with each item of financial instruments.

4.7 Offsetting of Financial Asset and Financial Liability

A financial asset and a financial liability is offset and the net amount reported in the statement of financial position, if the Institute has a legal enforceable right to offset the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.8 Advances and other receivables

Advances and other receivables are recognised at nominal amount which is fair value of the consideration to be received in future less an estimate made for doubtful balances based on review of outstanding amounts at the reporting date. Balances considered bad are written off when identified.

4.9 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.10 Payables

Liabilities and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Institute.

4.11 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 reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Future operating losses are not provided for.

4.12 Impairment of financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the assets' recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in the statement of income and expenditure. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a pre tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flows have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in the statement of income and expenditure.

4.13 Deferred grants

4.13.1 Government grants

Grants from the government 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 relating to costs are deferred and recognised in the statement of income and expenditure over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in noncurrent liabilities as deferred income and are credited to the statement of income and expenditure over the expected lives of the related assets based on the pattern of flow of economic benefits to the Institute.

4.13.2 Other grants

These comprise of donated assets, which are initially measured at market value prevailing at the time of acquisition and recognized as a deferred grant when it is probable that economic benefit will flow to the Institute. The grant is credited to the statement of income and expenditure over the expected lives of the related assets based on the pattern of flow of economic benefits to the Institute.

4.14 Employee benefits

4.14.1 Earned leaves policy

As per the Institute's policy, each employee is eligible for 24 annual leaves. The Institute accounts for compensated absences on the basis of 50% of unavailed leave balance of each employee at the end of the reporting period.

4.14.2 Voluntary pension scheme

The Institute has arranged for voluntary pension scheme for its employees that requires contributions to be made to separate fund operated by a third party, Al Meezan Investment Management Limited. Equal contributions are made monthly both by the Institute and the employees in accordance with the rules of the scheme at 10% of basic salary.

4.15 Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Institute and the income can be measured reliably. Clinical income is recognized at the time when services are rendered. Donations are recognized at fair value when received. Return on saving accounts is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Unrestricted grants/contribution received are recognized as income in the year of receipt.

4.16 Related party transactions

Transactions with related parties are carried at arm's length on price determined using the comparable uncontrolled price method except for those transactions which, in exceptional circumstances, are specifically approved by the Board.

PAKISTAN KIDNEY AND BLOOD INSTITUTE AND RESEARCH CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

5. PROPERTY AND EQUIPMENT

	Note	Rupees	
		2019	2018
Operating fixed assets	5.1	12,002,954,294	10,116,021,257
Capital work in progress	5.2	4,575,868,064	4,427,034,368
Medical equipment held for capitalization		760,776,316	1,256,148,577
		<u>17,339,598,674</u>	<u>15,799,204,202</u>

