



Shifa  
International  
Hospitals Ltd.

# 25 YEARS OF QUALITY HEALTHCARE



SILVER JUBILEE  
ANNUAL REPORT 2018



**1985**

Idea Conceived in U.S.  
by Pakistani Healthcare  
Professionals



**1987 - 1989**

- Land Purchased (CDA)
- Master Plan Designed
- Construction Started
- Tameer-e-Millat Foundation opened its first School in Khewra in 1987



**1990 - 1993**

- The Hospital was opened with 8 OPD Clinics & 36 Bed in 1993
- Shifa Foundation, (a Health NGO) was founded in 1991 to cater to deserving Patients



**1994 - 1998**

- Established Cardiac Catheterization Lab
- Launched Heart Bypass Services
- Started Total Hip Bone & Knee Replacement Services
- Initiated Corneal Transplant Program



**1999 - 2001**

- Inaugurated Shifa College of Medicine
- Introduced Kidney Transplant Program



**2002 - 2004**

- Founded Shifa College of Nursing
- Started Rehabilitation Services



#### 2005 - 2012

- Launched Liver & Bone Marrow Transplant Programs
- Introduced Interventional Radiology Services
- Federal Govt. Chartered Shifa Tameer-e-Millat University
- Founded Shifa Institute of Medical Technology



## CELEBRATING SILVER JUBILEE

For us at Shifa, celebrating Silver Jubilee means an exercise in retrospection. We embarked on this journey 25 years ago with an aim to bring to our homeland quality healthcare services comparable with service standards at leading hospitals across the world. Twenty five years down the road, we observe with great sense of satisfaction and gratefulness that achieving the Gold Seal of JCI on the eve of our Silver Jubilee year is a living testimony of the truthfulness of our dedication and direction.



#### 2013 - 2017

- Rated among Top 25 Companies (2016) by Pakistan Stock Exchange Ltd.
- Accredited by Joint Commission International (JCI)
- Established Shifa Stroke Center
- Launched Shifa Sleep Disorder Center



**Shifa  
International  
Hospitals Ltd.**



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# 25 YEARS OF QUALITY HEALTH CARE

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# FINANCIAL HIGHLIGHTS

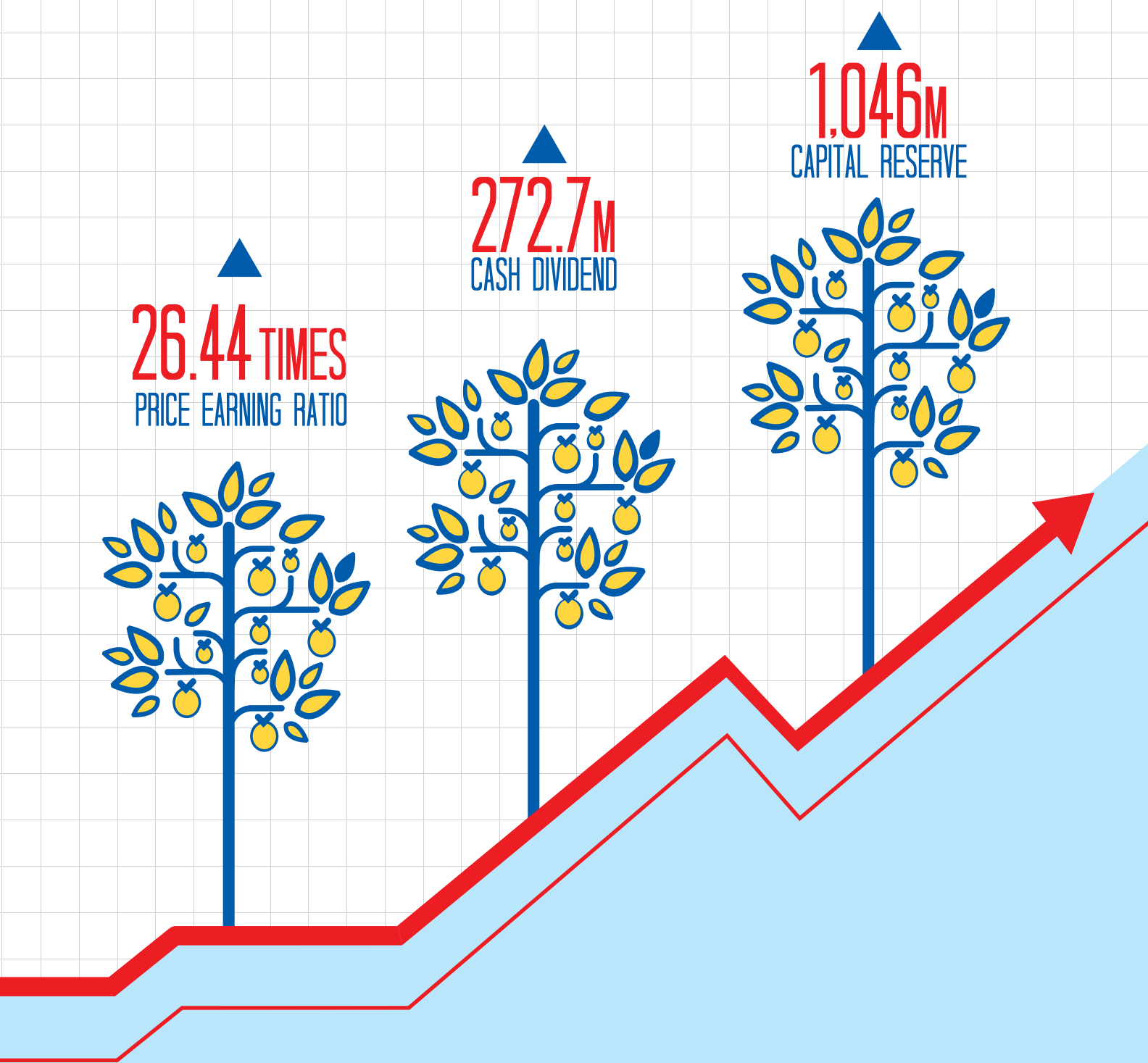
▲  
**1.01 TIMES**  
ASSET TURNOVER

▲  
**1.85%**  
DIVIDEND YIELD

▲  
**25:75**  
DEBT EQUITY RATIO

▲  
**8.14%**  
RETURN  
ON ASSETS

▲  
**11.14%**  
RETURN ON EQUITY





## OUR MISSION

HEALTHCARE WITH COMPASSION FOR ALL

## OUR VISION

TO BE THE REGION'S LEADER BY PROVIDING QUALITY HEALTHCARE SERVICES

## OUR VALUES

COMPASSION, COMMITMENT, TEAMWORK, QUALITY, RESPECT AND ACCOUNTABILITY

## OUR STRATEGIC PRIORITIES

- ▶ PHYSICIAN PARTNERSHIP AND ENHANCED CLINICAL QUALITY
- ▶ PROVIDE SEAMLESS/EASY ACCESS CARE DELIVERY
- ▶ FINANCIAL STRENGTH/VIABILITY
- ▶ STRATEGIC GROWTH



# COMPANY INFORMATION





## ▶ Board of Directors

Dr. Habib-Ur-Rahman	Chairman
Dr. Manzoor H. Qazi	CEO
Mr. Muhammad Zahid	Director
Mr. Shafquat Ali Chaudhary	Director
Shah Naveed Saeed	Director
Mr. Qasim Farooq Ahmad	Director
Dr. Samea Kauser Ahmad	Director
Syed Ilyas Ahmed	Director
Prof. Dr. Shoab Ahmed Khan	Director
Dr. Mohammad Naseem Ansari	Director

## ▶ Audit Committee

Shah Naveed Saeed	Chairman
Dr. Habib-Ur-Rahman	Member
Dr. Samea Kauser Ahmad	Member
Syed Ilyas Ahmed	Member

## ▶ Human Resource & Remuneration Committee

Syed Ilyas Ahmed	Chairman
Dr. Habib-Ur-Rahman	Member
Dr. Manzoor H. Qazi	Member
Shah Naveed Saeed	Member

## ▶ Chief Operating Officer

Mr. Aziz A. Jan

## ▶ Chief Financial Officer

Mr. Ahmad Sana

## ▶ Company Secretary

Mr. Muhammad Naeem

## ▶ Head of Internal Audit

Mr. Muhammad Saeed

## ▶ Auditors

M/s Grant Thornton Anjum Rahman  
(Chartered Accountants)

## ▶ Legal Advisor

M/s Bashir Ahmad Ansari & Company

## ▶ Bankers

Meezan Bank Limited  
United Bank Limited  
Habib Bank Limited  
Al Baraka Bank (Pakistan) Limited  
Faysal Bank Limited  
MCB Bank Limited  
First Habib Modaraba  
Askari Bank Limited  
Dubai Islamic Bank Limited

## ▶ Registered Office

H-8/4, Islamabad

## ▶ Share Registrar

M/s Corplink (Private) Limited  
Wings Arcade, 1-K, Commercial,  
Model Town, Lahore

# BOARD OF DIRECTORS

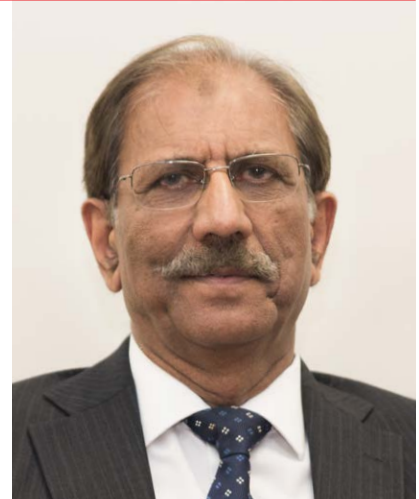
### Dr. Habib-Ur-Rahman CHAIRMAN



Dr. Habib ur Rahman graduated from King Edward Medical College. He received his internal medicine training at D. C. General Hospital, Howard University, Washington D.C. and Wayne State University, Detroit, Michigan and Wright State University, Dayton Ohio. He completed his fellowship of Cardiovascular Disease from Mount Sinai Hospital, University of Connecticut, Hartford, Connecticut. He is Board Certified by American Board of Internal Medicine and also American Board of Cardiovascular Diseases. He has extensive experience in cardiology as well as in education, training and management. He has been Consultant Cardiologist and Head of Cardiology at Graham Hospital, Canton, Illinois and later at Byrd Regional Hospital at Leesville, Louisiana in USA. In addition to teaching experience in Wright State University, Connecticut he is presently Associate Professor of Medicine and Cardiology at Shifa College of Medicine. He has been member of different scientific councils and committees including Pakistan Life-savers Foundation, Pakistan Cardiac Society and Faculty of Cardiology, College of Physicians and Surgeons Pakistan. He is among the founding members of Shifa International Hospital and Shifa Foundation. He is also a Board member of Shifa Foundation which is a non-profit, charitable organization involved in the treatment of non-affording and less privileged patients as well as active in medical education through Shifa College of Medicine and Shifa College of Nursing.

### Dr. Manzoor H. Qazi CHIEF EXECUTIVE OFFICER

Dr. Manzoor H. Qazi is a founding member of Shifa International Hospital and has been a board member since its inception. He was appointed as Chief Executive of the company on 10th October 2011. He received his medical degree from King Edward Medical College Lahore. Later he was trained in USA at Little Company of Mary Hospital in Chicago and Flushing Hospital in New York for Internal Medicine and later in Louisiana State University for Cardiology. He is Board certified in Internal Medicine and Cardiology from American Board of Internal Medicine and Cardiology. He has an extensive experience of practice of cardiology as well as administration and management. He was Consultant Cardiologist and President Medical Staff at Byrd Regional Hospital, Leesville, Louisiana for several years. He has also served as President of local chapter of American Heart Association and State Medical Society. He previously has been fellow American College of Cardiology, American Chest Physician and American Board of Quality Assurance and Utilization Review for Physicians. He was actively involved in the initial planning and founding stages of Shifa and later on in the management of the Hospital and has been Medical Director of Shifa International Hospitals Limited since its conception, through planning and implementation until recently when he accepted the position of Chief Executive Officer. He is also member BOG of Shifa Foundation, a non-profit organization involved in healthcare for poor and medical education i.e. Shifa College of Medicine and Shifa College of Nursing.





# BOARD OF DIRECTORS

## Mr. Muhammad Zahid DIRECTOR



Muhammad Zahid has versatile healthcare professional experience and is one of the founding members of the team that conceived and built Shifa International Hospitals Limited. His association with Shifa dates back to 1985 when a group of Pakistani Americans, mainly healthcare professionals, started developing the idea of a world-class hospitals chain in Pakistan the country of their origin. A graduate of University of Karachi Pakistan with major in pharmaceutical sciences, Zahid's expertise and practical career encompasses diversified areas including Healthcare Projects, Hospital Management and Leadership Development. He established and successfully ran healthcare related businesses in the USA for over 30 years. Simultaneously he remained associated with the landmark project of Shifa International Hospitals Islamabad; He played a role in different capacities ranging from roles in administration to major contribution in strategic development and growth of the Hospital as a member of the Board of Directors. As a founder member, he closely worked with Centre Research Inc. (a hospital design consultant firm in Princeton, New Jersey) in the design and development of the initial plan of the hospital to ensure realization of the founder team's concept. This involvement continued till the development of a master plan in 1989. Zahid then moved to Islamabad and gave valuable and lasting input in the development of business processes, procedures, systems development in different areas of the hospital, leadership development at different and diversified levels till 1997. His contribution in the development of this new hospital had far-reaching impact on the growth of the organization in the days to come and was highly commended by his colleagues. His strong business acumen has always been a phenomenal strength for the Board of Directors of Shifa International Hospitals. He is Executive Director and his role involves Strategic Planning and Business Development.

## Mr. Shafquat Ali Chaudhary DIRECTOR

Mr. Shafquat A. Chaudhary earned a B.Sc. degree in Electrical Engineering from West Pakistan University of Engineering and Technology and an M.Sc. degree in Industrial Engineering from the Polytechnic Institute of Brooklyn, USA in 1973. Though he holds two impressive engineering degrees, he assumed control over his destiny by transforming himself into an entrepreneur. He secured an insurance brokerage license and in 1978 opened Triboro Brokerage Inc. : the first taxi medallion and insurance brokerage business owned by a South Asian American. In 1986, he founded Elite Limousine Plus Inc. which today is one of the largest, privately owned, executive transportation companies in the tri-state area and an established leader in developing and applying state-of-the-art technology in this industry. As a true entrepreneur, Mr. Chaudhary over a period of time pursued various other business ventures. However, in 2001, Mr. Chaudhary founded SoundView Broadcasting and expanded into cable and satellite television broadcasting business. Headquartered in Long Island City, NY, SoundView operates a 60,000 SF television facility to provide production, transmission and distribution services for international TV channels originating overseas and broadcast in the United States, Canada and Europe. Currently, SoundView Broadcasting is the exclusive licensee for 25 TV channels that are being transmitted from India, Pakistan, Bangladesh, Africa and France (Paris). Mr. Chaudhary still manages to find the time to devote his energies and financial resources to charitable organizations which promote and foster traditional family values and social responsibility. He is president of the Society for International Help, a U.S. based not for profit organization that through Tameer-e-Millat Foundation operates over 400 schools for poor children in remote areas of Pakistan. He is a shareholder and Director of Shifa International Hospital, Islamabad, Pakistan. In addition, he is a founding shareholder and Director of Sialkot International Airport. He is also the owner and founder of Elite International School, Islamabad.



### Shah Naveed Saeed DIRECTOR



Shah Naveed Saeed is a practicing Chartered Account since last 30 years and has a brilliant professional career. He is an accredited Senior Financial Manager of the World Bank since 1998. He is member of American Institute of Certified Public Accountants, The Institute of Chartered Accountant of Pakistan, Tajik Institute of Public Accountants, Public Sector Committee of The Institute of Chartered Accountant Of Pakistan and Finance Committee of Islamabad Club. He is also a former member of Illinois CPA Society and Foundation, and Information System Audit and Control Association, Chicago. Currently he is a Managing Partner of Naveed Zafar Husain Jaffery & Co, (the Firm). He shares responsibilities with other partners, for all types of professional work carried out by the Firm. However, specifically responsible for accounting system development, computerization (IT), financial restructuring, mergers and acquisition governmental accounting, consultancy assignments from the World Bank and Privatization Commission, Government of Pakistan.

### Mr. Qasim Farooq Ahmad DIRECTOR

Qasim Farooq Ahmad brings young blood and new dimension to the Board of Shifa International. He did his Bachelor of Science in Information Systems and Bachelors of Arts in Economics from Stony Brook University, Stony Brook NY. He furthered his education with a Master of Science degree in Computer Science from Columbia University, New York, in 2007. He has over 12 years of diverse experience in the technology sector focusing on production systems engineering with a strong background in software engineering. This includes 7 years of extensive experience working with high volume financial and reporting applications for companies on Wall Street such as Lehman Brothers and Barclays Capital. Current major responsibilities include change management, incident management, performance planning, capacity planning, business continuity planning and disaster recovery, Sarbanes Oxley compliance and vendor management for all Fund Systems which includes the Front, Middle and Back Office applications. His previous experiences as the lead developer for the NYC Law Department include analysis, design, development and implementation of different technical projects.



# BOARD OF DIRECTORS

## Dr. Samea Kauser Ahmad DIRECTOR



She is a graduate of Ayub Medical College. She is actively involved in voluntary work in different organizations in USA including Islamic Center of Tampa, Florida and Islamic Center of Las Vegas. She has interests in certification in healthcare information technology and has been helpful in guiding the administration and the Board Members for the future directions of the corporation. She has been a good resource for Shifa International Hospital. Recently she has been involved in fundraising for Tameer-e-Millat Foundation, an NGO working for spreading the education in rural areas of Pakistan. She had also taken part in helping earthquake and flood victims. She is also member Board of Trustees of Tameer-e-Millat Foundation.

## Syed Ilyas Ahmed DIRECTOR

Syed Ilyas Ahmed has a long and illustrious career spanning over 45 years in healthcare management and its implementation. He has served in different capacities; Secretary, Scientific Governing Board and Head of Administration in Salahuddin University Hospital, Tripoli, Libya. After returning to Pakistan, he joined The Kidney Center, Karachi as its Chief Executive (1993 – 2000). Later he proceeded to Islamabad in Shifa International Hospitals Ltd and accepted the post of Chief Operating Officer (2001 – 2005). At present he is Chief Advisor Operations at Tabba Heart Institute, Karachi. During his phenomenal professional tenure, he successfully managed premier healthcare facilities, both in Pakistan and abroad. His acumen includes but not limited to, strategic planning, policies and procedures, budgeting and fiscal control, human resource, public relations and quality assurance management. Mr. Ahmed, during his university days was a Badminton Champion and accomplished Debater, Gymkhana Secretary and Magazine Editor of University of Karachi (1968-72). He was President of Sind Pharmacy Graduates Association (1970-72). He plays golf and has a refined taste in literature and shows keen interest in a wide range of aesthetic disciplines including culture and history.





### Prof. Dr. Shoab Ahmed Khan DIRECTOR



Dr. Khan is a Ph.D. in Electrical and Computer Engineering from Georgia Institute of Technology, Atlanta, GA, USA. He is an inventor of 5 awarded US patents and has 260+ international publications. His book on Digital Design is published by John Wiley & Sons and is being followed in national and international universities. Dr. Khan has more than 22 years of industrial experience in companies in USA and Pakistan. He has been awarded Tamgha-e-Imtiaz (Civil), National Education Award 2001 and NCR National Excellence Award in Engineering Education. He is the founding member and CEO of Center for Advanced Studies in Engineering (CASE) and Center for Advanced Research in Engineering (CARE). CASE is an engineering institution that runs one of the largest post graduate engineering programs in the country and has already graduated 34 PhDs and more than 1600 MS in different disciplines in Engineering. Whereas CARE, under his leadership, has risen to be one of the most profound high technology engineering organizations in Pakistan developing critical technologies worth millions of US dollars for organizations in Pakistan. In last four years CARE has made history by winning 12 PASHA ICT awards and 10 Asia Pacific ICT Alliance Silver and Gold Merit Awards while competing with the best products from advanced countries like Australia, Singapore, Hong Kong, Malaysia etc. Dr. Khan is Chairman of Pakistan Association of Software Houses (P@SHA) and is a member of Board of Governance of three entities in the Ministry of IT and Commerce. He has also served as member of National Computing Council and National Curriculum Review Committee. He is also a Professor of Computer Engineering at NUST College of EME. His book of Urdu poetry is recently published with title, "Kagazi ha parahan".

### Dr. Mohammad Naseem Ansari DIRECTOR

Dr. Mohammad Naseem Ansari graduated from the Punjab University, Department of Pharmaceutical Science. He went for his post-graduate studies at Columbia University, New York City, USA and was granted a full talent scholarship. After the completion of his studies, he joined Mt. Sinai Hospital and School of Medicine, New York City for the internship and training program. He served there in different administrative capacities for about eighteen years. He returned to Pakistan in 1988 and joined Shifa International Hospitals Limited and was assigned different roles such as Director Operations, Chief Operating Officer and Chief of Special Services. He was instrumental alongwith the other members in the establishment of Shifa College of Medicine in 1998 under the aegis of Shifa Foundation. After the establishment of Shifa Tameer-e-Millat University in March, 2012 he served at different administrative positions at STMU. He is a member of the American Hospital Association and also the "Rhochi" Honor Society, Columbia University, New York City, USA.





### DR. HABIB-UR-RAHMAN

Alhamdulillah! Shifa is celebrating its 25<sup>th</sup> birthday. And what a journey of progress and service it has been! The 36 bed hospital which opened its doors on 26<sup>th</sup> June 1993 with four clinical services has grown to a 550 bed quaternary care regional referral center offering 42 specialties. We embarked on a journey of becoming a center of excellence and a leader in the field. We bow to Allah in gratitude for giving us strength, perseverance and a sense of purpose in our quest.

Looking back at our achievements, we take pride in facilitating largest reverse brain drain in healthcare for Pakistan. We took a professional approach to planning, designing, constructing and equipping a state-of-the-art facility. It attracted hundreds of expatriate medics, management and finance experts to make it a successful venture. Faced with constraints of equity markets and financing costs at around 26 percent, we evolved a unique model of sustainability. Success in this uphill task is owed to dedication and untiring work of flock after flock of team members who built this exemplary institution. We are thankful to our consultants, employees, bankers, vendors and most of all patients, who helped this institution navigate through tough times with full conviction. Shifa board members have my special gratitude for selfless participation in governance and guidance, assuring compliance with standards, drawing the roadmap through the decades. We raise our hands in prayer today for our visionary founder Dr. Zaheer Ahmad. His unfaltering commitment to our dream made Shifa a reality.

New era is bringing new challenges. Healthcare market dynamics are changing with flux in population demographics. Deteriorating lifestyle choices and urbanization is shifting the disease burden from infections to non-communicable diseases like stroke, heart attacks, diabetes and hypertension. An ever-increasing segment of chronic liver, kidney and cardiac failure is testing the limits of resources needing advanced and expensive interventions.

We have a progressive vision for maintaining a healthy and prosperous nation. Pakistan is uniquely positioned in medical education. About 18,000 medical graduates cross the threshold every year. Most of them are women with unacceptable rates of professional attrition. This precious body of high caliber scientists can be mentored to commercially oriented research and development of innovative products. Exciting potential opportunities exist in genetics, molecular and immunologic diagnostics as well as medical devices, implants and biopharmaceuticals. Our national obligation is to make remedies accessible and affordable. Innovation and improvisation is needed to curtail costs. All this will need planning, collaboration and venture capital. We have to break loose from the specter of being non affording helpless onlookers for wonders of modern medicine.

We are in a position to advise on public sector healthcare delivery. A large scale managed care model needs to be explored with robust analytics and utilization review based on Artificial Intelligence. Needless to say, universal immunization and preventive care should remain the focus.

Looking forward, Shifa plans to extend its geographic outreach to provide hospital services in other towns within the country. Contrary to negative traditional perception, private sector has a pivotal role to play in mitigating historic underinvestment in healthcare. At present we are actively participating in development of a tertiary care hospital in Africa, in line with our philosophy of applying our expertise for capacity building where needed. We are venturing into hospital IT solutions not only to meet our own needs but also to be a resource for growth markets.

We are committed to our patients and employees' wellbeing and safety, environmental protection projects and programs of meeting corporate social responsibility as we step into the next phase of development. We beg forgiveness from The Creator for our failings while promising to do our best in performance of a sacred duty.

## Review Report on Overall Performance of the Board

The annual performance evaluation of the Board of Directors of Shifa International Hospitals Limited manifested that the Board remained vigilant in fulfilling its responsibilities.

The effective role of the Board played a decisive part in achieving the objectives set by the Company.

The Board of Directors of your Company throughout the year ended June 30, 2018:

- i. Remained engaged in reviewing and implementing corporate governance policies, code of conduct and internal controls.
- ii. Regularly monitored management's performance.
- iii. Received agendas alongwith working papers of all Board & its committees' meetings in advance.
- iv. Remained fully involved in strategic planning process.
- v. Evaluated the hospital's role in improving healthcare awareness to its patients and community.
- vi. Fully participated in and made contributions to the decision-making process of the Board.

## Acknowledgement

I would like to thank our valued clients, every member of Shifa Family, our business associates and shareholders for being a part of our success. May Allah (SWT) help us in accomplishing our mission further.



ISLAMABAD  
September 18, 2018

DR. HABIB-UR-RAHMAN  
Chairman



On behalf of the Board of Directors, we are pleased to present the financial results and brief review of operations of the Company and its subsidiary for the year ended June 30, 2018.

## OPERATING RESULTS

	2018	2017
	(Rupees in "000")	
Net revenue	10,270,597	9,257,009
Other income	63,084	136,579
Operating costs	(9,508,191)	(8,464,606)
Finance costs	(57,280)	(66,389)
Profit before taxation	768,210	862,593
Provision for taxation	(211,522)	(256,166)
Profit for the year	556,688	606,427
Earnings before interest tax, depreciaton & amortization (EBITDA)	1,329,318	1,392,404
Earnings per share-basic and diluted - Rupees	10.21	11.12



## OPERATING HIGHLIGHTS

The overall revenue growth of the Company is 11% as compared to corresponding period in previous year. Sit-in procession followed by political turmoil during the second quarter of the financial year ended June 30, 2018 had effected the revenue growth of the Company. Had there been no aforementioned events, the revenue growth of the Company would have been better. The operating cost however increased by 12% from Rs. 8,465 million to Rs. 9,508 million, which is mainly due to increase in salaries wages & benefits, cost & volume of supplies & medicines consumed, cleaning & washing, depreciation and rent etc. All these factors have resulted into net profit after taxation of Rs 556.7 Million Vs. Rs 606.4 Million in the previous year.

## EARNINGS PER SHARE

During the year under review earnings per share remained at Rs. 10.21 from Rs. 11.12 as compared to previous year.

## DIVIDEND

The Board is pleased to declare the final cash dividend of Rs. 4.50 per share for the year ended June 30, 2018.

## BOARD OF DIRECTORS AND ITS COMMITTEES

### BOARD OF DIRECTORS

The Board of the Company is comprised of ten directors. Company has three independent directors, two executive directors and one female representation on the Board. Taking into account the nature of business of the Company three of the members of the Board are Doctors, two IT Professionals, three Pharmacists, one Businessman and one Chartered Accountant.

The Board of the Company derives its powers and obligations through various provisions contained in the Memorandum and Articles of Association of the Company, Companies Act 2017, the Listed Companies (Code of Corporate Governance) Regulations 2017 and other relevant laws. The Board met seven times during the year ended June 30, 2018.

### AUDIT COMMITTEE

Audit Committee of the Company is comprised of following four members:

- |    |                        |                                |
|----|------------------------|--------------------------------|
| 1. | Shah Naveed Saeed      | Chairman, Independent Director |
| 2. | Syed Ilyas Ahmed       | Member, Independent Director   |
| 3. | Dr. Habib Ur Rahman    | Member, Non-Executive Director |
| 4. | Dr. Samea Kauser Ahmad | Member, Non-Executive Director |

The Chairman of the Committee is Chartered Accountant by profession. The TORs of the Audit Committee were framed in line with the provisions contained in the Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Committee functions accordingly. The observations/ recommendations of the Audit Committee are conveyed to the Board by Chairman of the Committee. The Committee met four times during the year ended June 30, 2018 besides one time with External Auditors without the presence of Head of Internal Audit and CFO and once with Head of Internal Audit without the presence of CFO and External Auditors.

## HUMAN RESOURCE & REMUNERATION COMMITTEE

The Human Resource & Remuneration Committee of the Company is comprised of following four members:

- |    |                     |                                |
|----|---------------------|--------------------------------|
| 1. | Syed Ilyas Ahmed    | Chairman, Independent Director |
| 2. | Shah Naveed Saeed   | Member, Independent Director   |
| 3. | Dr. Habib Ur Rahman | Member, Non-Executive Director |
| 4. | Dr. Manzoor H. Qazi | Member, Executive Director     |

The Committee functions in accordance with its approved TORs. Committee met once during the year ended June 30, 2018.

## ELECTION OF DIRECTORS

Election of directors was held on May 28, 2018. All candidates who filed their consent to be elected as directors of the Company were elected unopposed as the directors of the Company for the term of three years commencing from May 28, 2018. Dr. Mohammad Naseem Ansari was elected on the Board in place of Dr. Mohammad Salim Khan who

did not file his consent to be elected as director for further term. There was no other change in the Board. The Board put on record its appreciation for the unrelenting efforts and contribution of the retired director i.e. Dr. Mohammad Salim Khan towards growth of the Company.

## FREQUENCY & ATTENDANCE OF BOARD & AUDIT COMMITTEE MEETINGS

During the year under review, seven meetings of the Board of Directors and four meetings of the Audit Committee were held.

NAME OF DIRECTORS	NO. OF BOARD MEETINGS ATTENDED	NO. OF AUDIT COMMITTEE MEETINGS ATTENDED
DR. HABIB-UR-RAHMAN	7	4
DR. MANZOOR H. QAZI	7	N/A
MR. MUHAMMAD ZAHID	6	N/A
DR. MOHAMMAD SALIM KHAN*	5	N/A
MR. SHAFQUAT ALI CHAUDHARY	1	N/A
SHAH NAVEED SAEED	7	4
MR. QASIM FAROOQ AHMAD	2	N/A
DR. SAMEA KAUSER AHMAD	5	3
SYED ILYAS AHMED	7	4
PROF. DR. SHOAB AHMED KHAN	5	N/A
DR. MOHAMMAD NASEEM ANSARI**	2	N/A

\* Retired on 28-05-2018

\*\* Elected w.e.f 28-05-2018



### BOARD PERFORMANCE EVALUATION

The Chairman's review included in this annual report also embraces the overall performance of the Board and effectiveness of the role played by the Board in achieving Company's objectives.

### DIRECTORS' REMUNERATION

The Board of Directors of the Company approves and fixes the remuneration of the Board members in accordance with the Articles of Association of the Company, the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2017. The Company complies with all the requirements related to the fixation of directors' remuneration provided in the said Articles of Association, Act and Regulations. The detail of the remuneration of directors and CEO is provided in the note 37 of the Notes to the Financial Statements.

### TRADING OF SHARES

During the year under review, one of the directors acquired 515,157 shares of the Company, whereas one executive purchased 200 shares of the Company. Another executive and a substantial shareholder sold 500 and 111,923 shares of the Company respectively. No other director, CEO, CFO, Company Secretary, Executives and their spouses and minor children carried out the trade in the shares of the Company during the year under review.

## SUBSIDIARY/ASSOCIATED COMPANY

As of now Shifa Consulting Services (Pvt.) Limited is the wholly owned subsidiary company of Shifa International Hospitals Limited, whereas the proposed associated company of Shifa International Hospitals Limited i.e. Shifa CARE (Pvt.) Limited is in the process of incorporation in which Shifa would have 50% stakes.

## CORPORATE & FINANCIAL REPORTING FRAMEWORK

- The financial statements, prepared by the management of Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of Company have been maintained as required by the Companies Act, 2017.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements (whereas Note 4.21 of the financial statements in the wake of promulgation of Companies Act, 2017 has been applied accordingly) and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no significant doubts upon Company's ability to continue as a going concern.
- Summary of key operating and financial data of last six years has been given on Page No. 56.
- Note 10.4 of the notes to the financial statements reflect the value of investment of gratuity fund account.
- The pattern of shareholding and additional information regarding pattern of shareholding is given on Page No. 179.

## EXTERNAL AUDITORS

The present auditors M/s Grant Thornton Anjum Rahman retire at the conclusion of 32nd AGM and being eligible have offered themselves for re-appointment. On the suggestion of the Audit Committee, the Board of Directors of the Company recommended the re-appointment of M/s Grant Thornton Anjum Rahman, Chartered Accountants, as the auditors of the Company for the year ending June 30, 2019.

## RELATED PARTY TRANSACTIONS

All the related party transactions have been approved by the Board of Directors. The Company maintains a full record of all such transactions, along with the terms and conditions.

## COMPANY'S WEBSITE

Shifa is on the web and can be accessed at [www.shifa.com.pk](http://www.shifa.com.pk).



## CONTRIBUTION TO NATIONAL EXCHEQUER

During the year under review, the Company's contribution to the national exchequer is as under:

	2018
	(RUPEES IN "000")
Direct Taxes	486,605
Indirect Taxes	145,436
Tax deducted and deposited from suppliers, employees etc.	644,761
<b>Total</b>	<b>1,276,802</b>

## CORPORATE PHILANTHROPY

Our main goal is always to provide people with quality healthcare services. All healthcare initiatives undertaken by Shifa International Hospitals Limited are given due consideration, and prioritized based on their overall impact on the local population. Our preference has always been for the greater welfare of society, by identifying those services that are not available to the public at large in the country. Initiation of liver transplant program is one such example.

Moreover, Shifa International Hospitals Limited and its social arms work towards corporate philanthropy initiatives in ways mentioned below:

- Green building design
- Energy conservation measures, including reuse of energy
- Focus on occupational health & safety





## ENVIRONMENTAL PROTECTION MEASURES

Shifa International Hospitals Limited takes multiple measures to protect environment. These include focus on:

- Drinking water quality
- Waste water safety for environment
- Air microbial load
- Laboratory waste treatment
- Hazardous waste treatment

All these parameters have been tested and found in compliance with NEQ (National Environmental Quality) Standards.

## ENERGY CONSERVATION

Shifa International Hospitals Limited has undertaken many measures for energy conservation. Some of the strategies used are enumerated below:

- Waste heat recovery
- Installation of energy efficient lights
- Increased gas capacity



### IMPACT OF THE COMPANY'S BUSINESS ON ENVIRONMENT

SIHL conducts all environmental tests in compliance with NEQ Standards. However, SIHL is continuously striving to reduce impacts of its operations on the environment, e.g:

- **Mercury**  
One of the most common toxic hazard used in healthcare facility is mercury, SIHL has planned to replace mercury thermometers with digital thermometers.
- **Energy**  
SIHL is working efficiently to reduce energy used by replacing conventional lights with energy savers besides heat recovery projects and other such measures.
- **Air Emissions**  
Incineration, gas and diesel generator emissions are properly tested by third party and are found in compliance.
- **Water Discharges**  
FMD is working on project to re-use the used water after treatment for certain purposes in order to contribute in the endeavor to save water for the generations to come.
- **Ash Disposal**  
Ash from incineration process is disposed off safely.

### COMMUNITY INVESTMENT AND WELFARE SCHEMES:

Shifa International Hospitals Limited in association with one of its social welfare arm i.e. Shifa Foundation has undertaken following activities in the areas of health and nutrition and total number of beneficiaries of the programs initiated were over 460,000 in number:

- Over 72,841 Pregnant and Lactating Women (PLW's) were provided with nutrition and health support.
- Over PKR 28 million spent for treatment of needy patients at Falahee clinic by fundraising.
- 49 water wells installed in remote areas of Sindh.
- 648 food packages distributed across Pakistan.
- 194,980 children screened for treatment of Malnutrition in remote areas of the country.
- 29,370 people provided with clean water and sanitation.
- 11,693 awareness sessions conducted in the areas of health, nutrition and wash.



## INTERNATIONAL STANDARDS

Shifa complies with International standards and have taken measures accordingly with respect to the requirements of JCIA and ISO 9001:2008 in order to ensure that our valued customers (patients and their families) are protected from any possible harm. Recently Shifa has been accredited with the ISO 22000 for 'Food and Nutrition Services'.

## CONSUMER PROTECTION MEASURES

Facility Management Division (FMD) ensures safety of all staff, patients and visitors. FMD not only conducts testing of environmental parameters by a third party, but also continuously undertakes facility inspections and take necessary measures. Some of the measures in this regard are mentioned below:

- Online complaint and inventory management
- Flood management
- Hazard vulnerability analysis
- Disaster drills
- Lesson learnt real emergencies

## EMPLOYMENT OF DISABLE PERSONS

Shifa International Hospitals Limited is mindful towards the hiring of disable persons and accordingly facilitates inclusion of such individuals in the workforce.

## BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

Shifa International Hospitals Limited takes strong measures to ensure ethical and corruption free business practices. Shifa has an independent internal audit department that conducts scheduled internal audits of all the departments of the hospital.

Shifa International Hospitals Limited has developed a complete framework for ethical practices, which covers both medical and business ethics – focusing on areas such as:

- Accepted ethical principles
- Working of ethics committee
- Code of ethics and professional conduct
- Non-discrimination in HR policies
- Conflict of interest policy
- Whistleblowing policy
- Zero tolerance for harassment
- Ethical marketing and business promotion

Moreover, Shifa International Hospitals Limited's internal audit has a complete framework developed on Fraud Risk Management; focusing on prevention, detection and mitigation of fraud risk. Responsibilities have been identified and mechanisms are in place to minimize the risk of fraud and corruption in the organization.

