Pakistan Kidney and Liver Institute and Research Center
Independent Auditors' Report and
Audited Financial Statements
For the Year Ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF GOVERNORS OF PAKISTAN KIDNEY AND LIVER INSTITUTE AND RESEARCH CENTER
REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Pakistan Kidney and Liver Institute and Research Center (the Institute), which comprise the statement of financial position as at December 31, 2021 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, 2021, and its financial performance and its cash flows for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

Basis 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.

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RSM

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

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Date: 24 JAN 2024
Place: Lahore
Engagement Partner: Inam ul Haque
UDIN : AR202110226cfkMTdpql

PAKISTAN KIDNEY AND LIVER INSTITUTE AND RESEARCH CENTER
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	17,934,681,197	17,583,302,495
Intangible assets	6	366,733,033	450,443,676
Long term deposits against utilities		152,825,180	152,825,180
Long term prepayment		18,374,858	45,937,142
		18,472,614,268	18,232,508,493
CURRENT ASSETS			
Stores		44,352,746	26,692,381
Stock of medicine and supplies	8	342,541,781	353,919,471
Advances, deposits, prepayments and other receivables	9	98,456,466	74,413,664
Cash and bank balances	10	2,487,977,992	2,255,938,232
		2,973,328,985	2,710,963,748
TOTAL ASSETS		21,445,943,253	20,943,472,241
FUND AND LIABILITIES			
General fund		2,077,783,482	1,139,626,541
NON-CURRENT LIABILITIES			
Deferred grants	11	18,792,446,590	19,539,463,367
CURRENT LIABILITIES			
Trade and other payables	12	575,713,181	264,382,333
TOTAL FUND AND LIABILITIES		21,445,943,253	20,943,472,241
COMMITMENTS	13	-	-

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

CHAIRMAN **DEAN**

PAKISTAN KIDNEY AND LIVER INSTITUTE AND RESEARCH CENTER
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021 Rupees	2020 Rupees
INCOME			
Clinical income	14	798,190,767	123,422,762
Profit on saving accounts		123,169,604	110,547,628
Amortization of deferred grants	11.3	4,218,497,090	3,091,758,393
Other Income	15	16,796,570	19,473,907
		5,156,654,031	3,345,202,690
EXPENDITURE			
Clinical expenses	16	3,683,764,342	2,604,910,543
General and administrative expenses	17	515,103,590	468,731,809
Marketing expenses	18	18,726,399	17,908,888
Finance cost		902,759	207,153
		4,218,497,090	3,091,758,393
Surplus for the year before taxation		938,156,941	253,444,297
Provision for taxation	19		-
Surplus for the year		938,156,941	253,444,297

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

CHAIRMAN

DEAN

PAKISTAN KIDNEY AND LIVER INSTITUTE AND RESEARCH CENTER
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 Rupees	2020 Rupees
Surplus for the year	938,156,941	253,444,297
Other comprehensive income	-	-
Total comprehensive income for the year	938,156,941	253,444,297

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

CHAIRMAN

DEAN

PAKISTAN KIDNEY AND LIVER INSTITUTE AND RESEARCH CENTER
STATEMENT OF CHANGES IN GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Rupees
Balance as at January 01, 2020	886,182,244
Total comprehensive income for the year	
Surplus for the year	253,444,297
Other comprehensive income	-
	253,444,297
Balance as at December 31, 2020	1,139,626,541
Total comprehensive income for the year	
Surplus for the year	938,156,941
Other comprehensive income	-
	938,156,941
Balance as at December 31, 2021	2,077,783,482

