LILONGWE INSTITUTE OF ORTHOPAEDICS AND NEUROSURGERY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

LILONGWE INSTITUTE OF ORTHOPAEDICS AND NEUROSURGERY

| | |
|---|---|
| TRUSTEE REGISTRATION NO : | TR/INC:7320 |
| NATURE OF OPERATIONS | A specialist hospital providing orthopaedic and neurosurgery services. |



REGISTERED OFFICE

LION Trust
P.O. Box 31653
Mzimba road
**Lilongwe**

BANKERS

| National Bank | NBS Bank |
|---|---|
| P.O. Box 123 | P.O. Box 30350 |
| Capital City | Capital City |
| **Lilongwe** | **Lilongwe 3** |

AUDITORS

BDO Chartered Accountants
6th Floor Unit House
P.O. Box 3038
**Blantyre**

INDEX TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

LILONGWE INSTITUTE OF ORTHOPAEDICS AND NEUROSURGERY (LION)

## TRUSTEES RESPONSIBILITY STATEMENT

The board of trustees is required by the Non-Governmental Organisation Act (Chapter 5:05) and the Trustees Act (Chapter 5:02), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the organisation as at the end of the financial year and the results of its operations for the year then ended, in conformity with International Financial Reporting Standards.

The trustees acknowledges that they are ultimately responsible for the system of internal financial control established by the organisation and place considerable importance on maintaining a strong control environment. To enable the board of trustees to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the organisation and all employees are required to maintain the highest ethical standards in ensuring the organisation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the organisation is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operating risk cannot be fully eliminated, the organisation endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraint.

The trustees are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The trustees have assessed the ability of the organisation to continue operating as a going concern and believe that the preparation of the financial statements on a going concern basis is appropriate.

The external auditors are responsible for independently auditing and reporting on the organisation's financial statements. The financial statements and related notes have been examined by the organisation's external auditors and their report is presented on pages 3 to 4.

The financial statements set out on pages 5 to 26, which have been prepared on the going concern basis, were approved by the Board and were signed on its behalf by:-

Ms. Scader Louis
Board Chairperson

Mr. Saulos Mhlanga
Audit and Finance Committee Chairman

24 December 2024

LILONGWE INSTITUTE OF ORTHOPAEDICS AND NEUROSURGERY (LION)

TRUSTEES REPORT
for the year ended 31 March 2024

The board submit their report together with the audited financial statements for the year ended 31 March 2024, which disclose the state of affairs of the organisation.

**Principal activities**
The principal activity of the organisation is to provide orthopaedic and neurosurgery services.

| | 2024 MWK | 2023 MWK |
|---|---|---|
| Revenue and support | 15,055,625,576 | 3,870,722,815 |
| Surplus for the year | 662,182,436 | 896,442 |

**Results for the year**
The organisation incurred a surplus for the year of MWK662,182,436 (2022: MWK896,442).

**Trustees**
The trustees who held office during the year and to the date of this report were:-

| | |
|---|---|
| Ms. Scader Louis | *Board Chairperson* |
| Dr. Uma Grob | *Trustee* |
| Mr. Isaac Chiundira | *Trustee* |
| Dr. Jonathan Ngoma | *Trustee* |
| Dr. Samson Mndolo | *Trustee* |
| Dr. Kaweme Mwafulirwa | *Trustee* |
| Dr. Aubrey Harry Mvula | *Trustee* |
| Dr. Vincent Mkochi | *Trustee* |
| Dr. Gift Mulima | *Trustee* |
| Prof. Kjell Matre | *Trustee* |
| Mr. Saulos Mhlanga | *Trustee* |
| Dr. Sven Young | *Secretary and Chief Executive Officer* |

**Number of employees and remuneration**
The total number of employees was 20 (2023: 6). The total remuneration of employees during the year amounted to MWK84,266,04 (2022: MWK57,904,495).

The organisation has policies and procedures to safeguard the occupational health, safety and welfare of its employees.

**Gifts and donations**
No gifts and donations were incurred by the company during the year.

**Property and equipment**
Property and equipment of MWK508,067,621 (2023: MWK138,373,359) were purchased during the year.

**Auditors**
The auditor, BDO Chartered Accountants, has indicated their willingness to continue in office and a resolution for their appointment will be proposed at the next annual general meeting.