No adverse effect from the operation of the organization is noted during the financial year.







## ACTIVITIES UNDERTAKEN BY THE COMPANY WITH REGARD TO CSR DURING THE YEAR

During the year under review, the Company donated Rs. 50 million to Shifa-Tameer-e-Millat University (STMU). Shifa is one of the sponsors of STMU. Both Shifa College of Medicine and Shifa College of Nursing are its constituent colleges. STMU is also offering various degree programmes which includes Doctor of Physical Therapy, Doctor of Pharmacy, BS (Mechanical Technology), MBA (Health Services), B.Sc. (Medical Lab Technology), M.Sc. (Nursing), etc.

A structured series of programs is also planned and executed each year for the awareness of general public by celebrating the global disease days. Some of such programs executed during the year are as under:

- Health awareness seminars with relevance to Global Health Days (subject experts focus on educating the audience on prevention and management of prevalent diseases, i.e., Stroke, Cancer, Diabetes, Liver & Stomach diseases, etc.).
- A multi-facet awareness campaign on Breast Cancer to educate and empower the women was run to help prevent the disease. The need for regular screenings was also identified to detect any abnormality at an early stage for a timely and safe treatment. The audience was outreached by developing and distributing the publication material to the mass audience, health awareness talks & lectures in Universities and corporate sector, utilizing electronic, print, and web media to disseminate the awareness message to the target audience.
- Developing educational and awareness content (visual & print) on prevalent diseases and health risk factors and outreaching to the general public by utilizing different communication media.
- Capacity Building & Educational activities for Physicians' community to improve healthcare service delivery to the masses.





## RISK MANAGEMENT AND INTERNAL CONTROL

Being the healthcare industry Shifa faces many risks which involve, but are not limited to, areas and/or type like regulatory, competition, business, economic & business environment, operational & credit, financing & liquidity, clinical, information systems security & availability, quality & stability of operational services, availability, recruitment & retention of skilled resources/medical practitioners and frauds etc. At Shifa we have a robust internal control and risk management system. The Risk Management and Internal Control processes are designed to safeguard the Company's assets and to appropriately address and/or mitigate emerging risks being faced by the Company.

## CODE OF CONDUCT

The Company has a comprehensive Code of Conduct which requires all employees to maintain a work environment which calls for fairness, respect and integrity and to adopt ethical manners. The Code has provisions which include but are not limited to legal compliance, restraint on political activities & soliciting gifts, avoiding conflict of interest, non-discrimination or harassment on the basis of race, color, age, etc., maintaining confidentiality of information, complying with the laws, rules vis-à-vis environmental protection etc. The Code of Conduct is applicable to all the directors, officers, employees, consultants and agents of the Company.

## EXPANSION ACTIVITIES UNDERTAKEN DURING THE YEAR ENDED JUNE 30, 2018

During the year under review, the Project Department undertook and completed various construction, renovation and remodeling projects to accommodate the burgeoning space requirements at our facility. A brief summary of these projects is given in the following paras:



### REMODELING & RENOVATION OF BLOCK 'C'

During the year under review all the four floors of Block 'C' were remodeled and renovated to house different facilities including OPD Clinics, Medical ICU, Medical Step-down beds, Isolation rooms and IPD rooms.

The overall volume of the work included remodeling and renovating an area over 50,000 s.ft. The task of remodeling and renovating this area also included:

- Designing of civil, architectural, electrical, plumbing, firefighting and HVAC works.
- Dismantling of partitions.
- Execution of civil, architectural, electrical, plumbing, firefighting and HVAC works.
- Installation of networking cables, switches and sockets for deployment of MIS and CCTV Cameras, and
- Installation of medical gases works.

### RENOVATION OF BLOCK F-0 (RADIOLOGY)

In order to extend Radiology Department, F-0 was remodeled and renovated to house different radiology facilities.

The renovation covered an area over 10,000 s.ft and it involved providing facilities like Nursing Stations, Waiting Area, MRI Room, Ultrasound Rooms, Ultrasound IPD Beds, Mammography Room, Reporting Rooms, Anesthesia Office, I.V Room and Clean Utility / Linen Room.

Construction works included designing of civil, architectural, electrical, plumbing, firefighting and HVAC works.

Besides above, the construction of brachytherapy room at A-0, remodeling & renovation of ER, designing of HVAC System for E-2/F-2 OTs were also undertaken.



### FUTURE OUTLOOK

Due to our strong brand reputation and proven ability to manage healthcare facilities, technically and financially, we have been looking to spread our operations beyond existing facility at H-8, Islamabad. We aspire to set up more medical facilities to expand our outreach and provide quality care to more people. Based upon the market conditions and the gap existing in Pakistan healthcare market, we have planned the following projects as our upcoming business units:

- Shifa National Hospital Faisalabad (Private) Limited
- Shifa Medical Center Islamabad (Private) Limited
- Shifa Neuro Sciences Institute Islamabad (Private) Limited

The above projects will be the subsidiaries of SIHL. Keeping in view the requirement of project costs, we have planned to invest in equity of these projects and the long term loans will be obtained at subsidiary level. These will be run and managed by their independent Boards of Directors but SIHL will ensure that these projects deliver the same level of quality services to the patients through:

- Its representation on the Boards.
- Providing technical and professional knowledge.
- Signing of management agreements with these subsidiary companies whereby SIHL will ensure that all the quality and patient safety measures applicable to SIHL are also implemented into these projects.

### ACKNOWLEDGEMENT

The Board is obliged to put on record its appreciation for the consultants, management and staff for their untiring efforts to deliver uninterrupted quality healthcare and to replicate the same on different outreach centers like pharmacies, lab pickup points, medical centers, etc. and shareholders, and bankers, patients and regulatory bodies for their patronage.

On behalf of the Board



**MUHAMMAD ZAHID**  
Executive Director



**DR. MANZOOR H. QAZI**  
Chief Executive Officer

**ISLAMABAD**  
September 08, 2018





18 May 2017

Dr. Manzoor H. Qazi  
Chief Executive Officer  
Shifa International Hospitals Ltd.  
Pitras Bukhari Road, Sector H-8/4  
Islamabad, 44000  
Pakistan

Dear Dr. Manzoor H. Qazi:

Joint Commission International (JCI) Accreditation has reviewed the Initial Hospital Survey Report of 13-18 May 2017 for Shifa International Hospitals Ltd. It is with great pleasure that I inform you of the decision to grant ACCREDITATION to Shifa International Hospitals Ltd. Congratulations to you, and all the other leaders and staff for achieving this recognition of your commitment to provide quality care on an ongoing basis.

The citizens of Pakistan should be proud that Shifa International Hospitals Ltd is focusing on this most challenging goal – to continuously raise quality to higher levels.

Once again congratulations on this significant achievement.

Sincerely,

Paul Chang, MD, MBA, MPH, CPHQ, FACHE  
Vice President, Accreditation, Standards and Measurement  
Joint Commission International

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[www.jointcommissioninternational.org](http://www.jointcommissioninternational.org)

# ڈائریکٹر رپورٹ

## بلاک۔ سی کی مرمت اور تزئین و آرائش

زیر جائزہ سال کے دوران بلاک۔ سی کے تمام چاروں فلورز کی مرمت کی گئی اور مختلف سہولیات کی غرض سے ان کی تزئین و آرائش کی گئی۔ جن میں اوپی ڈی کلینک، میڈیکل آئی سی یو، میڈیکل اسٹیپ ڈاؤن بستر، نگہداشت والے کمرے اور آئی پی ڈی کمرے شامل ہیں۔

اس مرمت اور تزئین و آرائش کام کا مجموعی حجم 50,000 مربع فٹ سے زائد جگہ پر مشتمل ہے۔ اس مرمت اور تزئین و آرائش میں درج ذیل کام شامل ہیں:

﴿ سول تعمیراتی، بجلی، پلمبنگ، آگ بجھانے اور ایچ ڈی اے سی کے ڈیزائن۔

﴿ پارٹیشنز کا خاتمہ

﴿ سول تعمیراتی، بجلی، پلمبنگ، آگ بجھانے اور ایچ ڈی اے سی کی تعمیل۔

﴿ ایم آئی ایس اور گولڈ سٹرکٹ کیمروں کی تنصیب کے لئے نیٹ ورکنگ تاریں، سوئچز اور سائٹ کی تنصیب۔

﴿ میڈیکل گیٹوں کی تنصیب کا کام۔

## بلاک F-0 (ریڈیولوجی) کی تزئین و آرائش

ریڈیولوجی ڈیپارٹمنٹ میں مختلف سہولیات کو بڑھانے کے لئے F-0 کی مرمت اور تزئین و آرائش کام کیا گیا۔

اس تزئین و آرائش کا رقبہ 10,000 مربع فٹ سے زیادہ پر مشتمل ہے اور اس میں نرسنگ سٹیشنوں، انتظار گاہ، ایم آر آئی کمرے، الٹراساؤنڈ کے کمرے، الٹراساؤنڈ کے آئی پی ڈی بستر، میموگرافی کے کمرے، رپورٹنگ کمرے، بے ہوشی کے کمرے اور آئی وی کمرہ کی سہولیات شامل ہیں۔

تعمیراتی کاموں میں سول، عمارتی منصوبہ بندی، بجلی پلمبنگ، آگ بجھانے اور ایچ ڈی اے سی کے کام شامل ہیں۔

ان سب کے علاوہ A-0 پر بریک تھرو اپنی کمرے کی تعمیر، ایمرجنسی کمروں کی تزئین و آرائش، E-2/F-2 کے ایچ ڈی اے سی سسٹم کے ڈیزائن بھی سرانجام دیئے گئے۔

## مستقبل کا منظر نامہ

ہمارے مضبوط برانڈ کی سادہ اور صحت کی دیکھ بھال کی سہولیات کو تکنیکی اور مالی طور پر منظم کرنے کی ثابت شدہ صلاحیت کی بناء پر ہم اپنے آپریٹنگز کی موجودہ H-8، اسلام آباد کے احاطے سے باہر پھیلانے کے لئے نظر ثانی کر رہے ہیں۔ ہم زیادہ سے زیادہ سہولتی مرکز قائم کر کے زیادہ لوگوں تک رسائی اور معیاری دیکھ بھال فراہم کرنے کی خواہش رکھتے ہیں۔ معاشی حالات اور پاکستان کی موجودہ صحت کی دیکھ بھال کی خلاء کے پیش نظر ہم نے مندرجہ ذیل منصوبوں کو اپنے آئندہ کے کاروباری یوتھس بنانے کا ارادہ کیا ہے۔

1۔ شفا انٹرنیشنل ہسپتال فیصل آباد (پرائیویٹ) لمیٹڈ

2۔ شفا میڈیکل سینٹر اسلام آباد (پرائیویٹ) لمیٹڈ

3۔ شفا نیوروسائنسز انسٹی ٹیوٹ اسلام آباد (پرائیویٹ) لمیٹڈ

مندرجہ بالا منصوبے شفا کے ذیلی ادارے ہوں گے۔ پراجیکٹ کی لاگت کو مد نظر رکھتے ہوئے ہم نے ان منصوبوں کی ایکویٹی میں سرمایہ کاری کرنے کی منصوبہ بندی کی ہے اور ان کے لئے ان اداروں کی سطح پر طویل مدتی قرضے حاصل کئے جائیں گے۔ ان کو آزاد ڈائریکٹروں کے بورڈز کے ذریعے چلایا اور منظم کیا جائے گا لیکن شفا درج ذیل طریقوں سے اس بات کو یقینی بنائے گا کہ ان منصوبوں کے ذریعے مریضوں کو اچھی معیاری خدمات فراہم کی جائیں:

﴿ بورڈ میں اس کی نمائندگی۔

﴿ تکنیکی اور پیشہ ورانہ علم کی فراہمی۔

﴿ ان ذیلی کمپنیوں کے ساتھ انتظامیہ کا معاہدوں پر دستخط کرنا جس سے شفاء اس بات کو یقینی بنائے گا کہ شفا انٹرنیشنل ہسپتال لمیٹڈ میں لاگو تمام معیار اور مریضوں کے تحفظاتی اقدامات کو بھی ان منصوبوں میں بھی نافذ کیا جائے۔

## اظہار تشکر

بورڈ اعلیٰ معیار کی طبی دیکھ بھال فراہم کرنے کے لئے کنسلٹنٹس، انتظامیہ اور عملے کے بلا تعلق ان تھک کوششوں کو پیش نظر رکھتے ہوئے ان کا ممنون ہے اور شیئر ہولڈرز، بینکوں، مریضوں اور ریگولیٹری اداروں کو ان کی معاونت پر سزا ہوتا ہے۔

منجانب

محمد زاہد

ایگزیکٹو ڈائریکٹر

Dr. Mansoor Ali

ڈاکٹر منظور علی قاضی

چیف ایگزیکٹو آفیسر

اسلام آباد

08 ستمبر 2018

# ڈائریکٹر رپورٹ

شفانا انٹرنیشنل ہسپتال لمیٹڈ نے اخلاقی ضابطوں کا ایک مکمل ڈھانچہ تشکیل دیا ہوا ہے جس میں طبی اور کاروباری دونوں شعبوں کا احاطہ کیا جاتا ہے جس میں مندرجہ ذیل حصوں پر توجہ دی جاتی ہے:

﴿ منظور شدہ اخلاقی اصول۔

﴿ اخلاقی کمیٹی کا کام کرنا۔

﴿ ضابطہ اخلاق اور پیشہ ورانہ برتاؤ۔

﴿ ہیومن ریسورس پالیسیوں میں عدم تعصب۔

﴿ مفاد کے ٹکراؤ کی پالیسی۔

﴿ وسل بلونگ پالیسی۔

﴿ ہراسیت کے لیے عدم برداشت۔

﴿ اخلاقی مارکیٹنگ اور کاروباری فروغ۔

اس کے علاوہ شفانا انٹرنیشنل ہسپتال لمیٹڈ کے داخلی آڈٹ نے فراڈ رسک مینجمنٹ پر ایک مکمل ڈھانچہ تیار کیا ہوا ہے جو کہ دھوکہ دہی کے خطرے کی روک تھام، سراغ لگانے اور اس کو کم کرنے پر توجہ مرکوز کرتا ہے۔ مالی سال کے دوران ادارے کے آپریشن میں کوئی بھی منفی اثر نوٹ نہیں ہوا۔

## سال کے دوران کمپنی کی طرف سے CSR کے حوالے سے انجام کردہ سرگرمیاں

زیر جائزہ سال کے دوران کمپنی نے شفانا تعمیرات یونیورسٹی (STMU) کو 50 ملین روپے عطیہ کیے۔ شفانا انٹرنیشنل ہسپتال لمیٹڈ STMU کے سپانسرز میں سے ہے۔ شفانا کالج برائے میڈیسن اور شفانا کالج برائے نرسنگ دونوں اسکے ملحق ادارے ہیں۔ اسکے علاوہ STMU کے مختلف ڈگری پروگرامز میں جیسا کہ ڈاکٹر آف فزیکل تھراپی، ڈاکٹر آف فارمیسی، بی ایس (میکینیکل ٹیکنالوجی)، ایم بی اے (ہیلتھ سروسز)، بی ایس سی (میڈیکل ٹیکنالوجی)، ایم ایس سی (نرسنگ) وغیرہ شامل ہیں۔

ہر سال عام عوام کی آگاہی کے لئے پروگراموں کے ایک منظم سلسلہ کے منصوبے کے تحت بیمار یوں کے عالمی دنوں کو منانے کا اہتمام کرتی ہے۔ ان پروگراموں میں کچھ درج ذیل ہیں:

﴿ عالمی صحت کے دنوں کی مطابقت سے صحت کی آگاہی کے سیمینارز (جس کا مقصد سامعین کو موجودہ بیماریوں کی روک تھام اور نمٹنے کی تعلیم دینا، جیسا کہ فاج، کینسر، ذیابیطیس، جگر و پیٹ کی بیماریاں وغیرہ)۔

﴿ چھاتی کے کینسر پر ایک کثیر پہلو بیداری مہم تاکہ عورتوں کی اس بیماری کی روک تھام میں با اختیار اور ان کی مدد کی جاسکے۔ اس دوران ابتدائی مرحلے میں کسی غیر معمولی چیز کا بروقت اور محفوظ علاج کے لئے باقاعدہ اسکریننگ کی نشاندہی کی گئی تھی۔ سامعین کی آگاہی کے لئے مختلف ذرائع سے ان تک رسائی کی گئی۔ جیسا کہ یونیورسٹیوں اور کارپوریٹ اداروں میں لیکچر ز اور بات چیت کے ذریعے، الیکٹرانک، پرنٹ اور ویب سائٹ کے ذریعے ان کو آگاہی مہم فراہم کی گئی۔

﴿ مختلف اہل ذرائع سے عوام تک بیماریوں اور صحت کے خطرے کے عوامل پر تعلیمی اور آگاہی مواد (بصری اور پرنٹ) کو فروغ دینا۔

﴿ عوام کو صحت کی دیکھ بھال کی بہتر خدمات فراہم کرنے کے لئے ڈاکٹروں کی کمیونٹی کی صلاحیت کی تعمیر اور تعلیمی سرگرمیاں۔

## رسک مینجمنٹ اور داخلی کنٹرول

صحت کی دیکھ بھال کی صنعت کی حیثیت سے شفانا کو بہت سے خطرات کا سامنا کرنا پڑتا ہے جن میں ریگولیٹری، مقابلہ، کاروباری، اقتصادی و کاروباری ماحول، آپریشنل و کریڈٹ، فنانسنگ و لیکویڈیٹی، کلینیکل، انفارمیشن سسٹم کی سیکورٹی و دستیابی، معیار و آپریشنل خدمات کا استحکام، ہنرمند افراد کی دستیابی و بھرتی، دھوکہ دہی وغیرہ کے خطرات شامل ہیں۔ شفانا میں مضبوط داخلی کنٹرول اور خطرے سے نمٹنے کا نظام ہے۔ کمپنی کے اثاثوں کی حفاظت کے لئے اور لیا بھرتے خطرات سے مناسب طریقے سے نمٹنے کے لئے رسک مینجمنٹ اور داخلی کنٹرول کا عمل ڈیزائن کیا گیا ہے۔

## ضابطہ اخلاق

کمپنی میں ایک جامع ضابطہ اخلاق ہے جس میں تمام ملازموں کو کام کے ماحول کو برقرار رکھنے کو ترجیح دی گئی ہے جو منصفانہ، احترام اور سالمیت کا مطالبہ کرتا ہے اور اخلاقی آداب کو اپنانے پر زور دیتا ہے۔ اس ضابطہ میں سیاسی سرگرمیاں کو روکنے اور تحائف لینے، نسل، رنگ، عمر وغیرہ کی بنیاد پر ہراساں کرنے، معلومات کی رازداری کو برقرار رکھنے، قوانین کی تعمیل، ماحولیاتی تحفظ سے متعلق قوانین وغیرہ شامل ہیں۔ ضابطہ اخلاق تمام ڈائریکٹرز، افسران، ملازمین، کنسلٹنٹس اور کمپنی کے ایجنٹوں پر لاگو ہوتا ہے۔

## اختتامی سال برائے 30 جون 2018 کے دوران سرانجام کردہ توسیع کی سرگرمیاں

زیر جائزہ سال کے دوران پراجیکٹ ڈیپارٹمنٹ نے ہمارے ادارے میں مختلف شعبوں میں جگہ کی بڑھتی ضروریات کو پورا کرنے کے لئے مختلف تعمیرات، تزئین و آرائش اور مرمتی منصوبوں کا آغاز کیا اور مکمل کیا۔ ان منصوبوں کا مختصر خلاصہ مندرجہ ذیل پیرا گرافس میں دیا گیا ہے:



# ڈائریکٹر رپورٹ

## کمیونٹی سرمایہ کاری اور فلاحی منصوبے

شفا انٹرنیشنل ہسپتال لمیٹڈ نے اپنے سماجی ادارے یعنی شفا فاؤنڈیشن کے ساتھ مل کر صحت و غذائیت کے علاقوں میں مندرجہ ذیل مختلف سرگرمیاں انجام دی ہیں اور ان تمام پروگراموں سے 460,000 سے زیادہ لوگ مستفید ہوئے:

- ﴿ 72,841 سے زیادہ حاملہ اور دودھ پلانے والی خواتین کو غذائیت اور صحت کی سہولت فراہم کرنا۔
- ﴿ 28 ملین روپے سے زائد کی فنڈ ریزنگ کر کے فلاحی کلینک کے ضرورت مند مریضوں کے علاج پر خرچ کئے۔
- ﴿ سندھ کے دور دراز علاقوں میں 49 پانی کے کنوئیں تیار کئے گئے۔
- ﴿ 648 سے زائد خوراک بینک کی پاکستان میں تقسیم۔
- ﴿ ملک کے دور دراز علاقوں میں 194,980 بچوں میں غذائیت کی کمی کے علاج کی اسکریمنگ۔
- ﴿ 29,370 افراد کو صاف پانی اور صحت و صفائی کی فراہمی۔
- ﴿ صحت، غذائیت اور صفائی کے حوالے سے 11,693 آگاہی سیمینار

## بین الاقوامی معیارات

شفا انٹرنیشنل ہسپتال لمیٹڈ بین الاقوامی معیاروں پر عمل درآمد کرتا ہے اور JCI اور ISO 9001:2008 کی شرائط کے عین مطابق اقدامات کئے ہیں تاکہ یہ یقینی بنایا جاسکے کہ ہمارے قابل قدر کسٹمرز (مریض اور ان کے خاندان) کو کسی ممکنہ نقصان سے محفوظ رکھا جائے۔ حال ہی میں شفا انٹرنیشنل ہسپتال لمیٹڈ کو ”خوراک و غذائیت کی خدمات“ کے لئے ISO:22000 کی منظوری دی گئی ہے۔

## صارفین کے تحفظ کے اقدامات

فیلیٹی مینجمنٹ ڈویژن (ایف ایم ڈی) تمام عملے، مریضوں اور مہمانوں کی حفاظت کو یقینی بناتا ہے، ایف ایم ڈی نہ صرف آزاد ماہرین کے ذریعے ماحولیاتی معیارات کی جانچ کا انعقاد کرتا ہے بلکہ مسلسل ان سہولیات کی جانچ پڑتال کرتا ہے اور ضروری اقدامات بھی کرتا ہے۔ اس سلسلے میں کچھ اقدامات ذیل میں بیان کئے گئے ہیں:

- ﴿ آن لائن شکایت اور انونیری کا انتظام۔
- ﴿ سیلاب سے نمٹنے کا انتظام۔
- ﴿ خطرے کی زد میں ہونے کا تجزیہ۔
- ﴿ آفات سے نمٹنے کی مشقیں۔
- ﴿ حقیقی ہنگامی حالات کا سامنا کرنے کے لئے تیاری۔

## معذور افراد کے لئے روزگار

شفا انٹرنیشنل ہسپتال لمیٹڈ معذور افراد کو ملازمت فراہم کرنے پر توجہ دیتا ہے اور ان کو افرادی قوت میں شامل کرنے کی سہولت فراہم کرتا ہے۔

## پیشہ ورانہ صحت و تحفظ

شفا انٹرنیشنل ہسپتال لمیٹڈ کا ایک عملے کی صحت و حفاظت کا مضبوط پروگرام دستاویز ہے، لاگو ہے اور اس کی نگرانی کی جاتی ہے۔ اس پروگرام میں سے کچھ اقدامات ذیل میں ہیں:

- ﴿ خطرناک علاقوں میں کام کرنے والے شاف کی ہیلتھ اسکریمنگ۔
- ﴿ محفوظ کام کے ماحول کو یقینی بنانے کے لئے سہولیات کا باقاعدگی سے معائنہ، نتائج کو تحریر کرنا اور ان کا تجزیہ کرنا۔
- ﴿ باقاعدگی سے خطرات کا تجزیہ کرنا اور ان خطرات کو کم کرنے کے لئے ضروری اقدامات کرنا۔
- ﴿ لائڈری میں انٹ کو لیٹر نصب کئے گئے تاکہ شاف کے تحفظ کے لئے اس جگہ سے لٹ کم کی جائے۔
- ﴿ نرسنگ شاف کے تعاون سے، بہترین طریقوں، نفاذ اور آگاہی کے ذریعے انفیکشن والے فضلے کو کم کیا۔
- ﴿ لیبارٹری اور تابکاری کے تحفظ کے جامع پروگرام کا نفاذ۔
- ﴿ کام پر آنے والے زخموں سے بچاؤ کے لیے شاف کی مدد اور آگاہی۔

## کاروباری اخلاقیات اور کرپشن کے خلاف اقدامات

شفا انٹرنیشنل ہسپتال لمیٹڈ کرپشن سے پاک اور اخلاقی کاروباری ضابطوں کو یقینی بنانے کے لئے مضبوط اقدامات کرتا ہے۔ شفا کا ایک آزاد داخلی آڈٹ ڈیپارٹمنٹ ہے جو کہ ہسپتال کے مختلف ڈیپارٹمنٹس کا باقاعدگی سے داخلی آڈٹ کرتا ہے۔

# ڈائریکٹرز رپورٹ

## کارپوریٹ خدمت خلق

ہمارا اہم مقصد ہمیشہ لوگوں کو صحت کی معیاری دیکھ بھال کی خدمات فراہم کرنا ہے۔ شفا انٹرنیشنل ہسپتال لمیٹڈ کی طرف سے فراہم کردہ تمام صحت کی دیکھ بھال کے اقدامات کو مقامی آبادی پر ان کے مجموعی اثرات کی بنیاد پر توجہ اور ترجیح دی جاتی ہے۔ ہماری ترجیح وہ خدمات ہوتی ہیں جو ملک میں بڑے پیمانے پر دستیاب نہیں ہوتیں، اس میں ہمارا مطمح نظر معاشرے کی فلاح و بہبود ہوتی ہے۔ جگر ٹرانسپلانٹ پروگرام کا آغاز اس کی ایک مثال ہے۔

اس کے علاوہ شفا انٹرنیشنل ہسپتال لمیٹڈ اور اس کے سماجی اداروں کی طرف سے انجام کردہ کارپوریٹ خدمت خلق کے کام مندرجہ ذیل ہیں:

﴿ عمارتوں کا ماحول دوست ڈیزائن

﴿ توانائی کے تحفظ کے اقدامات بمعہ توانائی کا دوبارہ استعمال

﴿ پیشہ ورانہ صحت اور حفاظت پر توجہ

## توانائی کا تحفظ

شفا انٹرنیشنل ہسپتال لمیٹڈ نے توانائی کے تحفظ کے لئے کئی اقدامات سرانجام دیئے ہیں۔ ان میں سے کچھ زیر استعمال طریقے درج ذیل ہیں:

﴿ حرارت کی ضائع ہونے والی توانائی کا دوبارہ استعمال

﴿ توانائی کی بچت والی لائٹس کی تنصیب

﴿ گیس کی صلاحیت میں اضافہ

## ماحولیاتی تحفظ کے اقدامات

شفا انٹرنیشنل ہسپتال لمیٹڈ نے ماحولیاتی تحفظ پر کئی زیادہ اقدامات سرانجام دیئے۔ جن میں مندرجہ ذیل شامل ہیں۔

﴿ پینے کے پانی کا معیار

﴿ ماحول کے بچاؤ کے لئے آلودہ پانی کی حفاظت

﴿ ایئر ماکرو بیٹل لوڈ

﴿ لیبارٹری کے فضلے کا موثر انتظام و انصرام

﴿ خطرناک فضلے کا موثر انتظام و انصرام

ان سب اقدامات کی جانچ پڑتال کی گئی ہے اور ’’قومی ماحولیاتی معیار‘‘ (این ای کیو) کے مطابق پائے گئے ہیں۔

## کمپنی کے کاروبار کا ماحول پر اثرات

شفا انٹرنیشنل ہسپتال لمیٹڈ این ای کیو معیار کے مطابق تمام ماحولیاتی معیار کے ٹیسٹ کا انعقاد کرتا ہے۔ تاہم شفا ماحول پر اپنے آپریشن کے اثرات کو کم کرنے کے لئے مسلسل جدوجہد کر رہا ہے، مثال کے طور پر:

پارہ

ہسپتالوں میں استعمال ہونے والے زہریلے مادوں میں سے ایک پارہ ہے، شفا انٹرنیشنل ہسپتال لمیٹڈ نے پارہ تھرما میٹرز کو ڈی سیٹیل تھرما میٹرز کے ساتھ تبدیل کرنے کا منصوبہ بنایا ہے۔

توانائی

شفا انٹرنیشنل ہسپتال لمیٹڈ انتہائی موثر طریقے کے ساتھ مہنگی روشنی کو توانائی بچت کی روشنی سے تبدیل کرنے کے ساتھ ساتھ اور بھی بچت کے اقدامات کر رہا ہے۔

ہوا کا اخراج

فضلہ کی بجالی، گیس اور ڈیزل جنریٹرز کے اخراج کو آزاد ماہرین کی مدد سے باقاعدہ جانچا جاتا ہے اور اصول کے مطابق پایا گیا ہے۔

پانی کا اخراج

فیلٹیٹی ہیجمنٹ ڈویژن علاج کے بعد پانی کے دوبارہ استعمال کے منصوبے پر کام کر رہا ہے۔ تاکہ آٹو والی نسلوں کے لئے پانی بچانے میں تعاون کیا جائے۔

راکھ کی تلفی

فضلہ جلانے کے بعد راکھ کو بحفاظت تلف کیا جاتا ہے۔

# ڈائریکٹرز رپورٹ

## ڈائریکٹرز کا معاوضہ

کمپنی کا بورڈ کمپنی کے قواعد و ضوابط، کمپنیز ایکٹ 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کی روشنی میں بورڈ کے ارکان کے معاوضے کا تعین اور منظوری کرتا ہے۔ ان ڈائریکٹرز کے معاوضے کے تعین سے متعلق کمپنی اپنے قواعد و ضوابط، ایکٹ اور ریگولیشنز میں فراہم کردہ شرائط کے مطابق عمل کرتی ہے۔ ڈائریکٹرز اور چیف ایگزیکٹو کے معاوضے کی تفصیل مالی گوشوارے کے نوٹ نمبر 37 میں فراہم کی گئی ہے۔

## حصص کی تجارت

زیر جائزہ سال کے دوران ایک ڈائریکٹر نے 515,157 حصص لئے جبکہ ایک ایگزیکٹو نے کمپنی کے 200 حصص خریدے۔ ایک ایگزیکٹو اور بڑے شیئر ہولڈرز نے بھی بالترتیب 500 اور 111,92 حصص فروخت کئے۔ اس کے علاوہ کسی اور ڈائریکٹر، چیف ایگزیکٹو، ایف او، کمپنی سیکرٹری، ایگزیکٹو اور ان کی بیویوں اور نابالغ بچوں نے سال کے دوران کمپنی کے حصص کی تجارت نہیں کی۔

## ذیلی منسلک کمپنی

تاحال شفا کنسلٹنگ سروسز (پرائیویٹ) لمیٹڈ، شفا انٹرنیشنل ہسپتال لمیٹڈ کی مکمل ملکیتی ذیلی کمپنی ہے جبکہ شفا انٹرنیشنل ہسپتال لمیٹڈ کی مجوزہ منسلک کمپنی یعنی شفا کئیر (پرائیویٹ) لمیٹڈ اس وقت تشکیل کے عمل میں ہے جس میں شفا کی پچاس فیصد کی حصہ داری ہوگی۔

## کارپوریٹ اور مالیاتی رپورٹنگ کا فریم ورک

- شفا انٹرنیشنل ہسپتال لمیٹڈ کی مینجمنٹ کے تیار کردہ مالیاتی گوشوارے کمپنی کے کاروباری معاملات، کمپنی آپریشنز کے نتائج، نقدی گوشوارے اور کاروبار میں تبدیلی کی اصل حالت کو پیش کر رہے ہیں۔
- شفا انٹرنیشنل ہسپتال لمیٹڈ کے کھاتے باقاعدگی سے تیار کئے جاتے ہیں جیسا کہ کمپنیز ایکٹ 2017ء کے تحت مطلوب ہوتا ہے۔
- مالیاتی گوشواروں کے تیار کرنے میں مسلسل مناسب پالیسیوں کا اطلاق کیا گیا ہے (جبکہ 4.21 کو کمپنیز ایکٹ 2017 کی تبدیلی کے مطابق ڈھالا گیا ہے) اور اکاؤنٹنگ تخمینوں کی بنیاد مناسب اور دانشمندانہ فیصلے ہیں۔

- مالیاتی گوشواروں کے بنانے میں، پاکستان میں قابل عمل بین الاقوامی اکاؤنٹنگ معیارات کو ملحوظ خاطر رکھا گیا ہے۔
- اندرونی کنٹرول کا نظام بہترین خدوخال پر بنایا گیا ہے، موثر طور پر لاگو کیا گیا ہے اور نگرانی کی جاتی ہے۔
- لسٹنگ ضوابط کے مطابق کارپوریٹ گورننس کے بہترین طریقوں کو مد نظر رکھتے ہوئے ان سے روگردانی نہیں کی گئی۔
- چلتے ہوئے کاروباری ادارہ کے طور پر کمپنی کی صلاحیت پر کوئی اہم شکوک و شبہات نہیں پائے گئے۔
- صفحہ نمبر 56 پر گزشتہ چھ سال کی کلیدی کاروائیوں اور مالیاتی اعداد و شمار کا خلاصہ دیا گیا ہے۔
- نوٹس برائے مالیاتی گوشوارے کا نوٹ نمبر 10.4 سرمایہ کاری کی قدر برائے گریجویٹ فنڈ اکاؤنٹ کو ظاہر کرتا ہے۔
- شیئر ہولڈنگ کا پیٹرن اور اس سے متعلق اضافی معلومات صفحہ نمبر 179 پر دی گئی ہیں۔

## بیرونی آڈیٹرز

32 ویں سالانہ اجلاس عام کے اختتام پر موجودہ آڈیٹرز میسرز گرانٹ تھارن انجم حن تبہر دار ہو رہے ہیں اور اہمیت کے معیار پر پورا اترنے کے باعث انہوں نے اپنے آپ کو دوبارہ تعیناتی کے لئے پیش کیا ہے۔ بورڈ آف ڈائریکٹرز نے آڈٹ کمپنی کی سفارشات پر میسرز گرانٹ تھارن انجم حن چارٹڈ اکاؤنٹنٹس کی بطور آڈیٹرز برائے سال 30 جون 2019 تک کیلئے دوبارہ تعیناتی کی سفارش کی ہے۔

## متعلقہ پارٹی کے معاملات

تمام متعلقہ پارٹی معاملات کی منظوری بورڈ آف ڈائریکٹرز نے دے دی ہے۔ کمپنی کے ایسے تمام معاملات کا مکمل ریکارڈ بشمول شرائط برقرار رکھتی ہے۔

## کمپنی کی ویب سائٹ

شفا انٹرنیشنل ہسپتال لمیٹڈ ویب پر موجود ہے اور [www.shifa.com.pk](http://www.shifa.com.pk) پر قابل رسائی ہے۔

## قومی خزانے میں حصہ

زیر جائزہ سال میں کمپنی کی قومی خزانے میں پیش کردہ حصہ درج ذیل ہے۔

(روپے '000)	
2018	
486,605	براہ راست ٹیکسز
145,436	بالواسطہ ٹیکسز
644,761	سپلائرز، ملازمین وغیرہ سے ٹیکس کٹوتی
1,276,802	کل رقم

# ڈائریکٹرز رپورٹ

کمپنی کا چیئر مین پیشے کے لحاظ سے چارٹرڈ اکاؤنٹنٹ ہے۔ آڈٹ کمیٹی کے "حوالے کی شرائط" (ٹی او آر) ہلڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریکولیشنز 2017 کی دفعات کے تحت تیار کئے گئے تھے اور کمیٹی اسی کے مطابق کام کرتی ہے۔ آڈٹ کمیٹی کے مشاہدات / سفارشات کمیٹی کے چیئر مین کی طرف سے بورڈ کو پہنچائی جاتی ہیں۔ کمیٹی نے 30 جون 2018 کو ختم ہونے والے سال کے دوران چار بار اپنا اجلاس منعقد کیا علاوہ ازیں آڈٹ کمیٹی کے مزید واجلاس ہوئے جن میں ایک بار ہیڈ آف انٹرنل آڈٹ اور سی ایف او کے بغیر بیرونی آڈیٹرز کے ساتھ اور ایک بار سی ایف او اور بیرونی آڈیٹرز کی غیر موجودگی میں ہیڈ آف انٹرنل آڈٹ کے ساتھ اجلاس ہوا۔

## کمیٹی برائے انسانی وسائل و معاوضہ

یہ کمیٹی درج ذیل چار ارکان پر مشتمل ہے:

1. سید الیاس احمد، چیئر مین، آزاد ڈائریکٹر
2. شاہ نوید سعید، ممبر، آزاد ڈائریکٹر
3. ڈاکٹر حبیب الرحمن، ممبر، نان ایگزیکٹو ڈائریکٹر
4. ڈاکٹر منظور ایچ قاضی، ممبر، ایگزیکٹو ڈائریکٹر

کمیٹی منظور شدہ ٹی او آر کے مطابق کام کرتی ہے۔ کمیٹی نے 30 جون 2018 کو ختم ہونے والے سال کے دوران ایک بار میٹنگ کی۔