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

CHAIRMAN

DEAN

PAKISTAN KIDNEY AND LIVER INSTITUTE AND RESEARCH CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021 Rupees	2020 Rupees
A) CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year before taxation		938,156,941	253,444,297
Adjustments for non cash and non operating Items:			
Depreciation on property and equipment		1,229,334,030	1,020,697,104
Amortization on intangible assets		83,710,643	32,254,194
Amortization of deferred grants		(4,218,497,090)	(3,091,758,393)
Loss on stock of medicine and supplies		39,139,512	14,445,309
Profit on saving accounts		(123,169,604)	(110,547,628)
		(2,989,482,509)	(2,134,909,414)
Cash flow before working capital changes		(2,051,325,568)	(1,881,465,117)
Working capital changes:			
(Increase) / decrease in current assets:			
Stores		(17,660,365)	(10,089,274)
Stock of medicine and supplies		(27,761,822)	(107,909,227)
Advances, prepayments and other receivables		(24,042,802)	(37,993,694)
(Increase) / decrease in current liabilities			
Trade and other payable		311,330,848	(86,434,408)
		241,865,859	(242,426,603)
Net cash flow from operating activities		(1,809,459,709)	(2,123,891,720)
B) CASH FLOWS FROM INVESTING ACTIVITIES			
Additions in property and equipment		(1,580,712,732)	(1,264,400,925)
Additions in intangible assets		-	(282,267,803)
Long term prepayment		27,562,284	(45,937,142)
Profit on saving accounts		123,169,604	110,547,628
Net cash flow from investing activities		(1,429,980,844)	(1,482,058,242)
C) CASH FLOWS FROM FINANCING ACTIVITIES			
Grants received during the year		3,450,000,000	3,800,000,000
Profit on HPTP grant funds		21,480,313	58,369,163
HPTP grant utilized during the year		-	(120,807,677)
Net cash flow from financing activies		3,471,480,313	3,737,561,486
Net (increase) in cash and cash equivalents (A+B+C)		232,039,760	131,611,524
Cash and cash equivalents at the beginning of year		2,255,938,232	2,124,326,708
Cash and cash equivalents at the end of year	10	2,487,977,992	2,255,938,232

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

CHAIRMAN

DEAN

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 476 beds hospital, male and female nursing dormitories and Pakistan Kidney and Liver Institute (PKLI) bazar. 205 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. All financial information presented in Pakistan rupees are rounded off to nearest rupees unless otherwise stated.

3.3 Standards, amendments to standards and interpretations

3.3.1 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, 2021 and therefore, have been applied in preparing these financial statements.

- **IFRS 9 - Financial Instruments; IAS 39 - Financial Instruments: Recognition and Measurement; IFRS 7: Financial Instruments Disclosures and IFRS 16: Leases**

The International Accounting Standards Board (IASB) had published 'Interest Rate Benchmark Reform — Phase 2 with amendments that addressed issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments were effective for annual periods beginning on after 1 January 2021. The application of these ammendments has no impact on the Institute's financial statements. The application of these ammendments has no impact on the Institute's financial statements.

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

There are certain new standards, amendments to standards and interpretations that became effective during the year and are mandatory for accounting periods of the Institute beginning on or after January 01, 2021 but are considered not to be relevant to the Institute's operations and are, therefore, not disclosed in these financial statements.

3.3.3 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.

- **Annual Improvements to IFRS Standards 2018–2020 Cycle**

The IASB has issued 'Annual Improvements to IFRS Standards 2018–2020'. The pronouncement contains amendments to the following Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project.

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

IAS 41 Agriculture - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The amendments are applicable for annual periods beginning on or after 1 January 2022. The amendments are not expected to have any impact on the financial statements of the Institute.

- **IFRS 16 - Leases**

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16). The pronouncement amended IFRS 16 Leases to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021.

Since lessors continue to grant COVID-19-related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the IASB decided to extend the time period over which the practical expedient is available for use. The amendment is effective for annual reporting periods beginning on or after 1 April 2021.

Application of this amendment is not expected to have any significant impact on the Institute financial statements.

- **IAS 1 - Presentation Of Financial Statements**

Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

Application of these amendments is not expected to have any significant impact on the Institute financial statements.

- **IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors**

The IASB has issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements in the following ways:

an entity is now required to disclose its material accounting policy information instead of its significant accounting policies;

several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;

the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and

the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2. The management is in the process of assessing impact of these standards/amendments on the financial statements of the Institute.

- **IAS 12 – Income Taxes**

The IASB has published 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)' that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. Accordingly, the initial recognition exemption, provided in IAS 12.15(b) and IAS 12.24, does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Application of these amendments is not expected to have any significant impact on the Institute financial statements.

- **IAS 37 - Provisions, Contingent Liabilities and Contingent Assets**

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 01 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Application of these amendments is not expected to have any significant impact on the Institute financial statements.

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

Following new standards and amendments subsequent to the issue of these standards have been issued by IASB which are yet to be notified by the SECP for purpose of applicability in

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

3.3.4 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.