Ms. Scader Louis
Board Chairperson

Mr. Saulos Mhlanga
Audit and Finance Committee Chairman

24 December 2024

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Victoria Avenue
P.O.Box 3038
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Malawi

House No. 229
Plot NO. 12/229
Area 12
P.Bag B321
Lilongwe
Malawi

INDEPENDENT AUDITORS REPORT

TO THE MEMBERS OF

LILONGWE INSTITUTE OF ORTHOPAEDICS AND NEUROSURGERY

## Opinion

We have audited the financial statements of **LILONGWE INSTITUTE ORTHOPAEDICS AND NEUROSURGERY** set out on pages 5 to 26 which comprise the statement of financial position as at 31 March 2024, the statement of income and expenditure, the statement of changes in funds, the statement of cash flows for the year then ended, and the 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 **LILONGWE INSTITUTE ORTHOPAEDICS AND NEUROSURGERY** as at 31 March 2024, its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Non-Governmental Organizations Act (Chapter 5:05) and the Trustees Act (Chapter 5:03).

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 organisation in accordance with the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, together with other ethical requirements that are relevant to our audit of the financial statements in Malawi, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Non-Governmental Organizations Act ( Chapter 5:05) and the Trustees Act (Chapter 5:03) and for such internal control as the trustees determine 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 trustees are responsible for assessing the entity'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 the trustees either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

## 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 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, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organisation'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 the Trustees' 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 organisation'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 auditors' report. However, future events or conditions may cause the organisation 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the organisational activities within the organisation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the organisational audit. We remain solely responsible for our audit opinion.

We communicate with the Trustees 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.

We also provide the trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Kudakwashe Chima.

BDO.

**BDO Chartered Accountants**
**Per: Kudakwashe Chima**
**Registered Auditor - CA/RP/061**

**Blantyre**
**24 December 2024**

6th Floor
Unit House
Victoria Avenue
Blantyre
**Malawi**

## STATEMENT OF FINANCIAL POSITION
as at 31 March 2024

| ASSETS | Note | 2024 MWK | 2023 MWK |
|---|---|---|---|
| **Non current assets** | | | |
| Property and equipment | 4 | 23,680,648,222 | 11,576,102,877 |
| | | | |
| **Current assets** | | | |
| Inventories | 5 | 259,730,677 | - |
| Trade and other receivables | 6 | 110,039,479 | 5,052,174 |
| Cash and cash equivalents | | 1,014,795,248 | 150,208,392 |
| | | 1,384,565,404 | 155,260,566 |
| | | | |
| **Total assets** | | **25,065,213,626** | **11,731,363,443** |
| | | | |
| FUNDS AND LIABILITIES | | | |
| | | | |
| **Capital and reserves** | | | |
| Capital fund | | 23,771,307,838 | 11,291,724,278 |
| General fund | | 972,703,130 | 27,642,758 |
| | | 24,744,010,968 | 11,319,367,035 |
| | | | |
| **Liabilities** | | | |
| Deferred income | 7 | 219,376,038 | 394,561,089 |
| Trade and other payables | 8 | 101,826,620 | 17,435,318 |
| | | 321,202,658 | 411,996,407 |
| | | | |
| **Total funds and liabilities** | | **25,065,213,626** | **11,731,363,443** |

The financial statements were authorised for issue by the Board of Trustees on 24 December 2024 and signed on its behalf by:-

Ms. Scader Louis
Board Chairperson

Mr. Saulos Mhlanga
Audit and Finance Committee Chairman

STATEMENT OF INCOME AND EXPENDITURE
for the year ended 31 March 2024

| | Note | 2024 MWK | 2023 MWK |
|---|---|---|---|
| **Revenue and support** | | | |
| Hospital revenue | 11 | 217,800,296 | - |
| Grant and donations income | 12 | 14,837,825,281 | 3,870,722,815 |
| **Total revenue and support** | | 15,055,625,576 | 3,870,722,815 |
| | | | |
| Cost of sales | 13 | (329,171,430) | - |
| **Net revenue and support** | | 14,726,454,146 | 3,870,722,815 |
| | | | |
| Other income | 14.0 | 444,382,140 | 5,711,288 |
| **Total Income** | | 15,170,836,286 | 3,876,434,103 |
| | | | |
| **Expenditure** | | | |
| Administration expenses | 15.1 | 14,372,075,614 | 3,852,136,362 |
| Operation expenses | 15.2 | 136,578,236 | 23,401,299 |
| **Total expenditure** | | 14,508,653,850 | 3,875,537,661 |
| | | | |
| Surplus for the year period | | 662,182,436 | 896,442 |