## ڈائریکٹرز کا انتخاب

ڈائریکٹرز کے انتخابات 28 مئی 2018 کو منعقد ہوئے۔ کمپنی کے ڈائریکٹر منتخب ہونے کے خواہشمند تمام امیدواروں کو بلا مقابلہ منتخب کیا گیا ان کی مدت انتخاب 28 مئی 2018 سے شروع ہو کر تین سال کے عرصے کے لئے ہے۔ بورڈ میں ڈاکٹر محمد سلیم خان کی جگہ ڈاکٹر محمد نسیم انصاری منتخب ہوئے تھے اول الذکر نے مزید مدت کے لئے ڈائریکٹر کے طور پر منتخب ہونے کے لئے رضامندی ظاہر نہیں کی۔ اس کے علاوہ بورڈ میں کوئی اور تبدیلی نہیں تھی۔ بورڈ ریٹائرڈ ڈائریکٹر ڈاکٹر محمد سلیم خان کی انتخاب کوششوں اور کمپنی کی بہتری و ترقی میں کردار پر ان کو سراہتا ہے۔

## بورڈ اور آڈٹ کمیٹی کے اجلاس کی تعداد و حاضری

زیر جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کی سات اور آڈٹ کمیٹی کی چار میٹنگز منعقد ہوئی تھیں۔

ہر ڈائریکٹر کی میٹنگز میں شرکت کا شمار درج ذیل ہے:

ڈائریکٹر کا نام	بورڈ میٹنگز میں شرکت کی تعداد	آڈٹ کمیٹی میں شرکت کی تعداد
ڈاکٹر حبیب الرحمن	07	04
ڈاکٹر منظور ایچ قاضی	07	لاگو نہیں
جناب محمد زاہد	06	لاگو نہیں
ڈاکٹر محمد سلیم خان*	05	لاگو نہیں
جناب شفقت علی چوہدری	01	لاگو نہیں
شاہ نوید سعید	07	04
جناب قاسم فاروق احمد	02	لاگو نہیں
ڈاکٹر سمیعہ کوثر احمد	05	03
جناب الیاس احمد	07	04
پروفیسر ڈاکٹر شعیب احمد خان	05	لاگو نہیں
ڈاکٹر محمد نسیم انصاری**	02	لاگو نہیں

\* 28-05-2018 کو ریٹائر ہوئے

\*\* 28-05-2018 کو منتخب ہوئے

## بورڈ کی کارکردگی کی جانچ

اس سالانہ رپورٹ میں بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کو حاصل کرنے میں بورڈ کی جانب سے ادا کردہ کردار کی اثر انگیزی پر مشتمل چیئر مین کا جائزہ بھی شامل ہے۔



## ڈائریکٹرز رپورٹ

بورڈ کے ڈائریکٹروں کی جانب سے ہم کمپنی اور اس کے ذیلی ادارے کے اختتامی سال برائے 30 جون 2018 کے سالانہ نتائج اور مختصر خلاصہ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

### نتائج عملی کارکردگی

2018	2017	
		(روپے '000)-----
خالص آمدنی	10,270,597	9,257,009
دیگر آمدنی	63,084	136,579
آپریٹنگ لاگت	(9,508,191)	(8,464,606)
فنانس لاگت	(57,280)	(66,389)
منافع قبل از ٹیکسیشن	768,210	862,593
ٹیکسیشن برائے سال	(211,522)	(256,166)
منافع برائے سال	556,688	606,427
ای بی آئی ٹی ڈی اے	1,329,318	1,392,404
فی شیئر آمدنی۔ بنیادی اور ڈائلیوٹڈ (روپے)	10.21	11.12

### عملی کارکردگی: چیدہ چیدہ نکات

گزشتہ سال کے اسی مدت کے مقابلے میں کمپنی کی مجموعی آمدنی میں 11 فیصد کا اضافہ ہوا ہے، 30 جون 2018 کو ختم ہونے والے مالی سال کی دوسری سہ ماہی کے دوران سیاسی دھرنے اور سیاسی افراتفری سے کمپنی کی مجموعی آمدنی میں بڑھوتری متاثر ہوئی۔ اگر مذکورہ بالا واقعات پیش نہ آتے تو کمپنی کی آمدنی میں زیادہ بہتری ہوتی۔ تاہم کمپنی کی آپریٹنگ لاگت 8,465 ملین روپے سے بڑھ کر 12 فیصد اضافے کے ساتھ 9,508 ملین روپے ہو گئی جس کی وجہ تنخواہوں، اجرتوں و سہولیات میں اضافہ، دواؤں کی مہیا کردہ حجم و لاگت، صفائی و دھلائی، اثاثوں کی بوسیدگی اور کرائے وغیرہ میں اضافہ ہے۔ ان تمام عوامل کے نتیجے میں خالص منافع بعد از ٹیکسیشن گزشتہ سال کے 606.4 ملین روپے کے مقابلے میں 556.7 ملین روپے رہا۔

### فی شیئر آمدنی

زیر جائزہ سال کی فی شیئر آمدنی گزشتہ سال کی 11.12 روپے فی شیئر آمدنی کے مقابلے میں 10.21 روپے رہی۔

### منافع

بورڈ کو یہ بتاتے ہوئے خوشی ہو رہی ہے کہ اختتامی سال 30 جون، 2018 کا حتمی نقد منافع 4.50 روپے فی شیئر مقرر ہوا ہے۔

### بورڈ آف ڈائریکٹرز اور کمیٹیاں

#### بورڈ آف ڈائریکٹرز

کمپنی کا بورڈ آف ڈائریکٹرز پر مشتمل ہے۔ کمپنی کے بورڈ میں تین آزاد ڈائریکٹرز، دو ایگزیکٹو ڈائریکٹرز اور ایک ڈائریکٹر کی صورت میں خواتین کی نمائندگی ہے۔ کمپنی کے کاروبار کی نوعیت کے مد نظر بورڈ کے تین ارکان ڈاکٹر، دواؤں کی پروفیشنل، تین فارماسسٹ، ایک بزنس مین اور ایک چارٹرڈ اکاؤنٹنٹ ہے۔ کمپنی کے بورڈ کے اختیارات اور ذمہ داریاں کمپنی کے قواعد و ضوابط، کمپنیز ایکٹ 2017، لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 اور دوسرے متعلقہ قوانین کی دفعات سے اخذ کئے گئے ہیں۔ بورڈ نے 30 جون 2018 کو ختم ہونے والے سال کے دوران سات مرتبہ اپنا اجلاس منعقد کیا۔

#### آڈٹ کمیٹی

آڈٹ کمیٹی درج ذیل چار ممبران پر مشتمل ہے:

1. شاہ نوید سعید
2. سید الیاس احمد
3. ڈاکٹر حبیب الرحمان
4. ڈاکٹر سمعیہ کوثر احمد

# NOTICE OF 32<sup>ND</sup> AGM

# NOTICE OF THE 32<sup>ND</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 32<sup>nd</sup> Annual General Meeting of the members of Shifa International Hospitals Limited will be held at the registered office (C-0 Auditorium) of the Company at Sector H-8/4, Islamabad on Saturday, October 27, 2018 at 1100 hours to transact the following business:

## ORDINARY BUSINESS

- 1- To confirm the minutes of the Extraordinary General Meeting of the Company held on May 28, 2018.
- 2- To receive, consider and adopt the annual audited accounts and consolidated audited accounts of the Company and its subsidiary for the year ended June 30, 2018 together with the directors' and auditors' report thereon.
- 3- To approve the payment of cash dividend @ Rs. 4.50 per share for the year ended June 30, 2018 as recommended by the directors.
- 4- To appoint auditors for the year ending June 30, 2019 and to fix their remuneration. The Audit Committee and the Board of Directors have recommended the name of retiring auditors M/s Grant Thornton Anjum Rahman, Chartered Accountants, to be re-appointed as auditors of the Company.

## SPECIAL BUSINESS

- 5- To consider, and if thought fit, to pass, with or without modification, the following resolutions as special resolutions:

- a- **"RESOLVED** that a private limited company under the name and style of "Shifa National Hospital Faisalabad (Pvt.) Limited be incorporated as subsidiary company.

**FURTHER RESOLVED** that the Company be and is hereby authorized to make investment of upto Rs. 1.6 billion (approx.) in the paid-up capital of the said subsidiary company within 5 years from the date of incorporation.

- b- **RESOLVED** that a private limited company under the name and style of "Shifa Medical Center Islamabad (Pvt.) Limited" be incorporated as subsidiary company.

**FURTHER RESOLVED** that the Company be and is hereby authorized to make investment of upto Rs. 1.4 billion (approx.) in the paid-up capital of the said subsidiary company within 5 years from the date of incorporation.

- c- **RESOLVED** that a private limited company under the name and style of "Shifa Neuro Sciences Institute Islamabad (Pvt.) Limited" be incorporated as subsidiary company.

**FURTHER RESOLVED** that the Company be and is hereby authorized to make investment of upto Rs. 1.7 billion (approx.) in the paid-up capital of the said subsidiary company within 5 years from the date of incorporation.

**FURTHER RESOLVED** that the Chief Executive Officer and/or Company Secretary be and is/are hereby authorized singly or jointly to give effect to said resolutions."

Statement of Material Facts U/s 134 (3) of the Companies Act, 2017 is annexed with this notice.

By Order of the Board



**MUHAMMAD NAEEM**  
Company Secretary

**ISLAMABAD**  
September 18, 2018

# NOTICE OF THE 32<sup>ND</sup> ANNUAL GENERAL MEETING

## Notes:

- i) The share transfer books of the Company will remain closed from October 18, 2018 to October 27, 2018 (both days inclusive). No transfer will be accepted for registration during this period. Transfers received in order at the share registrar's office of the Company i.e. M/s Corplink (Pvt.) Limited situated at Wings Arcade, 1-K, Commercial, Model Town, Lahore at the close of business on Wednesday, October 17, 2018 will be considered in time for the purpose of payment of dividend to the transferees.
- ii) A member entitled to attend and vote at this meeting is entitled to appoint another member as his/her proxy to attend and vote for him/her. Proxies in order to be effective must be received at the registered office of the Company at Sector H-8/4, Islamabad, not less than 48 hours before the time of holding the meeting. Proxy form is attached with the notice.
- iii) Members are requested to notify any change in their registered addresses immediately.
- iv) CDC shareholders entitled to attend and vote at this meeting must bring their original CNIC or Passport along with the participant's ID numbers and account numbers to prove their identity. In case of proxy, the attested copy of CNIC or passport of the CDC shareholder must be enclosed. Representatives of corporate members should bring the usual documents required for such purpose.
- v) Pursuant to the directive of the Securities & Exchange Commission of Pakistan, CNIC numbers of members are mandatorily required to be mentioned on dividend warrants. Members are, therefore, requested to submit a copy of their CNIC (if not already provided) to the Company's Share Registrar, M/s Corplink (Pvt.) Limited.
- vi) The Company wishes to inform its members that pursuant to section 242 of the Companies Act, 2017 and circular 18/2017 issued by Securities & Exchange Commission of Pakistan, any dividend payable in cash declared by the listed company shall only be paid through electronic mode directly into the respective bank account designated by the entitled members instead of receiving it through dividend warrants. In this regard, members are again advised to provide the particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank (if not already provided) to the Company's Share Registrar. CDC account holders should submit their particulars to their broker (participant)/ CDC.
- vii) Pursuant to the provision of Finance Act 2018, the rates of Income tax from dividend payment under section 150 of the Income Tax Ordinance, 2001 are as under:
  - **For filers - 15 %**
  - **For non-filers - 20 %**All members are requested to make it sure that copy of their valid CNIC/NTN should be available with the Share Registrar. Please also note that in case of non-availability of CNIC/NTN, the Share Registrar could not check their status and would be constrained to apply tax rate prescribed for non-filers.
- viii) In order to enable the Company to follow the directives of the regulators to determine shareholding ratio of the Joint Account Holder(s) (where shareholding has not been determined by the Principal Shareholder) for deduction of Withholding Tax on dividends of the Company, members are requested to please complete the form (earlier dispatched and also enclosed with this notice) to furnish the shareholding ratio, details of themselves as Principal Shareholder and their Joint Holders to the Company's Share Registrar (if not already provided), enabling the Company to compute Withholding Tax of each member accordingly. In the event of non-receipt of the information by October 17, 2018 each member will be assumed to have equal proportion of shares and the tax will be deducted accordingly.
- ix) Pursuant to Notification vide SRO. 787(I)/2014 of September 08, 2014, the Securities and Exchange Commission of



# NOTICE OF THE 32<sup>ND</sup> ANNUAL GENERAL MEETING

Pakistan has directed to facilitate the members of the Company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through email in future. In this respect members are hereby requested to send their consent on a standard request form which is available at Company website <http://www.shifa.com.pk/files/finst/Financial-Statements-Request-Form.pdf> duly signed alongwith copy of CNIC/PoA to the Company's Share Registrar.

- x) Shareholders who wish to receive the hard copy of Financial Statements are requested to fill the standard request form (available on the company's website <https://www.shifa.com.pk/wp-content/uploads/2014/05/Request-Form-2018.pdf>) and send it to the Company's registered address.
- xi) If the Company receives consent from members holding 10% or more shareholding, residing in geographical location to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility.

In this regard, please fill the following and submit at the registered office of the Company situated at Sector H-8/4, Islamabad at least 10 days prior to the date of Annual General Meeting:

I/We _____ of _____ being a member[s] of Shifa International Hospitals Limited, holding _____ ordinary shares as per registered Folio / CDC Account No. _____ hereby opt for video conference facility at _____.	
_____ <b>Date</b>	----- <b>Signature</b>

# STATEMENT OF MATERIAL FACTS

U/S 134(3) OF COMPANIES ACT, 2017

## a- INVESTMENT IN SUBSIDIARY COMPANY NAMELY SHIFA NATIONAL HOSPITAL FAISALABAD (PRIVATE) LIMITED

The Board of Directors have approved establishment of a subsidiary company under the name and style of "Shifa National Hospital Faisalabad (Private) Limited" which will focus on providing healthcare services at Faisalabad.

Shifa International Hospitals Limited (SIHL) has planned to set up a secondary/tertiary health care hospital at Faisalabad which will provide health care facilities to the people of Faisalabad as well as surrounding areas. We have acquired major portion of the land for the project.

As per requirements of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017, following information is provided to the shareholders:-

Sr. #	Description	Information Required
(i)	Name of the associated company or associated undertaking;	Shifa National Hospital Faisalabad (Private) Limited (Proposed).
(ii)	Basis of relationship;	At the time of incorporation, the Proposed Company shall be wholly owned subsidiary company of Shifa International Hospitals Limited. However, later on potential investors shall be identified who shall invest in the 45% of the total equity of the Company where after the Proposed Company shall be the subsidiary company of Shifa International Hospitals Limited owning 55% of the equity.
(iii)	Earnings per share for the last three years;	Not Applicable
(iv)	Break-up value per share, based on latest audited financial statements;	Not Applicable
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements;	Not Applicable
(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,- (I) description of the project and its history since conceptualization; (II) starting date and expected date of completion of work; (III) time by which such project shall become commercially operational; (IV) expected time by which the project shall start paying return on investment; and	Not Applicable

# STATEMENT OF MATERIAL FACTS

U/S 134(3) OF COMPANIES ACT, 2017

Sr. #	Description	Information Required
	(V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;	
(vii)	Maximum amount of investment to be made;	Rs. 1,584,222,750/- (Rupees one billion five hundred eighty four million two hundred twenty two thousand seven hundred fifty only) in cash and kind in five years. (Total project cost of the Proposed Company is Rs. 4.2 billion (approx.). This cost would be met by the Proposed Company through financing to the tune of Rs. 1.34 billion whereas the remaining Rs. 2.86 billion shall be arranged through equity investment. 55% of the equity investment by SIHL in the Proposed Company would be Rs. 1.6 (approx.) billion whereas the remaining 45% equity investment would be injected by the potential investors).
(viii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment;	To contribute in equity- this shall be a long term investment of the Company. Once the Proposed Company becomes a profitable entity, the parent company i.e. SIHL would be benefited by sharing the profits of the subsidiary company alongwith potential investors. Indirectly members of SIHL will earn higher return on their investment as well as increase in their net worth being members of SIHL. The Proposed Company will be managed by staff appointed by SIHL under the management agreement with the proposed subsidiary. This agreement will ensure the same level of quality care being provided at SIHL and for better management of its affairs.
(ix)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,-	Investment shall be made through internal generation of sources / further issue of share capital.

# STATEMENT OF MATERIAL FACTS

U/S 134(3) OF COMPANIES ACT, 2017

Sr. #	Description	Information Required
	(I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis;	Not Applicable
(x)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;	Not Applicable
(xi)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Following will have interest:- i. SIHL will have equity interest and nomination of directors on the Board. ii. Directors, sponsors, majority shareholders and their relatives are not interested in this business except as shareholders of the Company.
(xii)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and	Not Applicable
(xiii)	Any other important details necessary for the members to understand the transaction;	All material information has been disclosed.
(xiv)	Maximum price at which securities will be acquired;	At par value of Rs. 10/- per share
(xv)	In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof;	Not Applicable
(xvi)	Maximum number of securities to be acquired;	158,422,275 shares of Rs. 10/- each over a period of five years.
(xvii)	Number of securities and percentage thereof held before and after the proposed investment;	None at present. Afterward - 158.4 million shares (approx.) over a period of five years.
(xviii)	Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities;	Not Applicable



# STATEMENT OF MATERIAL FACTS

U/S 134(3) OF COMPANIES ACT, 2017

Sr. #	Description	Information Required
(xix)	Fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities.	Not Applicable

The directors in their meeting held on 08-09-2018 signed the recommendations of the due diligence report and the duly signed recommendations of the due diligence report shall be made available for inspection in the 32<sup>nd</sup> Annual General Meeting of the Company scheduled to be held on October 27, 2018 as required under Regulation 3(3) of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017.



**Muhammad Naeem**  
Company Secretary

# STATEMENT OF MATERIAL FACTS

## U/S 134(3) OF COMPANIES ACT, 2017

### **b- INVESTMENT IN SUBSIDIARY COMPANY NAMELY SHIFA MEDICAL CENTER ISLAMABAD (PRIVATE) LIMITED**

The Board of Directors have approved establishment of a subsidiary company under the name and style of "Shifa Medical Center Islamabad (Private) Limited" which will focus on providing healthcare services at Islamabad.

Shifa International Hospitals Limited (SIHL) has planned to set up an OPD, Day Care Surgeries and Diagnostic Services Centre at F-11, Islamabad which will provide health care facilities to the people of F-11 as well as surrounding areas. The land in this regard has already been acquired.

As per requirements of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017, following information is provided to the shareholders:-

Sr. #	Description	Information Required
(i)	Name of the associated company or associated undertaking;	Shifa Medical Center Islamabad (Private) Limited (Proposed).
(ii)	Basis of relationship;	At the time of incorporation, the Proposed Company shall be wholly owned subsidiary company of Shifa International Hospitals Limited. However, later on potential investors shall be identified who shall invest in the 45% of the total equity of the Company where after the Proposed Company shall be the subsidiary company of Shifa International Hospitals Limited owning 55% of the equity.
(iii)	Earnings per share for the last three years;	Not Applicable
(iv)	Break-up value per share, based on latest audited financial statements;	Not Applicable
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements;	Not Applicable
(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,- (I) description of the project and its history since conceptualization; (II) starting date and expected date of completion of work; (III) time by which such project shall become commercially operational; (IV) expected time by which the project shall start paying return on investment; and	Not Applicable

# STATEMENT OF MATERIAL FACTS

U/S 134(3) OF COMPANIES ACT, 2017

Sr. #	Description	Information Required
	(V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;	
(vii)	Maximum amount of investment to be made;	Rs. 1,357,050,750/- (Rupees one billion three hundred fifty seven million fifty thousand seven hundred fifty only) in cash and kind in five years. (Total project cost of the Proposed Company is Rs. 3.5 billion (approx.). This cost would be met by the Proposed Company through financing to the tune of Rs. 1 billion whereas the remaining Rs. 2.5 billion shall be arranged through equity investment. 55% of the equity investment by SIHL in the Proposed Company would be Rs. 1.4 billion (approx.) whereas the remaining 45% equity investment would be injected by the potential investors).
(viii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment;	To contribute in equity- this shall be a long term investment of the Company. Once the Proposed Company becomes a profitable entity, the parent company i.e. SIHL would be benefited by sharing the profits of the subsidiary Company alongwith potential investors. Indirectly members of SIHL will earn higher return on their investment as well as increase in their net worth being members of SIHL. The Proposed Company will be managed by staff appointed by SIHL under the management agreement with the proposed subsidiary. This agreement will ensure the same level of quality care being provided at SIHL and for better management of its affairs.
(ix)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,- obtaining such funds; and	Investment shall be made through internal generation of sources / further issue of share capital.
	(I) justification for investment through borrowings;	Not Applicable

# STATEMENT OF MATERIAL FACTS

U/S 134(3) OF COMPANIES ACT, 2017

Sr. #	Description	Information Required
	(II) detail of collateral, guarantees provided and assets pledged for (III) cost benefit analysis;	Not Applicable
(x)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;	Not Applicable
(xi)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Following will have interest:- i. SIHL will have equity interest and nomination of directors on the Board. ii. Directors, sponsors, majority shareholders and their relatives are not interested in this business except as shareholders of the Company.
(xii)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and	Not Applicable
(xiii)	Any other important details necessary for the members to understand the transaction;	All material information has been disclosed.
(xiv)	Maximum price at which securities will be acquired;	At par value of Rs. 10/- per share
(xv)	In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof;	Not Applicable
(xvi)	Maximum number of securities to be acquired;	135,705,075 shares of Rs. 10/- each over a period of five years.
(xvii)	Number of securities and percentage thereof held before and after the proposed investment;	None at present. Afterward – 135.7 million shares (approx.) over a period of five years.
(xviii)	Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities;	Not Applicable
(xix)	Fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities.	Not Applicable

The directors in their meeting held on 08-09-2018 signed the recommendations of the due diligence report and the duly signed recommendations of the due diligence report shall be made available for inspection in the 32nd Annual General Meeting of the Company scheduled to be held on October 27, 2018 as required under Regulation 3(3) of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017.

  
**Muhammad Naeem**  
**Company Secretary**

# STATEMENT OF MATERIAL FACTS

U/S 134(3) OF COMPANIES ACT, 2017

## c- INVESTMENT IN SUBSIDIARY COMPANY NAMELY SHIFA NEURO SCIENCES INSTITUTE ISLAMABAD (PRIVATE) LIMITED

The Board of Directors have approved establishment of a subsidiary company under the name and style of "Shifa Neuro Sciences Institute Islamabad (Private) Limited" which will focus on providing healthcare services at Islamabad.

Shifa International Hospitals Limited (SIHL) has planned to set up a centre of excellence of neuroscience at H-8, Islamabad which will cater the needs of all over Pakistan related to neurological diseases and disorders. Initially this project will have 100 beds and 10 OPD clinics covering advance areas of neurosciences. We have also acquired the land for the project.

As per requirements of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017, following information is provided to the shareholders:-

Sr. #	Description	Information Required
(i)	Name of the associated company or associated undertaking;	Shifa Neuro Sciences Institute Islamabad (Private) Limited (Proposed).
(ii)	Basis of relationship;	At the time of incorporation, the Proposed Company shall be wholly owned subsidiary company of Shifa International Hospitals Limited. However, later on potential investors shall be identified who shall invest in the 45% of the total equity of the Company where after the Proposed Company shall be the subsidiary company of Shifa International Hospitals Limited owning 55% of the equity.
(iii)	Earnings per share for the last three years;	Not Applicable
(iv)	Break-up value per share, based on latest audited financial statements;	Not Applicable
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements;	Not Applicable
(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,- (I) description of the project and its history since conceptualization; (II) starting date and expected date of completion of work; (III) time by which such project shall become commercially operational; (IV) expected time by which the project shall start paying return on investment; and	Not Applicable



# STATEMENT OF MATERIAL FACTS

U/S 134(3) OF COMPANIES ACT, 2017

Sr. #	Description	Information Required
	(V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;	
(vii)	Maximum amount of investment to be made;	Rs. 1,705,000,000/- (Rupees one billion seven hundred and five million only) in cash and kind in five years. (Total project cost of the Proposed Company is Rs. 4.8 billion (approx.). This cost would be met by the Proposed Company through financing to the tune of Rs. 1.7 billion whereas the remaining Rs. 3.1 billion shall be arranged through equity investment. 55% of the equity investment by SIHL in the Proposed Company would be Rs. 1.7 (approx.) billion whereas the remaining 45% equity investment would be injected by the potential investors).
(viii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment;	To contribute in equity- this shall be a long term investment of the Company. Once the Proposed Company becomes a profitable entity, the parent company i.e. SIHL would be benefited by sharing the profits of the subsidiary Company alongwith potential investors. Indirectly members of SIHL will earn higher return on their investment as well as increase in their net worth being members of SIHL. The Proposed Company will be managed by staff appointed by SIHL under the management agreement with the proposed subsidiary. This agreement will ensure the same level of quality care being provided at SIHL and for better management of its affairs.
(ix)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,- obtaining such funds; and (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for (III) cost benefit analysis;	Investment shall be made through internal generation of sources / further issue of share capital.  Not Applicable  Not Applicable  Not Applicable
(x)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;	Not Applicable

# STATEMENT OF MATERIAL FACTS

U/S 134(3) OF COMPANIES ACT, 2017

Sr. #	Description	Information Required
(xi)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Following will have interest:- i. SIHL will have equity interest and nomination of directors on the Board. ii. Directors, sponsors, majority shareholders and their relatives are not interested in this business except as shareholders of the Company.
(xii)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and	Not Applicable
(xiii)	Any other important details necessary for the members to understand the transaction;	All material information has been disclosed.
(xiv)	Maximum price at which securities will be acquired;	At par value of Rs. 10/- per share
(xv)	In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof;	Not Applicable
(xvi)	Maximum number of securities to be acquired;	170,500,000 shares of Rs. 10/- each over a period of five years.
(xvii)	Number of securities and percentage thereof held before and after the proposed investment;	None at present. Afterward – 170.5 million shares (approx.) over a period of five years.
(xviii)	Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities;	Not Applicable
(xix)	Fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities.	Not Applicable

The directors in their meeting held on 08-09-2018 signed the recommendations of the due diligence report and the duly signed recommendations of the due diligence report shall be made available for inspection in the 32<sup>nd</sup> Annual General Meeting of the Company scheduled to be held on October 27, 2018 as required under Regulation 3(3) of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017.



**Muhammad Naeem**  
Company Secretary

# STATEMENT OF VALUE ADDITION

## Value added

Total Revenue inclusive of other income  
Supplies and other operating costs

Total value added

## Value allocated to employees

Salaries, wages and other benefits

## To Government

Income tax, sales tax and federal excise duty etc

## To society

Donation

## To providers of capital

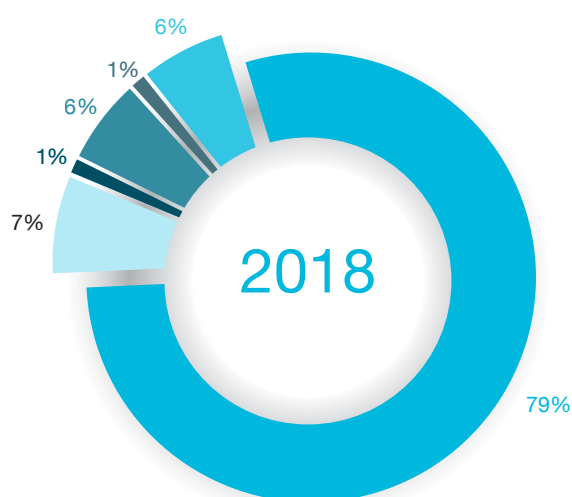
Dividend to shareholders

Finance cost of borrowed funds

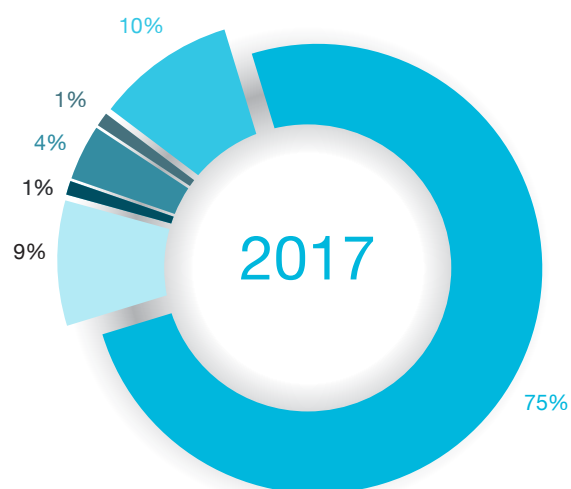
Retained in the Company

Total value allocated

	2018		2017	
	Rs. in '000'	%	Rs. in '000'	%
Total Revenue inclusive of other income	10,333,681		9,393,588	
Supplies and other operating costs	5,443,659		4,895,494	
Total value added	4,890,022		4,498,094	
Value allocated to employees				
Salaries, wages and other benefits	3,886,276	79	3,386,716	75
To Government				
Income tax, sales tax and federal excise duty etc	356,958	7	401,866	9
To society				
Donation	50,000	1	52,400	1
To providers of capital				
Dividend to shareholders	272,690	6	163,614	4
Finance cost of borrowed funds	40,100	1	50,685	1
Retained in the Company	312,790	7	214,299	5
Total value allocated	283,998	6	442,813	10
Total value allocated	4,890,022	100	4,498,094	100



Salaries, wages and other benefits  
Income tax and sales tax  
Donation  
Dividend to shareholders  
Finance cost of borrowed funds  
Retained in the Company



Salaries, wages and other benefits  
Income tax and sales tax  
Donation  
Dividend to shareholders  
Finance cost of borrowed funds  
Retained in the Company

# SIX YEARS AT A GLANCE

		2018	2017	2016	2015	2014	2013
<b>PERFORMANCE</b>							
Operating profit margin	%	8.04	10.04	13.16	11.95	12.95	13.74
Net profit margin	%	5.42	6.55	8.71	7.19	7.27	7.30
Return on equity	%	11.14	13.05	20.46	18.85	19.27	19.22
Return on assets	%	8.14	11.99	15.97	14.47	14.14	13.90
Asset turnover	Times	1.01	1.19	1.21	1.21	1.09	1.01
<b>CAPITAL MARKET/CAPITAL STRUCTURE ANALYSIS</b>							
Market value per share (year end)	Rs.	270.00	330.00	300.00	250.50	144.58	44.86
Breakup value per share	Rs.	93.99	89.32	81.13	59.51	52.45	42.97
Market price to breakup value	Times	2.87	3.69	3.70	4.21	2.76	1.04
Earnings per share	Rs.	10.21	11.12	14.68	10.52	9.20	7.68
Price earning ratio	Times	26.44	29.68	20.44	23.81	15.72	5.84
Dividend per share (total)	Rs.	5.00	3.00	6.50	3.00	3.00	1.50
Dividend yield/effective dividend rate	%	1.85	0.91	2.17	1.20	2.07	3.34
Interest cover	Times	14.41	13.99	10.54	5.57	4.33	3.84
Debt : equity	Ratio	25:75	9:91	16:84	28:72	37:63	44:56
<b>LIQUIDITY</b>							
Current ratio		0.83	0.97	1.37	0.87	0.93	1.66
Quick ratio		0.64	0.76	1.16	0.66	0.69	1.29

## HISTORICAL TRENDS

### FINANCIAL POSITION

	(Rupees in '000')					
Authorized capital	1,000,000	545,379	545,379	545,379	545,379	545,379
Issued, subscribed and paid up capital	545,379	545,379	545,379	505,138	505,138	505,138
Capital reserve	1,046,025	1,046,025	1,046,025	40,000	40,000	40,000
Surplus on revaluation of PP&E	723,310	726,760	742,191	751,182	760,176	583,373
Unappropriated profit	2,811,117	2,553,295	2,090,865	1,709,813	1,344,260	1,042,248
<b>Share holders' equity</b>	<b>5,125,831</b>	<b>4,871,459</b>	<b>4,424,460</b>	<b>3,006,133</b>	<b>2,649,574</b>	<b>2,170,759</b>
Non current liabilities	1,882,076	581,874	927,597	1,290,733	1,608,133	2,118,224
Current liabilities	3,137,871	2,295,152	1,842,642	1,822,423	1,597,824	968,684
<b>Total</b>	<b>10,145,778</b>	<b>7,748,485</b>	<b>7,194,699</b>	<b>6,119,289</b>	<b>5,855,531</b>	<b>5,257,667</b>
Property, plant and equipment	6,028,882	5,457,545	4,606,615	4,485,977	4,034,090	3,616,518
Investment property	1,401,837	-	-	-	-	-
Intangible	33,477	10,585	-	-	-	-
Long term investment	18,120	18,120	18,000	18,000	-	-
Long term deposits	60,736	45,273	39,677	38,129	40,651	31,041
Current assets	2,602,726	2,216,962	2,530,407	1,577,183	1,483,316	1,610,108
Non current asset held for sale	-	-	-	-	297,474	-
<b>Total</b>	<b>10,145,778</b>	<b>7,748,485</b>	<b>7,194,699</b>	<b>6,119,289</b>	<b>5,855,531</b>	<b>5,257,667</b>

### OPERATING RESULTS

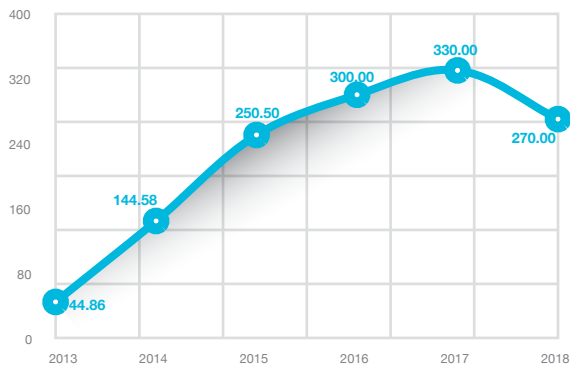
	(Rupees in '000')					
Net revenue	10,270,597	9,257,009	8,730,803	7,410,022	6,393,105	5,315,589
Operating costs	(9,508,191)	(8,464,606)	(7,668,538)	(6,579,618)	(5,622,197)	(4,625,532)
Other income	63,084	136,579	86,760	55,288	56,894	40,540
<b>Operating profit</b>	<b>825,490</b>	<b>928,982</b>	<b>1,149,025</b>	<b>885,692</b>	<b>827,802</b>	<b>730,597</b>
Finance cost	(57,280)	(66,389)	(108,997)	(158,914)	(191,229)	(190,279)
Provision for taxation	(211,522)	(256,166)	(279,930)	(193,768)	(172,017)	(152,166)
<b>Profit after taxation</b>	<b>556,688</b>	<b>606,427</b>	<b>760,098</b>	<b>533,010</b>	<b>464,556</b>	<b>388,152</b>

### CASH FLOW SUMMARY

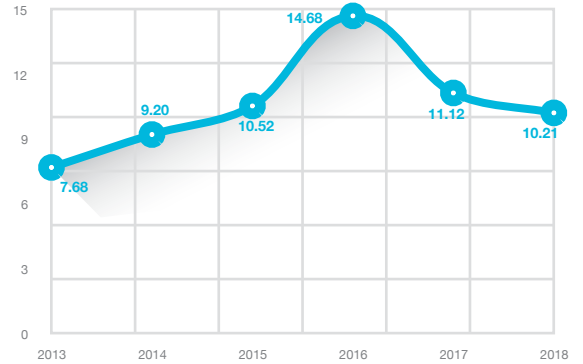
	(Rupees in '000')					
Net cash flows from operating activities	902,302	1,037,835	1,033,182	1,158,863	962,854	670,655
Net cash used in investing activities	(2,101,707)	(1,323,953)	(498,613)	(534,181)	(829,793)	(404,875)
Net cash flows from/ (used in) financing activities	892,154	(514,959)	398,912	(485,424)	(385,228)	190,915
Changes in cash & cash equivalent (C&CE)	(307,251)	(801,077)	933,481	139,258	(252,167)	456,695
Cash & cash equivalents at beginning of year	781,194	1,582,690	649,702	510,612	763,546	306,452
Effect of exchange rate change on C&CE	(464)	(419)	(493)	(168)	(767)	399
Cash & cash equivalents at end of year	473,479	781,194	1,582,690	649,702	510,612	763,546

# SIX YEARS AT A GLANCE - GRAPHS

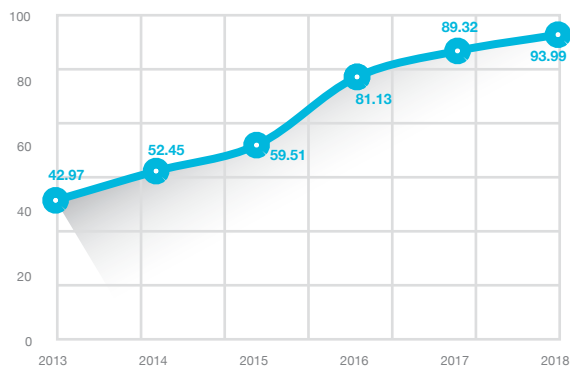
Market Value Per Share (Rupees)



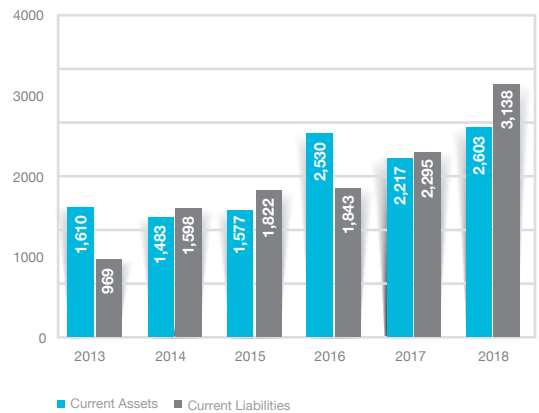
Earnings Per Share (Rupees)



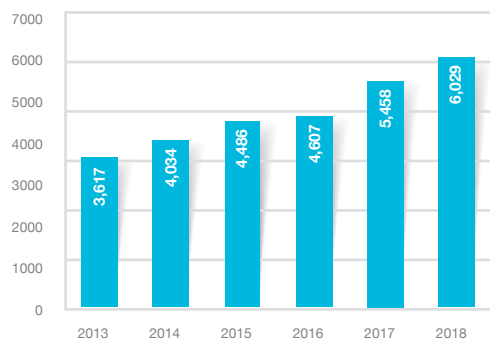
Breakup Value Per Share (Rupees)



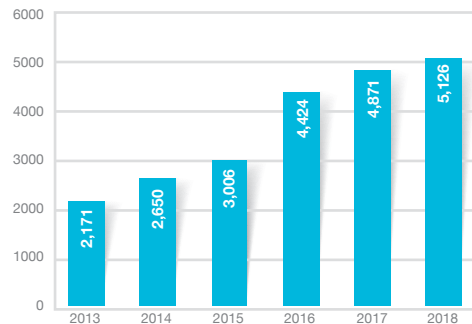
Current Assets & Current Liabilities (Rs in million)



Property, Plant and Equipment (Rs in million)



Shareholders' Equity (Rs in million)





# HORIZONTAL ANALYSIS

	2018		2017	
	Rs in '000'	18 Vs. 17 %	Rs in '000'	17 Vs. 16 %
<b>BALANCE SHEET</b>				
<b>SHARE CAPITAL &amp; RESERVES</b>				
Issued, subscribed and paid up capital	545,379	-	545,379	-
Capital reserve	1,046,025	-	1,046,025	-
Surplus on revaluation of PP&E	723,310	(0.5)	726,760	(2)
Unappropriated profit	2,811,117	10	2,553,295	22
<b>Shareholders' equity</b>	<b>5,125,831</b>	<b>5</b>	<b>4,871,459</b>	<b>10</b>
Non current liabilities	1,882,076	223	581,874	(37)
Current liabilities	3,137,871	37	2,295,152	25
<b>Total</b>	<b>10,145,778</b>	<b>31</b>	<b>7,748,485</b>	<b>8</b>
<b>ASSETS</b>				
Property, plant and equipment (PP&E)	6,028,882	10	5,457,545	18
Investment property	1,401,837	100	-	-
Intangible	33,477	216	10,585	100
Long term investment	18,120	-	18,120	1
Long term deposits	60,736	34	45,273	14
Current assets	2,602,726	17	2,216,962	(12)
Non current asset held for sale	-	-	-	-
<b>Total</b>	<b>10,145,778</b>	<b>31</b>	<b>7,748,485</b>	<b>8</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>				
<b>Net revenue *</b>	<b>10,270,597</b>	<b>11</b>	<b>9,257,009</b>	<b>6</b>
Operating costs **	(9,508,191)	12	(8,464,606)	10
Other income	63,084	(54)	136,579	57
<b>Operating profit</b>	<b>825,490</b>	<b>(11)</b>	<b>928,982</b>	<b>(19)</b>
Finance cost	(57,280)	(14)	(66,389)	(39)
Provision for taxation	(211,522)	(17)	(256,166)	(8)
<b>Profit after taxation</b>	<b>556,688</b>	<b>(8)</b>	<b>606,427</b>	<b>(20)</b>

\* Revenue earned during the year under review increased from Rs. 9,257 million to Rs. 10,271 million as compared to last year due to increase in patient visits, procedures, tests, surgeries etc. and external pharmacies business.