5.1 Operating fixed assets

Particulars	Freehold land	Building on freehold land	Electrical equipment	Medical equipment	Office equipments	Library books	Computers and equipment	Furniture and fixtures	Vehicles	Total	Depreciation	
											Cost	Annual rate of depreciation
As at January 01, 2018												
Cost	967,562,500	90,257,723	51,774,205	640,047,058	6,394,738	-	39,542,783	18,913,603	36,878,440	1,851,371,050		
Accumulated depreciation	-	(3,740,558)	(1,963,820)	(11,869,638)	(658,598)	-	(4,647,438)	(1,807,504)	(4,933,616)	(29,521,172)		
Net book value	967,562,500	86,517,165	49,810,385	628,177,420	5,736,140	-	34,895,345	17,106,099	31,944,824	1,821,749,878		
Year ended December 31, 2018												
Opening net book value	967,562,500	86,517,165	49,810,385	628,177,420	5,736,140	-	34,895,345	17,106,099	31,944,824	1,821,749,878		
Additions	-	8,253,225,089	68,880,020	373,164,563	7,912,274	530,323	48,613,773	4,198,050	48,860,939	8,805,385,031		
Depreciation charged	-	(334,798,169)	(14,315,434)	(119,937,415)	(1,912,751)	(66,290)	(22,843,082)	(3,166,945)	(14,073,566)	(511,113,652)		
Closing net book value	967,562,500	8,004,944,085	104,374,971	881,404,568	11,735,663	464,033	60,666,036	18,137,204	66,732,197	10,116,021,257		
As at December 31, 2018												
Cost	967,562,500	8,343,482,812	120,654,225	1,013,211,621	14,307,012	530,323	88,156,556	23,111,653	85,739,379	10,656,756,081		
Accumulated depreciation	-	(338,538,727)	(16,279,254)	(131,807,053)	(2,571,349)	(66,290)	(27,490,520)	(4,974,449)	(19,007,182)	(540,734,824)		
Net book value	967,562,500	8,004,944,085	104,374,971	881,404,568	11,735,663	464,033	60,666,036	18,137,204	66,732,197	10,116,021,257		
Year ended December 31, 2019												
Opening net book value	967,562,500	8,004,944,085	104,374,971	881,404,568	11,735,663	464,033	60,666,036	18,137,204	66,732,197	10,116,021,257		
Additions	-	1,234,091,481	211,134,480	788,828,667	30,357,003	1,248,968	352,096,219	136,289,345	-	2,754,046,163		
Disposals	-	-	-	-	-	-	-	-	-	-		
Cost	-	-	-	-	-	-	(14,589,511)	-	(2,058,113)	(16,647,624)		
Accumulated depreciation	-	-	-	-	-	-	5,571,742	-	991,179	6,562,921		
Depreciation charged	-	(438,989,000)	(43,852,876)	(227,250,950)	(4,601,786)	(272,674)	(105,295,593)	(23,151,560)	(1,066,934)	(10,084,703)		
Closing net book value	967,562,500	8,800,046,566	271,656,575	1,442,982,285	37,490,880	1,440,327	298,448,893	131,274,989	52,051,279	12,002,954,294		
As at December 31, 2019												
Cost	967,562,500	9,577,574,293	331,788,705	1,802,040,288	44,664,015	1,779,291	425,663,264	159,400,998	83,681,266	13,394,154,620		
Accumulated depreciation	-	(777,527,727)	(60,132,130)	(359,058,003)	(7,173,135)	(338,964)	(127,214,371)	(28,126,009)	(31,629,987)	(1,391,200,326)		
Net book value	967,562,500	8,800,046,566	271,656,575	1,442,982,285	37,490,880	1,440,327	298,448,893	131,274,989	52,051,279	12,002,954,294		
Annual rate of depreciation	-	5%	15%	15%	15%	30%	30%	15%	20%	15%		

Note 5.1.1

This represents 60.70 acres of land received from Government of the Punjab (the Government). The land was recorded at fair value, determined by an independent valuer under fair value hierarchy - level 2. Value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. As per section 27 of the Act, the land transferred to the Institute by the Government remains property of the Government. The Institute is not allowed to transfer or permanently alienate its immovable property except through exchange of land for obtaining right of way with the prior approval of the Government.

PAKISTAN KIDNEY AND LIVER INSTITUTE AND RESEARCH CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note	2019	2018
	Rupees	Rupees

5.1.2 Allocation of depreciation for the year is as under ;

Clinical expenses	15	815,308,331	499,170,617
General and administrative expenses	16	39,982,510	11,445,625
Marketing expenses	17	1,737,582	497,410
		<u>857,028,423</u>	<u>511,113,652</u>

5.2 Capital work in progress

Civil works and consultancy	5.2.1	2,804,698,004	3,001,786,007
Advance with IDAP - net	5.2.2	1,771,170,060	1,425,248,361
		<u>4,575,868,064</u>	<u>4,427,034,368</u>

5.2.1 Civil works and consultancy

Opening balance		3,001,786,007	6,609,212,453
Incurred during the year		1,364,952,749	4,981,531,341
Service charges of IDAP for the year			
Related to PKLI Hospital		15,080,914	72,829,405
Related to Hepatitis Prevention Treatment Complex (HPTC)		-	1,709,580
		15,080,914	74,538,985
Transferred to property and equipment		(1,577,121,666)	(8,663,496,772)
		<u>2,804,698,004</u>	<u>3,001,786,007</u>

5.2.1.1 Rectification of error

In last year, buildings / portions of buildings were complete and were being used by the Institute, however the same were not capitalized. This error has been corrected retrospectively and comparative information has been restated in accordance with the requirements of IAS 8 'Accounting Policies, Change in Accounting Estimates and Errors'. The effect of correction of error on prior period presented is as under:

2018	2017
Rupees	Rupees
(Decrease) / Increase	(Decrease) / Increase

Effect on statement of financial position

Property and equipment		
Operating fixed assets	7,922,752,778	-
Capital work in progress	(8,253,225,089)	-
Deferred grants	(330,472,311)	-

Effect on statement of income and expenditure

Amortization of deferred grants	330,472,311	-
Clinical expenses	330,472,311	-

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Note	2019	2018
	Rupees	Rupees