## STATEMENT OF CHANGES IN FUNDS
for the year ended 31 March 2024

| | Capital fund MWK | General fund MWK | Total MWK |
|---|---|---|---|
| Balance as at 30 June 2022 | 7,730,621,407 | 26,746,316 | 7,757,367,722 |
| Donated assets | 3,561,102,871 | - | 3,561,102,871 |
| Surplus for the period | - | 896,442 | 896,442 |
| Balance as at 31 March 2023 | 11,291,724,278 | 27,642,758 | 11,319,367,036 |
| Donated assets | 12,762,461,496 | - | 12,762,461,496 |
| Transfer of depreciation | (282,877,936) | 282,877,936 | - |
| Surplus for the year | - | 662,182,436 | 662,182,436 |
| Balance as at 31 March 2024 | 23,771,307,838 | 972,703,130 | 24,744,010,968 |

STATEMENT OF CASH FLOWS
for the year ended 31 March 2024

| | Note | 2024 MWK | 2023 MWK |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Surplus for the year | | 662,182,436 | 896,442 |
| **Adjustments for:** | | | |
| Depreciation | | 1,165,983,772 | 161,070 |
| Interest received | | (2,222,336) | (460,143) |
| | | 1,825,943,872 | 597,369 |
| **Movements in working capital** | | | |
| Increase in Inventorires | | (259,730,677) | - |
| Increase in trade and other receivables | | (104,987,305) | (1,412,165) |
| (Decrease)/increase in trade and other payables | | 84,391,302 | (23,121,706) |
| Increase in deferred income | | (175,185,051) | 114,787,118 |
| **Cash flows generated from operating activities** | | 1,370,432,141 | 90,850,616 |
| **Cash flows from investing activities** | | | |
| Interest received | | 2,222,336 | 460,143 |
| Purchase of property and equipment | | (508,067,621) | (138,373,359) |
| **Cash flows used in investing activities** | | (505,845,285) | (137,913,217) |
| **Increase/(decrease) in cash and cash equivalents** | | 864,586,856 | (47,062,601) |
| **Cash and cash equivalents at beginning of the period** | | 150,208,392 | 197,270,993 |
| **Cash and cash equivalents at end of the period** | 12 | 1,014,795,248 | 150,208,392 |

## 1. GENERAL INFORMATION

### 1.1 Nature of operations
Lilongwe Institute of Orthopaedics and Neurosurgery Trust (LION Trust) is incorporated under the Trustees Act (Chapter 5:03) and domiciled in Malawi. It is a not for profit making organisation involved in offering Orthopaedics and Neurosurgery services. The registered offices are situated in Kamuzu Central Hospital campus, Mzimba Road, Lilongwe in Malawi.

### 1.2 Currency
The organisation's functional and presentation currency is the Malawian Kwacha ("MWK").

### 1.3 Comparative information
The accounting period is for the year ended 31 March 2024. The comparative information is for the nine months ended 31 March 2023. LION Trust changed its accounting year to align with the Government's tax year which changed from 30 June to 31 March.

## 2 ACCOUNTING POLICIES

### 2.1 Basis of preparation
The principal accounting policies used in the preparation of financial statements are set out below. The policies have been consistently applied to the period presented, unless otherwise stated.

The financial statements are based on statutory records that are maintained under the historical cost convention.

The financial statements of Lilongwe Institute of Orthopaedics and Neurosurgery have been prepared in accordance with Non-Governmental Organizations Act (Chapter 5:05), the Trustees Act (Chapter 5.03) and in conformity with International Financial Reporting Standards (IFRSs). The financial statements have been prepared on an accrual basis of accounting, whereby revenue and support are recognised when earned and expenses are recognised when incurred. Going concern assumption has been applied in the preparation of Lilongwe Institute of Orthopaedics and Neurosurgery financial statements.

### 2.2 Changes in accounting policies

*(A) New standards, interpretations, and amendments effective from 1 January 2023 and their impact*

The new standards, interpretations and amendments to standards that had been issued by IASB and took effects from 1 January 2023:

(i) Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements).

(ii) Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).

These amendments to various IFRS Accounting Standards are mandatorily effective for reporting periods beginning on or after 1 January 2023. The impact of these amendments on the organisation have been given in the applicable notes below:

2.2 Changes in accounting policies (cont'd)

(A) New standards, interpretations, and amendments effective from 1 January 2023 and their impact (cont'd)

a. IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018.