\*\* The operating cost increased by 12% from Rs. 8,465 million to Rs. 9,508 million, which is mainly due to increase in salaries, wages and benefits, cost & volume of supplies & medicines consumed, cleaning & washing, depreciation and rent etc.

2016		2015		2014		2013	
Rs in '000'	16 Vs. 15 %	Rs in '000'	15 Vs. 14 %	Rs in '000'	14 Vs. 13 %	Rs in '000'	13 Vs. 12 %
545,379	8	505,138	-	505,138	-	505,138	-
1,046,025	2,515	40,000	-	40,000	-	40,000	-
742,191	(1)	751,182	(1)	760,176	30	583,373	(1)
2,090,865	22	1,709,813	27	1,344,260	29	1,042,248	42
4,424,460	47	3,006,133	13	2,649,574	22	2,170,759	16
927,597	(28)	1,290,733	(20)	1,608,133	(24)	2,118,224	27
1,842,642	1	1,822,423	14	1,597,824	65	968,684	(14)
7,194,699	18	6,119,289	5	5,855,531	11	5,257,667	13
4,606,615	3	4,485,977	11	4,034,090	12	3,616,518	4
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
18,000	-	18,000	100	-	-	-	-
39,677	4	38,129	(6)	40,651	31	31,041	41
2,530,407	60	1,577,183	6	1,483,316	(8)	1,610,108	38
-	-	-	(100)	297,474	100	-	-
7,194,699	18	6,119,289	5	5,855,531	11	5,257,667	13
8,730,803	18	7,410,022	16	6,393,105	20	5,315,589	19
(7,668,538)	17	(6,579,618)	17	(5,622,197)	22	(4,625,532)	17
86,760	57	55,288	(3)	56,894	40	40,540	174
1,149,025	30	885,692	7	827,802	13	730,597	40
(108,997)	(31)	(158,914)	(17)	(191,229)	0.5	(190,279)	26
(279,930)	44	(193,768)	13	(172,017)	13	(152,166)	38
760,098	43	533,010	15	464,556	20	388,152	49

# VERTICAL ANALYSIS

	2018		2017	
	Rs in '000'	%	Rs in '000'	%
<b>BALANCE SHEET</b>				
<b>SHARE CAPITAL &amp; RESERVES</b>				
Issued, subscribed and paid up capital	545,379	5	545,379	7
Capital reserve	1,046,025	10	1,046,025	13
Surplus on revaluation of PP&E	723,310	7	726,760	9
Unappropriated profit	2,811,117	28	2,553,295	33
<b>Shareholders' equity</b>	<b>5,125,831</b>	<b>50</b>	<b>4,871,459</b>	<b>62</b>
Non current liabilities	1,882,076	19	581,874	8
Current liabilities	3,137,871	31	2,295,152	30
<b>Total</b>	<b>10,145,778</b>	<b>100</b>	<b>7,748,485</b>	<b>100</b>
<b>ASSETS</b>				
Property, plant and equipment (PP&E)	6,028,882	59.4	5,457,545	70.4
Investment property	1,401,837	13.8	-	-
Intangible	33,477	0.3	10,585	0.2
Long term investment	18,120	0.2	18,120	0.2
Long term deposits	60,736	0.6	45,273	0.6
Current assets	2,602,726	25.7	2,216,962	28.6
Non current asset held for sale	-	-	-	-
	<b>10,145,778</b>	<b>100</b>	<b>7,748,485</b>	<b>100</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>				
<b>Net revenue</b>	<b>10,270,597</b>	<b>100</b>	<b>9,257,009</b>	<b>100</b>
Operating costs	(9,508,191)	92.6	(8,464,606)	91.4
Other income	63,084	0.6	136,579	1.5
<b>Operating profit</b>	<b>825,490</b>	<b>8</b>	<b>928,982</b>	<b>10.1</b>
Finance cost	(57,280)	0.6	(66,389)	0.7
Provision for taxation	(211,522)	2	(256,166)	2.8
<b>Profit after taxation</b>	<b>556,688</b>	<b>5.4</b>	<b>606,427</b>	<b>6.6</b>

2016		2015		2014		2013	
Rs in '000'	%	Rs in '000'	%	Rs in '000'	%	Rs in '000'	%
545,379	8	505,138	8	505,138	9	505,138	10
1,046,025	14	40,000	1	40,000	1	40,000	1
742,191	10	751,182	12	760,176	13	583,373	11
2,090,865	29	1,709,813	28	1,344,260	23	1,042,248	20
4,424,460	61	3,006,133	49	2,649,574	46	2,170,759	42
927,597	13	1,290,733	21	1,608,133	27	2,118,224	40
1,842,642	26	1,822,423	30	1,597,824	27	968,684	18
7,194,699	100	6,119,289	100	5,855,531	100	5,257,667	100
4,606,615	64	4,485,977	73	4,034,090	69	3,616,518	69
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
18,000	0.3	18,000	0.3	-	-	-	-
39,677	0.6	38,129	0.7	40,651	1	31,041	0.6
2,530,407	35.1	1,577,183	26	1,483,316	25	1,610,108	30.4
-	-	-	-	297,474	5	-	-
7,194,699	100	6,119,289	100	5,855,531	100	5,257,667	100
8,730,803	100	7,410,022	100	6,393,105	100	5,315,589	100
(7,668,538)	87.8	(6,579,618)	88.8	(5,622,197)	88	(4,625,532)	87
86,760	1.0	55,288	0.7	56,894	1	40,540	0.7
1,149,025	13.2	885,692	11.9	827,802	13	730,597	13.7
(108,997)	1.3	(158,914)	2.1	(191,229)	3	(190,279)	3.6
(279,930)	3.2	(193,768)	2.6	(172,017)	2.7	(152,166)	2.8
760,098	8.7	533,010	7.2	464,556	7.3	388,152	7.3

# STATEMENT OF COMPLIANCE

## with Listed Companies (Code of Corporate Governance) Regulations, 2017 Shifa International Hospitals Limited – Year Ended June 30, 2018

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are ten (10) which includes the following:

- a. Male: Nine (09)
- b. Female: One (01)

2. The composition of Board is as follows:

Category	Names
<b>Independent Directors</b>	Shah Naveed Saeed Syed Ilyas Ahmed Dr. Mohammad Naseem Ansari
<b>Non-Executive Directors</b>	Dr. Habib-Ur-Rahman Mr. Shafquat Ali Chaudhary Mr. Qasim Farooq Ahmad Dr. Samea Kauser Ahmad Prof. Dr. Shoab Ahmed Khan
<b>Executive Directors</b>	Dr. Manzoor H. Qazi Mr. Muhammad Zahid

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company.
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Upto June 30, 2018 seventy percent (70%) of the existing Board members have attended the Directors' Training Program.
10. The Board has approved appointment of CFO including his remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:
  - a) **Audit Committee**
    - i. Shah Naveed Saeed (Chairman)
    - ii. Dr. Habib Ur Rahman
    - iii. Dr. Samea Kauser Ahmad
    - iv. Syed Ilyas Ahmed



**b) HR and Remuneration Committee**

- i. Syed Ilyas Ahmed (Chairman)
- ii. Dr. Habib Ur Rahman
- iii. Shah Naveed Saeed
- iv. Dr. Manzoor H. Qazi

- 13.** The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
- 14.** The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
- a) Audit Committee (quarterly)
  - b) HR and Remuneration Committee (yearly)
- 15.** The Board has set up an effective internal audit function.
- 16.** The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- 17.** The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 18.** We confirm that all other requirements of the Regulations have been complied with.

**ISLAMABAD**

September 08, 2018



**DR. HABIB-UR-RAHMAN**

Chairman

## INDEPENDENT AUDITORS' REVIEW REPORT

### **To the members of Shifa International Hospitals Limited Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Shifa International Hospitals Limited for the year ended June 30, 2018, in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.



**GRANT THORNTON ANJUM RAHMAN**

Chartered Accountants

Place: Islamabad

Date: September 08, 2018

## INDEPENDENT AUDITORS' REPORT

### To the members of Shifa International Hospitals Limited Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of Shifa International Hospitals Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with approved accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the Code) as adopted by the Institute of Chartered Accountants of Pakistan 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.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	<p><b>Valuation of lands</b></p> <p>The Company is following revaluation model for subsequent measurement of its lands under property, plant and equipment. The valuation is based on the report of independent external appraiser engaged by the Company, who estimate the value after due consideration of the prevailing prices, characteristics, size of the land and restrictions and condition attached to the same. Based on the latest report of external appraiser, values of lands are accounted for in the financial statements. Due to specifics of the valuation process, characteristics and materiality of the value of lands, we have determined it as a key audit matter.</p>	<p>Our audit procedures amongst others to address this matter comprise of assessing the qualification, objectivity, independence and competence of external appraiser. We discussed with appraiser the methodology, key assumptions and method used in the valuation process. We established that the valuation approach is consistent and in accordance with IFRS 13, "Fair Value Measurement". We also tested and assessed the completeness, appropriateness and adequacy of the disclosure in the financial statements of the Company with regard to the revaluation performed.</p>
2	<p><b>First time application of fourth schedule to the Companies Act, 2017</b></p> <p>As referred to in note 2 and 3.1 to the annexed financial statements, the financial statements have been prepared according to the fourth schedule to the Companies Act, 2017 (the Act) as they have become applicable for the first time during the current year. The Act (including third and fourth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Company which, amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements and the management identified differences between the framework by performing gap analysis and as a result assessed the amendments relating to disclosures required in the Company's financial statements. We consider the above as a key audit matter in view of extensive impacts in the financial statements due to the Companies Act, 2017.</p>	<p>The matter was addressed in our audit by performing the audit procedures where by, the management's process to identify the necessary amendments required in the Company's financial statements was considered and an evaluation was made of the results of management's analysis and key decisions taken in respect of the transition and an assessment was made on the adequacy and appropriateness of disclosures made in the financial statements arising from the changes.</p>

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

Management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as 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, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 Company 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 the board of directors 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 board of directors 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.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Khaliq ur Rahman.



**Grant Thornton Anjum Rahman**

Chartered Accountants

Place: Islamabad

Date: September 08, 2018



# FINANCIAL STATEMENTS

For the year ended June 30, 2018

# STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

		2018	2017	2016
	Note	(Rupees in '000')		
<b>SHARE CAPITAL AND RESERVES</b>				
Authorized share capital 100,000,000 (2017: 54,537,900) ordinary shares of Rs. 10 each		1,000,000	545,379	545,379
Issued, subscribed and paid up capital	5	545,379	545,379	545,379
<b>Capital reserves</b>				
Share premium account	6	1,046,025	1,046,025	1,046,025
Surplus on revaluation of property, plant and equipment	7	723,310	726,760	742,191
<b>Revenue reserve</b>				
Unappropriated profit		2,811,117	2,553,295	2,090,865
		5,125,831	4,871,459	4,424,460
<b>NON - CURRENT LIABILITIES</b>				
Long term financing - secured	8	1,506,890	168,228	503,991
Deferred taxation	9	375,186	413,646	423,606
		1,882,076	581,874	927,597
<b>CURRENT LIABILITIES</b>				
Trade and other payables	10	2,917,424	1,931,938	1,463,761
Unclaimed dividend		33,981	27,052	42,724
Markup accrued	11	12,264	398	483
Short term borrowing	12	5,974	-	-
Current portion of long term financing	8	168,228	335,764	335,674
		3,137,871	2,295,152	1,842,642
		10,145,778	7,748,485	7,194,699
<b>CONTINGENCIES AND COMMITMENTS</b>				
	13			

The annexed notes 1 to 45 form an integral part of these financial statements.

*David M. Rahman*

CHAIRMAN

*Marguerite J. Dey*

CHIEF EXECUTIVE

		2018	2017	2016
	Note	(Rupees in '000')		
NON - CURRENT ASSETS				
Property, plant and equipment	14	6,028,882	5,457,545	4,606,615
Investment property	15	1,401,837	-	-
Intangible assets	16	33,477	10,585	-
Long term investment - at cost	17	18,120	18,120	18,000
Long term deposits	18	60,736	45,273	39,677
		7,543,052	5,531,523	4,664,292
CURRENT ASSETS				
Stores, spare parts and loose tools	19	119,607	81,195	64,593
Stock-in-trade	20	468,819	380,052	337,389
Trade debts - considered good	21	714,034	447,770	338,745
Loans and advances - considered good	22	419,201	339,614	159,157
Trade deposits, short term prepayments and other receivables	23	53,151	38,498	21,352
Markup accrued		-	1,165	1,501
Investment - held to maturity	24	-	189,451	1,096,241
Tax refunds due from the government (net of provision)	25	348,461	97,474	24,980
Cash and bank balances	26	479,453	641,743	486,449
		2,602,726	2,216,962	2,530,407
		10,145,778	7,748,485	7,194,699



CHIEF FINANCIAL OFFICER

# STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2018

	Note	2018 (Rupees in '000')	2017
Net revenue	27	10,270,597	9,257,009
Other income	28	63,084	136,579
Operating costs	29	(9,508,191)	(8,464,606)
Finance costs	30	(57,280)	(66,389)
Profit before taxation		768,210	862,593
Provision for taxation	31	(211,522)	(256,166)
Profit after taxation		556,688	606,427
<b>Earnings per share - basic and diluted - (Rupees)</b>	<b>32</b>	<b>10.21</b>	<b>11.12</b>

The annexed notes 1 to 45 form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



# STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended June 30, 2018

	2018	2017
	(Rupees in '000')	
Profit after taxation	556,688	606,427
<b>Other comprehensive income</b>		
Items that will not be subsequently reclassified in statement of profit or loss		
(Loss)/ income on remeasurement of staff gratuity fund benefit plan	(49,532)	5,980
Deferred tax relating to remeasurement of staff gratuity fund benefit plan	14,365	(1,794)
(Loss)/ income on remeasurement of staff gratuity fund benefit plan (net of tax)	(35,167)	4,186
Surplus on revaluation of property, plant and equipment	5,541	-
Total comprehensive income for the year	527,062	610,613

The annexed notes 1 to 45 form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

# STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

Note	2018 (Rupees in '000')	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	768,210	862,593
Adjustments for:		
Depreciation/amortization on tangible assets	498,398	463,197
Amortization on intangible assets	5,430	225
Provision for doubtful debts	27,924	36,649
Property, plant and equipment written off	8,643	13,189
Gain on disposal of property, plant and equipment	(2,025)	(11,395)
Provision for compensated absences	41,444	34,565
Provision for gratuity	91,369	82,192
Provision for slow moving stores	234	(4,550)
Liabilities written back	(6,178)	(7,362)
Profit on investments and bank deposits	(11,996)	(58,130)
Loss on foreign currency translation	464	419
Finance cost	56,816	65,970
Operating cash flows before changes in working capital	1,478,733	1,477,562
Changes in working capital:		
(Increase) in current assets:		
Stores, spare parts and loose tools	(40,212)	(12,080)
Stock-in-trade	(88,767)	(42,663)
Trade debts	(294,188)	(145,674)
Loans and advances	(66,376)	(180,457)
Trade deposits and short term prepayments	(14,653)	(17,146)
Increase in current liabilities:		
Trade and other payables	580,140	469,891
Cash generated from operations	1,554,677	1,549,433
Finance cost paid	(44,950)	(66,055)
Income tax paid	(486,605)	(340,414)
Payment to SIHL Employees' Gratuity Fund	(89,196)	(76,017)
Compensated absences paid	(31,624)	(29,112)
Net cash from operating activities	902,302	1,037,835
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,068,034)	(1,349,851)
Purchase of investment property	(1,056,812)	-
Purchase of intangible assets	(28,322)	(10,810)
Encashment of Investments - held to maturity	50,000	-
Proceeds from disposal of property, plant and equipment	3,763	33,958
Investment in TDRs	-	(50,000)
Markup received	13,161	58,466
Investment in subsidiary	-	(120)
Increase in long term deposits	(15,463)	(5,596)
Net cash used in investing activities	(2,101,707)	(1,323,953)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing - repayments	(335,764)	(335,673)
Long term financing - proceeds	1,493,679	-
Dividend paid	(265,761)	(179,286)
Net cash generated from/(used in) financing activities	892,154	(514,959)
Net decrease in cash and cash equivalents	(307,251)	(801,077)
Cash and cash equivalents at beginning of year	781,194	1,582,690
Effect of exchange rate changes on cash and cash equivalents	(464)	(419)
Cash and cash equivalents at end of year	473,479	781,194

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The annexed notes 1 to 45 form an integral part of these financial statements.



CHAIRMAN



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# STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2018

	Share capital	Share premium account	Surplus on revaluation of property, plant and equipment	Un-appropriated profit	Total
	(Rupees in '000')				
<b>Balance at July 01, 2016</b>	545,379	1,046,025	742,191	2,090,865	4,424,460
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	606,427	606,427
Other comprehensive income - net of tax	-	-	-	4,186	4,186
	-	-	-	610,613	610,613
Transfer of depreciation/amortization on incremental value arising on revaluation of property, plant and equipment attributed to the year	-	-	(8,990)	8,990	-
Realization of revaluation surplus on disposal of assets	-	-	(6,441)	6,441	-
<b>Distribution to owners</b>					
Final dividend 2015-16: Rs. 3 per share	-	-	-	(163,614)	(163,614)
<b>Balance at June 30, 2017</b>	<b>545,379</b>	<b>1,046,025</b>	<b>726,760</b>	<b>2,553,295</b>	<b>4,871,459</b>
<b>Balance at July 01, 2017</b>	545,379	1,046,025	726,760	2,553,295	4,871,459
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	556,688	556,688
Other comprehensive income - net of tax	-	-	5,541	(35,167)	(29,626)
	-	-	5,541	521,521	527,062
Transfer of depreciation/amortization on incremental value arising on revaluation of property, plant and equipment attributed to current year	-	-	(8,991)	8,991	-
<b>Distribution to owners</b>					
Final dividend 2016-17: Rs. 5 per share	-	-	-	(272,690)	(272,690)
<b>Balance at June 30, 2018</b>	<b>545,379</b>	<b>1,046,025</b>	<b>723,310</b>	<b>2,811,117</b>	<b>5,125,831</b>

The annexed notes 1 to 45 form an integral part of these financial statements.



CHAIRMAN



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CHIEF FINANCIAL OFFICER

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

## 1 STATUS AND NATURE OF BUSINESS

- 1.1** Shifa International Hospitals Limited (“the Company”) was incorporated in Pakistan on September 29, 1987 as a private limited company under the repealed Companies Ordinance, 1984 and converted into a public limited company on October 12, 1989. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The registered office of the Company is situated at Sector H-8/4, Islamabad.
- 1.2** The principal activity of the Company is to establish and run medical centers and hospitals in Pakistan. The Company has established its first hospital in 1993 in H-8/4 Islamabad, second hospital in 2011 in Faisalabad and another in 2014 in G-10/4 Islamabad. The Company is also running medical center, pharmacies and Lab collection points in different cities of Pakistan.
- 1.3** These financial statements are separate financial statements of the Company whereas investment in subsidiary is recognized on the basis of direct equity interest rather than on the basis of reporting results of the subsidiary. Consolidated financial statements are prepared separately.
- 1.4** Geographical locations of business units of the Company are as follows:
- H-8 Hospital, Pitras Bukhari Road, Sector H-8/4, Islamabad
  - Faisalabad Hospital, Main Jaranwala Road, Faisalabad
  - G-10/4 Hospital, G-10 Markaz, Islamabad
  - Shifa Pharmacy, Opposite OPF College, F-8 Markaz, Islamabad
  - Shifa Pharmacy, Commercial Market, Rawalpindi
  - Shifa Pharmacy, Blue Area, Islamabad
  - Shifa Pharmacy, Gulburg Greens, Islamabad
  - Shifa Pharmacy, Trauma Center, Islamabad International Airport
  - Shifa Pharmacy, Iskandarabad, Mianwali
  - Shifa Pharmacy, Naval Complex, E-8 Markaz, Islamabad
  - F-11 Medical center, Savoy Arcade, F-11 Markaz, Islamabad

## 2 SIGNIFICANT TRANSACTIONS AND EVENTS THAT AFFECTED THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

Sit in procession followed by political turmoil during the second quarter of current financial year had effected the revenue growth of the Company. Had there been no aforementioned events, the revenue would have been increased by Rs. 41 million.

During the year under review, the Company has purchased land and building at lump sum value of Rs. 1,350 million.

During the current year, the Company has opened further three institutional pharmacies that significantly contributed towards the Pharmacy revenue growth of the Company.

Due to first time application of financial reporting requirements of the Companies Act, 2017, the Company has changed the accounting policy and the presentation of surplus on revaluation of property, plant and equipment as detailed in note 4.21.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

## **3 BASIS OF PREPARATION**

### **3.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards) issued by International Accounting Standards Board (IASB) as notified under Companies Act, 2017 (the "Act"); and provisions of and directives issued under the Act. Where provisions of and directives issued under the Act differ from IFRS Standards, the provisions of and directives issued under the Act have been followed.

During the year the Companies Act, 2017 became applicable for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional amended disclosures including but not limited to, particulars of immovable assets (note 14.2), management assessment of sufficiency of tax provision in the financial statements (note 31.2), change in threshold for identification of executives (note 37) and changes in threshold for disclosing disposal of fixed assets (note 14.7) etc.

### **3.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, modified by:-

- revaluation of certain items of property, plant and equipment; and
- recognition of employees gratuity benefits obligation at present value.

### **3.3 Functional and presentation currency**

These financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

### **3.4 Use of estimates and judgments**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

## **3.4.1 Property, plant and equipment**

The Company reviews the useful lives of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation/amortization charge and impairment.

## **3.4.2 Investment property**

The Company reviews the useful lives of investment property on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of investment property with a corresponding effect on the depreciation/amortization charge and impairment.

## **3.4.3 Intangible assets**

The Company reviews the useful lives of intangible assets on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of intangibles with the corresponding effect on the amortization charge and impairment.

## **3.4.4 Provision for doubtful debts**

The Company estimates the recoverability of the trade debts and provides for doubtful debts based on its prior experience.

## **3.4.5 Stock-in-trade, stores, spares and loose tools**

The Company reviews the net realizable value of stock-in-trade, stores, spares and loose tools to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sale.

## **3.4.6 Employee benefits**

The Company operates approved funded gratuity scheme covering all its employees who have completed the minimum qualifying period of service as defined under the scheme. The gratuity scheme is managed by trustees. The calculation of the benefit requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used for the plan are determined by independent actuary on annual basis.

The amount of the expected return on plan assets is calculated using the expected rate of return for the year and the market-related value at the beginning of the year. Gratuity cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employee service during the year and the interest on the obligation in respect of employee service in previous years, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

## **3.4.7 Compensated absences**

The Company provides provision for compensated absences of its employees on unavailed balance of leaves in the period in which the leave is earned. The Company provides for its estimated liability towards leaves accumulated by employees on an accrual basis using current salary levels.

## **3.4.8 Taxation**

The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

## 3.4.9 Contingencies

The Company has disclosed significant contingent liabilities for the pending litigations and claims against the Company based on its judgment and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date. However, based on the best judgment of the Company and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the balance sheet date.

## 3.5 New accounting standards, interpretations and amendments

During the year certain amendments to standards or new interpretations became effective, however, the amendments or interpretations did not have any material effect on these financial statements.

The following revised standards and amendments and interpretations to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
IFRS 2	Share based payments - Classification and measurement of share based payments transaction (Amendment)	January 1, 2018
IFRS 9	Financial instruments	July 1, 2018
IFRS 9	Prepayment Features with Negative Compensation - (Amendments)	January 1, 2018
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint venture (Amendment)	Not yet finalized
IFRS 15	Revenue from Contracts with Customers	July 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	January 1, 2018
IAS 40	Investment Property: Transfers of Investment Property (Amendments)	January 1, 2018
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)	January 1, 2019
IAS 28	Long-term Interest in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

At present the impact of application of above standards on Company's financial statements are being assessed.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

In addition to above standards and amendments, improvements to various accounting standards have also been issued by the International Accounting Standards Board (IASB) in December 2016 and December 2017. Such improvements are generally effective for accounting periods on or after January 01, 2018 and January 01, 2019 respectively. The Company expects that such improvement to the standards will not have any impact on the Company's financial statement in the period of initial application.

The Company has adopted the following applicable accounting standards, amendments and interpretations of IFRS standards which became effective for the current year:

IAS 12	Income taxes - Recognition of deferred tax assets for unrealized losses - (Amendment)
IFRS 7	Financial Instruments: Disclosures - Disclosure initiative

The adoption of above accounting standards did not have any effect on the financial statements.

The IASB has also issued the revised Conceptual Framework for financial reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 1, 2020 for preparers of financial statements who develop accounting policies based on Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of Conceptual Framework is to assist IASB in developing standards, to help preparers to develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, the following new standards and interpretations have been issued by the IASB, which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

		Effective date (annual periods beginning on or after)
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 17	Insurance Contracts	January 1, 2021

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except the change reflected in note 4.21 below.

### 4.1 Property, plant and equipment

Property, plant and equipment except freehold and leasehold land and capital work-in-progress are stated at cost less accumulated depreciation/amortization and impairment in value, if any. Leasehold land is stated at revalued amount being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses while freehold land is stated at revalued amount being the fair value at the date of revaluation, less any subsequent impairment losses, if any. Leasehold land is amortized over the lease period extendable up to 99 years.

Any revaluation increase arising on the revaluation of land is recognized in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

charged. Any decrease in carrying amount arising on the revaluation of land is charged to profit or loss to the extent that it exceeds the balance, if any, held in the Revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The surplus on leasehold land to the extent of incremental depreciation charged is transferred to unappropriated profit.

Capital work-in-progress and stores held for capital expenditure are stated at cost less impairment loss recognized, if any. All expenditures connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific items of property, plant and equipment when available for intended use.

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance costs that do not meet the recognition criteria are charged to the statement of profit or loss as and when incurred.

Depreciation/amortization is charged to the statement of profit or loss commencing when the asset is ready for its intended use, applying the straight-line method over the estimated useful life.

In respect of additions and disposals during the year, depreciation/amortization is charged when the asset is available for use and up to the month preceding the asset's classification as held for sale or derecognized, whichever is earlier.

Assets are derecognized when disposed off or when no future economic benefits are expected to flow from its use. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized on net basis within "other income" in the statement of profit or loss.

## 4.2 Investment property

Investment property, principally comprising of land and buildings, is held for long term rental yields/capital appreciation. The investment property of the Company comprises of land and buildings and is valued using the cost method i.e. at cost less any accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self constructed investment property includes the cost of materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs, if any.

Depreciation is charged to the statement of profit or loss on the straight line method so as to allocate the depreciable amount over its estimated useful life. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed off.

The residual values and useful lives of investment property are reviewed at each reporting date and adjusted if appropriate. The Company assesses at each reporting date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

Where an impairment loss is recognized, the depreciation charge is adjusted in the future period to allocate the asset's revised carrying amount over its estimated useful life. The gain or loss on disposal of investment property, represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense in the statement of profit or loss.

## 4.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Subsequent cost on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization is charged to the statement of profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an item is acquired or capitalized while no amortization is charged for the month in which the item is disposed off.

All intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Where the carrying amount of an asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount. The carrying amount of other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist then the asset's recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognized if the carrying amount exceeds its estimated recoverable amount.

## 4.4 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

### Finance leases as lessee

The Company recognizes finance leases as assets and liabilities in the statement of financial position at the inception of the lease, at amounts equal to the fair value of the asset or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to similar owned assets. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease. Initial direct costs incurred are included as part of the amount recognized as an asset. The liabilities are classified as current and long term depending upon the timing of payment. Lease payments are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Finance charges are charged directly to the statement of profit or loss.

### Operating leases/ljarah contracts

#### As lessor

Rental income from operating leases is recognized on straight-line basis over the term of the relevant lease.

#### As lessee

Rentals payable under operating leases/ljarah are charged to the statement of profit or loss on straight-line basis over the term of relevant lease/ljarah.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

## 4.5 Impairment

### Non - Financial assets

The Company assesses at each reporting date whether there is any indication that assets except deferred tax assets and inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the statement of profit or loss except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of depreciation/amortization) had no impairment loss been recognized for the asset in prior years. Reversal of impairment loss is recognized in the statement of profit or loss.

### Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

## 4.6 Investments

All purchases and sales of investments are recognized using settlement date accounting. Settlement date is the date on which that investments are delivered to or by the Company. All investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

### 4.6.1 Investment in subsidiary

These investments are carried at cost less impairment losses. The profits and losses of the subsidiary are carried forward in the financial statements of the subsidiary and are not dealt with in or for the purpose of these financial statements except to the extent of dividend declared by the subsidiary company. Gain and loss on disposal of investment is included in income.

### 4.6.2 Investments - held to maturity

Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold till maturity are classified as investment held to maturity. These are initially recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost using the effective interest rate method less impairment loss, if any. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the investment to its net carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

## **4.6.3 Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, those are classified as non-current assets. The Company's loans and receivables comprise 'Advances, deposits and other receivables'.

## **4.7 Stores, spare parts and loose tools**

These are valued at cost, determined on moving average cost basis or net realizable value, whichever is lower, less allowance for obsolete and slow moving items. For items which are slow moving or identified as surplus to the Company's requirement, a provision is made for excess of book value over estimated net realizable value. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence, if there is any change in usage pattern and physical form of related stores, spare parts and loose tools.

## **4.8 Stock-in-trade**

Stock-in-trade is valued at lower of cost, determined on moving average basis or net realizable value. The cost includes expenditure incurred in acquiring the stock items and other cost incurred in bringing them to their present location and condition.

## **4.9 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cheques in hand, balances with banks and highly liquid short term investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value with maturity of three months or less from the date of acquisition and short term borrowings.

## **4.10 Financial instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. These are derecognized when the Company loses control of contracted rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the statement of profit or loss.

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

### **4.10.1 Trade debts and other receivables**

Trade debts and other receivables are carried at original bill amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off against provision.

### **4.10.2 Trade and other payables**

Liabilities for trade and other payables are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

## 4.10.3 Offsetting

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet, if the Company has a legal enforceable right to set-off the recognized amounts and intends either to settle on net basis or to realize the asset and settle the liability simultaneously.

## 4.11 Employee benefits

### Defined benefit plan

The Company operates approved funded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation and is charged to the statement of profit or loss. The most recent valuation was carried out as at June 30, 2018 using the "Projected Unit Credit Method". The actuarial gains or losses at each evaluation date are charged to other comprehensive income. The results of actuarial valuation are summarized in note 10.4 of these financial statements.

The amount recognized in the balance sheet represents the present value of defined benefit obligations as reduced by the fair value of plan assets.

Calculation of gratuity requires assumptions to be made of future outcomes which mainly include increase in remuneration, expected long term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

### Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leave is earned. Accrual to cover the obligations is made using the current salary levels of the employees.

## 4.12 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

## 4.13 Taxation

Taxation for the year comprises current and deferred tax. Taxation is recognized in the statement of profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

### Current

Provision for current taxation is based on taxable income at the current rates of tax after taking into account applicable tax credits, rebates, losses and exemptions available, if any.

### Deferred

Deferred tax is accounted for using the liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

## **4.14 Foreign currencies**

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the dates of transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rate prevailing on the reporting date. Gains and losses arising on retranslation are included in the statement of profit or loss for the year.

## **4.15 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods and services provided in the normal course of business. Revenue is recognized in the accounting period in which the services are rendered and goods are delivered and it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of the revenue can be measured reliably.

Interest income is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income is recognized on a straight line basis over the term of the rent agreement.

Scrap sales and miscellaneous receipts are recognized on realized amounts.

## **4.16 Borrowings**

Borrowings are recognized initially at fair value net off transaction cost incurred and are subsequently measured at amortized cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of liability for at least twelve months after the reporting date.

## **4.17 Borrowing costs**

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are charged to the statement of profit or loss.

## **4.18 Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholder and weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares.

## **4.19 Dividend**

Dividend is recognized as a liability in the period in which it is declared.

## **4.20 Non - current assets held for sale**

Non - current assets are classified as held for sale when their carrying amounts are expected to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount immediately prior to their classification as held for sale and fair value less cost to sell. Once classified as held for sale, the assets are not subject to depreciation or amortization. In case where classification criteria of non-current asset held for sale is no longer met such asset is classified on its carrying amount before the asset was classified as held for sale, adjusted for depreciation/revaluation that would have been recognized had the asset not been classified as held for sale. The required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale is charged in the statement of profit or loss.

## **4.21 Change in accounting policy**

Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984 which required a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account, or if no surplus existed, was to be charged to the statement of profit or loss as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. A deficit arising on revaluation of a particular property is now to be accounted for in accordance with IFRS, which requires that such deficit cannot be adjusted against surplus in another property, but is to be taken to the statement of profit or loss as an impairment. Consequently, the Company has changed its policy for accounting for deficit arising on revaluation of fixed assets, however, the change has no impact on current and prior financial statements of the Company. The revised accounting policy is explained in note 4.1 above. Further, the requirement of the repealed Companies Ordinance, 1984 to present the surplus on revaluation of property, plant and equipment as a separate item below equity has not been carried forward in the Companies Act, 2017. In view of the above, the surplus on revaluation of property, plant and equipment is now shown in the statement of financial position and the statement of changes in equity as a capital reserve i.e. part of equity.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

## 5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018	2017		2018	2017
Number			(Rupees in '000')	
<b>54,537,900</b>	54,537,900	Ordinary shares of Rs. 10 each fully paid in cash	<b>545,379</b>	545,379

**5.1** The Company has only one class of ordinary shares which carries no right to fixed income. The shareholders are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

**5.2** The Company has no reserved shares for issuance under options and sales contracts.

## 6 SHARE PREMIUM ACCOUNT

This represents premium of Rs. 5 and Rs. 250 per share received on public issue of 8,000,000 and 4,024,100 ordinary shares of Rs.10 each in the year 1994 and 2016 respectively. This reserve cannot be utilized except for the purposes mentioned under section 81 of the Companies Act, 2017.