5.2.2 Advance with IDAP - net

Advance with IDAP		
Opening balance	1,450,774,841	3,296,843,731
Paid during the year	2,552,711,940	4,669,000,000
Adjusted during the year	(2,135,920,664)	(6,490,801,015)
Transferred to gardening expenses	-	(24,267,875)
Closing balance	1,867,566,117	1,450,774,841
Add: Other receivable from IDAP	3,860,000	3,860,000
Less: payable to IDAP		
Against computer equipment received	(54,987,937)	-
Against HPTP Sites	(16,542,186)	(15,741,460)
Against service charges	(28,725,934)	(13,645,020)
	(100,256,057)	(29,386,480)
Advance with IDAP - net	1,771,170,060	1,425,248,361

6 INTANGIBLE ASSETS

Software	6.1	3,655,004	5,455,795
Software under development / Advance		196,775,063	-
		200,430,067	5,455,795

6.1 Software

Cost	8,564,995	8,564,995
Accumulated amortization	(4,909,991)	(3,109,200)
Written down value	3,655,004	5,455,795

6.1.1 Movement in written down value

Opening book value		5,455,795	3,266,401
Additions during the year		-	4,428,572
Amortization for the year	16	(1,800,791)	(2,239,178)
Closing book value		3,655,004	5,455,795

Rate of amortization : 33%

7 STOCK OF MEDICINE AND SUPPLIES

Medicines	165,616,342	215,058,343
Medical and surgical supplies	71,817,537	54,244,891
Pathology supplies	23,021,674	96,342,752
	260,455,553	365,645,986

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Note	2019	2018
	Rupees	Rupees

8 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Considered good

Advances to:

Suppliers	1,702,775	9,000
Employees	1,611,165	676,217
Profit on saving account	-	4,421
Receivable from related party Pakistan Kidney and Liver Institute and Research Center - Trust (PKLI Trust)	14,300	14,300
Prepayments	25,319,892	3,277,321
Security deposits against rented premises	5,100,042	7,253,542
Other receivables	2,671,796	239,672

Considered doubtful

Receivable against stolen laptops
Less: Provision for doubtful receivable

8.1	8,150,581	-
	(8,150,581)	-
	-	-
	<u>36,419,970</u>	<u>11,474,473</u>

8.1 It represents the net amount receivable from an ex employee against the theft of computers.

9 CASH AND BANK BALANCES

Cash in hand	213,228	1,024,651
Balances with banks in:		
Current accounts	10,118,347	2,561,842
Saving accounts	2,113,995,133	2,741,330,273
	2,124,113,480	2,743,892,115
	<u>2,124,326,708</u>	<u>2,744,916,766</u>

9.1 These carry markup at the rates ranging from 8.0% to 11.25% per annum (2018: 5.5% to 8.2% per annum).

Note	2019	2018
	Rupees	Rupees

10 DEFERRED GRANTS

Government grants	10.1	18,892,913,071	17,914,611,836
Other grants	10.2	747,203	879,420
		<u>18,893,660,274</u>	<u>17,915,491,256</u>

10.1 Government grants

For the Institute			
In Cash	10.1.1	17,517,409,004	16,211,293,684
In Kind - Land	5.1.1	967,562,500	967,562,500
For Hepatitis Prevention Treatment Program (HPTP) - In Cash	10.1.2	407,941,567	735,755,652
		<u>18,892,913,071</u>	<u>17,914,611,836</u>

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	Note	2019 Rupees	2018 Rupees
10.1.1 Government grant for the Institute - In Cash			
Balance at the beginning of the year		16,211,293,684	14,713,553,299
Received during the year		4,166,667,000	4,333,333,000
Amortization for the year on utilization	10.3	(2,860,551,680)	(2,835,592,615)
Balance at the end of the year		<u>17,517,409,004</u>	<u>16,211,293,684</u>
10.1.2 Government grant for HPTP Sites - In Cash			
Balance at the beginning of the year		735,755,652	581,851,108
Received during the year		-	1,300,000,000
Profit on grant funds		108,334,670	38,310,478
Amortization for the year on utilization	10.1.2.1	(436,148,755)	(1,184,405,934)
Balance at the end of the year		<u>407,941,567</u>	<u>735,755,652</u>
10.1.2.1 Detail of utilization is as under			
Operating expenses	10.3	431,604,452	969,550,242
Purchase of:			
operating fixed assets		1,810,103	76,911,557
stock of medicine and supplies		-	76,825,160
stores		952,339	6,988,000
Capital work in progress		1,245,741	54,130,975
Cash handed over to Hepatitis Control Program	10.4	536,120	-
		<u>436,148,755</u>	<u>1,184,405,934</u>
10.2 Other grants			
Opening balance		879,420	1,035,132
Amortization for the year	10.3	(132,217)	(155,712)
Closing balance		<u>747,203</u>	<u>879,420</u>
10.3 Amortization for the year			
Government grants			
For the Institute - In Cash		2,860,551,680	2,835,592,615
For HPTP - In Cash	10.3.1	431,604,452	969,550,242
Other grants		132,217	155,712
		<u>3,292,288,349</u>	<u>3,805,298,569</u>