5 PROPERTY AND EQUIPMENT

	Note	2021 Rupees	2020 Rupees
Operating fixed assets	5.1	16,705,493,092	15,554,967,796
Capital work in progress	5.2	1,208,723,088	1,476,295,800
Medical equipment held for capitalization		20,465,017	552,038,899
		17,934,681,197	17,583,302,495

5.1 Operating fixed assets

Particulars	Free hold land	Building on freehold land	Electrical equipment	Medical equipment	Office equipment	Library books	Computers and Equipment	Furniture and fixtures	Vehicles	Total
	Rupees									
As at January 01, 2020										
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
Year ended December 31, 2020										
Opening 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
Additions	-	3,741,898,018	190,854,721	383,630,287	29,786,820	-	136,074,615	91,060,020	-	4,573,304,481
Disposals										
Cost	-	-	-	-	-	-	(1,225,726)	-	-	(1,225,726)
Accumulated depreciation	-	-	-	-	-	-	631,851	-	-	631,851
	-	-	-	-	-	-	(593,875)	-	-	(593,875)
Depreciation charged	-	(594,582,305)	(52,346,184)	(228,222,395)	(9,692,949)	(432,098)	(92,877,969)	(32,132,948)	(10,410,256)	(1,020,697,104)
Closing net book value	967,562,500	11,947,362,279	410,165,112	1,598,390,177	57,584,751	1,008,229	341,051,664	190,202,061	41,641,023	15,554,967,796
As at December 31, 2020										
Cost	967,562,500	13,319,472,311	522,643,426	2,185,670,575	74,450,835	1,779,291	560,512,153	250,461,018	83,681,266	17,966,233,375
Accumulated depreciation	-	(1,372,110,032)	(112,478,314)	(587,280,398)	(16,866,084)	(771,062)	(219,460,489)	(60,258,957)	(42,040,243)	(2,411,265,579)
Net book value	967,562,500	11,947,362,279	410,165,112	1,598,390,177	57,584,751	1,008,229	341,051,664	190,202,061	41,641,023	15,554,967,796
Year ended December 31, 2021										
Opening net book value	967,562,500	11,947,362,279	410,165,112	1,598,390,177	57,584,751	1,008,229	341,051,664	190,202,061	41,641,023	15,554,967,796
Additions	-	860,716,109	631,678,885	626,799,254	66,028,502	-	143,840,829	47,066,752	4,320,000	2,380,450,331
Disposals										
Cost	-	-	-	-	-	-	(1,921,165)	-	-	(1,921,165)
Accumulated depreciation	-	-	-	-	-	-	1,330,160	-	-	1,330,160
	-	-	-	-	-	-	(591,005)	-	-	(591,005)
Depreciation charged	-	(624,109,073)	(140,535,693)	(277,646,843)	(16,824,963)	(302,469)	(128,722,134)	(32,648,650)	(8,544,205)	(1,229,334,030)
Closing net book value	967,562,500	12,183,969,315	901,308,304	1,947,542,588	106,788,290	705,760	355,579,354	204,620,163	37,416,818	16,705,493,092
As at December 31, 2021										
Cost	967,562,500	14,180,188,420	1,154,322,311	2,812,469,829	140,479,337	1,779,291	702,431,817	297,527,770	88,001,266	20,344,762,541
Accumulated depreciation	-	(1,996,219,105)	(253,014,007)	(864,927,241)	(33,691,047)	(1,073,531)	(346,852,463)	(92,907,607)	(50,584,448)	(3,639,269,449)
Net book value	967,562,500	12,183,969,315	901,308,304	1,947,542,588	106,788,290	705,760	355,579,354	204,620,163	37,416,818	16,705,493,092
Annual rate of depreciation	-	5%	15%	15%	15%	30%	30%	15%	20%	
Note	5.1.1									

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.

	Note	2021 Rupees	2020 Rupees

5.1.2 Allocation of depreciation for the year is as under ;

	Note	2021	2020
Clinical expenses	16	1,182,573,424	979,944,163
General and administrative expenses	17	44,890,181	39,297,479
Marketing expenses	18	1,870,425	1,455,462
		1,229,334,030	1,020,697,104

5.1.3 Operating fixed assets include, different assets purchased out of grants. – (Refer Note 11.1.3 & 11.2)

5.2 Capital work in progress

	Note	2021	2020
Civil works and consultancy	5.2.1	251,569,914	839,190,134
Advance with IDAP - net	5.2.2	957,153,174	637,105,666
		1,208,723,088	1,476,295,800

5.2.1 Civil works and consultancy

	2021	2020
Opening balance	839,190,134	2,804,698,004
Incurred during the year	1,130,290,755	2,182,906,904
Service charges of IDAP	11,772,990	10,819,812
Transferred to property and equipment	(1,729,683,965)	(4,159,234,586)
	251,569,914	839,190,134