The organisation adopted IFRS 9 in 2018 and, in view of the characteristics of its financial assets, adopted simplified approach to the calculation of expected credit losses (ECL). The organisation did not elect, under the amendments to IFRS 4 to apply the temporary exemption from IFRS 9, deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17. There has been, therefore, no restatement of comparative information for 2022 for financial instruments in the scope of IFRS 9.

*(i)* *Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the financial statements of the organisation but affect the disclosure of accounting policies of the organisation.

*(ii)* Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors. These amendments had no effect on the financial statements of the organisation.

*(B) New standards, interpretations and amendments not yet effective*

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Entity has decided not to adopt early. These amendments are effective for the periods beginning on or after 1 January 2024. The entity has not carried an assessment of whether the new standards and amendments will have a material impact on its financial statements.

The following amendments are effective for periods beginning 1 January 2024:

- IFRS 16 Leases (Amendment - Liability in a Sale and Leaseback);
- IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or Non-current);

2.2 Changes in accounting policies (cont'd)

(B) 2.2 New standards, interpretations, and amendments not yet effective (cont'd)

- IAS 1 Presentation of Financial Statements (Amendment - Non-current Liabilities with Covenants)
- IFRS S1 - General Requirements for Disclosure of Sustainability-Related Financial Information; and
- IFRS S2 - Climate-Related Disclosures

The following amendments are effective for periods beginning 1 January 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

The Organisation is currently assessing the impact of these new accounting standards and amendments. The Organisation does not believe that the amendments to IAS 1 will have a material impact on the classification of its liabilities. The Organisation does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Organisation.

*IFRS 16 Leases (Amendment - Liability in a Sale and Leaseback)*
The International Accounting Standards Board (IASB) issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in "IFRS 15 Revenue from Contracts with Customers" to be accounted for as a sale.

The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application being permitted.

*Amendments to IAS 1: Classification of Liabilities as Current or Non-current*
In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments further clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The organisation is currently assessing the impact of the amendments.

2.2 Changes in accounting policies (cont'd)

*IFRS S1 - General Requirements for Disclosure of Sustainability-Related Financial Information*
Issued in June 2023, IFRS S1 establishes the core requirements for entities to disclose sustainability-related risks and opportunities that could affect the organisation's financial position, performance, and cash flows. The objective is to improve transparency and enable investors and stakeholders to make informed decisions.

The standard requires entities to provide sustainability-related financial disclosures that are connected to general-purpose financial statements and include material risks, governance structures, and performance indicators.

These requirements have no effect on the measurement or presentation of financial statement items but necessitate additional disclosures. The organisation is currently assessing the implications of implementing this standard and will provide updates in subsequent reporting periods.

*IFRS S2 - Climate-Related Disclosures*
Issued alongside IFRS S1, this standard focuses specifically on climate-related risks and opportunities. It mandates entities to disclose the governance of climate-related risks and opportunities, the strategies employed to manage these risks and opportunities, and the metrics and targets used to assess and monitor climate-related performance.

IFRS S2 aligns with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and integrates climate-related reporting into the organisation's overall financial disclosures. The organisation is in the process of evaluating its climate-related risk management practices to ensure compliance with IFRS S2 and expects to adopt the standard for annual reporting periods beginning on or after 1 January 2024.

*Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)*
The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendment also requires the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

The organisation conducts its business across the borders and writes businesses in foreign currencies. Assessment is currently being done on the impact of the changes. The amendments apply for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, in which case, an entity is required to disclose that fact.

2.3 Property and equipment
Property and equipment is initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amounts or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the entity and the costs can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

2.3 Property and equipment (cont'd)
Subject to the above property and equipment is depreciated on a straight line basis as follows:

| | |
|---|---|
| • Buildings | 40 years |
| • Hospital equipment | 10 years |
| • Machinery | 10 years |
| • Fixtures and fittings | 10 years |
| • Motor vehicle s | 5 years |
| • Computer equipment | 3 years |

Subsequent to initial measurement, equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

Their useful lives and residual values are assessed annually. Annual depreciation is charged proportionately over the remaining useful life of an asset where it's carrying amount is higher than its residual value. If the carrying amount is lower than the residual value, no depreciation is charged.