10.3.1 Utilization of grant related to HPTP is included in income as related equal expenses are included in different heads of expenses which are not, identifiable separately.

PAKISTAN KIDNEY AND LIVER INSTITUTE AND RESEARCH CENTER
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10.4 Rectification of error

A grant was allowed to the Institute for construction, renovation and operation of HPTP sites and administrative control of these sites was vested to the management of the Institute. The administrative control of these sites has been returned to the management of Hepatitis Control Program (HCP) during the year. The grant, profit on grant funds and related expenditure were previously recorded as being related to the Institute itself. This error has been corrected retrospectively and comparative information has been restated in accordance with the requirements of IAS 8 'Accounting Policies, Change in Accounting Estimates and Errors'. The effect of correction of error on prior periods presented is as under:

	2018	2017
	Rupees	Rupees
	(Decrease) / Increase	(Decrease) / Increase
Effect on Statement of financial position		
Property and equipment		
Operating fixed assets	(146,510,179)	(106,821,164)
Capital work in progress	(236,695,387)	(182,564,412)
Intangible assets	(1,329,996)	(1,984,500)
Stores	(7,389,650)	(401,650)
Stock of medicine and supplies	(93,480,591)	(16,655,431)
General fund	38,310,478	16,386,450
Deferred grants - Government grants for HPTP Sites	(447,095,325)	(292,040,707)

Effect on statement of income and expenditure

Amortization of deferred grants	433,432	11,666,649
Profit on grant funds	38,310,478	16,386,450
Clinical expenses	(28,803,279)	(3,555,182)
General and administrative expenses	(8,723,117)	(1,120,925)
Marketing expenses	(350,650)	(43,694)

Note	2019	2018
	Rupees	Rupees

11 TRADE AND OTHER PAYABLES

Creditors		317,758,768	544,833,685
Accrued liabilities		24,725,393	43,570,114
Income tax payable		851,008	10,067,387
Payable to voluntary pension scheme	11.2	900,509	908,777
Advance for expenses		4,500,810	8,245,565
Other payables		2,080,253	304,154
		<u>350,816,741</u>	<u>607,929,682</u>

11.2 This represents deductions made from employees' salaries on account of Pension Fund. The pension fund is managed by a third party, Al Meezan Investment.

PAKISTAN KIDNEY AND LIVER INSTITUTE AND RESEARCH CENTER
NOTES TO THE FINANCIAL STATEMENTS
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	Note	2019 Rupees	2018 Rupees
12 COMMITMENTS			
Under Contracts;			
For the Construction of Hospital and allied buildings		4,807,613,123	7,156,608,060
For intangible asset		1,655,820,958	1,852,596,021
		<u>6,463,434,081</u>	<u>9,009,204,081</u>
13 CLINICAL INCOME			
Inpatients/Outpatients	13.1	1,821,152,234	2,423,853,183
Pharmacy		480,235,962	1,043,837,846
		<u>2,301,388,196</u>	<u>3,467,691,029</u>
Less: waived as financial support to indigent patients	13.2	<u>(2,190,977,746)</u>	<u>(3,385,142,185)</u>
Net income		<u>110,410,450</u>	<u>82,548,844</u>
13.1 Inpatients/Outpatients			
Consultancy fee		1,196,182,734	1,189,916,253
Lab tests & other fee		624,969,500	1,233,936,930
		<u>1,821,152,234</u>	<u>2,423,853,183</u>
13.2 Financial support to indigent patients			
Consultancy fee		1,085,772,284	1,107,365,302
Lab tests and other procedures fee		624,969,500	1,233,939,037
Pharmacy		480,235,962	1,043,837,846
		<u>2,190,977,746</u>	<u>3,385,142,185</u>
14 OTHER INCOME			
Donations			
In cash		47,080,037	-
In kind - Medicines		2,894,937	66,666,437
Others		14,343,327	6,924,726
		<u>64,318,301</u>	<u>73,591,163</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		Rupees	Rupees
15 CLINICAL EXPENSES			
Salaries, wages and benefits	15.1	1,112,427,652	1,238,127,034
Pathology, nursing and other supplies consumed		306,812,285	458,428,548
Medicines and drugs		237,113,302	490,410,121
Outsourced medical services		18,279,690	12,844,215
Utilities		160,538,221	55,107,431
Repair and maintenance		1,742,053	6,728,387
Insurance		21,606,955	26,783,288
Fee and subscription		6,474,115	9,910,390
Cleaning and washing		3,886,172	27,070,943
Travelling and conveyance		3,027,679	60,926,464
Depreciation	5.1.2	815,308,331	499,170,617
Uniforms		753,305	1,436,201
Recruitment and training		180,893	10,692,646
		<u>2,688,150,653</u>	<u>2,897,636,285</u>