## 7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	(Rupees in '000')	
Balance at beginning of year	<b>726,760</b>	742,191
Realization of revaluation surplus on disposal of assets	-	(6,441)
Revaluation surplus during the year	<b>5,541</b>	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	<b>(8,991)</b>	(8,990)
Balance at end of year	<b>723,310</b>	726,760

**7.1** Surplus on revaluation of property, plant and equipment in respect of leasehold and freehold lands, which were revalued in 1999, 2004, 2009, 2014 and 2018 as disclosed in note 14.1, is not available for distribution of dividend to the shareholders of the Company. As the surplus on revaluation is on leasehold and freehold lands, the incidence of related deferred tax does not arise.

		2018	2017
	Note	(Rupees in '000')	
<b>8 LONG TERM FINANCING - SECURED</b>			
From banking companies:			
Syndicated Islamic Finance Facility - 1	8.2	<b>166,667</b>	500,000
Syndicated Islamic Finance Facility - 2	8.3	<b>1,493,678</b>	-
Diminishing Musharakah Facility	8.4	<b>14,773</b>	3,992
		<b>1,675,118</b>	503,992
Less: Current portion		<b>168,228</b>	335,764
		<b>1,506,890</b>	168,228



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

- 8.1** The Company has fully availed all the above facilities, except Syndicated Islamic Finance Facility - 2 and Diminishing Musharakah Facility.
- 8.2** This represents syndicated Islamic finance facility, arrange and lead by Meezan Bank Limited, obtained on markup basis at 3 months KIBOR plus 1% (2017: 3 months KIBOR plus 1%) per annum, repayable in 18 equal quarterly installments. The sanction limit of this facility was Rs. 1,500 million (2017: Rs. 1,500 million) which shall be repaid by December 28, 2018. The financing is secured by ranking charge upgraded into first pari passu charge on all present and future fixed assets of the Company (excluding plot No.5, F-11 Markaz, Islamabad) amounting to Rs. 2,000 million. Meezan Bank Limited has the custody of original ownership documents of the Company's land located at sector H-8/4 Islamabad.
- 8.3** During the year ended June 30, 2018, the Company availed another syndicated Islamic finance facility, arranged and lead by Meezan Bank Limited, obtained on markup basis at 3 months KIBOR plus 0.85% per annum, repayable in 14 equal quarterly installments. During the year ended June 30, 2018, the Company availed Rs. 1,500 million out of the total sanction limit of Rs. 2,000 million which shall be repaid by November 22, 2023. The financing is secured by ranking charge of Rs. 2,667 million upgraded into first pari passu charge on all present and future movable fixed assets and land / building located at H-8/4, Islamabad.
- 8.4** This represents a long term Islamic finance facility obtained under the Diminishing Musharakah basis from Al Baraka Bank (Pakistan) Limited to finance purchase of brand new vehicles and biomedical equipments. Principal amount is repayable in 36 equal monthly installments carrying markup at 3 months KIBOR plus 1.25% (2017: 3 months KIBOR plus 1.25%) for vehicles and for biomedical equipments principal amount is repayable in 36 equal monthly installments carrying markup at 3 months KIBOR plus 0.80% (2017: Nil). The financing is secured by ranking charge on all present and future movable fixed assets (plant, machinery, tools and equipments) to Rs. 525 million for biomedical equipments and shared title over financed vehicles.

9	DEFERRED TAXATION	Note	2018	2017
			(Rupees in '000')	
	Deferred tax liability	9.1	463,275	470,068
	Deferred tax asset	9.2	(88,089)	(56,422)
	Net deferred tax liability		375,186	413,646
<b>9.1</b>	<b>Deferred tax liability on taxable temporary differences:</b>			
	Accelerated depreciation/amortization allowance		463,275	470,068
<b>9.2</b>	<b>Deferred tax asset on deductible temporary differences:</b>			
	Specific provisions		(44,418)	(27,116)
	Retirement benefit obligation		(43,671)	(29,306)
			(88,089)	(56,422)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

## 9.3 Movement in deferred taxation

Deferred tax liabilities/(assets)	As at July 1, 2017	Statement of Profit or loss	Other comprehensive Income	As at June 30, 2018
	(Rupees in '000')			
The balance of deferred tax is in respect of the following temporary differences:				
<b>Effect of taxable temporary differences</b>				
Accelerated depreciation/amortization allowance	470,068	(6,793)	-	463,275
<b>Effect of deductible temporary differences</b>				
Provision for doubtful debts	(27,116)	(17,302)	-	(44,418)
Retirement benefit obligation	(29,306)	-	(14,365)	(43,671)
	<b>413,646</b>	<b>(24,095)</b>	<b>(14,365)</b>	<b>375,186</b>
Deferred tax liabilities/(assets)	As at July 1, 2016	Statement of Profit or loss	Other Comprehensive Income	As at June 30, 2017
	(Rupees in '000')			
The balance of deferred tax is in respect of the following temporary differences:				
<b>Effect of taxable temporary differences</b>				
Accelerated depreciation allowance	480,334	(10,266)	-	470,068
<b>Effect of deductible temporary differences</b>				
Provision for doubtful debts	(25,628)	(1,488)	-	(27,116)
Retirement benefit obligation	(31,100)	-	1,794	(29,306)
	<b>423,606</b>	<b>(11,754)</b>	<b>1,794</b>	<b>413,646</b>

9.4 Deferred tax assets and liabilities on temporary differences are measured at the rate of 29% (2017: 30%).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

10	TRADE AND OTHER PAYABLES	Note	2018 (Rupees in '000')	2017
	Creditors		1,390,586	707,804
	Accrued liabilities		360,007	373,574
	Advances from customers		342,387	199,926
	Medical consultants' charges		490,837	376,156
	Payable to related parties - unsecured	10.1	27,504	29,170
	Security deposits	10.2	83,176	86,777
	Compensated absences	10.3	100,009	90,189
	Retention money		35,905	33,034
	Payable to Shifa International Hospitals Limited (SIHL) Employees' Gratuity Fund	10.4	87,013	35,308
			<b>2,917,424</b>	<b>1,931,938</b>

- 10.1** This represents payable to Tameer-e-Millat Foundation and Shifa Tameer-e-Millat University having common directorship with the Company and Shifa Consulting Services (Private) Limited being the wholly owned subsidiary of the Company. Maximum amount due at the end of any month during the year was Rs. 9,676 thousand (2017: 6,076 thousand), Rs. 24,439 thousand (2017: 22,949 thousand) and Rs. Nil (2017: Rs. 885 thousand) respectively. Detail of balances of each related party is as under:

	2018 (Rupees in '000')	2017
Tameer -e- Millat Foundation	3,065	5,336
Shifa Tameer -e- Millat University	24,439	22,949
Shifa Consulting Services (Private) Limited	-	885
	<b>27,504</b>	<b>29,170</b>

- 10.2** This represents customers' security deposits that are repayable on termination of respective agreement. The security deposits are utilizable for the purpose of the business in accordance with terms of written agreements.

10.3	Compensated absences	2018 (Rupees in '000')	2017
	Balance at beginning of the year	90,189	84,736
	Provision made for the year	41,444	34,565
		<b>131,633</b>	<b>119,301</b>
	Payment made during the year	(31,624)	(29,112)
	Closing balance as at year end	<b>100,009</b>	<b>90,189</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

		2018	2017
		(Rupees in '000')	
<b>10.4</b>	<b>The amounts recognized in the balance sheet are as follows:</b>	<b>Note</b>	
	Present value of defined benefit obligations	10.4.1	497,634
	Fair value of plan assets	10.4.2	(410,621)
			87,013
<b>10.4.1</b>	<b>Movement in the present value of funded obligation is as follows:</b>		
	Present value of defined benefit obligation at beginning		424,984
	Interest cost		29,459
	Current service cost		92,113
	Benefits paid		(89,118)
	Benefits payable		(628)
	Non refundable loan to employees adjustable against gratuity		(1,535)
	Remeasurement loss/(gain) on defined benefit obligation		42,359
	Present value of defined benefit obligation at year end		497,634
<b>10.4.2</b>	<b>Movement in the fair value of plan assets is as follows:</b>		
	Fair value of plan assets at beginning		389,676
	Expected return on plan assets		30,203
	Contributions		89,196
	Benefits paid		(89,118)
	Benefits payable		(628)
	Non refundable loan to employees adjustable against gratuity		(1,535)
	Remeasurement (loss)/ gain on plan assets		(7,173)
	Fair value of plan assets at year end		410,621
<b>10.4.3</b>	<b>Charge for the year is as follows:</b>		
	Current service cost		92,113
	Interest cost		29,459
	Expected return on plan assets		(30,203)
		29.1	91,369

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

10.4.4 Remeasurements recognized in other comprehensive income (OCI) during the year:	2018	2017
	(Rupees in '000')	
Remeasurement loss/(income) on obligation	42,359	(5,491)
Remeasurement loss/(income) on plan assets	7,173	(489)
Remeasurement loss/(income) recognized in OCI	49,532	(5,980)
10.4.5 Movement in liability recognized in statement of financial position:		
Balance at beginning of year	35,308	35,113
Cost for the year	91,369	82,192
Total amount of remeasurement recognized in OCI during the year	49,532	(5,980)
Contributions during the year	(89,196)	(76,017)
Balance at end of year	87,013	35,308
10.4.6 Plan assets comprise of:		
Accrued mark up	6,727	2,947
Investment	291,000	231,000
Cash and bank balances	116,114	158,321
Payable to outgoing members	(3,220)	(2,592)
	410,621	389,676
10.4.7 The principal actuarial assumptions used in the actuarial valuation are as follows:		
Discount rate used for interest cost in profit or loss	7.75%	7.25%
Discount rate used for year end obligation	9.00%	7.75%
Expected rate of salary growth		
Salary increase FY 2018	N/A	6.75%
Salary increase FY 2019 onward	8.00%	6.75%
Mortality rate	SLIC 2001-2005 set back 1 year	SLIC 2001-2005 set back 1 year
Withdrawal rates	Age based	Age based
Retirement assumption	Age 60	Age 60

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

## 10.4.8 Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased/decreased as a result of a change in respective assumptions by one percent.

	Defined benefit obligation	
	Effect of 1% increase	Effect of 1% decrease
	(Rupees in '000')	
Discount rate	462,814	537,976
Future salary increase	538,490	461,734

**10.4.9** The average duration of the defined benefit obligation as at June 30, 2018 is 8 years (2017: 8 years).

## 11 MARKUP ACCRUED

This represents markup accrued on long and short term financing.

## 12 SHORT TERM BORROWING

### From banking company

This represents running finance facility obtained from Habib Bank Limited on markup basis at 3 months KIBOR plus 1% per annum (2017: Nil) with sanctioned limit of Rs. 90 million. The facility is secured by first pari passu charge on all present and future current assets of the Company.

13	CONTINGENCIES AND COMMITMENTS	Note	2018	2017
			(Rupees in '000')	
<b>13.1</b>	<b>Contingencies</b>			
	Claims against the Company not acknowledged as debts:			
	Patients	13.1.1	1,000	111,000
	Competition Commission of Pakistan (CCP)	13.1.2	20,000	20,000
	Letter of guarantee	13.1.3	35,100	34,600
	Income tax	13.1.4, 13.1.5 & 13.1.6	1,149,132	11,768

**13.1.1** This represents claim lodged on January 01, 2007 by a patient(s) and his heirs against the Company for alleged negligence on part of the consultant/doctor. The management is contesting the claim which is pending in Peshawar High Court, and believes that the contention of the claimants will not be successful and no material liability is likely to arise.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

- 13.1.2** This represents the penalty imposed on June 06, 2012 by Competition Commission of Pakistan (CCP) to each Gulf Cooperation Council's (GCC) Approved Medical Centers (GAMCs) including SIHL on account of alleged non competitive practice/B363 arrangement of territorial division and equal allocation of GAMCs customers. Management of the Company and other GAMCs are jointly contesting the matter from September 09, 2012 which is pending in Islamabad High Court, Islamabad and firmly believe that the case will be decided in favor of the GAMCs including SIHL.
- 13.1.3** This represents letters of guarantees issued by bank in favor of Sui Northern Gas Pipelines Limited (SNGPL), Ministry of Economy U.A.E. and Oil and Gas Development Company Limited (OGDCL) in ordinary course of Company's business.
- 13.1.4** The tax authorities amended the assessments for tax years 2012, 2013, 2014, 2015 and 2016 under section 122(5A) of Income Tax Ordinance, 2001 and raised tax demands of Rs. 147.7 million, Rs. 133.3 million, Rs. 85.5 million, Rs. 26.1 million and Rs. 566.2 million respectively. Being aggrieved the Company agitated the assessments in appeals before the Commissioner (Appeals) on August 13, 2018, June 26, 2018, February 19, 2018, January 15, 2018 and December 28, 2017 respectively. Thereafter the Commissioner (Appeals) has unfavorably decided the appeals for tax year 2014 and 2016 and being aggrieved the Company filed appeals against the appellate orders before the Appellate Tribunal Inland Revenue [ATIR], which are pending for adjudication. While appeals for tax year 2012, 2013 and 2015 is still pending for adjudication before Commissioner (Appeals). No provision has been recorded as the management is hopeful for favorable outcome.
- 13.1.5** The tax authorities levied tax of Rs. 178.4 million under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2014 on the account of alleged non deduction of tax on payments. Being aggrieved, the Company agitated the assessment in appeal before the Commissioner (Appeals) on May 09, 2018 who confirmed the order of the sub-ordinate tax authority. Being not satisfied with order of the CIR(A), the Company preferred appeal before the ATIR, which is pending for adjudication. The Company is confident for a favorable outcome and therefore, no provision in respect of above matter has been recorded in these financial statements.
- 13.1.6** The Assistant Commissioner Inland Revenue (ACIR) has amended the Company's assessment for tax year 2014 under section 221 of the Income Tax Ordinance, 2001 which has resulted a tax demand of Rs. 11.8 million. Being aggrieved, the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) on March 10, 2017 wherein the CIR(A) has remanded back the said assessment to ACIR on November 30, 2017. The Department has filed an appeal on January 31, 2018 against the CIR(A) order which is pending adjudication before the Appellate Tribunal Inland Revenue. The Company is confident for a favorable outcome and therefore, no provision in respect of this matter has been recorded in these financial statements.

13.2	Commitments	2018	2017
		(Rupees in '000')	
13.2.1	Capital expenditure contracted	297,113	96,548
13.2.2	Letters of credit	37,463	59,055

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

## 14. PROPERTY, PLANT AND EQUIPMENT

Particulars	Owned assets											Total
	Freehold land	Leasehold land	Building on leasehold land	Leasehold improve-ments	Biomedical equipment	Air conditioning equipment and machinery	Electrical and other equipment	Furniture and fittings	Construction equipment	Computer installations	Vehicles	
	Capital work-in-progress (note 14.8)											
(Rupees in 000)												
Cost/revalued amount												
Balance as at July 01, 2016	323,752	960,959	1,959,918	-	2,541,124	226,894	409,471	139,052	8,671	252,217	113,109	6,990,412
Additions	565,777	-	-	-	387,034	20,945	34,015	25,353	830	62,097	7,283	1,349,886
Disposals	(22,010)	-	-	-	(81)	-	-	-	(7,614)	(142)	(5,298)	(35,145)
Write offs	-	-	(29,479)	-	(2,377)	-	-	(185)	-	(436)	-	(32,477)
Transfers	-	-	102,941	35,295	-	-	-	-	-	-	-	(138,236)
Balance at June 30, 2017	867,519	960,959	2,033,380	35,295	2,925,700	247,839	443,486	164,220	1,887	313,736	115,094	8,272,676
Balance as at July 01, 2017	867,519	960,959	2,033,380	35,295	2,925,700	247,839	443,486	164,220	1,887	313,736	115,094	8,272,676
Additions	159,050	-	18,194	-	214,297	23,081	158,005	21,951	514	49,590	3,473	1,069,600
Revaluation	758	4,783	-	-	-	-	-	-	-	-	-	5,541
Disposals	-	-	-	-	(4,646)	-	-	-	-	(476)	(4,578)	(9,700)
Write offs	-	-	-	-	(42,125)	(90)	(2,453)	(373)	-	(2,866)	-	(47,907)
Transfers	-	-	221,692	-	6,377	28,946	808	680	-	549	-	(259,052)
Balance at June 30, 2018	1,027,327	965,742	2,273,266	35,295	3,099,603	299,776	599,846	186,478	2,401	360,533	113,989	9,290,210
Depreciation/amortization												
Balance as at July 01, 2016	-	31,658	462,436	-	1,194,433	129,876	247,476	65,202	8,648	164,677	79,391	2,383,797
Charge for the year	-	18,671	59,180	3,951	240,925	18,553	44,367	12,892	23	53,241	11,401	463,204
On disposals	-	-	-	-	(53)	-	-	-	(7,614)	(79)	(4,836)	(12,582)
On write offs	-	-	(17,736)	-	(978)	-	-	(138)	-	(436)	-	(19,288)
Balance at June 30, 2017	-	50,329	503,880	3,951	1,434,327	148,429	291,843	77,956	1,057	217,403	85,956	2,815,131
Balance as at July 01, 2017	-	50,329	503,880	3,951	1,434,327	148,429	291,843	77,956	1,057	217,403	85,956	2,815,131
Charge for the year	-	18,671	61,775	7,059	250,781	22,115	58,511	14,610	138	48,695	11,068	493,423
On disposals	-	-	-	-	(4,523)	-	-	-	-	(393)	(3,046)	(7,962)
On write offs	-	-	-	-	(34,234)	(5)	(1,813)	(347)	-	(2,865)	-	(39,264)
Balance at June 30, 2018	-	69,000	565,655	11,010	1,646,351	170,539	348,541	92,219	1,195	262,840	93,978	3,261,328
Carrying value as at June 30, 2017	867,519	910,630	1,529,500	31,344	1,491,373	99,410	151,643	86,264	830	96,333	29,138	5,457,545
Carrying value as at June 30, 2018	1,027,327	896,742	1,707,611	24,285	1,453,252	129,237	251,305	94,259	1,206	97,693	20,011	6,028,882
Annual rate of depreciation %	-	1.34-3.03	2.5-10	20	10	10-15	10-15	10	10-20	25	20	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

- 14.1** The Company had its leasehold land revalued in 1999, 2004, 2009, 2014 and 2018 and freehold land in 2009, 2014 and 2018 by independent valuers, using fair market value. These revaluations resulted in net surplus of Rs. 180,873 thousand, Rs. 63,891 thousand, Rs. 392,360 thousand, Rs. 184,284 thousand and Rs. 5,541 thousand respectively. The revaluation surplus amounting to Rs. 826,949 thousand has been included in the carrying value of the respective assets. Out of the revaluation surplus, an amount of Rs. 723,310 thousand (2017: Rs. 726,760 thousand) remains undepreciated as at June 30, 2018.

Had there been no revaluation the carrying value would have been as under:

	Cost at June 30	Accumulated amortization at June 30	Carrying value at June 30
<b>Leasehold land</b>	<b>(Rupees in '000')</b>		
<b>2018</b>	<b>325,065</b>	<b>62,436</b>	<b>262,629</b>
2017	325,065	52,755	272,310
<b>Freehold land</b>			
<b>2018</b>	<b>938,128</b>	<b>-</b>	<b>938,128</b>
2017	779,078	-	779,078

- 14.2** Particulars of Company's freehold and leasehold lands are as follow:

Location	Nature	Area (Kanal)
Murree Expressway	Freehold land	7.7
Shifa Housing Society, Islamabad Expressway	Freehold land	27.0
Faisalabad Motorway	Freehold land	29.6
Islamabad Motorway	Freehold land	303.6
H-8/4 Islamabad	Leasehold land*	87.8
F-11 Islamabad	Leasehold land	5.5

\*The covered area includes multi-storey buildings.

- 14.3** Property, plant and equipment include items with aggregate cost of Rs. 1,188,833 thousand (2017: Rs. 843,756 thousand) representing fully depreciated assets that are still in use of the Company.
- 14.4** Property, plant and equipment of the Company are encumbered under an aggregate charge of Rs. 6,206.67 million (2017: 3,014.67 million) in favor of banking companies under various financing arrangements as disclosed in notes 8, 13.2.2 and 34.
- 14.5** The forced sale values of the revalued leasehold and freehold lands have been assessed at Rs. 717,393 thousand and Rs. 821,861 thousand respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

**14.6** The depreciation/amortization charge for the year has been allocated as follows:

	Note	2018 (Rupees in '000')	2017
Operating costs	29	493,423	463,197
Capital work-in-progress		-	7
		<b>493,423</b>	<b>463,204</b>

**14.7** Detail of property, plant and equipment disposed off during the year, having carrying value of more than Rs. 500 thousand:

Asset Particulars	Cost	Carrying value	Sale proceeds	Purchaser	Mode of disposal
	( Rupees in '000' )				
Toyota corolla	1,790	656	1,100	Mr. Mehmood Mirza (Ex-employee of Company)	As per Company policy
Other assets having carrying value less than Rs. 500,000	<b>7,910</b>	<b>1,082</b>	<b>2,663</b>		
<b>2018</b>	<b>9,700</b>	<b>1,738</b>	<b>3,763</b>		
2017	35,145	22,563	33,958		

	Note	2018 (Rupees in '000')	2017
<b>14.8 Capital work-in-progress</b>			
Construction work-in-progress	14.8.1	156,690	68,932
Stores held for capital expenditure	14.8.2	3,608	47,286
Installation of equipment in progress	14.8.3	165,656	47,343
		<b>325,954</b>	<b>163,561</b>

**14.8.1 Construction work-in-progress**

This represents the cost of civil works mainly comprising of cost of materials, payments to contractors, salaries and benefits pertaining to construction work being carried out as detailed below:

	2018 (Rupees in '000')	2017
H-8/4 hospital	44,940	21,939
F-11 hospital	47,906	35,334
Shifa guest house	45,455	5,274
Other constructions	18,389	6,385
	<b>156,690</b>	<b>68,932</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

		2018 (Rupees in '000')	2017
<b>14.8.2</b>	<b>Stores held for capital expenditure</b>	<b>Note</b>	
	Stores held for capital expenditure		50,365
	Less: provision for slow moving items	14.8.2.1	3,079
		<b>3,608</b>	<b>47,286</b>
<b>14.8.2.1</b>	Balance at beginning of year	<b>3,079</b>	3,107
	Reversed during the year	<b>(1,566)</b>	(28)
	Balance at end of year	<b>1,513</b>	<b>3,079</b>
<b>14.8.3</b>	<b>Installation of equipment in progress</b>		
	Fire doors	<b>29,075</b>	23,374
	Ultrasound machine	<b>19,800</b>	-
	Plasma Sterilizer	-	10,853
	Steam Sterilizer	-	7,000
	Auto Washer Disinfector	-	6,116
	High Voltage AC	<b>29,064</b>	-
	PFT machine	<b>9,400</b>	-
	X-Ray machine	<b>9,010</b>	-
	Others	<b>69,307</b>	-
		<b>165,656</b>	<b>47,343</b>
<b>15</b>	<b>INVESTMENT PROPERTY</b>		
	Cost	<b>1,406,812</b>	-
	Accumulated amortization	<b>(4,975)</b>	-
	Net book value	<b>1,401,837</b>	-
	Opening net book value	-	-
	Additions:		
	Cost of acquisition of property	<b>1,350,000</b>	-
	Cost of civil works executed	<b>19,619</b>	-
	Capitalization of borrowing cost	<b>37,193</b>	-
		<b>1,406,812</b>	
	Amortization	<b>(4,975)</b>	-
	Closing net book value	<b>1,401,837</b>	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

- 15.1** During the current year the Company has acquired a property located at H-8 Islamabad comprising of a leasehold land with a multi-storey building thereon. The property is in the Company's possession whereupon construction/renovation activities are under progress. The procedures for transfer of ownership of the property in the name of the Company is pending with Capital Development Authority (CDA) and shall be completed in due course of time. The board of directors of the Company intends to sublet the said property to its subsidiary to be incorporated in near future for setting-up the center of excellence of Neuro Sciences. Land is being amortized over the remaining lease term which is 68 years. The acquisition cost of the property represents its fair value with a forced sale value of Rs. 981 million.

16	INTANGIBLE ASSETS	Note	2018	2017
			(Rupees in '000')	
	Cost	16.1	39,132	10,810
	Accumulated amortization	16.1	(5,655)	(225)
	Net book value		33,477	10,585
<b>16.1</b>	Movement in cost and accumulated amortization is as follow:			
	<b>Cost:</b>			
	Balance at beginning of year		10,810	-
	Addition	16.2	28,322	10,810
	Balance at end of year		39,132	10,810
	<b>Accumulated amortization:</b>			
	Balance at beginning of year		225	-
	Charge during the year		5,430	225
	Balance at end of year		5,655	225
	<b>Net book value</b>		<b>33,477</b>	<b>10,585</b>

- 16.2** Value of intangible assets include cost of Oracle financial software and software related to various biomedical equipments. Amortization of intangibles has been recorded at rate of 25% (2017: 25%) per annum.

## 17 LONG TERM INVESTMENT - AT COST

This represents investment in fully paid ordinary shares of Shifa Consulting Services (Private) Limited, a wholly owned subsidiary having principal place of business in Islamabad, complying the requirements of the Companies Act 2017. The fair value of the investment is not given, as no reliable measures are available, whereas, the per share breakup value at year end based on net assets of the subsidiary was Rs. 2.02 (2017: Rs. 1.64).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

18	LONG TERM DEPOSITS	Note	2018 (Rupees in '000')	2017
	Ijarah key money deposits	18.1	20,000	6,844
	Less: current portion of Ijarah key money deposits	23	404	3,300
			19,596	3,544
	Security deposits	18.2	41,140	41,729
			60,736	45,273

**18.1** This represents Ijarah key money deposits adjustable on expiry of respective Ijarah financing arrangements against transfer of titles of relevant assets.

**18.2** This represents security deposits given to various institutions/persons and are refundable on termination of relevant services/arrangements.

19	STORES, SPARE PARTS AND LOOSE TOOLS	Note	2018 (Rupees in '000')	2017
	Stores		105,781	76,107
	Spare parts		25,511	20,391
	Loose tools		5,620	202
			136,912	96,700
	Less: provision for slow moving items	19.1	17,305	15,505
			119,607	81,195
<b>19.1</b>	Balance at beginning of year		15,505	20,027
	Charged/(reversed) during year		1,800	(4,522)
	Balance at end of year		17,305	15,505

## 20 STOCK-IN-TRADE

This represents medicines being carried at moving average cost.

21	TRADE DEBTS - CONSIDERED GOOD	Note	2018 (Rupees in '000')	2017
	Considered good			
	Related party - Shifa Foundation		25,483	12,979
	Others		688,551	434,791
	Considered doubtful			
	Others		66,156	55,078
	Considered bad			
	Others		16,846	29,130
			797,036	531,978
		21.2 &		
	Less: provision for doubtful debts	39.1.3	66,156	55,078
	Less: bad debts written off	39.1.3	16,846	29,130
			714,034	447,770

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

**21.1** Maximum amount due from Shifa Foundation at the end of any month during the year was Rs. 43,868 thousand (2017: Rs. 29,327 thousand).

**21.2** Trade debts are provided on estimated irrecoverable amounts, on the basis of past experience of the management of the Company.

<b>22</b>	<b>LOANS AND ADVANCES - CONSIDERED GOOD</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
			<b>(Rupees in '000')</b>	
	Considered good - unsecured			
	Executives	22.1	7,617	10,709
	Other employees		31,982	27,020
			39,599	37,729
	Consultants		14,020	9,911
	Suppliers/Contractors	22.2	365,582	291,974
			419,201	339,614
<b>22.1</b>	Reconciliation of carrying amount of advances given to executives:			
	Balance at beginning of year		10,709	10,473
	Disbursements during the year		39,419	41,311
			50,128	51,784
	Less: repayments during the year		42,511	41,075
	Balance at end of year		7,617	10,709

**22.1.1** The above advances were given in accordance with the Company's service rules. The maximum amount due from executives at the end of any month during the year was Rs. 7,937 thousand (2017: Rs. 12,945 thousand).

**22.2** This includes advance of Rs. 178 million (2017: Rs. 84 million) paid for acquisition of land in Islamabad.

<b>23</b>	<b>TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
			<b>(Rupees in '000')</b>	
	Current portion of Ijarah key money deposits	18	404	3,300
	Other deposits		3,060	2,560
	Short term prepayments		12,030	14,011
	Other receivables	23.1	37,657	18,627
			53,151	38,498

**23.1** This includes Rs. 343 thousand (2017:Nil) due from Shifa Consulting Services (Private) Limited. The referred amount also represents the maximum amount due at the end of any month during the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

24	INVESTMENT - HELD TO MATURITY	Note	2018	2017
			(Rupees in '000')	
	Faysal Bank Limited	24.1	-	89,022
	Dubai Islamic Bank Limited	24.2	-	50,238
	MCB Islamic Bank	24.3	-	50,191
			-	189,451
24.1	The corresponding figure represents three TDRs having face value of Rs. 50 million, Rs. 25 million and Rs. 13 million with three month maturity encashed on November 17, 2017, November 15, 2017 and November 16, 2017 respectively. These TDRs carried an effective interest rate ranging from 5.4% to 6.1% per annum (2017: 5.4% to 6.1% per annum).			
24.2	The corresponding figure represents TDR having face value of Rs. 50 million with three month maturity, encashed on November 16, 2017 carried effective interest rate of 5.5% (2017: 5.5%) per annum.			
24.3	The corresponding figure represents TDR having face value of Rs. 50 million with six month maturity, encashed on November 17, 2017 carried effective interest rate of 5.06% (2017: 5.06%) per annum.			
25	TAX REFUNDS DUE FROM THE GOVERNMENT (NET OF PROVISION)	Note	2018	2017
			(Rupees in '000')	
	Balance at beginning of year		97,474	24,980
	Income tax paid/deducted at source during the year		486,605	340,414
			584,079	365,394
	Provision for taxation for the year	31	(235,618)	(267,920)
	Balance at end of year		348,461	97,474
26	CASH AND BANK BALANCES			
	Cash at banks in:			
	Current accounts			
	Local currency		81,156	62,156
	Foreign currency		59	4,333
			81,215	66,489
	Saving accounts:			
	Local currency		397,712	565,546
	Foreign currency		88	587
		26.1	397,800	566,133
		26.2	479,015	632,622
	Cash in hand		438	9,121
			479,453	641,743
26.1	These carry effective profit rates ranging from 1.73% - 4.50% and 0.10% (2017: 1.79% - 4.90% and 0.10%) per annum in respect of local and foreign currency accounts respectively.			

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

- 26.2** Balances with banks includes Rs. 83,176 thousand (2017: Rs. 86,777 thousand) in respect of security deposits (note 10.2).

27	NET REVENUE	Note	2018	2017
			(Rupees in 000)	
	Inpatients		4,039,551	3,688,403
	Outpatients		2,296,604	2,077,577
	Pharmacy	27.1	3,688,149	3,236,859
	Cafeteria		328,837	312,703
	Rent of building	27.2	9,415	19,655
	Other services		4,441	2,910
			10,366,997	9,338,107
	Less: discount		96,400	81,098
	Net revenue		10,270,597	9,257,009

- 27.1** This includes revenue of Rs. 489,094 thousand (2017: Rs. 315,066 thousand) from external pharmacy outlets.

- 27.2** This includes rental income of Rs. 2,539 thousand (2017: Rs. 13,968 thousand) against operating leases to related parties.

28	OTHER INCOME	Note	2018	2017
			(Rupees in 000)	
	Income from financial assets:			
	Profit on investments and bank deposits		11,996	58,130
	Income from other than financial assets:			
	Gain on disposal of property, plant and equipment		2,025	11,395
	Liabilities written back		6,178	7,362
	Sale of scrap		7,052	10,399
	Miscellaneous	28.1	35,833	49,293
			63,084	136,579

- 28.1** This mainly includes sale of Shifa News (magazine of Shifa Publications), related advertisement income from Shifa News and other miscellaneous income.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

29	OPERATING COSTS	Note	2018	2017
			(Rupees in 000)	
	Salaries, wages and benefits	29.1	3,886,276	3,386,716
	Utilities		315,665	294,184
	Supplies consumed		1,012,912	967,942
	Medicines consumed		2,782,747	2,418,837
	Communication		27,673	26,494
	Travelling and conveyance		29,031	19,803
	Printing and stationery		69,282	70,049
	Repairs and maintenance		346,606	349,192
	Auditors' remuneration	29.2	2,150	2,350
	Legal and professional		15,954	32,539
	Rent		138,487	131,710
	Rates and taxes		7,766	6,316
	Advertising and sales promotion		43,981	39,338
	Fee, subscription and membership		38,081	15,329
	Vehicle and equipment rentals	29.3	13,376	7,775
	Cleaning and washing		118,032	77,538
	Insurance		14,884	12,360
	Property, plant and equipment written off	29.4	8,643	13,189
	Provision for doubtful debts	39.1.3	27,924	36,649
	Provision for slow moving stores		234	(4,550)
	Depreciation/amortization on tangible assets	14.6 & 15	498,398	463,197
	Amortization on intangible assets	16	5,430	225
	Donations	29.5	50,000	52,400
	Other expenses		54,659	45,024
			<b>9,508,191</b>	<b>8,464,606</b>

**29.1** This includes employee retirement benefits (gratuity) of Rs. 91,369 thousand (2017: Rs. 82,192 thousand), expense for compensated absences of Rs. 41,444 thousand (2017: Rs. 34,565 thousand) and bonus to employees of Rs. 178,753 thousand (2017: Rs. 173,215 thousand).

29.2	Auditors' remuneration	2018	2017
		(Rupees in '000')	
	Annual audit fee	1,417	1,417
	Half yearly review fee	583	583
	Statutory certifications	150	350
		<b>2,150</b>	<b>2,350</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

- 29.3** This includes ujarah payments under an Ijarah. As required under Islamic Financial Accounting Standard (IFAS 2) "Ijarah" (notified through SRO 431 (I)/2007 by Securities & Exchange Commission of Pakistan) ujarah payments under an Ijarah are recognized as an expense in the statement of profit or loss on straight line basis over the Ijarah term.

The amounts of future ujarah payments and the periods in which these will be due are as follows:

	2018	2017
	(Rupees in '000')	
Within one year	25,113	6,987
After one year but not more than five years	42,518	7,412
Total ujarah payments	67,631	14,399

- 29.4** This represents assets written off that were determined to be irreparable after carrying out detailed physical verification by the management.

	2018	2017
	(Rupees in '000')	
<b>29.5 Donations</b>		
Shifa Foundation	-	2,400
Shifa Tameer-e-Millat University (STMU)	50,000	50,000
	50,000	52,400

Shifa Foundation and Shifa Tameer-e-Millat University (STMU) are related parties due to common directorship and related information is as under:

Name of common directors	Interest in donee	Name & address of the donee
Dr. Manzoor H. Qazi	Director	Shifa Foundation and STMU, H-8/4, Islamabad
Dr. Habib ur Rahman	Director	Shifa Foundation and STMU, H-8/4, Islamabad
Mr. Muhammad Zahid	Director	Shifa Foundation, H-8/4, Islamabad
Dr. Samea Kauser Ahmad	Director	STMU, H-8/4, Islamabad

- 29.6** Names of associated companies or related parties or undertakings, with whom the company had entered into transactions or had agreements and / or arrangements in place during the financial year are as follow:

Name of related party	Basis of relationship	Percentage shareholding
Shifa Foundation	Common directorship	Not Applicable
Tameer-e-Millat Foundation	Common directorship	Not Applicable
SIHL Employees' Gratuity Fund	Benefit Plan	Not Applicable
Shifa Tameer-e-Millat University	Common directorship	Not Applicable
Shifa Consulting Services (Private) Limited	Subsidiary	100%



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

		2018	2017
		(Rupees in '000')	
<b>30</b>	<b>FINANCE COSTS</b>		
	Markup on:		
	Long term loans	39,458	50,418
	Running finance and murabaha facilities	642	267
	Credit card payment collection charges	15,517	14,594
	Loss on foreign currency translation	464	419
	Bank charges and commission	1,199	691
		<b>57,280</b>	<b>66,389</b>

**30.1** The finance cost of Rs. 43,658 thousand (2017: Nil) capitalized as a cost of tangible assets.

		2018	2017
		(Rupees in '000')	
<b>31</b>	<b>PROVISION FOR TAXATION</b>		
	Current		
	for the year	205,927	258,010
	prior year	29,691	9,910
		<b>235,618</b>	<b>267,920</b>
	Deferred	(24,096)	(11,754)
		<b>211,522</b>	<b>256,166</b>
<b>31.1</b>	<b>Reconciliation of tax charge for the year</b>		
	Profit before taxation	768,210	862,593
	Provision for taxation	211,522	256,166
	Effective tax rate	27.53%	29.70%
	<b>Reconciliation of effective tax rate</b>		
	Applicable tax rate	30.00%	31.00%
	Super tax	3.00%	3.00%
	Total	33.00%	34.00%
	Add: tax effect of amounts taxed at lower rates/others	22.56%	19.38%
	Less: net tax effect of amounts that are deductible for tax purposes	28.03%	23.68%
	Average effective tax rate charged on income	27.53%	29.70%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

- 31.2** Management of the Company has provided sufficient tax provision in the financial statements in accordance with Income Tax Ordinance, 2001. Following is the comparison of tax provision as per accounts vis a vis tax assessment for last three years:

	Deemed assessment (Rupees in '000')	Provision
Tax year 2017	287,701	258,010
Tax year 2016	323,682	313,709
Tax year 2015	140,192	163,381

	Note	2018 (Rupees in '000')	2017
<b>32 EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Profit after taxation for the year		<b>556,688</b>	606,427
		(Numbers in '000')	
Weighted average number of ordinary shares in issue during the year	5	<b>54,538</b>	54,538
		(Rupees)	
Earnings per share - basic and diluted		<b>10.21</b>	11.12

- 32.1** There is no dilutive effect on the basic earnings per share.