5.2.2 Advance with IDAP - net

	2021	2020
Advance with IDAP		
Opening balance	1,001,089,465	1,867,566,117
Paid during the year	1,500,340,000	1,500,000,000
Adjusted during the year	(1,331,849,819)	(2,366,476,652)
Closing balance	1,169,579,646	1,001,089,465
Add: Other receivable from IDAP	3,860,000	3,860,000
	1,173,439,646	1,004,949,465
Less: payable to IDAP		
Against computer equipment received	(204,917,804)	(362,545,513)
Against HPTP Sites	(5,298,286)	(5,298,286)
Against service charges	(6,070,382)	-
	(216,286,472)	(367,843,799)
Advance with IDAP - net	957,153,174	637,105,666

6 INTANGIBLE ASSETS

	Note	2021	2020
Data Centre, Software and license	6.1	169,957,970	253,668,613
Software under development			
Advance to vendor		196,775,063	196,775,063
		366,733,033	450,443,676

	Note	2021 Rupees	2020 Rupees
6.1 Data Centre, Software and license			
Cost		290,832,798	290,832,798
Accumulated amortization		(120,874,828)	(37,164,185)
Written down value		169,957,970	253,668,613
6.1.1 Movement in written down value			
Opening book value		253,668,613	3,655,004
Additions during the year		-	282,267,803
Amortization for the year charged to			
Clinical expenses	16	(82,902,054)	(31,049,458)
General and administrative expenses	17	(808,589)	(1,204,736)
		(83,710,643)	(32,254,194)
Closing book value		169,957,970	253,668,613

Rate of amortization : 33%

7 LONG TERM PREPAYMENT

	Note	2021 Rupees	2020 Rupees
For software maintenance		45,937,142	73,499,426
Less: Current portion	9	(27,562,284)	(27,562,284)
		18,374,858	45,937,142

8 STOCK OF MEDICINE AND SUPPLIES

	Note	2021 Rupees	2020 Rupees
Medicines		103,954,297	139,646,880
Medical and surgical supplies		190,166,812	183,214,388
Pathology supplies		48,420,672	31,058,203
		342,541,781	353,919,471

9 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2021 Rupees	2020 Rupees
Considered good			
Advances to:			
Suppliers		12,353,568	13,752,718
Employees		2,483,372	1,616,194
Receivable from related party			
Pakistan Kidney and Liver Institute and Research Center - Trust (PKLI Trust)		11,383	11,383
Short term prepayments		2,356,405	4,271,900
Current portion of long term prepayment	7	27,562,284	27,562,284
Security deposits against rented premises		3,210,042	3,210,042
Other receivables	9.1	50,479,412	23,989,143
Considered doubtful			
Receivable against stolen laptops	9.2	8,150,581	8,150,581
Less: Provision for doubtful receivable		(8,150,581)	(8,150,581)
		-	-
		98,456,466	74,413,664

9.1 It includes receiveable of Rs. 34,463,611/- (2020 : 21,619,396) from certain vendors against expired medicines.

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

10 CASH AND BANK BALANCES

	Note	2021 Rupees	2020 Rupees
Cash in hand		282,028	320,949
Balances with banks in:			
Current accounts		282,759	247,444
Saving accounts	10.1	2,487,413,205	2,255,369,839
		2,487,695,964	2,255,617,283
		2,487,977,992	2,255,938,232

10.1 These carry markup at the rates ranging from 5.5% to 7.25% per annum (2020: 5.5% to 11.25% per annum).

11 DEFERRED GRANTS

	Note	2021 Rupees	2020 Rupees
Government grants	11.1	18,791,907,070	19,538,828,460
Other grants	11.2	539,520	634,907
		18,792,446,590	19,539,463,367

11.1 Government grants

	Note	2021 Rupees	2020 Rupees
For the Institute			
In Cash	11.1.1	17,455,039,743	18,112,621,265
In Kind - Land	5.1	967,562,500	967,562,500
For Hepatitis Prevention Treatment Program (HPTP) - In Cash	11.1.2	107,271,642	200,041,777
Covid-19 Grant	11.1.3	262,033,185	258,602,918
		18,791,907,070	19,538,828,460

11.1.1 Government grant for the Institute - In Cash

	Note	2021 Rupees	2020 Rupees
Balance at the beginning of the year		18,112,621,265	17,517,409,004
Received during the year		3,400,000,000	3,500,000,000
Amortization for the year on utilization	11.3	(4,057,581,522)	(2,904,787,739)
Balance at the end of the year		17,455,039,743	18,112,621,265