15.1 Salaries, wages and other benefits include Rs. 59,574,169 (2018: Rs. 68,846,100) in respect of voluntary pension scheme and Rs. 28,032,965 (2018: Rs. 26,812,516) in respect of leave encashment.

	Note	2019	2018
		Rupees	Rupees
16 GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		423,927,326	516,209,546
Insurance		20,360,336	35,322,750
Vehicles running and maintenance		18,760,168	22,819,647
Entertainment		419,114	1,522,941
Telephone and courier charges		8,233,006	32,183,172
Printing and stationary		9,302,586	20,873,875
Rent, rates and taxes		15,172,406	49,876,257
Security charges		18,715,273	42,800,454
Legal and professional charges*		1,000,728	4,894,047
Auditor's remuneration		880,000	1,149,500
Depreciation	5.1.2	39,982,510	11,445,625
Amortization	6.1.1	1,800,791	2,239,178
Provision for doubtful receivable	8.1	8,150,581	-
Others		4,140,013	4,288,662
Gardening expenses		1,476,548	24,446,345
Office supplies		5,854,859	24,082,208
		<u>578,176,245</u>	<u>794,154,207</u>

16.1 Salaries, wages and other benefits include Rs. 22,638,535 (2018: Rs. 26,161,923) in respect of voluntary pension scheme and Rs. 10,652,692 (2018: Rs. 10,188,914) in respect of leave encashment.

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	Note	2019	2018
		Rupees	Rupees
17 MARKETING EXPENSES			
Salaries, wages and benefits		18,371,195	41,004,915
Advertisement		5,249,451	71,219,742
Insurance		480,155	520,778
Depreciation	5.1.2	1,737,582	497,410
		<u>25,838,383</u>	<u>113,242,845</u>

17.1 Salaries, wages and other benefits include Rs. 983,838 (2018: Rs. 1,136,959) in respect of voluntary pension scheme and Rs. 462,950 (2018: Rs. 442,795) in respect of leave encashment.

18 PROVISION FOR TAXATION

The institute is approved as a non profit organisation under Section 2(36) of the Income Tax Ordinance, 2001 and therefore income of the Institute is subject to 100% tax credit under section 100C. Accordingly, no provision for taxation is made in these financial statements.

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board of Governors has the overall responsibility for the establishment and oversight of Institute's risk management framework. The Board is also responsible for developing and monitoring the Institute's risk management policies.

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

19.1 Financial instruments by categories

	2019	2018
	Rupees	Rupees
Financial assets at amortized cost:		
Long term deposits against utilities	152,825,180	152,825,180
Advances, deposits and other receivables	9,397,303	8,188,152
Cash and bank balances	2,124,326,708	2,744,916,766
	<u>2,286,549,191</u>	<u>2,905,930,098</u>
Financial liabilities at amortized cost:		
Trade and other payables	<u>344,564,414</u>	<u>588,707,953</u>

19.2 Financial instruments and related disclosures

The Institute's activities expose it to a variety of financial risks (credit risk, liquidity risk and market risk). Risk measured and managed by the Institute are explained below:

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19.2.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. The Institute does not have significant exposure to any individual counter-party. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is as follows:

	2019	2018
	Rupees	Rupees
Long term deposits against utilities	152,825,180	152,825,180
Advances, deposits and other receivables	9,397,303	8,188,152
Bank balances	2,124,113,480	2,743,892,115
	<u>2,286,335,963</u>	<u>2,904,905,447</u>

19.2.2 Liquidity risk

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations as they fall due. The Institute's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Institute is not exposed to any significant liquidity risk.