## **33 CAPACITY UTILIZATION**

The actual inpatient available bed days, occupied bed days and room occupancy ratio of Shifa International Hospitals Limited (SIHL) are given below:

	2018 Available bed days	2017	2018 Occupied bed days	2017	2018 Occupancy Ratio	2017
SIHL H-8/4 Islamabad	<b>167,781</b>	162,356	<b>117,671</b>	113,927	<b>70.13%</b>	70.17%
SIHL Faisalabad	<b>14,322</b>	16,514	<b>5,455</b>	5,095	<b>38.09%</b>	30.85%
SIHL G-10/4 Islamabad	<b>8,760</b>	8,110	<b>1,196</b>	3,050	<b>13.65%</b>	37.61%

- 33.1** The under utilization reflects the pattern of patient turnover which is beyond the management's control.

	2018 (Rupees in '000')	2017
<b>34 UNAVAILED CREDIT FACILITIES</b>		
Unavailed credit facilities at year end are as under:		
Running/Murabaha financing	<b>564,816</b>	124,055
Letter of credit	<b>220,468</b>	50,000
Diminishing Musharakah	<b>1,158,288</b>	-
Ijarah financing	<b>93,695</b>	1,935
	<b>2,037,267</b>	175,990

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

## 35 NUMBER OF EMPLOYEES

The Company had 4,778 employees (2017: 4,584) at the year end and average number of employees during the year were 4,626 (2017: 4,520).

## 36 RELATED PARTIES TRANSACTIONS

The related parties comprise of subsidiary, directors, major shareholders, key management personnel, SIHL Employees' Gratuity Fund and the entities over which directors are able to exercise influence. The amounts due from and due to these undertakings are shown under trade debts, loans and advances and trade and other payables. Other transactions with the related parties are given below:

	Note	2018 (Rupees in '000')	2017
<b>Shifa Foundation: (Related party by virtue of common directorship)</b>			
Revenue from services earned by the Company	36.1	154,756	113,702
Revenue from rent earned by the Company		44	44
Expenses paid by and reimbursed to the Company		3,582	3,508
Other services provided to the Company		18,716	15,840
Donation given by the Company		-	2,400
<b>Tameer-e-Millat Foundation: (Related party by virtue of common directorship)</b>			
Revenue from rent earned by the Company		311	311
Other supplies provided to the Company	36.2	20,245	21,301
Other services provided to the Company	36.3	13,835	5,515
Expenses paid by and reimbursed to the Company		-	169
Rent paid by the Company		1,753	5,060
<b>Shifa Tameer-e-Millat University: (Related party by virtue of common directorship)</b>			
Revenue from services earned by the Company	36.1	41,646	26,865
Revenue from rent earned by the Company		2,184	13,613
Other services provided to the Company	36.3	36,000	24,066
Expenses paid by and reimbursed to the Company		2,003	14,291
Donation paid by the Company		50,000	50,000
<b>Shifa Consulting Services (Private) Limited (subsidiary company)</b>			
Revenue from services earned by the Company	36.1	-	38
Expenses paid by and reimbursed to the Company		743	508
Other supplies provided to the Company		-	360
Other services provided to the Company		-	18,000
Further investment made by the Company		-	120

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

	Note	2018 (Rupees in 000)	2017
<b>SIHL Employees' Gratuity Fund</b>			
Payments made by the Company during the year	36.4	<b>89,196</b>	76,017
<b>Remuneration including benefits and perquisites of key management personnel</b>	36.5	<b>269,794</b>	275,619
<b>36.1</b> Revenue earned from related parties includes medical, surgical, clinical and lab services rendered to referred inpatients and outpatients, sale of medicines and provision of cafeteria services. These transactions are based on agreed terms which are approved by the Board of Directors of the Company.			
<b>36.2</b> This mainly includes uniforms and dairy products. These transactions are based on agreed terms which are approved by the Board of Directors of the Company.			
<b>36.3</b> Other services are received by the Company for nursing education/training, employees' children education and consultancy services etc. These transactions are based on agreed terms which are approved by the Board of Directors of the Company.			
<b>36.4</b> Transactions with the Fund are carried out based on the terms of employment of employees and according to actuarial advice.			
<b>36.5</b> Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company. There were no transactions with the key management personnel during the year other than their terms of employment/entitlements.			
<b>37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES</b>			

The aggregate amount charged in these financial statements in respect of remuneration and allowances, including all benefits, to chief executive, directors and executives of the Company are given below:

	Chief Executive		Executive Directors		Non-Executive Directors		Executives	
	2018	2017	2018	2017	2018	2017	2018	2017
	(Rupees in '000')							
Managerial remuneration	<b>40,578</b>	42,772	<b>38,160</b>	34,115	<b>7,132</b>	7,177	<b>133,911</b>	118,815
Rent and utilities	<b>7,260</b>	8,872	<b>2,474</b>	2,958	<b>1,267</b>	1,407	<b>26,314</b>	25,436
Bonus and incentives	<b>2,657</b>	2,657	<b>4,275</b>	2,880	<b>645</b>	430	<b>14,965</b>	10,509
Gratuity	-	-	-	-	-	-	<b>7,132</b>	5,817
Medical insurance	-	-	<b>155</b>	323	<b>50</b>	54	<b>1,560</b>	2,270
Leave encashment	-	-	-	-	-	-	<b>2,062</b>	2,345
	<b>50,495</b>	54,301	<b>45,064</b>	40,276	<b>9,094</b>	9,068	<b>185,944</b>	165,192
Number of persons	<b>1</b>	1	<b>2</b>	2	<b>5</b>	6	<b>27</b>	27

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

- 37.1** The chief executive is provided with a Company maintained car, while two other directors and twenty three executives availed car facility.
- 37.2** Managerial remuneration includes Rs. 2,235 thousand (2017: 2,571 thousand) paid to directors in respect of meeting attending fee.
- 37.3** Travelling expenses of directors for official purposes are reimbursed by the Company.

<b>38</b>	<b>CASH AND CASH EQUIVALENTS</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
			<b>(Rupees in '000')</b>	
	Cash and bank balances	26	<b>479,453</b>	641,743
	Investment - held to maturity (excluding TDR having maturity more than three months)	24	-	139,451
	Short term borrowing	12	<b>(5,974)</b>	-
			<b>473,479</b>	781,194

## **39 FINANCIAL RISK MANAGEMENT**

The Company has exposure to the following risks from its use of financial instruments:

Credit risk

Liquidity risk

Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee of the Company oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit function. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### **39.1 Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk in trade debts by limiting significant exposure to the customers not having good credit history. Furthermore, the Company has credit control in place to ensure that services are rendered to customers with an appropriate credit history.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

The Company is also exposed to credit risk from its operating and short term investing activities. The Company's credit risk exposures are categorized under the following headings:

## 39.1.1 Counterparties

The Company conducts transactions with the following major types of counterparties:

### Trade debts

Trade debts are essentially due from government companies/institutions, private companies (panel companies) and individuals to whom the Company is providing medical services. Normally the services are rendered to the panel companies on agreed rates and limits from whom the Company does not expect any inability to meet their obligations. The Company manages credit risk in trade debts by limiting significant exposure to the customers not having good credit history. Furthermore, the Company has credit control in place to ensure that services are rendered to customers with an appropriate credit history.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade debts. This allowance is based on the management's assessment of a specific loss component that relates to individually significant exposures.

### Cash and investments

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counterparties that have a credit rating of at least A-2 and A-1. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

## 39.1.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018	2017
	(Rupees in '000')	
Long term deposits	41,140	41,729
Trade debts - considered good	714,034	447,770
Trade deposits and other receivables	40,717	21,187
Markup accrued	-	1,165
Investment - held to maturity	-	189,451
Bank balances	479,015	632,622
	<b>1,274,906</b>	<b>1,333,924</b>

The maximum exposure to credit risk for trade debts at the reporting date by type of customer was:



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

	2018	2017
	(Rupees in '000')	
Government companies	367,662	247,581
Private companies	263,827	125,693
Individuals	44,581	47,999
Related parties	25,483	12,979
Others	12,481	13,518
	<b>714,034</b>	<b>447,770</b>

## 39.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	2018		2017	
	Gross debts	Impaired	Gross debts	Impaired
	(Rupees in '000')		(Rupees in '000')	
Not past due	351,270	-	203,901	-
1 - 4 months	281,781	-	193,600	-
5 - 7 months	35,330	1,143	8,868	443
8 - 12 months	39,515	2,596	34,427	143
13 - 18 months	25,879	16,002	43,866	36,306
19 - 23 months	46,415	46,415	18,186	18,186
	<b>780,190</b>	<b>66,156</b>	<b>502,848</b>	<b>55,078</b>

The movement in the allowance for impairment in respect of trade debts during the year was as follows:

	Note	2018	2017
		(Rupees in '000')	
Balance at beginning of year		55,078	47,559
Provision made during the year		27,924	36,649
Less: bad debts written off		16,846	29,130
Balance at end of year	21	<b>66,156</b>	<b>55,078</b>

The allowance account in respect of trade debts is used to record impairment losses where the Company is satisfied that recovery of the due amount is doubtful. When the amount considered irrecoverable it is written off against the financial asset.

- 39.1.4** The Company believes that no impairment allowance is necessary in respect of loan and advances, markup accrued, deposits and other financial assets as the recovery of such amount is possible.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

## 39.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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, without incurring unacceptable losses or risking damage to the Company's reputation. For this purpose the Company has credit facilities as mentioned in notes 8 and 34 to the financial statements. Further liquidity position of the Company is monitored by the Board through budgets, cash flow projections and comparison with actual results.

Following is the maturity analysis of financial liabilities:

	Carrying amount	Six months or less	Six to twelve months	One to two years	Two to five years	Above five years
(Rupees in '000')						
<b>2018</b>						
Long term financing - secured	1,675,118	167,848	380	6,370	1,287,128	213,392
Trade and other payables	2,575,037	2,575,037	-	-	-	-
Unclaimed dividend	33,981	33,981	-	-	-	-
Markup accrued	12,264	12,264	-	-	-	-
Short term borrowing	5,974	5,974	-	-	-	-
	<b>4,302,374</b>	<b>2,795,104</b>	<b>380</b>	<b>6,370</b>	<b>1,287,128</b>	<b>213,392</b>
<b>2017</b>						
Long term financing - secured	503,992	167,870	167,894	168,228	-	-
Trade and other payables	1,732,012	1,732,012	-	-	-	-
Unclaimed dividend	27,052	27,052	-	-	-	-
Markup accrued	398	398	-	-	-	-
	<b>2,263,454</b>	<b>1,927,332</b>	<b>167,894</b>	<b>168,228</b>	<b>-</b>	<b>-</b>

## 39.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, markup rates and equity prices will affect the Company'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 the return on risk. The Company is exposed to currency and mark up rate risk.

### 39.3.1 Foreign currency risk

#### Exposure to foreign currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and cash in foreign currency bank account. The transactions and balances in foreign currency are very nominal therefore, the Company's exposure to foreign currency risk is very minimal. The Company's exposure to foreign currency risk is as follows:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

	2018 (Amount in '000')		2017 (Amount in '000')	
	USD	AED	USD	AED
Bank balances	0.73	1.79	5.61	151.89
Letter of credit	220.00	-	(490.00)	-
	220.73	1.79	(484.39)	151.89

	2018 (Rupees in '000')		2017 (Rupees in '000')	
Bank balances	88	59	587	4,333
Letter of credit	(26,759)	-	(51,352)	-
	(26,671)	59	(50,765)	4,333

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2018	2017	2018	2017
	(Rupees)		(Rupees)	
USD 1 - Buying	109.88	104.72	121.4	104.79
USD 1 - Selling	110.07	104.90	121.6	104.98
AED 1 - Buying	29.91	28.51	33.05	28.53
AED 1 - Selling	29.96	28.56	33.10	28.58

## Foreign currency sensitivity analysis

A 10 percent variation of the PKR against the USD and AED at June 30 would have effected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular markup rates, remain constant.

	Change in Foreign Exchange Rates	Effect on Profit or Loss	Effect on Equity
	%	(Rupees in '000')	
<b>2018</b>			
Foreign currencies	+10%	(2,661)	(2,661)
Foreign currencies	-10%	2,661	2,661
<b>2017</b>			
Foreign currencies	+10%	(4,643)	(4,643)
Foreign currencies	-10%	4,643	4,643

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

## 39.3.2 Markup rate risk

The markup rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in the market markup rates. Sensitivity to markup rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Company's exposure to the risk of changes in market markup rates relates primarily to Company's long term debt obligations with floating markup rates.

The Company analyses its markup rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Company calculates the impact on profit or loss of a defined markup rate shift. For each simulation, the same markup rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major markup-bearing positions.

The Company adopts a policy to ensure that markup rate risk is minimized by investing its surplus funds in fixed rate investments like TDRs.

### Profile

At the reporting date the markup rate profile of the Company's markup-bearing financial instruments is:

	Note	2018 (Rupees in '000')	2017
<b>Financial assets</b>			
Investments - held to maturity	24	-	189,451
Bank balances	26	397,800	566,133
		397,800	755,584
<b>Financial liabilities</b>			
Long term financing - secured	8	1,675,118	503,992
Short term borrowing	12	5,974	-
		1,681,092	503,992
		(1,283,292)	251,592

The effective markup rates for the financial assets and liabilities are mentioned in respective notes to the financial statements.

### Markup rate sensitivity analysis

If markup rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended June 30, 2018 would decrease/increase by Rs. 2,496 thousand (2017: decrease/increase by Rs. 3,547 thousand). This is mainly attributable to the Company's exposure to markup rates on its variable rate borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

## 39.4 Fair value of financial instruments

Fair value as 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. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except investment held to maturity which are carried at amortized cost.

## 39.5 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year.

## 40 FINANCIAL INSTRUMENTS

### Fair value of financial instruments

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

### Financial instruments by category

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value.

For the year ended June 30, 2018

118 SHIFA INTERNATIONAL HOSPITALS LIMITED



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

- 40.1** Lands are carried at revalued amounts as determined by professional valuers based on their assessment of the market values and have been classified under level 3 as the effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty.

## **41 OPERATING SEGMENTS**

The financial statements have been prepared on the basis of single reportable segment.

- 41.1** All revenue of the Company is earned from customers located in Pakistan.
- 41.2** All non-current assets of the Company at June 30, 2018 are located in Pakistan.
- 41.3** There is no customer with more than 10% of total revenue of the Company for the year.

## **42 RECLASSIFICATION**

Following corresponding figures have been reclassified for the purpose of comparison:

		2017	2016
		(Rupees in '000')	
<b><u>Statement of financial position</u></b>			
<b>Reclassification from</b>	<b>Reclassification to</b>		
<b>Surplus on revaluation of Property, Plant and Equipment</b>	<b>Capital Reserve</b>		
Surplus on revaluation of Property, Plant and Equipment	Surplus on revaluation of Property, Plant and Equipment	726,760	742,191
<b>Trade and other payables</b>	<b>Unclaimed dividend</b>		
Unclaimed dividend	Unclaimed dividend	27,052	42,724
<b>Trade and other payables</b>	<b>Trade and other payables</b>		
Creditors	Accrued liabilities	32,808	27,209
Security deposits	Retention money	22,555	12,949
<b><u>Statement of profit or loss</u></b>			
<b>Net revenue</b>	<b>Net revenue</b>		
Inpatient revenue	Pharmacy revenue	210,889	-
<b>Operating costs</b>	<b>Operating costs</b>		
Supplies consumed	Medicine consumed	193,269	-

## **43 GENERAL**

Figures have been rounded off to the nearest one thousand Pak Rupees unless otherwise stated.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

## 44 EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on September 08, 2018 has proposed a final cash dividend of Rs. 4.5 per share.

## 45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company on September 08, 2018.



CHAIRMAN



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



# CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2018

# INDEPENDENT AUDITORS' REPORT

## To the members of Shifa International Hospitals Limited Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed consolidated financial statements of Shifa International Hospitals Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at June 30, 2018 and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	<p><b>Valuation of Land</b></p> <p>The Group is following revaluation model for subsequent measurement of its lands under Property, plant and equipment. The valuation is based on the report of independent external appraiser engaged by the Group, who estimate the value after due consideration of the prevailing prices, characteristics, size of the land and restrictions and condition attached to the same. Based on the latest reports of external appraiser, values of lands are accounted for in the consolidated financial statements. Due to specifics of the valuation process, characteristics and materiality of the value of lands, we have determined it as a key audit matter.</p>	<p>Our audit procedures amongst others to address this matter comprise of assessing the qualification, objectivity, independence and competence of external appraiser. We discussed with appraiser the methodology, key assumptions and method used in the valuation process. We established that the valuation approach is consistent and in accordance with IFRS 13, "Fair Value Measurement". We also tested and assessed the completeness, appropriateness and adequacy of the disclosure in the consolidated financial statements of the Company with regard to the revaluation performed.</p>
2	<p><b>First time application of fourth schedule to the Companies Act, 2017</b></p> <p>As referred to in note 2 and 3.1 to the annexed consolidated financial statements, the consolidated financial statements have been prepared according to the third and fourth schedules to the Companies Act, 2017 (the Act) as they have become applicable for the first time during the current year. The Act (including third and fourth schedule) forms an integral part of the statutory financial reporting framework as applicable to the Group which, amongst others, prescribes the nature and content of disclosures in relation to various elements of the consolidated financial statements and the management identified differences between the framework by performing gap analysis and as a result assessed the amendments relating to disclosures required in the Group's financial statements. We consider the above as a key audit matter in view of extensive impacts in the consolidated financial statements due to the Companies Act, 2017.</p>	<p>The matter was addressed in our audit by performing the audit procedures where by, the management's process to identify the necessary amendments required in the Group's financial statements was considered and an evaluation was made of the results of management's analysis and key decisions taken in respect of the transition and an assessment was made on the adequacy and appropriateness of disclosures made in the consolidated financial statements arising from the changes.</p>

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

Management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Board of Directors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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 Board of Directors 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.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Khaliq ur Rahman.



**Grant Thornton Anjum Rahman**

Chartered Accountants

Place: Islamabad

Date: September 08, 2018

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

		2018	2017	2016
	Note	(Rupees in '000')		
<b>SHARE CAPITAL AND RESERVES</b>				
Authorized share capital				
100,000,000 (2017: 54,537,900) ordinary shares of Rs. 10 each		1,000,000	545,379	545,379
Issued, subscribed and paid up capital	5	545,379	545,379	545,379
<b>Capital reserves</b>				
Share premium account	6	1,046,025	1,046,025	1,046,025
Surplus on revaluation of property, plant and equipment	7	723,310	726,760	742,191
<b>Revenue reserve</b>				
Unappropriated profit		2,798,675	2,539,594	2,076,255
		5,113,389	4,857,758	4,409,850
<b>NON-CONTROLLING INTEREST</b>				
		-	-	2,641
<b>NON - CURRENT LIABILITIES</b>				
Long term financing - secured	8	1,506,890	168,228	503,991
Deferred taxation	9	375,186	413,646	423,606
		1,882,076	581,874	927,597
<b>CURRENT LIABILITIES</b>				
Trade and other payables	10	2,921,545	1,932,832	1,465,620
Unclaimed dividend		33,981	27,052	42,724
Markup accrued	11	12,264	398	483
Short term borrowing	12	5,974	-	-
Current portion of long term financing	8	168,228	335,764	335,674
		3,141,992	2,296,046	1,844,501
		10,137,457	7,735,678	7,184,589
<b>CONTINGENCIES AND COMMITMENTS</b>				
	13			

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

*David M. Rahman*

CHAIRMAN

*Marguerite J. Dey*

CHIEF EXECUTIVE

		2018	2017	2016
	Note	(Rupees in '000')		
NON - CURRENT ASSETS				
Property, plant and equipment	14	6,029,463	5,458,261	4,609,949
Investment property	15	1,401,837	-	-
Intangible assets	16	33,477	10,585	-
Long term deposits	17	60,736	45,273	39,987
		7,525,513	5,514,119	4,649,936
CURRENT ASSETS				
Stores, spare parts and loose tools	18	119,607	81,195	64,593
Stock-in-trade	19	468,819	380,052	337,389
Trade debts - considered good	20	716,758	450,056	345,495
Loans and advances - considered good	21	419,220	339,628	157,580
Trade deposits, short term prepayments and other receivables	22	53,350	39,334	19,416
Markup accrued		-	1,165	1,501
Investment - held to maturity	23	-	189,451	1,096,241
Tax refunds due from the government (net of provision)	24	348,332	97,543	25,737
Cash and bank balances	25	485,858	643,135	486,701
		2,611,944	2,221,559	2,534,653
		10,137,457	7,735,678	7,184,589



CHIEF FINANCIAL OFFICER

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2018

	Note	2018 (Rupees in '000')	2017
Net revenue	26	10,285,061	9,262,363
Other income	27	63,084	135,851
Operating costs	28	(9,519,963)	(8,468,607)
Finance costs	29	(57,311)	(66,390)
Profit before taxation		770,871	863,217
Provision for taxation	30	(212,924)	(258,402)
Profit after taxation		557,947	604,815
<b>Attributable to:</b>			
Equity holders of Shifa International Hospitals Limited		557,947	604,920
Non-Controlling interest		-	(105)
		557,947	604,815
<b>Earnings per share - basic and diluted - (Rupees)</b>	31	10.23	11.09

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.



CHAIRMAN



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CHIEF FINANCIAL OFFICER

# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended June 30, 2018

	2018	2017
	(Rupees in '000')	
Profit after taxation	557,947	604,815
<b>Other comprehensive income</b>		
Items that will not be subsequently reclassified in statement of profit or loss		
(Loss)/income on remeasurement of staff gratuity fund benefit plan	(49,532)	5,980
Deferred tax relating to remeasurement of staff gratuity fund benefit plan	14,365	(1,794)
(Loss)/income on remeasurement of staff gratuity fund benefit plan (net of tax)	(35,167)	4,186
Surplus on revaluation of property, plant and equipment	5,541	-
Total comprehensive income for the year	528,321	609,001
<b>Attributable to:</b>		
Equity holders of Shifa International Hospitals Limited	528,321	609,106
Non-Controlling interest	-	(105)
	528,321	609,001

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.



CHAIRMAN



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

	Note	2018 (Rupees in '000')	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		770,871	863,217
Adjustments for:			
Depreciation/amortization on tangible assets		498,598	463,713
Amortization on intangible assets		5,430	225
Provision for doubtful debts		30,010	41,149
Property, plant and equipment written off		8,699	13,189
Gain on disposal of property, plant and equipment		(2,025)	(10,667)
Provision for compensated absences		41,481	34,565
Provision for gratuity		91,369	82,192
Provision for slow moving stores		234	(4,550)
Liabilities written back		(6,178)	(7,362)
Profit on investments and bank deposits		(11,996)	(58,130)
Loss on foreign currency translation		464	419
Finance cost		56,847	65,971
Operating cash flows before changes in working capital		1,483,804	1,483,931
Changes in working capital:			
(Increase) in current assets:			
Stores, spare parts and loose tools		(40,212)	(12,080)
Stock-in-trade		(88,767)	(42,663)
Trade debts		(296,712)	(145,710)
Loans and advances		(66,381)	(182,048)
Trade deposits and short term prepayments		(14,016)	(19,918)
Increase in current liabilities:			
Trade and other payables		583,365	468,926
Cash generated from operations		1,561,081	1,550,438
Finance cost paid		(44,980)	(66,056)
Income tax paid		(487,808)	(341,962)
Payment to SIHL Employees' Gratuity Fund		(89,196)	(76,017)
Compensated absences paid		(31,661)	(29,112)
Net cash from operating activities		907,436	1,037,291
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(1,068,155)	(1,349,912)
Purchase of investment property		(1,056,812)	-
Purchase of intangible		(28,322)	(10,810)
Encashment of investments - held to maturity		50,000	-
Proceeds from disposal of property, plant and equipment		3,763	35,393
Investment in TDRs		-	(50,000)
Markup received		13,161	58,466
Investment in subsidiary		-	(120)
Increase in long term deposits		(15,463)	(5,286)
Net cash used in investing activities		(2,101,828)	(1,322,269)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term financing - repayments		(335,764)	(335,673)
Long term financing - proceeds		1,493,679	-
Dividend paid		(265,761)	(179,286)
Net cash generated from/(used in) financing activities		892,154	(514,959)
Net decrease in cash and cash equivalents		(302,238)	(799,937)
<b>Cash and cash equivalents at beginning of year</b>		782,586	1,582,942
Effect of exchange rate changes on cash and cash equivalents		(464)	(419)
<b>Cash and cash equivalents at end of year</b>		479,884	782,586

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The annexed notes 1 to 44 form an integral part of these consolidated financial statements.



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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2018

	Share capital	Share premium account	Un-appropriated profit	Surplus on revaluation of property, plant and equipment	Non-controlling interest	Total
	(Rupees in '000')					
<b>Balance at July 01, 2016</b>	545,379	1,046,025	2,076,255	742,191	2,641	4,412,491
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	604,920	-	(105)	604,815
Other comprehensive income - net of tax	-	-	4,186	-	-	4,186
	-	-	609,106	-	(105)	609,001
Transfer of depreciation/amortization on incremental value arising on revaluation of property, plant and equipment attributed to the year	-	-	8,990	(8,990)	-	-
Realization of revaluation surplus on disposal of assets	-	-	6,441	(6,441)	-	-
<b>Distribution to owners</b>						
Final dividend 2015-16: Rs. 3 per share	-	-	(163,614)	-	-	(163,614)
<b>Changes in ownership interests</b>						
Acquisition of NCI without a change in control	-	-	2,416	-	(2,536)	(120)
<b>Balance at June 30, 2017</b>	<b>545,379</b>	<b>1,046,025</b>	<b>2,539,594</b>	<b>726,760</b>	<b>-</b>	<b>4,857,758</b>
<b>Balance at July 01, 2017</b>	545,379	1,046,025	2,539,594	726,760	-	4,857,758
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	557,947	-	-	557,947
Other comprehensive income - net of tax	-	-	(35,167)	5,541	-	(29,626)
	-	-	522,780	5,541	-	528,321
Transfer of depreciation/amortization on incremental value arising on revaluation of property, plant and equipment attributed to current year	-	-	8,991	(8,991)	-	-
<b>Distribution to owners</b>						
Final dividend 2016-17: Rs. 5 per share	-	-	(272,690)	-	-	(272,690)
<b>Balance at June 30, 2018</b>	<b>545,379</b>	<b>1,046,025</b>	<b>2,798,675</b>	<b>723,310</b>	<b>-</b>	<b>5,113,389</b>

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.



CHAIRMAN



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

### 1 STATUS AND NATURE OF BUSINESS

- 1.1** Shifa International Hospitals Limited ("the Group") comprises of Shifa International Hospitals Limited (SIHL/ parent company) and its subsidiary Shifa Consulting Services (Private) Limited. SIHL was incorporated in Pakistan on September 29, 1987 as a private limited company under the repealed Companies Ordinance, 1984 and converted into a public limited company on October 12, 1989. The shares of the SIHL are quoted on Pakistan Stock Exchange Limited. The registered office of the SIHL is situated at Sector H-8/4, Islamabad.
- 1.2** The principal activity of the SIHL is to establish and run medical centers and hospitals in Pakistan. The SIHL has established its first hospital in 1993 in H-8/4 Islamabad, second hospital in 2011 in Faisalabad and another in 2014 in G-10/4 Islamabad. The SIHL is also running medical center, pharmacies and Lab collection points in different cities of Pakistan.
- 1.3** Shifa Consulting Services (Private) Limited (SCSPL) was incorporated on December 18, 2014. The principal activity of Shifa Consulting Services (Private) Limited is to provide consulting services relating to healthcare facilities, medical staff, availability of human resource and hospital quality.
- 1.4** Geographical locations of business units of the Group are as follows:

#### **SIHL**

H-8 Hospital, Pitras Bukhari Road, Sector H-8/4, Islamabad  
 Faisalabad Hospital, Main Jaranwala Road, Faisalabad  
 G-10/4 Hospital, G-10 Markaz, Islamabad  
 Shifa Pharmacy, Opposite OPF College, F-8 Markaz, Islamabad  
 Shifa Pharmacy, Commercial Market, Rawalpindi  
 Shifa Pharmacy, Blue Area, Islamabad  
 Shifa Pharmacy, Gulburg Greens, Islamabad  
 Shifa Pharmacy, Trauma Center, Islamabad International Airport  
 Shifa Pharmacy, Iskandarabad, Mianwali  
 Shifa Pharmacy, Naval Complex, E-8 Markaz, Islamabad  
 F-11 Medical center, Savoy Arcade, F-11 Markaz, Islamabad

#### **SCSPL**

H-8 Hospital, Pitras Bukhari Road, Sector H-8/4, Islamabad

### 2 SIGNIFICANT TRANSACTIONS AND EVENTS THAT AFFECTED THE GROUP'S FINANCIAL POSITION AND PERFORMANCE

Sit in procession followed by political turmoil during the second quarter of current financial year had effected the revenue growth of the SIHL. Had there been no aforementioned events, the revenue would have been increased by Rs. 41 million.

During the year under review, the SIHL has purchased land and building at lump sum value of Rs. 1,350 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

During the current year, the SIHL has opened further three institutional pharmacies that significantly contributed towards the pharmacy revenue growth of the SIHL.

Due to first time application of financial reporting requirements of the Companies Act, 2017, the Group has changed the accounting policy and the presentation of surplus on revaluation of property, plant and equipment as detailed in note 4.22.

### **3 BASIS OF PREPARATION**

#### **3.1 Statement of compliance**

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards) issued by International Accounting Standards Board (IASB) as notified under Companies Act, 2017 (the "Act"); and provisions of and directives issued under the Act. Where provisions of and directives issued under the Act differ from IFRS standards, the provisions of and directives issued under the Act have been followed.

During the year the Companies Act, 2017 became applicable for the first time for the preparation of these consolidated financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Group and amongst others, prescribes the nature and content of disclosures in relation to various elements of the consolidated financial statements. Additional amended disclosures including but not limited to, particulars of immovable assets (note 14.2), management assessment of sufficiency of tax provision in the consolidated financial statements (note 30.2), change in threshold for identification of executive (note 36) and changes in threshold for disclosing disposal of fixed assets (note 14.7) etc.

#### **3.2 Basis of measurement**

These consolidated financial statements have been prepared under the historical cost convention, modified by:-

- revaluation of certain items of property, plant and equipment; and
- recognition of employees gratuity benefits obligation at present value.

#### **3.3 Functional and presentation currency**

These consolidated financial statements are presented in Pak Rupee, which is the Group's functional and presentation currency.

#### **3.4 Use of estimates and judgments**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of the approved accounting standards that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

### **3.4.1 Property, plant and equipment**

The Group reviews the useful lives of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation/amortization charge and impairment.

### **3.4.2 Investment property**

The SIHL reviews the useful lives of investment property on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of investment property with a corresponding effect on the depreciation/amortization charge and impairment.

### **3.4.3 Intangible assets**

The Group reviews the useful lives of intangible assets on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of intangibles with the corresponding effect on the amortization charge and impairment.

### **3.4.4 Provision for doubtful debts**

The Group estimates the recoverability of the trade debts and provides for doubtful debts based on its prior experience.

### **3.4.5 Stock-in-trade, stores, spares and loose tools**

The Group reviews the net realizable value of stock-in-trade, stores, spares and loose tools to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sale.

### **3.4.6 Employee benefits**

The SIHL operates approved funded gratuity scheme covering all its employees who have completed the minimum qualifying period of service as defined under the scheme. The gratuity scheme is managed by trustees. The calculation of the benefit requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used for the plan are determined by independent actuary on annual basis.

The amount of the expected return on plan assets is calculated using the expected rate of return for the year and the market-related value at the beginning of the year. Gratuity cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employee service during the year and the interest on the obligation in respect of employee service in previous years, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

### **3.4.7 Compensated absences**

The Group provides provision for compensated absences of its employees on unavailed balance of leaves in the period in which the leave is earned. The Group provides for its estimated liability towards leaves accumulated by employees on an accrual basis using current salary levels.

### **3.4.8 Taxation**

The Group takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

### **3.4.9 Contingencies**

The Group has disclosed significant contingent liabilities for the pending litigations and claims against the Group based on its judgment and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date. However, based on the best judgment of the Group and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the balance sheet date.

### **3.5 New accounting standards, interpretations and amendments**

During the year certain amendments to standards or new interpretations became effective, however, the amendments or interpretations did not have any material effect on these consolidated financial statements.

The following revised standards and amendments and interpretations to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below against the respective standard:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 2	Share based payments - Classification and measurement of share based payments transaction (Amendment)	January 1, 2018
IFRS 9	Financial instruments	July 1, 2018
IFRS 9	Prepayment Features with Negative Compensation - (Amendments)	January 1, 2018
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint venture (Amendment)	Not yet finalized
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	January 1, 2018
IAS 40	Investment Property: Transfers of Investment Property (Amendments)	January 1, 2018
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)	January 1, 2019
IAS 28	Long-term Interest in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

At present the impact of application of above standards on consolidated financial statements are being assessed.

In addition to above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods on or after January 01, 2018 and January 01, 2019 respectively. The Group expects that such improvement to the standards will not have any impact on the consolidated financial statement in the period of initial application.

The Group has adopted the following applicable accounting standards, amendments and interpretations of IFRS standards which became effective for the current year:

		<b>Effective date (annual periods beginning on or after)</b>
IAS 12	Income taxes - Recognition of deferred tax assets for unrealized losses - (Amendment)	January 1, 2016
IFRS 7	Financial Instruments: Disclosures - Disclosure initiative	January 1, 2021

The adoption of above accounting standards did not have any effect on the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

The IASB has also issued the revised Conceptual Framework for financial reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 1, 2020 for preparers of consolidated financial statements who develop accounting policies based on Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of Conceptual Framework is to assist IASB in developing standards, to help preparers to develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

	<b>Effective date (annual periods beginning on or after)</b>
IFRS 14     Regulatory Deferral Accounts	January 1, 2016
IFRS 17     Insurance Contracts	January 1, 2021

#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except the change reflected in note 4.22 below.

##### 4.1 Basis of consolidation

These consolidated financial statements include the financial statements of Shifa International Hospitals Limited and its wholly owned subsidiary company, Shifa Consulting Services (Private) Limited for the year ended June 30, 2018. The accounting policies used by the subsidiary company in preparation of their financial statements are consistent with that of the parent Company.

##### **Subsidiaries**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are derecognized from the date the control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognized in consolidated statement of profit or loss.

Any contingent consideration to be transferred by the group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in consolidated statement of profit or loss or as a change to consolidated statement of other comprehensive income. Contingent consideration that is classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

### 4.2 Property, plant and equipment

Property, plant and equipment except freehold and leasehold land and capital work-in-progress are stated at cost less accumulated depreciation/amortization and impairment in value, if any. Leasehold land is stated at revalued amount being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses while freehold land is stated at revalued amount being the fair value at the date of revaluation, less any subsequent impairment losses, if any. Leasehold land is amortized over the lease period extendable up to 99 years.

Any revaluation increase arising on the revaluation of land is recognized in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognized in consolidated statement of profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land is charged to consolidated statement of profit or loss to the extent that it exceeds the balance, if any, held in the Revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The surplus on leasehold land to the extent of incremental depreciation charged is transferred to unappropriated profit.

Capital work-in-progress and stores held for capital expenditure are stated at cost less impairment loss recognized, if any. All expenditures connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific items of property, plant and equipment when available for intended use.

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance costs that do not meet the recognition criteria are charged to consolidated statement of profit or loss as and when incurred.

Depreciation/amortization is charged to consolidated statement of profit or loss commencing when the asset is ready for its intended use, applying the straight-line method over the estimated useful life.

In respect of additions and disposals during the year, depreciation/amortization is charged when the asset is available for use and up to the month preceding the asset's classification as held for sale or derecognized, whichever is earlier.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

Assets are derecognized when disposed off or when no future economic benefits are expected to flow from its use. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized on net basis within "other income" in consolidated statement of profit or loss.

### 4.3 Investment property

Investment property, principally comprising of land and buildings, is held for long term rental yields/capital appreciation. The investment property of the SIHL comprises of land and buildings and is valued using the cost method i.e. at cost less any accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs, if any.

Depreciation is charged to consolidated statement of profit or loss on the straight line method so as to allocate the depreciable amount over its estimated useful life. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed off.

The residual values and useful lives of investment property are reviewed at each reporting date and adjusted if appropriate. The SIHL assesses at each reporting date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the consolidated statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss is recognized, the depreciation charge is adjusted in the future period to allocate the asset's revised carrying amount over its estimated useful life. The gain or loss on disposal of investment property, represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense in consolidated statement of profit or loss.

### 4.4 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Subsequent cost on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization is charged to the consolidated statement of profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an item is acquired or capitalized while no amortization is charged for the month in which the item is disposed off.

All intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Where the carrying amount of an asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount. The carrying amount of other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist then the asset's recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognized if the carrying amount exceeds its estimated recoverable amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

### 4.5 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

#### **Finance leases as lessee**

The Group recognizes finance leases as assets and liabilities in the consolidated statement of financial position, at the inception of the lease, at amounts equal to the fair value of the asset or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to similar owned assets. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease. Initial direct costs incurred are included as part of the amount recognized as an asset. The liabilities are classified as current and long term depending upon the timing of payment. Lease payments are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Finance charges are charged directly to consolidated statement of profit or loss.

#### **Operating leases/ljarah contracts**

##### **As lessor**

Rental income from operating leases is recognized on straight-line basis over the term of the relevant lease.

##### **As lessee**

Rentals payable under operating leases/ljarah are charged to consolidated statement of profit or loss on straight-line basis over the term of relevant lease/ljarah.