11.1.2 Government grant for HPTP Sites - In Cash

	Note	2021 Rupees	2020 Rupees
Balance at the beginning of the year		200,041,777	407,941,567
Profit on grant funds		21,480,313	58,369,163
Amortization for the year on utilization	11.1.2.1	(114,250,448)	(266,268,953)
Balance at the end of the year		107,271,642	200,041,777

	Note	2021 Rupees	2020 Rupees

11.1.2.1 Detail of utilization is as under

	Note	2021	2020
Operating expenses	11.3	114,250,448	145,461,276
Purchase of medicines and supplies		-	120,807,677
		114,250,448	266,268,953

11.1.3 Government grant for Covid-19

	Note	2021	2020
Grant in cash	11.1.3.1	170,269,486	152,519,098
Grant utilized for assets	11.1.3.2	91,763,699	106,083,820
		262,033,185	258,602,918

11.1.3.1 Grant in cash

	Note	2021	2020
Balance at the beginning of the year		152,519,098	-
Received during the year		50,000,000	300,000,000
		202,519,098	300,000,000
Amortization for the year on utilization			
Operating expenses	11.3	30,458,012	38,117,240
Operating fixed assets	11.1.3.2	1,791,600	109,363,662
		(32,249,612)	(147,480,902)
Balance at the end of the year		170,269,486	152,519,098

11.1.3.2 Grant utilized on assets

	Note	2021	2020
Opening balance		106,083,820	-
Purchase of operating fixed assets	11.1.3.1	1,791,600	109,363,662
Amortization for the year	11.3	(16,111,721)	(3,279,842)
		91,763,699	106,083,820

11.2 Other grants

	Note	2021	2020
Opening balance		634,907	747,203
Amortization for the year	11.3	(95,387)	(112,296)
Closing balance		539,520	634,907

11.3 Amortization for the year

	Note	2021	2020
Government grants for the Institute - In Cash		4,057,581,522	2,904,787,739
Government grants for HPTP - In Cash		114,250,448	145,461,276
Government grant for Covid-19			
In cash		30,458,012	38,117,240
Utilized for assets		16,111,721	3,279,842
Other grants		95,387	112,296
		4,218,497,090	3,091,758,393

11.3.1 Utilization of grant related to HPTP is included in income as related equal expenses are included in different heads of expenses.

	Note	2021 Rupees	2020 Rupees

12 TRADE AND OTHER PAYABLES

	Note	2021 Rupees	2020 Rupees
Creditors		370,538,697	216,816,590
Advance from patients		106,554,179	7,575,084
Accrued liabilities		79,884,671	36,791,483
Other payables	12.1	18,735,634	3,199,176
		575,713,181	264,382,333

12.1 This includes Rs. 9,374/- (2020: Rs. 31,274/-) payable to Pension Fund. The pension fund is managed by a third party, Al Meezan Investment.

	Note	2021 Rupees	2020 Rupees

13 COMMITMENTS

	Note	2021 Rupees	2020 Rupees
Under Contracts;			
For the Construction of Hospital and allied buildings		1,762,364,769	3,262,364,769
For intangible asset		1,655,820,958	1,655,820,958

14 CLINICAL INCOME

	Note	2021 Rupees	2020 Rupees
Outpatient department (OPD)	14.1	839,279,708	513,486,887
Inpatient department (IPD)	14.2	1,402,503,597	454,308,039
Waived as financial support to indigent patients		(1,443,592,538)	(844,372,164)
Net income		798,190,767	123,422,762

14.1 Outpatient department (OPD)

	2021 Rupees	2020 Rupees
Consultancy fee	134,829,389	77,032,740
Diagnostic	395,906,944	211,251,950
Medical procedures	97,695,875	96,558,481
Medicine and supplies	200,829,341	124,381,455
Miscellaneous	10,018,159	4,262,261
	839,279,708	513,486,887

14.2 Inpatient department (IPD)

	2021 Rupees	2020 Rupees
Consultancy fee	34,942,898	78,852,045
Diagnostic	243,007,358	97,059,144
Surgery and other medical procedures	365,597,880	44,768,809
Medicine and supplies	424,255,599	58,199,099
Room charges	319,802,424	158,184,223
Others	14,897,438	17,244,719
	1,402,503,597	454,308,039