The residual value of an asset is the estimated amount that would currently be obtained from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in condition expected at the end of its useful life. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These gains and losses are included in profit or loss.

i) Impairment of property and equipment
The carrying amount of equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Any impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

ii) Derecognition of property and equipment
An item of equipment is derecognized upon disposal or when no future economic benefits are expected from use or disposal.

2.3 Intangible assets
Costs that are directly associated with identifiable software under development for internal use in the hospital and reported as work in progress until completed. Once finished, the software will be amortized over three to five years and assessed for impairment if there are indications of recoverability issues. Current year movements include the opening balance, additions, and the closing balance of the work in progress.

2.4 Inventories
Inventories comprise surgical, medical supplies and non-medical stocks. Inventories are initially measured at cost and subsequently stated at the lower of cost and net realizable value, with allowances made for obsolete inventories. Net realizable value is defined as the estimated selling price in the ordinary course of business, less selling expenses.

2.4 Inventories (Cont'd)
The weighted average cost method is used to value inventories. Write-downs to net realizable value and inventory losses are expensed in the period in which the write-downs or losses occur

2.5 Financial instruments

2.5.1 Financial assets
The organisation's financial assets comprise trade and other receivables and cash and cash equivalents in the statement of financial position. These financial assets are measured at amortised cost and are accounted for as follows:

Trade and other receivables
Trade and other receivables are recognised on the date they are originated, all other financial assets are recognised initially on the trade date, which is the date that the company becomes a party to the contractual provisions of the instrument.

Amortised cost
These assets arise principally from the provision of products to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.
For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the statement of profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for loans and receivables from related parties and customers are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Derecognition of financial assets
Financial assets are derecognised when the rights to receive cash flows have expired or where they have been transferred and the company has also transferred substantially all risks and rewards of ownership.

2.5 Financial instruments (cont'd)

2.5.2 Financial liabilities

Trade and other payables
These financial liabilities are initially measured at fair value and subsequently carried at amortised cost using the effective interest method.

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are recognized when the organization enters into transactions, and these have not been paid for as at the end of the period.

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

2.6 Cash and cash equivalents
For the purposes of reporting, cash and cash equivalents comprise of cash on hand and bank balances.

2.7 Funds

2.7.1 Capital fund
The capital fund is used to account for resources allocated specifically for the acquisition, improvement, and maintenance of the organization's long-term assets, including property, plant, and equipment.

During the year, the fund received contributions designated for capital projects, which were used to finance asset purchases and improvements. Depreciation is charged on these assets in accordance with the organization's depreciation policy. Any disposals of fixed assets are also reflected in this fund.

2.7.2 General fund
The General fund accounts for the organization's day-to-day operational activities. The fund includes unrestricted resources that can be used at the discretion of the organization to support its programs, administrative activities, and other operating expenses.

The General Fund primarily receives income from donations, grants, and revenue generated through services provided by the organization. Operational expenses, such as salaries, utilities, and other administrative costs, are recorded in this fund.

2.8 Revenue

a) Revenue from contracts with customers
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the organisation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

2.8 Revenue (cont'd)
To determine whether to recognize revenues, the organization follows a five step process:-

- Identify the contract(s) with a customer and funding partners;
- Identify the performance obligation in the contract;
- Determine the transaction/funding price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue when (or as) the organisation satisfies a performance obligation.

b) **Grants and donations**
Grants and donations received, including unconditional promises to give, if any, are reported at their net realisable values. Gifts of cash and other assets are reported if they are received with donor stipulations that limit their use or if they are intended to support activities in future periods. Grants with the donor-imposed restrictions that are met in the same accounting period are recorded as income without donor restrictions.

Grants of donated non-cash assets are recorded at their fair values in the period received. Grants of services are recorded if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions are nonexchange transactions in which no commensurate value is exchanged.

Grants are recognized as support without restrictions only to the extent of actual expenses incurred in compliance with grantor-imposed restrictions.

c) Government grants
Government grants are recognized in the statement of income and expenditure on a systematic basis over the periods in which the organization recognizes expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

d) Interest income
Interest income is accrued on a time basis, by reference to the bank balance outstanding and effective interest rate applicable.

e) Other income
Other income consists of income earned from activities that are not related to the entity's main business. For example, exchange gain on translation of foreign currency balances.

2.9 Cost of sales
Cost of sales represents the direct costs incurred in providing healthcare services to patients. These costs include medical and surgical supplies, as well as additional theatre costs associated with patient treatment and care.