### 4.6 Impairment

#### **Non - Financial assets**

The Group assesses at each reporting date whether there is any indication that assets except deferred tax assets and inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in consolidated statement of profit or loss except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of depreciation/amortization) had no impairment loss been recognized for the asset in prior years. Reversal of impairment loss is recognized in consolidated statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

### **Financial assets**

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

### **4.7 Investments**

All purchases and sales of investments are recognized using settlement date accounting. Settlement date is the date on which that investments are delivered to or by the Group. All investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

#### **4.7.1 Investment - held to maturity**

Investment with fixed or determinable payments and fixed maturity that the SIHL has the positive intent and ability to hold till maturity are classified as investment held to maturity. These are initially recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost using the effective interest rate method less impairment loss, if any. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the investment to its net carrying amount.

#### **4.7.2 Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, those are classified as non-current assets. The Group's loans and receivables comprise 'Advances, deposits and other receivables'.

### **4.8 Stores, spare parts and loose tools**

These are valued at cost, determined on moving average cost basis or net realizable value, whichever is lower, less allowance for obsolete and slow moving items. For items which are slow moving or identified as surplus to the SIHL's requirement, a provision is made for excess of book value over estimated net realizable value. The Group reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence, if there is any change in usage pattern and physical form of related stores, spare parts and loose tools.

### **4.9 Stock-in-trade**

Stock-in-trade is valued at lower of cost, determined on moving average basis or net realizable value. The cost includes expenditure incurred in acquiring the stock items and other cost incurred in bringing them to their present location and condition.

### **4.10 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cheques in hand, balances with banks and highly liquid short term investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value with maturity of three months or less from the date of acquisition and short term borrowings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

### 4.11 Financial instruments

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. These are derecognized when the Group loses control of contracted rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the consolidated statement of profit or loss.

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

#### 4.11.1 Trade debts and other receivables

Trade debts and other receivables are carried at original bill amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off against provision.

#### 4.11.2 Trade and other payables

Liabilities for trade and other payables are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received.

#### 4.11.3 Offsetting

A financial asset and a financial liability is offset and the net amount is reported in the consolidated statement of financial position, if the Group has a legal enforceable right to set-off the recognized amounts and intends either to settle on net basis or to realize the asset and settle the liability simultaneously.

### 4.12 Employee benefits

#### Defined benefit plan

The SIHL operates approved funded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation and is charged to consolidated statement of profit or loss. The most recent valuation was carried out as at June 30, 2018 using the "Projected Unit Credit Method". The actuarial gains or losses at each evaluation date are charged to consolidated other comprehensive income. The results of actuarial valuation are summarized in note 10.4 of these consolidated financial statements.

The amount recognized in the balance sheet represents the present value of defined benefit obligations as reduced by the fair value of plan assets.

Calculation of gratuity requires assumptions to be made of future outcomes which mainly include increase in remuneration, expected long term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

#### Compensated absences

The Group provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leave is earned. Accrual to cover the obligations is made using the current salary levels of the employees.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

### 4.13 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

### 4.14 Taxation

Taxation for the year comprises current and deferred tax. Taxation is recognized in the consolidated statement of profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

#### Current

Provision for current taxation is based on taxable income at the current rates of tax after taking into account applicable tax credits, rebates, losses and exemptions available, if any.

#### Deferred

Deferred tax is accounted for using the liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

### 4.15 Foreign currencies

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the dates of transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rate prevailing on the reporting date. Gains and losses arising on retranslation are included in consolidated statement of profit or loss for the year.

### 4.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods and services provided in the normal course of business. Revenue is recognized in the accounting period in which the services are rendered and goods are delivered and it is probable that the economic benefits associated with the transactions will flow to the Group and the amount of the revenue can be measured reliably.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

Interest income is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income is recognized on a straight line basis over the term of the rent agreement.

Scrap sales and miscellaneous receipts are recognized on realized amounts.

### **4.17 Borrowings**

Borrowings are recognized initially at fair value net off transaction cost incurred and are subsequently measured at amortized cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of liability for at least twelve months after the reporting date.

### **4.18 Borrowing costs**

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are charged to consolidated statement of profit or loss.

### **4.19 Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholder and weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares.

### **4.20 Dividend**

Dividend is recognized as a liability in the period in which it is declared.

### **4.21 Non - current assets held for sale**

Non - current assets are classified as held for sale when their carrying amounts are expected to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount immediately prior to their classification as held for sale and fair value less cost to sell. Once classified as held for sale, the assets are not subject to depreciation or amortization. In case where classification criteria of non-current asset held for sale is no longer met such asset is classified on its carrying amount before the asset was classified as held for sale, adjusted for depreciation/revaluation that would have been recognized had the asset not been classified as held for sale. The required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale is charged in consolidated statement of profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

### 4.22 Change in Accounting policy

Previously, the Group's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance 1984 which required a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account, or if no surplus existed, was to be charged to the consolidated statement of profit or loss as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. A deficit arising on revaluation of a particular property is now to be accounted for in accordance with IFRS, which requires that such deficit cannot be adjusted against surplus in another property, but is to be taken to the consolidated statement of profit or loss as an impairment. Consequently, the Group has changed its policy for accounting for deficit arising on revaluation of fixed assets, however, the change has no impact on current and prior consolidated financial statements of the Group. The revised accounting policy is explained in note 4.1 above. Further, the requirement of the repealed Companies Ordinance, 1984 to present the surplus on revaluation of property, plant and equipment as a separate item below equity has not been carried forward in the Companies Act, 2017. In view of the above, the surplus on revaluation of property, plant and equipment is now shown in the consolidated statement of financial position and the consolidated statement of changes in equity as a capital reserve i.e. part of equity.

### 5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018	2017		2018	2017
Number			(Rupees in '000')	
<b>54,537,900</b>	54,537,900	Ordinary shares of Rs. 10 each fully paid in cash	<b>545,379</b>	545,379

**5.1** The SIHL has only one class of ordinary shares which carries no right to fixed income. The shareholders are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the SIHL. All shares rank equally with regard to the SIHL's residual assets.

**5.2** The SIHL has no reserved shares for issuance under options and sales contracts.

### 6 SHARE PREMIUM ACCOUNT

This represents premium of Rs. 5 and Rs. 250 per share received on public issue of 8,000,000 and 4,024,100 ordinary shares of Rs.10 each in the year 1994 and 2016 respectively. This reserve cannot be utilized except for the purposes mentioned under section 81 of the Companies Act, 2017.

### 7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	(Rupees in '000')	
Balance at beginning of year	<b>726,760</b>	742,191
Realization of revaluation surplus on disposal of assets	-	(6,441)
Revaluation surplus during the year	<b>5,541</b>	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	<b>(8,991)</b>	(8,990)
Balance at end of year	<b>723,310</b>	726,760

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

- 7.1** Surplus on revaluation of property, plant and equipment in respect of leasehold and freehold lands, which were revalued in 1999, 2004, 2009, 2014 and 2018 as disclosed in note 14.1, is not available for distribution of dividend to the shareholders of the Company. As the surplus on revaluation is on leasehold and freehold lands, the incidence of related deferred tax does not arise.

<b>8</b>	<b>LONG TERM FINANCING - SECURED</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
			<b>(Rupees in '000')</b>	
	From banking companies:			
	Syndicated Islamic Finance Facility - 1	8.2	<b>166,667</b>	500,000
	Syndicated Islamic Finance Facility - 2	8.3	<b>1,493,678</b>	-
	Diminishing Musharakah Facility	8.4	<b>14,773</b>	3,992
			<b>1,675,118</b>	503,992
	Less: Current portion		<b>168,228</b>	335,764
			<b>1,506,890</b>	168,228

- 8.1** The SIHL has fully availed all the above facilities, except Syndicated Islamic Finance Facility - 2 and Diminishing Musharakah Facility.

- 8.2** This represents syndicated Islamic finance facility, obtained by SIHL arrange and lead by Meezan Bank Limited, obtained on markup basis at 3 months KIBOR plus 1% (2017: 3 months KIBOR plus 1%) per annum, repayable in 18 equal quarterly installments. The sanction limit of this facility was Rs. 1,500 million (2017: Rs. 1,500 million) which shall be repaid by December 28, 2018. The financing is secured by ranking charge upgraded into first pari passu charge on all present and future fixed assets of the SIHL (excluding plot No.5, F-11 Markaz, Islamabad) amounting to Rs. 2,000 million. Meezan Bank Limited has the custody of original ownership documents of the SIHL's land located at sector H-8/4, Islamabad.

- 8.3** During the year ended June 30, 2018, the SIHL availed another syndicated Islamic finance facility, arranged and lead by Meezan Bank Limited, obtained on markup basis at 3 months KIBOR plus 0.85% per annum, repayable in 14 equal quarterly installments. During the year ended June 30, 2018, the SIHL availed Rs. 1,500 million out of the total sanction limit of Rs. 2,000 million which shall be repaid by November 22, 2023. The financing is secured by ranking charge of Rs. 2,667 million upgraded into first pari passu charge on all present and future movable fixed assets and land / building located at H-8/4, Islamabad.

- 8.4** This represents a long term Islamic finance facility obtained by SIHL under the Diminishing Musharakah basis from Al Baraka Bank (Pakistan) Limited to finance purchase of brand new vehicles and biomedical equipments. Principal amount is repayable in 36 equal monthly installments carrying markup at 3 months KIBOR plus 1.25% (2017: 3 months KIBOR plus 1.25%) for vehicles and for biomedical equipments principal amount is repayable in 36 equal monthly installments carrying markup at 3 months KIBOR plus 0.80% (2017: Nil). The financing is secured by ranking charge on all present and future movable fixed assets (plant, machinery, tools and equipments) to Rs. 525 million for biomedical equipments and shared title over financed vehicles.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

9	DEFERRED TAXATION	Note	2018 (Rupees in '000')	2017
	Deferred tax liability	9.1	463,275	470,068
	Deferred tax asset	9.2	(88,089)	(56,422)
	Net deferred tax liability		375,186	413,646
9.1	<b>Deferred tax liability on taxable temporary differences:</b>			
	Accelerated depreciation/amortization allowance		463,275	470,068
9.2	<b>Deferred tax asset on deductible temporary differences:</b>			
	Specific provisions		(44,418)	(27,116)
	Retirement benefit obligation		(43,671)	(29,306)
			(88,089)	(56,422)
9.3	<b>Movement in deferred taxation</b>			

Deferred tax liabilities/(assets)	As at July 1, 2017	Statement of Profit or loss	Other comprehensive Income	As at June 30, 2018
	(Rupees in '000')			
The balance of deferred tax is in respect of the following temporary differences:				
<b>Effect of taxable temporary differences</b>				
Accelerated depreciation/amortization allowance	470,068	(6,793)	-	463,275
<b>Effect of deductible temporary differences</b>				
Provision for doubtful debts	(27,116)	(17,302)	-	(44,418)
Retirement benefit obligation	(29,306)	-	(14,365)	(43,671)
	413,646	(24,095)	(14,365)	375,186

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

Deferred tax liabilities/(assets)	As at July 1, 2016	Statement of Profit or loss	Other Comprehensive Income	As at June 30, 2017
	(Rupees in '000')			
The balance of deferred tax is in respect of the following temporary differences:				
<b>Effect of taxable temporary differences</b>				
Accelerated depreciation allowance	480,334	(10,266)	-	470,068
<b>Effect of deductible temporary differences</b>				
Provision for doubtful debts	(25,628)	(1,488)	-	(27,116)
Retirement benefit obligation	(31,100)	-	1,794	(29,306)
	423,606	(11,754)	1,794	413,646

9.4 Deferred tax assets and liabilities on temporary differences are measured at the rate of 29% (2017: 30%).

10	TRADE AND OTHER PAYABLES	Note	2018 (Rupees in '000')	2017
	Creditors		1,394,707	707,804
	Accrued liabilities		360,007	375,353
	Advances from customers		342,387	199,926
	Medical consultants' charges		490,837	376,156
	Payable to related parties - unsecured	10.1	27,504	28,285
	Security deposits	10.2	83,176	86,777
	Compensated absences	10.3	100,009	90,189
	Retention money		35,905	33,034
	Payable to Shifa International Hospitals Limited (SIHL) Employees' Gratuity Fund	10.4	87,013	35,308
			<b>2,921,545</b>	<b>1,932,832</b>

10.1 This represents payable to Tameer-e-Millat Foundation and Shifa Tameer-e-Millat University having common directorship with the Group. Maximum amount due at the end of any month during the year was Rs. 9,676 thousand (2017: 6,076 thousand) and Rs. 24,439 thousand (2017: 22,949 thousand) respectively. Detail of balances of each related party is as under:

	2018 (Rupees in '000')	2017
Tameer -e- Millat Foundation	3,065	5,336
Shifa Tameer -e- Millat University	24,439	22,949
	<b>27,504</b>	<b>28,285</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

- 10.2** This represents customers' security deposits that are repayable on termination of respective agreement. The security deposits are utilizable for the purpose of the business of SIHL in accordance with requirements of written agreements.

<b>10.3</b>	<b>Compensated absences</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
			<b>(Rupees in '000')</b>	
	Balance at beginning of the year		<b>90,189</b>	84,736
	Provision made for the year		<b>41,481</b>	34,565
			<b>131,670</b>	119,301
	Payment made during the year		<b>(31,661)</b>	(29,112)
	Closing balance as at year end		<b>100,009</b>	90,189
<b>10.4</b>	<b>The amounts recognized in the balance sheet are as follows:</b>			
	Present value of defined benefit obligations	10.4.1	<b>497,634</b>	424,984
	Fair value of plan assets	10.4.2	<b>(410,621)</b>	(389,676)
			<b>87,013</b>	35,308

<b>10.4.1</b>	<b>Movement in the present value of funded obligation is as follows:</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
			<b>(Rupees in '000')</b>	
	Present value of defined benefit obligation at beginning		<b>424,984</b>	373,317
	Interest cost		<b>29,459</b>	25,324
	Current service cost		<b>92,113</b>	82,427
	Benefits paid		<b>(89,118)</b>	(47,343)
	Benefits payable		<b>(628)</b>	(710)
	Non refundable loan to employees adjustable against gratuity		<b>(1,535)</b>	(2,540)
	Remeasurement loss/(gain) on defined benefit obligation		<b>42,359</b>	(5,491)
	Present value of defined benefit obligation at year end		<b>497,634</b>	424,984
<b>10.4.2</b>	<b>Movement in the fair value of plan assets is as follows:</b>			
	Fair value of plan assets at beginning		<b>389,676</b>	338,204
	Expected return on plan assets		<b>30,203</b>	25,559
	Contributions		<b>89,196</b>	76,017
	Benefits paid		<b>(89,118)</b>	(47,343)
	Benefits payable		<b>(628)</b>	(710)
	Non refundable loan to employees adjustable against gratuity		<b>(1,535)</b>	(2,540)
	Remeasurement (loss)/ gain on plan assets		<b>(7,173)</b>	489
	Fair value of plan assets at year end		<b>410,621</b>	389,676

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000')	2017
<b>10.4.3 Charge for the year is as follows:</b>			
Current service cost		92,113	82,427
Interest cost		29,459	25,324
Expected return on plan assets		(30,203)	(25,559)
	28.1	91,369	82,192
<b>10.4.4 Remeasurements recognized in other comprehensive income (OCI) during the year:</b>			
Remeasurement loss/(income) on obligation		42,359	(5,491)
Remeasurement loss/(income) on plan assets		7,173	(489)
Remeasurement loss/(income) recognized in OCI		49,532	(5,980)
<b>10.4.5 Movement in liability recognized in statement of financial position:</b>			
Balance at beginning of year		35,308	35,113
Cost for the year		91,369	82,192
Total amount of remeasurement recognized in OCI during the year		49,532	(5,980)
Contributions during the year		(89,196)	(76,017)
Balance at end of year		87,013	35,308
<b>10.4.6 Plan assets comprise of:</b>			
Accrued mark up		6,727	2,947
Investment		291,000	231,000
Cash and bank balances		116,114	158,321
Payable to outgoing members		(3,220)	(2,592)
		410,621	389,676
<b>10.4.7 The principal actuarial assumptions used in the actuarial valuation are as follows:</b>			
Discount rate used for interest cost in profit or loss		7.75%	7.25%
Discount rate used for year end obligation		9.00%	7.75%
Expected rate of salary growth			
Salary increase FY 2018		N/A	6.75%
Salary increase FY 2019 onward		8.00%	6.75%
		SLIC	SLIC
Mortality rate		2001-2005 set back 1 year	2001-2005 set back 1 year
Withdrawal rates		Age based	Age based
Retirement assumption		Age 60	Age 60

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

### 10.4.8 Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased/decreased as a result of a change in respective assumptions by one percent.

	Defined benefit obligation	
	Effect of 1% increase	Effect of 1% decrease
	(Rupees in '000')	
Discount rate	462,814	537,976
Future salary increase	538,490	461,734

**10.4.9** The average duration of the defined benefit obligation as at June 30, 2018 is 8 years (2017: 8 years).

### 11 MARKUP ACCRUED

This represents markup accrued on long and short term financing.

### 12 SHORT TERM BORROWING

#### From banking company

This represents running finance facility obtained by SIHL from Habib Bank Limited on markup basis at 3 months KIBOR plus 1% per annum (2017: Nil) with sanctioned limit of Rs. 90 million. The facility is secured by first pari passu charge on all present and future current assets of the SIHL.

13	CONTINGENCIES AND COMMITMENTS	Note	2018	2017
			(Rupees in '000')	
<b>13.1</b>	<b>Contingencies</b>			
	Claims against the SIHL not acknowledged as debts:			
	Patients	13.1.1	1,000	111,000
	Competition Commission of Pakistan (CCP)	13.1.2	20,000	20,000
	Letter of guarantee	13.1.3	35,100	34,600
	Income tax	13.1.4, 13.1.5 13.1.6 & 13.1.7	1,149,332	12,168

**13.1.1** This represents claim lodged on January 01, 2007 by a patient(s) and his heirs against the Company for alleged negligence on part of the consultant/doctor. The management is contesting the claim which is pending in Peshawar High Court, and believes that the contention of the claimants will not be successful and no material liability is likely to arise.

**13.1.2** This represents the penalty imposed on June 06, 2012 by Competition Commission of Pakistan (CCP) to each Gulf Cooperation Council's (GCC) Approved Medical Centers (GAMCs) including SIHL on account of alleged non competitive practice/B363 arrangement of territorial division and equal allocation of GAMCs customers. Management of the Company and other GAMCs are jointly contesting the matter from September 09, 2012 which is pending in Islamabad High Court, Islamabad and firmly believe that the case will be decided in favor of the GAMCs including SIHL.

**13.1.3** This represents letters of guarantees issued by bank in favor of Sui Northern Gas Pipelines Limited (SNGPL), Ministry of Economy U.A.E. and Oil and Gas Development Company Limited (OGDCL) in ordinary course of SIHL's business.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

- 13.1.4** The tax authorities amended the assessments for tax years 2012, 2013, 2014, 2015 and 2016. Under section 122(5A) of Income Tax Ordinance, 2001 and raised tax demands of Rs. 147.7 million, Rs. 133.3 million, Rs. 85.5 million, Rs. 26.1 million and Rs. 566.2 million respectively. Being aggrieved the SIHL agitated the assessments in appeals before the Commissioner (Appeals) on August 13, 2018, June 26, 2018, February 19, 2018, January 15, 2018 and December 28, 2017, respectively. Thereafter the Commissioner (Appeals) has unfavorably decided the appeals for tax year 2014 and 2016 and being aggrieved the SIHL filed appeals against the appellate orders before the Appellate Tribunal Inland Revenue [ATIR], which are pending for adjudication. While appeals for tax year 2012, 2013 and 2015 is still pending for adjudication before Commissioner (Appeals). No provision has been recorded as the management is hopeful for favorable outcome.
- 13.1.5** The tax authorities levied tax of Rs. 178.4 million under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2014 on the account of alleged non deduction of tax on payments. Being aggrieved, the SIHL agitated the assessment in appeal before the Commissioner (Appeals) on May 09, 2018 who confirmed the order of the sub-ordinate tax authority. Being not satisfied with order of the CIR(A), the SIHL preferred appeal before the ATIR, which is pending for adjudication. The SIHL is confident for a favorable outcome and therefore, no provision in respect of above matter has been recorded in these financial statements.
- 13.1.6** The Assistant Commissioner Inland Revenue (ACIR) has amended the SIHL's assessment for tax year 2014 under section 221 of the Income Tax Ordinance, 2001 which has resulted a tax demand of Rs. 11.8 million. Being aggrieved, the SIHL has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) on March 10, 2017 wherein the CIR(A) has remanded back the said assessment to ACIR on November 30, 2017. The Department has filed an appeal on January 31, 2018 against the CIR(A) order which is pending adjudication before the Appellate Tribunal Inland Revenue. The SIHL is confident for a favorable outcome and therefore, no provision in respect of this matter has been recorded in these consolidated financial statements.
- 13.1.7** During the prior period the Deputy Commissioner Inland Revenue (DCIR) concluded an ex-party assessment against SCSPL under the Islamabad Capital Territory (Tax on Services) Ordinance 2001 (the Ordinance) and charged sales tax on the entire receipts of SCSPL for the tax year 2016 representing consulting income. The above assessment resulted in a demand of Rs. 2.5 million against which a provision of Rs. 2.0 million had been recorded in these the consolidated financial statements as SCSPL intended to pay the balance amount of Rs. 0.7 million considering that the tax authorities had recovered Rs. 1.4 million from the bank accounts. The un-provided balance represented a calculation error and management of SCSPL has filed an appeal with the Commissioner Inland Revenue (Appeals) and rectification application with the DCIR on which DCIR had partially accepted and rectified the demand of Rs. 2.5 million to Rs. 2.3 million. However, the decision of Commissioner Inland Revenue (Appeals) is still pending. SCSPL is confident for a favorable outcome and therefore, no further provision in respect of this matter has been recorded in these consolidated financial statements.

13.2	Commitments	2018	2017
		(Rupees in '000')	
13.2.1	Capital expenditure contracted	297,113	96,548
13.2.2	Letters of credit	37,463	59,055

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

### 14. PROPERTY, PLANT AND EQUIPMENT

Particulars	Owned assets											Capital work-in-progress (note 14.8)	Total
	Freehold land	Leasehold land	Building on leasehold land	Leasehold Improve-ments	Biomedical equipment	Air conditioning equipment and machinery	Electrical and other equipment	Furniture and Fittings	Construction equipment	Computer installations	Vehicles		
	(Rupees in 000)												
Cost/Revalued amount													
Balance as at July 01, 2016	323,752	960,959	1,959,918	-	2,541,124	226,894	410,094	140,235	8,671	253,025	114,552	55,245	6,994,469
Additions	565,777	-	-	-	387,034	20,969	34,015	25,353	830	62,097	7,320	246,552	1,349,947
Disposals	(22,010)	-	-	-	(81)	-	(470)	-	(7,614)	(266)	(7,247)	-	(37,688)
Write offs	-	-	(29,479)	-	(2,377)	-	-	(185)	-	(436)	-	-	(32,477)
Transfer	-	-	102,941	35,295	-	-	-	-	-	-	-	(138,236)	-
Balance at June 30, 2017	867,519	960,959	2,033,380	35,295	2,925,700	247,863	443,639	165,403	1,887	314,420	114,625	163,561	8,274,251
Balance as at July 01, 2017	867,519	960,959	2,033,380	35,295	2,925,700	247,863	443,639	165,403	1,887	314,420	114,625	163,561	8,274,251
Additions	159,050	-	18,194	-	214,297	23,081	158,030	21,952	514	49,684	3,474	421,445	1,069,721
Revaluation	758	4,783	-	-	-	-	-	-	-	-	-	5,541	5,541
Disposals	-	-	-	-	(4,646)	-	-	-	-	(476)	(4,578)	-	(9,700)
Write offs	-	-	-	-	(42,125)	(90)	(2,505)	(373)	-	(2,930)	-	-	(48,023)
Transfers	-	-	221,692	-	6,377	28,946	808	680	-	549	-	(259,052)	-
Balance as at June 30, 2018	1,027,327	965,742	2,273,266	35,295	3,099,603	299,800	599,972	187,662	2,401	361,247	113,521	325,954	9,291,790
Depreciation/amortization													
Balance as at July 01, 2016	-	31,658	462,436	-	1,194,433	129,876	247,558	65,491	8,648	164,913	79,507	-	2,384,520
Charge for the year	-	18,671	59,180	3,951	240,925	18,556	44,349	13,010	23	53,434	11,621	-	463,720
On disposals	-	-	-	-	(53)	-	(25)	-	(7,614)	(124)	(5,146)	-	(12,962)
On write offs	-	-	(17,736)	-	(978)	-	-	(138)	-	(436)	-	-	(19,288)
Balance at June 30, 2017	-	50,329	503,880	3,951	1,434,327	148,432	291,882	78,363	1,057	217,787	85,982	-	2,815,990
Balance as at July 01, 2017	-	50,329	503,880	3,951	1,434,327	148,432	291,882	78,363	1,057	217,787	85,982	-	2,815,990
Charge for the year	-	18,671	61,775	7,059	250,781	22,121	58,528	14,728	138	48,871	10,951	-	493,623
On disposals	-	-	-	-	(4,523)	-	-	-	-	(393)	(3,046)	-	(7,962)
On write offs	-	-	-	-	(34,234)	(5)	(1,832)	(347)	-	(2,906)	-	-	(39,324)
Balance as at June 30, 2018	-	69,000	565,655	11,010	1,646,351	170,548	348,578	92,744	1,195	263,359	93,887	-	3,262,327
Carrying value as at June 30, 2017	867,519	910,630	1,529,500	31,344	1,491,373	99,431	151,757	87,040	830	96,633	28,643	163,561	5,458,261
Carrying value as at June 30, 2018	1,027,327	896,742	1,707,611	24,285	1,453,252	129,252	251,394	94,918	1,206	97,888	19,634	325,954	6,029,463
Annual rate of depreciation %	-	1.34-3.03	2.5-10	20	10	10-15	10-15	10	10-20	25	20		

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

- 14.1** The SIHL had its leasehold land revalued in 1999, 2004, 2009, 2014 and 2018 and freehold land in 2009, 2014 and 2018 by independent valuers, using fair market value. These revaluations resulted in net surplus of Rs. 180,873 thousand, Rs. 63,891 thousand, Rs. 392,360 thousand, Rs. 184,284 thousand and Rs. 5,541 thousand respectively. The revaluation surplus amounting to Rs. 826,949 thousand has been included in the carrying value of the respective assets. Out of the revaluation surplus, an amount of Rs. 723,310 thousand (2017: Rs. 726,760 thousand) remains undepreciated as at June 30, 2018.

Had there been no revaluation the carrying value would have been as under:

	Cost at June 30	Accumulated amortization at June 30	Carrying value at June 30
<b>Leasehold land</b>			
	<b>(Rupees in '000')</b>		
<b>2018</b>	<b>325,065</b>	<b>62,436</b>	<b>262,629</b>
2017	325,065	52,755	272,310
<b>Freehold land</b>			
<b>2018</b>	<b>938,128</b>	<b>-</b>	<b>938,128</b>
2017	779,078	-	779,078

- 14.2** Particulars of SIH's freehold and leasehold lands are as follow:

Location	Nature	Area (Kanal)
Murree Expressway	Freehold land	7.7
Shifa Housing Society, Islamabad Expressway	Freehold land	27.0
Faisalabad Motorway	Freehold land	29.6
Islamabad Motorway	Freehold land	303.6
H-8/4 Islamabad	Leasehold land*	87.8
F-11 Islamabad	Leasehold land	5.5

\*The covered area includes multi-storey buildings.

- 14.3** Property, plant and equipment include items with aggregate cost of Rs. 1,188,833 thousand (2017: Rs. 843,756 thousand) representing fully depreciated assets that are still in use of the SIHL.
- 14.4** Property, plant and equipment of the SIHL are encumbered under an aggregate charge of Rs. 6,206.67 million (2017: 3,014.67 million) in favor of banking companies under various financing arrangements as disclosed in notes 8, 13.2.2 and 33.
- 14.5** The forced sale values of the revalued leasehold and freehold lands have been assessed at Rs. 717,393 thousand and Rs. 821,861 thousand respectively.
- 14.6** The depreciation/amortization charge for the year has been allocated as follows:

	Note	2018 (Rupees in '000')	2017
Operating costs	29	493,623	463,713
Capital work-in-progress		-	7
		<b>493,623</b>	<b>463,720</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

- 14.7** Detail of property, plant and equipment disposed off during the year, having carrying value of more than Rs. 500 thousand:

Asset Particulars	Cost	Carrying value	Sale proceeds	Purchaser	Mode of disposal
(Rupees in '000')					
Toyota corolla	1,790	656	1,100	Mr. Mehmood Mirza (Ex-employee of Company)	As per Group policy
Other assets having carrying value less than Rs. 500,000.	7,910	1,082	2,663		
<b>2018</b>	<b>9,700</b>	<b>1,738</b>	<b>3,763</b>		
2017	37,688	24,726	35,393		

	Note	2018 (Rupees in '000')	2017
<b>14.8 Capital work-in-progress</b>			
Construction work-in-progress	14.8.1	156,690	68,932
Stores held for capital expenditure	14.8.2	3,608	47,286
Installation of equipment in progress	14.8.3	165,656	47,343
		<b>325,954</b>	<b>163,561</b>

## 14.8.1 Construction work-in-progress

This represents the cost of civil works mainly comprising of cost of materials, payments to contractors, salaries and benefits pertaining to construction work being carried out as detailed below:

	Note	2018 (Rupees in '000')	2017
H-8/4 hospital		44,940	21,939
F-11 hospital		47,906	35,334
Shifa guest house		45,455	5,274
Other constructions		18,389	6,385
		<b>156,690</b>	<b>68,932</b>
<b>14.8.2 Stores held for capital expenditure</b>			
Stores held for capital expenditure		5,121	50,365
Less: provision for slow moving items	14.8.2.1	1,513	3,079
		<b>3,608</b>	<b>47,286</b>
<b>14.8.2.1</b>			
Balance at beginning of year		3,079	3,107
Reversed during the year		(1,566)	(28)
Balance at end of year		<b>1,513</b>	<b>3,079</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000')	2017
<b>14.8.3 Installation of equipment in progress</b>			
Fire doors		29,075	23,374
Ultrasound machine		19,800	-
Plasma Sterilizer		-	10,853
Steam Sterilizer		-	7,000
Auto Washer Disinfector		-	6,116
High Voltage AC		29,064	-
PFT machine		9,400	-
X-Ray machine		9,010	-
Others		69,307	-
		<b>165,656</b>	<b>47,343</b>
<b>15 INVESTMENT PROPERTY</b>			
Cost		1,406,812	-
Accumulated amortization		(4,975)	-
Net book value	15.1	<b>1,401,837</b>	-
Opening net book value		-	-
Additions:			
Cost of acquisition of property		1,350,000	-
Cost of civil works executed		19,619	-
Capitalization of borrowing cost		37,193	-
		<b>1,406,812</b>	
Amortization		(4,975)	-
Closing net book value		<b>1,401,837</b>	-

- 15.1** During the current year the SIHL has acquired a property located at H-8 Islamabad comprising of a leasehold land with a multi-storey building thereon. The property is in the SIHL's possession whereupon construction/renovation activities are under progress. The procedures for transfer of ownership of the property in the name of the SIHL is pending with Capital Development Authority (CDA) and shall be completed in due course of time. The board of directors of the SIHL intends to sublet the said property to its subsidiary to be incorporated in near future for setting-up the center of excellence of Neuro Sciences. Land is being amortized over the remaining lease term which is 68 years. The acquisition cost of the property represents its fair value with a forced sale value of Rs. 981 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

16	INTANGIBLE ASSETS	Note	2018	2017
			(Rupees in '000')	
	Cost	16.1	39,132	10,810
	Accumulated amortization	16.1	(5,655)	(225)
	Net book value		33,477	10,585
16.1	Movement in cost and accumulated amortization is as follow:			
	<b>Cost:</b>			
	Balance at beginning of year		10,810	-
	Addition	16.2	28,322	10,810
	Balance at end of year		39,132	10,810
	<b>Accumulated amortization:</b>			
	Balance at beginning of year		225	-
	Charge during the year		5,430	225
	Balance at end of year		5,655	225
	<b>Net book value</b>		33,477	10,585
16.2	Value of intangible assets include cost of Oracle financial software and software related to various biomedical equipments. Amortization of intangibles has been recorded at rate of 25% (2017: 25%) per annum.			
17	LONG TERM DEPOSITS	Note	2018	2017
			(Rupees in '000')	
	Ijarah key money deposits	17.1	20,000	6,844
	Less: current portion of Ijarah key money deposits	22	404	3,300
			19,596	3,544
	Security deposits	17.2	41,140	41,729
			60,736	45,273
17.1	This represents Ijarah key money deposits adjustable on expiry of respective Ijarah financing arrangements against transfer of titles of relevant assets.			

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

- 17.2** This represents security deposits given to various institutions/persons and are refundable on termination of relevant services/arrangements.

		2018 (Rupees in '000')	2017
18	STORES, SPARE PARTS AND LOOSE TOOLS	Note	
	Stores		105,781
	Spare parts		25,511
	Loose tools		5,620
			136,912
	Less: provision for slow moving items	18.1	17,305
			119,607
18.1	Balance at beginning of year		15,505
	Charged/(reversed) during the year		1,800
	Balance at end of year		17,305

## 19 STOCK-IN-TRADE

This represents medicines being carried at moving average cost.

		2018 (Rupees in '000')	2017
20	TRADE DEBTS - CONSIDERED GOOD	Note	
	Considered good		
	Related party - Shifa Foundation		25,483
	Others		691,275
	Considered doubtful		
	Others		66,156
	Considered bad		
	Others		18,932
			801,846
	Less: provision for doubtful debts	20.2 & 38.1.3	66,156
	Less: bad debts written off	38.1.3	18,932
			716,758

- 20.1** Maximum amount due from Shifa Foundation to SIHL at the end of any month during the year was Rs. 43,868 thousand (2017: Rs. 29,327 thousand).

- 20.2** Trade debts are provided on estimated irrecoverable amounts, on the basis of past experience of the management of the Group.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

21	LOANS AND ADVANCES - CONSIDERED GOOD	Note	2018	2017
			(Rupees in '000')	
	Considered good - unsecured			
	Executives	21.1	7,617	10,709
	Other employees		32,001	27,034
			39,618	37,743
	Consultants		14,020	9,911
	Suppliers/Contractors	21.2	365,582	291,974
			419,220	339,628
21.1	Reconciliation of carrying amount of advances given to executives:			
	Balance at beginning of year		10,709	11,556
	Disbursements during the year		39,419	41,311
			50,128	52,867
	Less: repayments during the year		42,511	42,158
	Balance at end of year		7,617	10,709
21.1.1	The above advances were given in accordance with the Group's service rules. The maximum amount due from executives at the end of any month during the year was Rs. 7,937 thousand (2017: Rs. 12,945 thousand).			
21.2	This includes advance of Rs. 178 million (2017:Rs. 84 million) paid by SIHL for acquisition of land in Islamabad.			
22	TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES	Note	2018	2017
			(Rupees in '000')	
	Current portion of Ijarah key money deposits	17	404	3,300
	Other deposits		3,060	2,560
	Short term prepayments		12,031	14,011
	Other receivables		37,855	19,463
			53,350	39,334

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

23	INVESTMENT - HELD TO MATURITY	Note	2018	2017
			(Rupees in '000')	
	Faysal Bank Limited	23.1	-	89,022
	Dubai Islamic Bank Limited	23.2	-	50,238
	MCB Islamic Bank	23.3	-	50,191
			-	189,451
23.1	The corresponding figure represents three TDRs having face value of Rs. 50 million, Rs. 25 million and Rs. 13 million with three month maturity encashed on November 17, 2017, November 15, 2017 and November 16, 2017 respectively. These TDRs carried an effective interest rate ranging from 5.4% to 6.1% per annum (2017: 5.4% to 6.1% per annum).			
23.2	The corresponding figure represents TDR having face value of Rs. 50 million with three month maturity, encashed on November 16, 2017 carried effective interest rate of 5.5% (2017: 5.5%) per annum.			
23.3	The corresponding figure represents TDR having face value of Rs. 50 million with six month maturity, encashed on November 17, 2017 carried effective interest rate of 5.06% (2017: 5.06%) per annum.			
24	TAX REFUNDS DUE FROM THE GOVERNMENT (NET OF PROVISION)	Note	2018	2017
			(Rupees in '000')	
	Balance at beginning of year		97,543	25,737
	Income tax paid/deducted at source during the year		487,809	341,962
			585,352	367,699
	Provision for taxation for the year	30	(237,020)	(270,156)
	Balance at end of year		348,332	97,543
25	CASH AND BANK BALANCES			
	Cash at banks in:			
	Current accounts			
	Local currency		87,528	63,536
	Foreign currency		59	4,333
			87,587	67,869

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000')	2017
Saving accounts:			
Local currency		397,712	565,546
Foreign currency		88	587
	25.1	397,800	566,133
	25.2	485,387	634,002
Cash in hand		471	9,133
		485,858	643,135

**25.1** These carry effective profit rates ranging from 1.73% - 4.50% and 0.10% (2017: 1.79% - 4.90% and 0.10% ) per annum in respect of local and foreign currency accounts respectively.

**25.2** Balances with banks includes Rs. 83,176 thousand (2017: Rs. 86,777 thousand) in respect of security deposits (note 10.2).