	Note	2021 Rupees	2020 Rupees

15 OTHER INCOME

Donations			
In cash		3,405,152	1,432,474
In kind - Medicines		5,018,581	15,020,178
Others		8,372,837	3,021,255
		16,796,570	19,473,907

16 CLINICAL EXPENSES

Medicines and supplies		211,066,182	89,526,526
Pathology, nursing and other supplies consumed		481,130,748	226,584,369
Outsourced medical services		2,590,587	20,645,966
Travelling and conveyance		1,905,730	1,351,245
Cleaning and washing		4,502,837	2,402,043
Utilities		302,930,699	186,412,457
Recruitment and training		420,496	75,001
Fee and subscription		58,692,020	13,453,056
Repairs and maintenance		61,214,875	42,626,670
Uniforms		-	723,330
Insurance		19,173,804	18,411,054
Salaries, wages and benefits	16.1	1,235,521,374	977,259,896
Depreciation	5.1.2	1,182,573,424	979,944,163
Amortization	6.1.1	82,902,054	31,049,458
Expired medicine and supplies		39,139,512	14,445,309
		3,683,764,342	2,604,910,543

16.1 Salaries, wages and other benefits include Rs. 66,540,509/- (2020: Rs. 51,173,439/-) in respect of voluntary pension scheme and Rs. 33,607,295/- (2020: Rs. 27,132,14/-) in respect of leave encashment.

17 GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	17.1	398,793,624	367,415,374
Insurance		20,791,945	23,910,356
Vehicles running and maintenance		16,057,636	17,372,770
Security charges		1,535,729	943,013
Rent, rates and taxes		159,855	1,267,211
Gardening expenses		6,000	21,180
Printing and stationary		4,764,280	1,998,791
Telephone and courier charges		2,171,034	3,300,096
Legal and professional charges		2,001,999	916,000
Entertainment		11,673,130	5,297,853
Auditor's remuneration		880,000	880,000
Depreciation	5.1.2	44,890,181	39,297,479
Amortization	6.1.1	808,589	1,204,736
Others		10,569,588	4,906,950
		515,103,590	468,731,809

17.1 Salaries, wages and other benefits include Rs. 22,916,913/- (2020: Rs. 20,629,359/-) in respect of voluntary pension scheme and Rs. 12,387,634/- (2020: Rs. 11,199,332/-) in respect of leave encashment.

18 MARKETING EXPENSES

	Note	2021 Rupees	2020 Rupees
Salaries, wages and benefits	18.1	13,747,565	12,482,473
Advertisement		2,724,933	3,749,133
Insurance		383,476	221,820
Depreciation	5.1.2	1,870,425	1,455,462
		18,726,399	17,908,888

18.1 Salaries, wages and other benefits include Rs. 793,310/- (2020: Rs. 738,110/-) in respect of voluntary pension scheme and Rs. 410,179/- (2020: Rs. 473,642/-) in respect of leave encashment.

19 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.

20 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.

20.1 Financial instruments by categories

	2021 Rupees	2020 Rupees
Financial assets at amortized cost:		
Long term deposits against utilities	152,825,180	152,825,180
Advances, deposits and other receivables	83,746,493	28,826,762
Cash and bank balances	2,487,977,992	2,255,938,232
	2,724,549,665	2,437,590,174
Financial liabilities at amortized cost:		
Trade and other payables	469,159,002	256,807,249

20.2 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:

20.2.1 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:

	2021 Rupees	2020 Rupees
Long term deposits against utilities	152,825,180	152,825,180
Advances, deposits and other receivables	83,746,493	28,826,762
Bank balances	2,487,695,964	2,255,617,283
	2,724,267,637	2,437,269,225

20.2.2 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.

20.2.3 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. 24.87 million (2020: Rs. 22.56 million).

20.3 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.

21 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.

22 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.

23 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	2021 Rupees	2020 Rupees
Government of Punjab	Grant received	Associated Undertakings	3,400,000,000	3,500,000,000
Directorate of General Public Relations	Advertisement expense	Associated Undertakings	1,979,933	3,371,618
Director / President	Salaries and other employee benefits		16,773,378	-
	Voluntary pension scheme -contribution		1,114,878	-
Key management personnel	Salaries and other employee benefits		29,373,429	34,598,406
	Leave encashment-paid		-	1,292,304
	Voluntary pension scheme -contribution		871,346	800,004

23.1 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.

24 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 24 JAN 2024 by the Board of Governors of the Institute.

25 GENERAL

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

CHAIRMAN

DEAN