2.10 Expenditure
Expenditure represents the costs incurred by Lilongwe Institute of Orthopedics and Neurosurgery. These are recorded in the period in which they are incurred. An expense is incurred in the month during which the services rendered, or goods purchased were received. An accrual is made for each expense that has been incurred, but not paid as of the end of the reporting period.

2.11 Post employment benefits
Retirement benefits are provided for employees through independently administered defined contribution funds. Contributions to defined contribution pension schemes are charged to statement of income and expenditure in the year to which they relate.

2.13 Foreign currencies
The financial statements are presented in Malawi Kwacha, which is the organisation's functional and presentation currency. Transactions entered into by organisation in a currency other than the Malawi Kwacha are recorded at the rates ruling when the transactions occur.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of transaction. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate ruling at the reporting date. Non-monetary assets and liabilities are carried at fair value denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. All gains and losses arising on exchange rate are included in the statement of income and expenditure for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in the fair value are recognized directly in reserves.

2.14 Provisions
Provisions are recognised when the company has a present legal or constructive obligation as a result of past events and reliable estimate of the obligation can be made. The amount recognised 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. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.15 Income tax
The organisation is exempt from paying income tax per paragraph (ix) of the First Schedule to the Taxation Act Chapter (41:01).

3. CRITICAL JUDGEMENTS IN APPLYING THE ORGANISATION'S ACCOUNTING POLICIES

In preparing the financial statements, Directors are required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures.

Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgments include: -

a. Trade and other receivables
The organisation assesses its trade and other receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of income and expenditure, the organization makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

b. Impairment testing
The organisation is required to test on an annual basis whether an asset has suffered impairment. Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost of disposal and its value in use. The determination of value in use requires the use future cash flows and of discount rate.

## 3. CRITICAL JUDGEMENTS IN APPLYING THE ORGANISATION'S ACCOUNTING POLICIES (CONT'D)

### c. Fair values

The organisation determines the fair values of financial instruments that are quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cashflows. In that regard, the derived fair values estimates cannot always be substantiated by comparison with independent markets and in many cases may not be capable of being realised immediately.

4 PROPERTY AND EQUIPMENT

| | Buildings work in progress MWK | Hospital equipment work in progress MWK | Office equipment MWK | Furniture & MWK | Computer Equipment MWK | Motor Vehicle MWK | Land and Buildings MWK | Plant and Equipment MWK | Software Development WIP MWK | Total MWK |
|---|---|---|---|---|---|---|---|---|---|---|
| Net carrying amount at 30 June 2022 | 7,855,051,478 | - | 1,287,000 | 574,239 | - | - | - | - | 19,875,000 | 7,876,787,717 |
| Gross carrying amount - cost | 7,855,051,478 | - | 1,430,000 | 718,000 | - | - | - | - | 19,875,000 | 7,877,074,478 |
| Accumulated depreciation | - | - | (143,000) | (143,761) | - | - | - | - | - | (286,761) |
| Additions | 3,590,671,074 | 100,855,156 | - | - | - | - | - | - | 7,950,000 | 3,699,476,230 |
| Depreciation | - | - | (107,250) | (53,820) | - | - | - | - | - | (161,070) |
| Net carrying amount at 31 March 2023 | 11,445,722,552 | 100,855,156 | 1,179,750 | 520,419 | - | - | - | - | 27,825,000 | 11,576,102,877 |
| Gross carrying amount - cost | 11,445,722,552 | 100,855,156 | 1,430,000 | 718,000 | - | - | - | - | 27,825,000 | 11,576,550,708 |
| Accumulated depreciation | - | - | (250,250) | (197,581) | - | - | - | - | - | (447,831) |
| Additions | 1,473,176,763 | 9,233,081,694 | 31,801,800 | 15,295,500 | 145,348,800 | 98,277,719 | 1,428,356,061 | 845,190,780 | - | 13,270,529,117 |
| Transfers | (10,828,237,378) | - | - | - | - | - | 10,828,237,378 | - | - | |
| Depreciation | - | (833,126,160) | (4,325,724) | (1,441,179) | (26,522,784) | (17,689,989) | (183,848,902) | (99,029,034) | - | (1,165,983,772) |
| Net carrying amount at 31 March 2024 | 2,090,661,937 | 8,500,810,690 | 28,655,826 | 14,374,740 | 118,826,016 | 98,277,719 | 12,072,744,537 | 746,161,746 | 27,825,000 | 23,680,648,222 |
| Gross carrying amount - cost | 2,090,661,937 | 9,333,936,850 | 33,231,800 | 16,013,500 | 145,348,800 | 98,277,719 | 12,256,593,439 | 845,190,780 | 27,825,000 | 24,847,079,825 |
| Accumulated depreciation | - | (833,126,160) | (4,575,974) | (1,638,760) | (26,522,784) | (17,689,989) | (183,848,902) | (99,029,034) | - | (1,166,431,603) |