	Note	2018 (Rupees in 000)	2017
<b>26 NET REVENUE</b>			
Inpatients		4,039,551	3,688,377
Outpatients		2,296,604	2,077,565
Pharmacy	26.1	3,688,149	3,236,859
Cafeteria		328,837	312,703
Rent of building	26.2	9,415	19,655
Other services		21,218	9,151
		10,383,774	9,344,310
Less: discount		96,400	81,086
Less: sales tax		2,313	861
Net revenue		10,285,061	9,262,363

**26.1** This includes revenue of Rs. 489,094 thousand (2017: Rs. 315,066 thousand) from external pharmacy outlets.

**26.2** This includes rental income of Rs. 2,539 thousand (2017: Rs. 13,968 thousand) against operating leases to related parties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

27	OTHER INCOME	Note	2018 (Rupees in 000)	2017
	Income from financial assets:			
	Profit on investments and bank deposits		11,996	58,130
	Income from other than financial assets:			
	Gain on disposal of property, plant and equipment		2,025	10,667
	Liabilities written back		6,178	7,362
	Sale of scrap		7,052	10,399
	Miscellaneous	27.1	35,833	49,293
			<b>63,084</b>	<b>135,851</b>

**27.1** This mainly includes sale of Shifa News (magazine of Shifa Publications), related advertisement income from Shifa News and other miscellaneous income.

28	OPERATING COSTS	Note	2018 (Rupees in 000)	2017
	Salaries, wages and benefits	28.1	3,893,324	3,396,068
	Utilities		315,808	294,355
	Supplies consumed		1,012,912	967,942
	Medicines consumed		2,782,747	2,418,837
	Communication		27,917	26,778
	Travelling and conveyance		29,558	22,142
	Printing and stationery		69,525	70,121
	Repairs and maintenance		346,621	349,389
	Auditors' remuneration	28.2	2,300	2,500
	Legal and professional		16,314	15,819
	Rent		138,990	132,563
	Rates and taxes		7,766	6,316
	Advertising and sales promotion		43,981	39,338
	Fee, subscription and membership		38,109	15,356
	Vehicle and equipment rentals	28.3	13,376	7,775
	Cleaning and washing		118,032	77,538
	Insurance		14,884	12,399
	Property, plant and equipment written off	28.4	8,699	13,189
	Provision for doubtful debts	38.1.3	30,010	41,149
	Provision for slow moving stores		234	(4,550)
	Depreciation/amortization on tangible assets	14.6 & 15	498,598	463,713
	Amortization on intangible assets	16	5,430	225
	Donations	28.5	50,000	52,400
	Other expenses		54,828	47,245
			<b>9,519,963</b>	<b>8,468,607</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

- 28.1** This includes employee retirement benefits (gratuity) of Rs. 91,369 thousand (2017: Rs. 82,192 thousand), expense for compensated absences of Rs. 41,481 thousand (2017: Rs. 35,475 thousand) and bonus to employees of Rs. 178,753 thousand (2017: Rs. 173,215 thousand).

	2018	2017
	(Rupees in '000')	
<b>28.2 Auditors' remuneration</b>		
Annual audit fee	1,517	1,517
Half yearly review fee	633	633
Statutory certifications	150	350
	<b>2,300</b>	<b>2,500</b>

- 28.3** This includes ujah payments under an Ijarah. As required under Islamic Financial Accounting Standard (IFAS 2) "Ijarah" (notified through SRO 431 (I)/2007 by Securities & Exchange Commission of Pakistan) ujah payments under an Ijarah are recognized as an expense in the consolidated statement of profit or loss on straight line basis over the Ijarah term.

The amounts of future ujah payments and the periods in which these will be due are as follows:

	2018	2017
	(Rupees in '000')	
Within one year	25,113	6,987
After one year but not more than five years	42,518	7,412
Total ujah payments	<b>67,631</b>	<b>14,399</b>

- 28.4** This represents assets written off that were determined to be irreparable after carrying out detailed physical verification by the management.

	2018	2017
	(Rupees in '000')	
<b>28.5 Donations</b>		
Shifa Foundation	-	2,400
Shifa Tameer-e-Millat University (STMU)	50,000	50,000
	<b>50,000</b>	<b>52,400</b>

Shifa Foundation and Shifa Tameer-e-Millat University (STMU) are related parties due to common directorship and related information is as under:

Name of common directors	Interest in donee	Name & address of the donee
Dr. Manzoor H. Qazi	Director	Shifa Foundation and STMU, H-8/4, Islamabad
Dr. Habib ur Rahman	Director	Shifa Foundation and STMU, H-8/4, Islamabad
Mr. Muhammad Zahid	Director	Shifa Foundation, H-8/4, Islamabad
Dr. Samea Kauser Ahmad	Director	STMU, H-8/4, Islamabad

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

**28.6** Names of associated companies or related parties or undertakings, with whom the SIHL had entered into transactions or had agreements and / or arrangements in place during the financial year are as follow:

Name of related party	Basis of relationship	Percentage shareholding
Shifa Foundation	Common directorship	Not Applicable
Tameer-e-Millat Foundation	Common directorship	Not Applicable
SIHL Employees' Gratuity Fund	Benefit plan	Not Applicable
Shifa Tameer-e-Millat University	Common directorship	Not Applicable

	2018	2017
	(Rupees in '000')	
<b>29</b>		
<b>FINANCE COSTS</b>		
Markup on:		
Long term loans	39,458	50,418
Running finance and murabaha facilities	642	267
Credit card payment collection charges	15,517	14,594
Loss on foreign currency translation	464	419
Bank charges and commission	1,230	692
	<b>57,311</b>	<b>66,390</b>

**29.1** The finance cost of Rs. 43,658 thousand (2017: Nil) capitalized as a cost of tangible assets.

		2018	2017
	Note	(Rupees in '000')	
<b>30</b>			
<b>PROVISION FOR TAXATION</b>			
Current			
for the year		207,338	259,553
prior year		29,682	10,603
	24	<b>237,020</b>	<b>270,156</b>
Deferred		(24,096)	(11,754)
		<b>212,924</b>	<b>258,402</b>
<b>30.1</b>			
<b>Reconciliation of tax charge for the year</b>			
Profit before taxation		770,871	863,217
Provision for taxation		212,924	258,402
Effective tax rate		<b>27.62%</b>	<b>30.00%</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	(Rupees in '000')	
<b>Reconciliation of effective tax rate</b>		
Applicable tax rate	30.00%	31.00%
Super tax	3.00%	3.00%
Total	33.00%	34.00%
Add: tax effect of amounts taxed at lower rates/others	22.56%	20.00%
Less: net tax effect of amounts that are deductible for tax purposes	27.94%	24.00%
Average effective tax rate charged on income	27.62%	30.00%

- 30.2** Management of the Group has provided sufficient tax provision in the consolidated financial statements in accordance with Income Tax Ordinance, 2001. Following is the comparison of tax provision as per accounts vis a vis tax assessment for last three years:

	Deemed assessment	Provision
	(Rupees in '000')	
Tax year 2017	289,236	259,554
Tax year 2016	324,533	313,866
Tax year 2015	140,249	163,438

	2018	2017
	(Rupees in '000')	
<b>31 EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit after taxation for the year	557,947	604,920
	(Numbers in '000')	
Weighted average number of ordinary shares in issue during the year	54,538	54,538
	(Rupees)	
Earnings per share - basic and diluted	10.23	11.09

- 31.1** There is no dilutive effect on the basic earnings per share.

### **32 CAPACITY UTILIZATION**

The actual inpatient available bed days, occupied bed days and room occupancy ratio of SIHL are given below:

	2018	2017	2018	2017	2018	2017
	Available bed days		Occupied bed days		Occupancy Ratio	
SIHL H-8/4 Islamabad	167,781	162,356	117,671	113,927	70.13%	70.17%
SIHL Faisalabad	14,322	16,514	5,455	5,095	38.09%	30.85%
SIHL G-10/4 Islamabad	8,760	8,110	1,196	3,050	13.65%	37.61%



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**32.1** The under utilization reflects the pattern of patient turnover which is beyond the management's control.

	2018	2017
	(Rupees in '000')	
<b>33 UNAVAILED CREDIT FACILITIES</b>		
Unavailed credit facilities at year end are as under:		
Running/Murabaha financing	564,816	124,055
Letter of credit	220,468	50,000
Diminishing Musharakah	1,158,288	-
Ijarah financing	93,695	1,935
	<b>2,037,267</b>	<b>175,990</b>

## **34 NUMBER OF EMPLOYEES**

The Group had 4,788 employees (2017: 4,585) at the year end and average number of employees during the year were 4,635 (2017: 4,524).

## **35 RELATED PARTIES TRANSACTIONS**

The related parties comprise of directors, major shareholders, key management personnel, SIHL Employees' Gratuity Fund and the entities over which directors are able to exercise influence. The amounts due from and due to these undertakings are shown under trade debts, loans and advances and trade and other payables. Other transactions with the related parties are given below:

	Note	2018 (Rupees in 000)	2017
<b>Shifa Foundation: (Related party by virtue of common directorship)</b>			
Revenue from services earned by the SIHL	35.1	154,756	113,702
Revenue from rent earned by the SIHL		44	44
Expenses paid by and reimbursed to the SIHL		3,582	3,508
Other services provided to the SIHL		18,716	15,840
Donation given by the SIHL		-	2,400
<b>Tameer-e-Millat Foundation: (Related party by virtue of common directorship)</b>			
Revenue from rent earned by the SIHL		311	311
Other supplies provided to the SIHL	35.2	20,245	21,301
Other services provided to the SIHL	35.3	13,835	5,515
Expenses paid by and reimbursed to the SIHL		-	169
Rent paid by the SIHL		1,753	5,060

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in 000)	2017
<b>Shifa Tameer-e-Millat University: (Related party by virtue of common directorship)</b>			
Revenue from services earned by the SIHL	35.1	41,646	26,865
Revenue from rent earned by the SIHL		2,184	13,613
Other services provided to the SIHL	35.3	36,000	24,066
Expenses paid by and reimbursed to the SIHL		2,003	14,291
Donation paid by the SIHL		50,000	50,000
<b>SIHL Employees' Gratuity Fund</b>			
Payments made by the SIHL during the year	35.4	89,196	76,017
<b>Remuneration including benefits and perquisites of key management personnel</b>	35.5	<b>269,794</b>	<b>283,382</b>
<b>35.1</b> Revenue earned from related parties includes medical, surgical, clinical and lab services rendered to referred inpatients and outpatients, sale of medicines and provision of cafeteria services. These transactions are based on agreed terms which are approved by the Board of Directors of the SIHL.			
<b>35.2</b> This mainly includes uniforms and dairy products. These transactions are based on agreed terms which are approved by the Board of Directors of the SIHL.			
<b>35.3</b> Other services are received by the SIHL for nursing education/training, employees' children education and consultancy services etc. These transactions are based on agreed terms which are approved by the Board of Directors of the SIHL.			
<b>35.4</b> Transactions with the Fund are carried out based on the terms of employment of employees and according to actuarial advice.			
<b>35.5</b> Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the SIHL, including directors of the SIHL. There were no transactions with the key management personnel during the year other than their terms of employment/entitlements.			

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

### 36 REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these consolidated financial statements in respect of remuneration and allowances, including all benefits, to chief executive, directors and executives of the Group are given below:

	Chief Executives		Executive Directors		Non Executive Directors		Executives	
	2018	2017	2018	2017	2018	2017	2018	2017
	(Rupees in '000')							
Managerial remuneration	40,578	49,772	38,160	34,115	7,132	7,177	137,104	118,815
Rent and utilities	7,260	8,872	2,474	2,958	1,267	1,407	26,314	25,436
Bonus and incentives	2,657	2,657	4,275	2,880	645	430	14,965	10,509
Gratuity	-	-	-	-	-	-	7,132	5,817
Medical insurance	-	-	155	323	50	54	1,560	2,270
Leave encashment	-	763	-	-	-	-	2,062	2,345
	50,495	62,064	45,064	40,276	9,094	9,068	189,137	165,192
Number of persons	2	2	2	2	5	6	29	27

- 36.1** The chief executives are provided with a company maintained car, while two other directors and twenty three executives of SIHL availed car facility.
- 36.2** Managerial remuneration includes Rs. 2,235 thousand (2017: 2,571 thousand) paid to directors of SIHL in respect of meeting attending fee.
- 36.3** Travelling expenses of directors for official purposes are reimbursed by the Group.

### 37 CASH AND CASH EQUIVALENTS

	Note	2018 (Rupees in '000')	2017
Cash and bank balances	25	485,858	643,135
Investments - held to maturity (excluding TDR having maturity more than three months)	23	-	139,451
Short term borrowing	12	(5,974)	-
		479,884	782,586

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

### 38 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

Credit risk

Liquidity risk

Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework and policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee of the SIHL oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit function. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

#### 38.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The group manages credit risk in trade debts by limiting significant exposure to the customers not having good credit history. Furthermore, the Group has credit control in place to ensure that services are rendered to customers with an appropriate credit history.

The Group is also exposed to credit risk from its operating and short term investing activities. The Group's credit risk exposures are categorized under the following headings.

##### 38.1.1 Counterparties

The Group conducts transactions with the following major types of counterparties:

##### Trade debts

Trade debts are essentially due from government companies/institutions, private companies (panel companies) and individuals to whom the SIHL is providing medical services. Normally the services are rendered to the panel companies on agreed rates and limits from whom the Group does not expect any inability to meet their obligations. The Group manages credit risk in trade debts by limiting significant exposure to the customers not having good credit history. Furthermore, the Group has credit control in place to ensure that services are rendered to customers with an appropriate credit history.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade debts. This allowance is based on the management's assessment of a specific loss component that relates to individually significant exposures.

### Cash and investments

The Group limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counterparties that have a credit rating of at least A-2 and A-1. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

### 38.1.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018	2017
	(Rupees in '000')	
Long term deposits	41,140	41,729
Trade debts - considered good	716,758	450,056
Trade deposits and other receivables	40,915	22,023
Markup accrued	-	1,165
Investment - held to maturity	-	189,451
Bank balances	485,387	634,002
	<b>1,284,200</b>	<b>1,338,426</b>

The maximum exposure to credit risk for trade debts at the reporting date by type of customer was:

	2018	2017
	(Rupees in '000')	
Government companies	367,662	247,581
Private companies	266,551	127,979
Individuals	44,581	47,999
Related parties	25,483	12,979
Others	12,481	13,518
	<b>716,758</b>	<b>450,056</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

### 38.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	2018		2017	
	Gross debts	Impaired	Gross debts	Impaired
	(Rupees in '000')		(Rupees in '000')	
Not past due	353,994	-	204,301	-
1 - 4 months	281,781	-	195,486	-
5 - 7 months	35,330	1,143	8,868	443
8 - 12 months	39,515	2,596	34,427	143
13 - 18 months	25,879	16,002	43,866	36,306
19 - 23 months	46,415	46,415	18,186	18,186
	782,914	66,156	505,134	55,078

The movement in the allowance for impairment in respect of trade debts during the year was as follows:

	Note	2018 (Rupees in '000')	2017
Balance at beginning of year		55,078	47,559
Provision made during the year		30,010	41,149
Less: bad debts written off		18,932	33,630
Balance at end of year	20	66,156	55,078

The allowance account in respect of trade debts is used to record impairment losses where the Group is satisfied that recovery of the due amount is doubtful. When the amount considered irrecoverable it is written off against the financial asset.

**38.1.4** The Group believes that no impairment allowance is necessary in respect of loan and advances, markup accrued, deposits and other financial assets as the recovery of such amount is possible.

### 38.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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, without incurring unacceptable losses or risking damage to the Group's reputation. For this purpose the Group has credit facilities as mentioned in notes 8 and 33 to the consolidated financial statements. Further liquidity position of the Group is monitored by the Board through budgets, cash flow projections and comparison with actual results.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

Following is the maturity analysis of financial liabilities:

	Carrying amount	Six months or less	Six to twelve months	One to two years	Two to five years	Above five years
(Rupees in '000')						
<b>2018</b>						
Long term financing - secured	1,675,118	167,848	380	6,370	1,287,128	213,392
Trade and other payables	2,579,158	2,579,158	-	-	-	-
Unclaimed dividend	33,981	33,981	-	-	-	-
Markup accrued	12,264	12,264	-	-	-	-
Short term borrowing	5,974	5,974	-	-	-	-
	<b>3,956,495</b>	<b>2,799,225</b>	<b>380</b>	<b>6,370</b>	<b>1,287,128</b>	<b>213,392</b>
<b>2017</b>						
Long term financing - secured	503,992	167,870	167,894	168,228	-	-
Trade and other payables	1,732,906	1,732,906	-	-	-	-
Unclaimed dividend	27,052	27,052	-	-	-	-
Markup accrued	398	398	-	-	-	-
	<b>2,264,348</b>	<b>1,928,226</b>	<b>167,894</b>	<b>168,228</b>	<b>-</b>	<b>-</b>

### 38.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, markup rates and equity prices will affect the Group'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 the return on risk. The Group is exposed to currency and mark up rate risk.

#### 38.3.1 Foreign currency risk

##### Exposure to foreign currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and cash in foreign currency bank account. The transactions and balances in foreign currency are very nominal therefore, the Group's exposure to foreign currency risk is very minimal. The Group's exposure to foreign currency risk is as follows:



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

	2018 (Amount in '000')		2017 (Amount in '000')	
	USD	AED	USD	AED
Bank balances	0.73	1.79	5.61	151.89
Letter of credit	220.00	-	(490.00)	-
	220.73	1.79	(484.39)	151.89

	2018 (Rupees in '000')		2017 (Rupees in '000')	
Bank balances	88	59	587	4,333
Letter of credit	(26,759)	-	(51,352)	-
	(26,671)	59	(50,765)	4,333

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2018	2017	2018	2017
	(Rupees)			
USD 1 - Buying	109.88	104.72	121.4	104.79
USD 1 - Selling	110.07	104.90	121.6	104.98
AED 1 - Buying	29.91	28.51	33.05	28.53
AED 1 - Selling	29.96	28.56	33.10	28.58

### Foreign currency sensitivity analysis

A 10 percent variation of the PKR against the USD and AED at June 30 would have effected consolidated equity and consolidated profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular markup rates, remain constant.

	Change in Foreign Exchange Rates	Effect on Profit or Loss	Effect on Equity
	%	(Rupees in '000')	
<b>2018</b>			
Foreign currencies	+10%	(2,661)	(2,661)
Foreign currencies	-10%	2,661	2,661
<b>2017</b>			
Foreign currencies	+10%	(4,643)	(4,643)
Foreign currencies	-10%	4,643	4,643

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

## 38.3.2 Markup rate risk

The markup rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in the market markup rates. Sensitivity to markup rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Group's exposure to the risk of changes in market markup rates relates primarily to Group's long term debt obligations with floating markup rates.

The Group analyses its markup rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on consolidated profit or loss of a defined markup rate shift. For each simulation, the same markup rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major markup-bearing positions.

The Group adopts a policy to ensure that markup rate risk is minimized by investing its surplus funds in fixed rate investments like TDRs.

### Profile

At the reporting date the markup rate profile of the Group's markup-bearing financial instruments is:

	Note	2018 (Rupees in '000')	2017
<b>Financial assets</b>			
Investments - held to maturity	23	-	189,451
Bank balances	25	397,800	566,133
		<b>397,800</b>	755,584
<b>Financial liabilities</b>			
Long term financing - secured	8	1,675,118	503,992
Short term borrowing	12	5,974	-
		<b>1,681,092</b>	503,992
		<b>(1,283,292)</b>	251,592

The effective markup rates for the financial assets and liabilities are mentioned in respective notes to the consolidated financial statements.

### Markup rate sensitivity analysis

If markup rates had been 50 basis points higher/lower and all other variables were held constant, the Group's consolidated profit for the year ended June 30, 2018 would decrease/increase by Rs. 2,496 thousand (2017: decrease/increase by Rs. 3,547 thousand). This is mainly attributable to the Group's exposure to markup rates on its variable rate borrowings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

### 38.4 Fair value of financial instruments

Fair value as 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. The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values except investment held to maturity which are carried at amortized cost.

### 38.5 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend to ordinary shareholders. There were no changes to the Group's approach to capital management during the year.

## 39 FINANCIAL INSTRUMENTS

### Fair value of financial instruments

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

### Financial instruments by category

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

	Carrying Amount				Total	Fair Value			Total
	Loans and receivables	Available for sale instruments	Fair value through profit or loss	Other financial instruments		Level 1	Level 2	Level 3	
(Rupees in '000')									
June 30, 2018									
Non-current assets									
Long term deposits	41,140	-	-	-	41,140	-	-	-	-
Current assets									
Trade debts - considered good	716,758	-	-	-	716,758	-	-	-	-
Trade deposits	40,915	-	-	-	40,915	-	-	-	-
Cash and bank balances	485,387	-	-	-	485,387	-	-	-	-
	1,284,200	-	-	-	1,284,200	-	-	-	-
Non-current liabilities									
Long term financing - secured	-	-	-	1,506,890	1,506,890	-	-	-	-
Current liabilities									
Trade and other payables	-	-	-	2,579,158	2,579,158	-	-	-	-
Markup accrued	-	-	-	12,264	12,264	-	-	-	-
Unclaimed dividend	-	-	-	33,981	33,981	-	-	-	-
Short term borrowing	-	-	-	5,974	5,974	-	-	-	-
Current portion of long term financing	-	-	-	168,228	168,228	-	-	-	-
	-	-	-	4,306,495	4,306,495	-	-	-	-
June 30, 2017									
Non-current assets									
Long term deposits	41,729	-	-	-	41,729	-	-	-	-
Current assets									
Trade debts - considered good	450,056	-	-	-	450,056	-	-	-	-
Trade deposits	22,023	-	-	-	22,023	-	-	-	-
Markup accrued	1,165	-	-	-	1,165	-	-	-	-
Other financial assets	189,451	-	-	-	189,451	-	-	-	-
Bank balances	634,002	-	-	-	634,002	-	-	-	-
	1,338,426	-	-	-	1,338,426	-	-	-	-
Non-current liabilities									
Long term financing - secured	-	-	-	168,228	168,228	-	-	-	-
Current liabilities									
Trade and other payables	-	-	-	1,732,906	1,732,906	-	-	-	-
Markup accrued	-	-	-	398	398	-	-	-	-
Unclaimed dividend	-	-	-	27,052	27,052	-	-	-	-
Current portion of long term financing	-	-	-	335,764	335,764	-	-	-	-
	-	-	-	2,264,348	2,264,348	-	-	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

- 39.1** Lands are carried at revalued amounts as determined by professional valuers based on their assessment of the market values and have been classified under level 3 as the effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty.

### 40 OPERATING SEGMENTS

The consolidated financial statements have been prepared on the basis of single reportable segment.

- 40.1** All revenue of the Group is earned from customers located in Pakistan.
- 40.2** All non-current assets of the Group at June 30, 2018 are located in Pakistan.
- 40.3** There is no customer with more than 10% of total revenue of the Group for the year.

### 41 RECLASSIFICATION

Following corresponding figures have been reclassified for the purpose of comparison:

		2017	2016
		(Rupees in '000')	
<u>Consolidated statement of financial position</u>			
Reclassification from	Reclassification to		
<b>Surplus on revaluation of Property, Plant and Equipment</b>	<b>Capital Reserve</b>		
Surplus on revaluation of Property, Plant and Equipment	Surplus on revaluation of Property, Plant and Equipment	726,760	742,191
<b>Trade and other payables</b>	<b>Unclaimed dividend</b>		
Unclaimed dividend	Unclaimed dividend	27,052	42,724
<b>Trade and other payables</b>	<b>Trade and other payables</b>		
Creditors	Accrued liabilities	32,808	27,209
Security deposits	Retention money	22,555	12,949
<u>Consolidated statement of profit or loss</u>			
<b>Net revenue</b>	<b>Net revenue</b>		
Inpatient revenue	Pharmacy revenue	210,889	-
<b>Operating costs</b>	<b>Operating costs</b>		
Supplies consumed	Medicine consumed	193,269	-

### 42 GENERAL

Figures have been rounded off to the nearest one thousand Pak Rupees unless otherwise stated.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

## **43 EVENTS AFTER BALANCE SHEET DATE**

The Board of Directors of SIHL in its meeting held on September 08, 2018 has proposed a final cash dividend of Rs. 4.5 per share.

## **44 DATE OF AUTHORIZATION FOR ISSUE**

These consolidated financial statements have been authorized for issue by the Board of Directors of SIHL on September 08, 2018.



CHAIRMAN



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

# PATTERN OF SHAREHOLDING

As at June 30, 2018

Number of shareholders	Size of holding of shares		Total shares held
	From	To	
147	1	100	5,987
1,117	101	500	537,009
311	501	1,000	259,797
249	1,001	5,000	579,039
80	5,001	10,000	652,820
53	10,001	15,000	647,351
34	15,001	20,000	616,459
22	20,001	25,000	502,613
14	25,001	30,000	389,364
10	30,001	35,000	320,329
9	35,001	40,000	345,712
8	40,001	45,000	338,651
12	45,001	50,000	584,290
10	50,001	55,000	525,093
4	55,001	60,000	236,410
2	60,001	65,000	121,750
1	65,001	70,000	68,000
1	70,001	75,000	70,772
4	75,001	80,000	314,291
1	80,001	85,000	80,500
6	85,001	90,000	528,860
3	90,001	95,000	276,197
10	95,001	100,000	999,357
2	100,001	105,000	205,266
5	105,001	110,000	538,488
4	120,001	125,000	492,910
2	125,001	130,000	252,825
2	130,001	135,000	266,890
3	135,001	140,000	411,267
1	145,001	150,000	149,600
2	150,001	155,000	306,230
1	155,001	160,000	159,600
1	160,001	165,000	161,040
1	165,001	170,000	167,410
1	170,001	175,000	170,300
1	180,001	185,000	182,200
2	190,001	195,000	385,229
1	195,001	200,000	200,000
1	200,001	205,000	204,925
2	205,001	210,000	415,317
1	210,001	215,000	211,650
1	215,001	220,000	219,755



# PATTERN OF SHAREHOLDING

As at June 30, 2018

Number of shareholders	Size of holding of shares		Total shares held
	From	To	
1	225,001	230,000	227,975
1	240,001	245,000	243,840
3	250,001	255,000	758,568
1	255,001	260,000	259,119
1	275,001	280,000	278,358
1	280,001	285,000	284,507
1	285,001	290,000	285,436
1	295,001	300,000	300,000
3	300,001	305,000	904,622
2	305,001	310,000	616,663
1	325,001	330,000	327,548
1	330,001	335,000	332,852
1	345,001	350,000	347,260
1	350,001	355,000	354,370
2	415,001	420,000	832,304
1	440,001	445,000	442,364
1	450,001	455,000	452,850
2	455,001	460,000	915,909
1	520,001	525,000	523,400
1	530,001	535,000	532,846
1	555,001	560,000	557,500
1	585,001	590,000	588,229
1	620,001	625,000	623,201
1	665,001	670,000	670,000
1	920,001	925,000	922,511
1	1,450,001	1,455,000	1,451,747
1	1,465,001	1,470,000	1,465,343
1	1,765,001	1,770,000	1,768,307
1	1,775,001	1,780,000	1,775,068
1	1,860,001	1,865,000	1,861,500
1	1,885,001	1,890,000	1,885,205
1	2,230,001	2,235,000	2,234,528
1	2,285,001	2,290,000	2,289,072
1	2,730,001	2,735,000	2,733,351
1	5,110,001	5,115,000	5,110,425
1	5,275,001	5,280,000	5,279,569
<b>2,185</b>			<b>54,537,900</b>

Categories of shareholders	Number of shareholders	Shares held	Percentage
INDIVIDUAL	2081	38,033,426	69.74
FINANCIAL INSTITUTIONS	3	160,071	0.29
JOINT STOCK COMPANIES	10	187,401	0.34
OTHERS	91	16,157,002	29.63
<b>Total</b>	<b>2185</b>	<b>54,537,900</b>	<b>100</b>

## DISCLOSURE IN CONNECTION WITH THE PATTERN OF SHAREHOLDING

As at June 30, 2018

Categories of shareholders	Number of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouses and minor children *	11	7,790,825	14.285
Associated Companies, Undertakings and related parties **	3	8,415,487	15.431
Banks, Development Financial Institutions, Non Banking Financial Institutions	3	160,071	0.294
Shareholders holding 10 % or more voting interest ***	1	7,768,641	14.244
Joint Stock Companies	10	187,401	0.344
Executives	6	250,192	0.459

### \* No. of Shares held by Directors, CEO and their spouses

Dr. Manzoor H. Qazi	1,465,343	2.687
Dr. Habib-Ur-Rahman	456,589	0.837
Mrs. Shahida Rahman W/o Dr. Habib-Ur-Rahman	13,117	0.024
Mr. Muhammad Zahid	947,099	1.737
Mr. Shafquat Ali Chaudhary	1,768,307	3.242
Shah Naveed Saeed	13,528	0.025
Mr. Qasim Farooq Ahmad	2,053,426	3.765
Dr. Samea Kauser Ahmad	1,030,594	1.890
Syed Ilyas Ahmed	11,336	0.021
Prof. Dr. Shoab Ahmed Khan	11,336	0.021
Dr. Mohammad Naseem Ansari	20,150	0.037

### \*\* Shares held by related parties

Shifa Foundation	569,923	1.045
Tameer-e-Millat Foundation	7,768,641	14.244
SIHL Employees' Gratuity Fund	76,923	0.141

### Shareholders with 5 % or more voting interest

Tameer-e-Millat Foundation	7,768,641	14.244
Mrs. Kulsoom Zaheer Ahmad	5,389,294	9.882
Matthews Emerging Asia Fund	2,733,351	5.012



**Form of Proxy**  
**32<sup>nd</sup> Annual General Meeting**  
**Shifa International Hospitals Limited**

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member of Shifa International Hospitals Ltd., Folio No./CDC A/c No. \_\_\_\_\_  
No. of Shares \_\_\_\_\_ hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ Folio No./CDC A/c No. \_\_\_\_\_  
or failing him/her \_\_\_\_\_  
of \_\_\_\_\_ Folio No./CDC A/c No. \_\_\_\_\_

who is a member of the Company as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 32<sup>nd</sup> Annual General Meeting of the Company to be held at 1100 hours on Saturday, October 27, 2018, and at any adjournment thereof.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2018

Signed by the said \_\_\_\_\_

**Revenue  
Stamp**

(Signature must agree with the  
**SPECIMEN** signature registered  
with the Company)

**Witnesses:**

**1 Signature** \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
CNIC/Passport No. \_\_\_\_\_

**2 Signature** \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
CNIC/Passport No. \_\_\_\_\_

**Important:**

1. This form of Proxy, duly completed, signed and stamped must be deposited at the Company's Registered Office, Sector H-8/4 Islamabad, not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. CDC account holder, sub account holder/shareholder may appoint proxy and the proxy must produce attested copy of his/her CNIC or original passport at the time of attending the meeting.

AFFIX  
CORRECT  
POSTAGE

The Company Secretary  
**Shifa International Hospitals Limited**  
Sector H-8/4, Islamabad

میں / ہم ..... ساکن ..... شیئر ہولڈر .....  
 شفاناٹرنیشنل ہسپتال لمیٹڈ فوئیونمبر / سی ڈی سی اکاؤنٹ نمبر ..... شیئرز کا شمار ..... بذریعہ ہذا تقرر کرتا ہوں .....  
 ..... ساکن ..... فوئیونمبر / سی ڈی سی اکاؤنٹ نمبر .....  
 ..... یا اس کی عدم دستیابی پر ..... ساکن .....  
 فوئیونمبر / سی ڈی سی اکاؤنٹ نمبر ..... جو کہ میری / ہماری غیر موجودگی میں میرے / ہمارے پراکسی (نمائندے) کے طور پر کمپنی کے  
 32 ویں سالانہ اجلاس عام میں جو 27 اکتوبر 2018 بروز ہفتہ دن 11 بجے یا اس کے التوا کی صورت میں منعقد ہوگا میں میری / ہماری جگہ شرکت کرے  
 گا اور ووٹ استعمال کرے گا۔

میں بطور گواہ اس ..... دن ..... 2018

دستخط مذکورہ بالا .....

رہیونیو  
مہر

دستخط کمپنی کے پاس موجود  
 نمونہ کے دستخط کے مطابق ہونا چاہئے

گواہان:

1- دستخط ..... 2- دستخط .....  
 نام ..... نام .....  
 پتہ ..... پتہ .....  
 قومی شناختی کارڈ / پاسپورٹ نمبر ..... قومی شناختی کارڈ / پاسپورٹ نمبر .....

خصوصی ہدایات :

- یہ پراکسی فارم باقاعدہ طور پر مکمل کر کے، دستخط اور مہر کے بعد اجلاس کے انعقاد سے کم از کم 48 گھنٹے پہلے کمپنی کے رجسٹرڈ دفتر واقع سیکٹر 4/H-8، اسلام آباد پہنچ جانا چاہئے۔
- اگر ایک ممبر ایک سے زائد پراکسی یا پراکسی کے فارم مقرر کر کے کمپنی کے پاس جمع کرواتا ہے تو ایسے تمام پراکسی کے فارم کو غیر قانونی تصور کیا جائے گا۔
- سی ڈی سی اکاؤنٹ ہولڈر، سب اکاؤنٹ ہولڈر / شیئر ہولڈر اپنی پراکسی مقرر کرنے کا مجاز ہے۔ اس پراکسی کو اجلاس میں شرکت کے وقت اپنی کمپیوٹرائزڈ قومی شناختی کارڈ یا اصلی پاسپورٹ کی کاپی لازمی دکھانا ہوگی۔

AFFIX  
CORRECT  
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The Company Secretary  
**Shifa International Hospitals Limited**  
Sector H-8/4, Islamabad



















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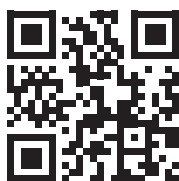
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## NOTES

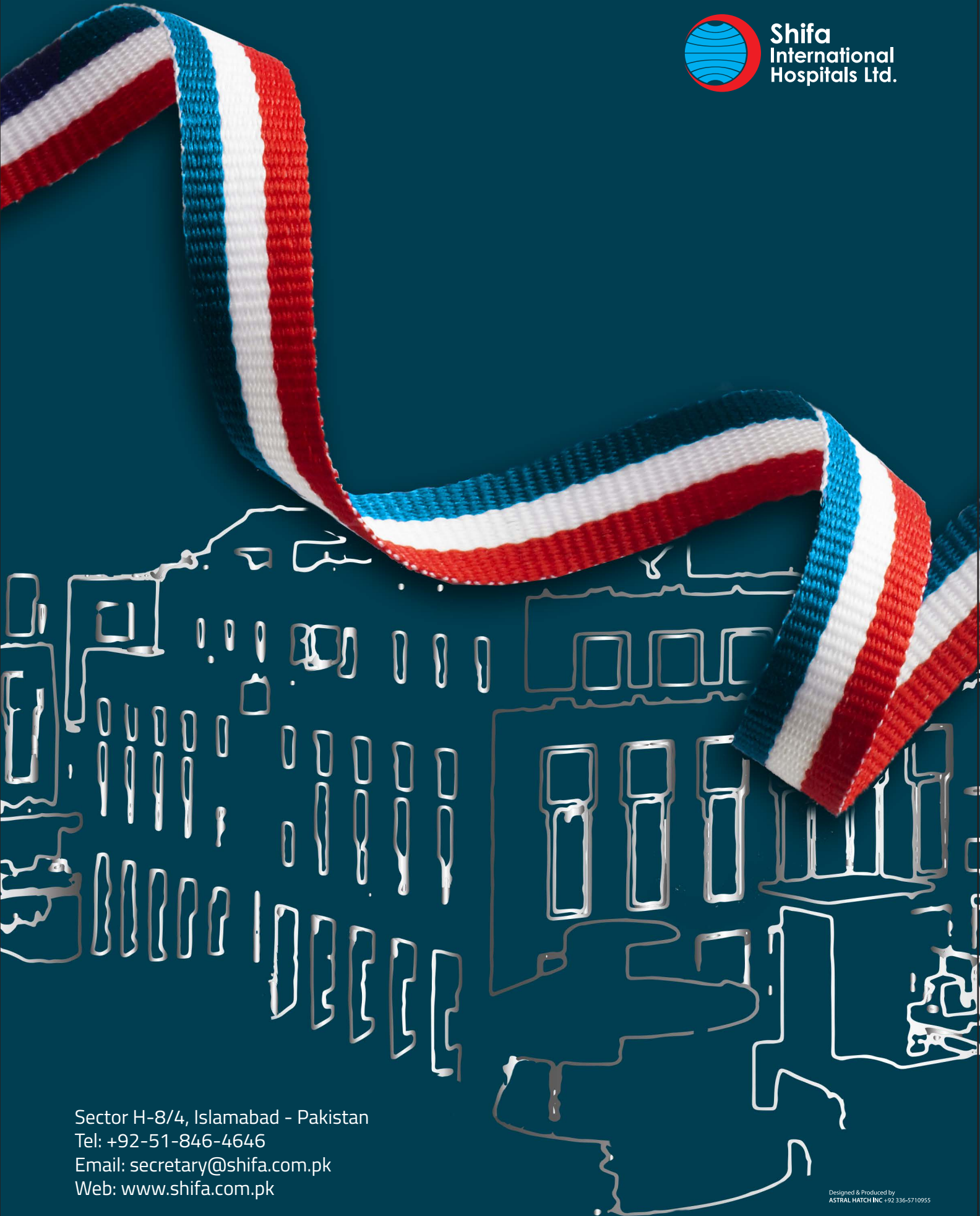
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Designed and Produced By:  
**ASTRAL HATCH INC.**



**Shifa**  
International  
Hospitals Ltd.



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