19.2.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Institute's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

Currency risk

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

Monetary items, including financial assets and financial liabilities, denominated in currency other than functional currency of the Institute are periodically restated to Pak rupee equivalent and the associated gain or loss is taken to the statement of income and expenditure.

At reporting date, the Institute is not exposed to any significant currency risk.

Equity Price Risk

Equity price risk is the risk of unfavorable changes in the fair value of the equity securities as a result of changes in the levels of Stock Exchange indexes and the value of individual share (including the units of mutual funds). The equity price risk exposure arises from the Company's investments in equity securities for which prices in the future are uncertain.

At reporting date, the Institute is not exposed to any equity price risk.

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.

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Institute manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

The Institute's interest rate risk arises from balances maintained with banks. The interest rate profile of the Institute's interest bearing financial instruments is presented in relevant notes to the financial statements. The Institute does not account for any other variable or fixed rate financial assets and liabilities at fair value through income and expenditure.

If interest rates on saving accounts with banks, at the reporting date, fluctuate by 1% with all other variables held constant, surplus for the year would have been higher / lower by Rs. 21.44 million (2018: Rs. 27.41 million).

19.3 Fair values of financial assets and liabilities

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

20 Fund risk management

The Institute's objectives when managing fund are to safeguard the Institute's ability to continue as a going concern in order to continue to provide services for its the general public. The Institute manage its fund with Government Grant. The Institute is not exposed to any such risk.

21 Fair value hierarchy of financial assets

The Institute uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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22 RELATED PARTY BALANCES AND TRANSACTIONS

The Institute in the normal course of business carries out transactions with various related parties which comprise of Government of Punjab, Director / President and key management personnel. Balances outstanding at the year end have been disclosed in the respective notes to the financial statements. Significant transactions, other than those disclosed in relevant notes, are as follows:

Name of Party	Nature of transactions	Relationship	2019	2018
			Rupees	Rupees
Government of Punjab	Grant received	Associated Undertakings	4,166,667,000	5,633,333,000
PKLI Trust	Assets received as donation	Associated Undertakings	-	328,583
	Medicines received as donation		1,615,340	18,037,854
Lahore General Hospital	Medicines received as donation	Associated Undertakings	-	45,000,000
Directorate of General Public Relations	Directorate of General Public Relations for advertisement expense	Associated Undertakings	4,314,098	49,969,114
Director / President	Remuneration and reimbursements		-	12,487,283
	Voluntary Pension Scheme		-	795,823
Key management personnel	Salaries and other employee benefits		111,733,067	164,389,686
	Leave encashment-paid		1,431,355	2,586,577
	Voluntary pension scheme-contribution		5,550,753	9,466,628

22.1 A number of entities owned directly/indirectly by the Government of Punjab (GOP) are the related parties of the Company due to significant influence of the GOP over the Institute. The transactions with other such entities, are considered insignificant, hence are not specifically disclosed.

23 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 24 JAN 2020 by the Board of Governors of the Institute.

24 GENERAL

24.1 Rearrangements

Prior year figures have been reclassified / re-arranged, wherever considered necessary for the purpose of better comparison and better presentation. Major reclassifications made as follows:

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Particulars	Previous Classification	Current Classification	Note	2018	2017
				Rupees	Rupees
Short term security deposits	Statement of financial position	Advances, deposits, prepayments and other receivables	8	7,253,542	13,282,000
Other receivable from IDAP	Advances, deposits, prepayments and other receivables	Property and equipment	5.2.2	3,860,000	-
Long term deposits against utilities	Property and equipment - Capital work in progress	Long term deposits against utilities		147,740,000	147,740,000
Payable to IDAP	Trade and other payables	Property and equipment - Capital work in progress	5.2.2	343,496,450	247,423,594
Bank Profit	General fund	Deferred grants	10	38,310,478	16,386,450

24.2 Nomenclature


Nomenclature of following accounts has been changed:

Previous nomenclature	Current nomenclature
Property and equipment	Operating fixed assets
Long term deposit and advances	Long term deposits against utilities
Stores and spares	Stores
Inventories	Stock of medicine and supplies
Advances, prepayments and other receivables	Advances, deposits, prepayments and other receivables
Fund balance	General fund
Deferred grants - restricted	Deferred grants
Contingencies and commitments	Commitments
Return on saving account	Profit on saving accounts
Salaries and wages	Salaries, wages and benefits
Taxation	Provision for taxation

24.3 Figures have been rounded off to the nearest Rupees, unless otherwise stated.



CHAIRMAN



DEAN