| 5 INVENTORIES | 2024 MWK | 2023 MWK |
|---|---|---|
| Fuel & lubricants | 41,860,230 | - |
| Non medical stocks | 19,874,679 | - |
| Surgical and medical stocks | 197,995,768 | - |
| | 259,730,677 | - |

6 TRADE AND OTHER RECEIVABLES

| | 2024 MWK | 2023 MWK |
|---|---|---|
| Trade | 88,033,648 | - |
| Allowance for credit losses | - | - |
| Trade - net | 88,033,648 | - |
| Total financial assets other than cash and cash equivalents | | |
| Other | 22,005,831 | 5,052,174 |
| | 110,039,479 | 5,052,174 |

The carrying value of trade and other receivables at amortised cost approximates fair value. The movement in the impairment allowance has not been included in the profit or loss because debtors are currrent and expected to be corrected without default.

**Impairment of trade and other receivables**
The organisation is currently developeing an IFRS 9 model to estimate and recognize credit losses based on the likelihood of future defaults as required under paragraphs 5.5.3 and 5.5.5. Trade and other receivables for the year ended 31 March 2024 are within the collection days and no privision was provided.

7 DEFERRED INCOME

| | 2024 MWK | 2023 MWK |
|---|---|---|
| Opening balance | 394,561,089 | 279,773,971 |
| Grants from Haukeland University Hospital | 377,161,717 | 264,782,545 |
| Grants from Christian Blind Mission | 126,557,971 | 21,251,158 |
| Grants from Metevas | 531,920,425 | - |
| Grants from OYVVIND BJO | 11,237,277 | - |
| Grants from Hope and Healing International | 367,058,568 | - |
| Less grants and donations utilised | (1,589,121,010) | (171,246,585) |
| Closing balance | 219,376,038 | 394,561,089 |

8 TRADE AND OTHER PAYABLES

| | 2024 MWK | 2023 MWK |
|---|---|---|
| Other | 101,826,620 | 17,435,318 |

| | | 2024 MWK | 2023 MWK |
|---|---|---|---|
| 16 | CASH AND CASH EQUIVALENTS | | |
| | Cash at bank MWK | 8,864,929 | 5,487,362 |
| | Cash at bank USD | 1,005,930,319 | 144,721,030 |
| | | 1,014,795,248 | 150,208,392 |

17 FINANCIAL RISK MANAGEMENT

The main risks facing the organisation are treasury risk, credit risk, exchange rate, market risk and cash flow risk.

In common with all other organisations , the organisation is exposed to risks that arise from its use of financial instruments. This note describes the organisations objectives, policies and processes for managing those risks and methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the organisation's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them throughout the period unless otherwise stated in this note.

**Principal financial instruments**
The principal financial instruments used by the organisation, from which financial instrument risk arises are as
a) Trade and other receivables
b) Cash and cash equivalents
c) Trade and other payables

**General objectives, policies and processes**
The board of trustees has overall responsibility for the determination of the company's risk management

17.1 **Treasury risk**
The board of trustees, meets to consider and analyse, among other issues, currency and interest rate exposures and to re-evaluate treasury risk management strategies against prevailing economic forecasts. Compliance with organisational policies and exposure limits is reviewed at regular board meetings.

17.2 **Credit risk**
Financial assets which potentially subject the organisation to concentrations of credit risk consist mainly of trade receivables, bank balances and cash. The organisation's receivables are presented net of provision for doubtful debts where this is considered necessary. Credit risk in respect of trade debtors is limited because of the nature of the major receivables i.e. the local and foreign customers have no history of defaulting on payments.

17.3 **Exchange risk**
The organisation is exposed to foreign currency fluctuations as it accrues for United States dollar denominated payments and receipts in its business activities. It is exposed to such foreign currency fluctuations to the extent that such receipts are not matched with local currency expenditure on operations. This risk is not significant.