

2019  
Annual Report



Shifa  
International  
Hospitals Ltd.



Ripples of  
expansion  
taking effect..



03

## COMPANY'S OBJECTIVES

04

COMPANY INFORMATION

06

FINANCIAL HIGHLIGHTS

08

BOARD OF DIRECTORS

16

## DIRECTORS' REPORT

14

CHAIRMAN'S REVIEW

16

DIRECTORS' REPORT

34

RECOGNITION

44

DIRECTORS' REPORT (URDU)

45

NOTICE OF AGM

49

STATEMENT OF VALUE ADDITION

50

SIX YEARS AT A GLANCE

52

HORIZONTAL ANALYSIS

54

VERTICAL ANALYSIS

56

STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE  
GOVERNANCE) REGULATIONS, 2017

59

---

## UNCONSOLIDATED FINANCIAL STATEMENTS

61

INDEPENDENT REVIEW REPORT  
TO THE MEMBERS

ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF  
CORPORATE GOVERNANCE

62

INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS

66

STATEMENT OF FINANCIAL POSITION

68

STATEMENT OF PROFIT OR LOSS

69

STATEMENT OF OTHER  
COMPREHENSIVE INCOME

70

STATEMENT OF CASH FLOWS

72

STATEMENT OF CHANGES IN EQUITY

73

NOTES TO THE FINANCIAL  
STATEMENTS

123

---

## CONSOLIDATED FINANCIAL STATEMENTS

124

INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS

128

STATEMENT OF FINANCIAL POSITION

130

STATEMENT OF PROFIT OR LOSS

131

STATEMENT OF  
OTHER COMPREHENSIVE INCOME

132

STATEMENT OF CASH FLOWS

134

STATEMENT OF CHANGES IN EQUITY

135

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

185

PATTERN OF SHAREHOLDING

PROXY









## 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
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
Mr. Javed K. Siddiqui	Director

## Audit Committee

Syed Ilyas Ahmed	Chairman
Dr. Habib-Ur-Rahman	Member
Dr. Samea Kauser Ahmad	Member
Mr. Javed K. Siddiqui	Member

## Human Resource & Remuneration Committee

Syed Ilyas Ahmed	Chairman
Dr. Habib-Ur-Rahman	Member
Dr. Manzoor H. Qazi	Member
Dr. Mohammad Naseem Ansari	Member

## Corporate Governance & Nominations Committee

Mr. Muhammad Zahid	Chairman
Dr. Habib-Ur-Rahman	Member
Dr. Manzoor H. Qazi	Member
Dr. Samea Kauser Ahmad	Member
Mr. Javed K. Siddiqui	Member

## Chief Operating Officer

Mr. Aziz A. Jan (Outgoing)  
Mr. Taimoor Shah (Incoming)

## Medical Director

Dr. Zeeshan Bin Ishtiaque

## 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





**Shifa**

International Hospitals Ltd.

شفا انٹرنیشنل ہسپتال لمیٹڈ

ولڈ کلاس ہسپتال

EMERGENCY

EMERGENCY

# FINANCIAL HIGHLIGHTS

DURING  
THE YEAR  
**2019**

THE COMPANY  
ACHIEVED

EARNINGS  
PER SHARE  
Rs.14.25

6.62%

Net Profit  
Margin

14.43%

Return on  
Equity

Rs.245.4  
Million

Cash  
Dividend





Rs. 1,171  
Million

Contribution  
to the National  
Exchequer

12.19  
Times

Interest  
Cover

31:69

Debt Equity  
Ratio

# 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.





**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.

**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.



# BOARD OF DIRECTORS

**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.

**Mr. Javed K. Siddiqui**  
DIRECTOR

Mr. Siddiqui is a senior Chartered Accountant, fellow member of the ICAP, a "Certified Director" and member of Pakistan Institute of Corporate Governance.

With a diversified experience of over 40 years at home and abroad in multiple industries, Mr. Siddiqui started his career in 1978 with Smith & Nephew Pharmaceutical Co., a subsidiary of a British company. During his illustrious career he has held senior management positions in various multinational, local, private and public sector large-scale organizations and a regulatory organization, as well.

Among many critical roles and positions, he also served as a founding team member that was responsible for the restructuring and amalgamation process & incorporation of SME Bank Ltd, which is still the only specialized Bank catering to the needs of SME sector. On incorporation of the Bank, he additionally shouldered the responsibilities as Company Secretary. Later he moved on to the Securities & Exchange Commission of Pakistan and served for 8 years as Executive Director, heading the Apex National Regulator's Law Division and various other Divisions as well. Since 2013, Mr. Siddiqui is a Partner in a Chartered Accountant and consulting firm in Islamabad.

He has served on the Board of a Bank's subsidiary leasing Company, as Chairman of the Board of an I.T Company, and also as Acting CEO of a public sector financial institution. He has also served on the ICAP's committee on 'Public Sector'. This committee is responsible for interacting with the Auditor General and the Controller General Accounts officials on the adoption of IPSAS and corporate governance in State Owned Enterprises among other related areas.

Moreover, Mr. Siddiqui is a certified trainer. He has conducted Directors Orientation Program for the Board of a financial institution, travelled widely, attended numerous conferences, seminars and workshops, and spoken on international and national forums on professional topics.







## DR. HABIB-UR-RAHMAN

*Alhamdulillah!* I am pleased to report that Shifa International Hospitals Limited stayed the course to deliver on commitments and objectives during the year ended June 30, 2019.

This was made possible by our highly skilled and dedicated team of physicians and surgeons, nursing professionals, technicians, finance and management personnel as well as ancillary staff.

Our focus on appropriate ongoing and timely education and training assures best possible care in a resource-constrained economic environment.

We seek to provide safe working environment and conduct our business affairs with integrity, based on sound moral and ethical standards.

We are moving forward with planned new projects including our collaboration to develop a state-of-the-art hospital in Dar-es-Salaam, Tanzania. Country's macroeconomic scenario is bound to make coming ventures an uphill struggle. Very high cost of financing, inflation and currency valuations do not bode well for growth and job creation.

Financial health of the society has a close link to physical and mental health of citizens and their access to necessary medical services. Ours is a pyramidal population demographic where millions of new job seekers will be looking for opportunities every year. Robust economic growth is the only way forward to

# CHAIRMAN'S REVIEW

avert potentially explosive social and political crises. Financial managers of our nation need to shift focus to growth and they have to do it now.

We in the private healthcare field can materially contribute to reducing trade deficits by earning billions of medical tourism dollars if given the opportunity. Hospital beds, highly qualified and skilled professionals and latest medical technology; all this infrastructure is already in place. What is needed is a vision and cohesive policy to facilitate patients from neighboring countries to the west and north of our region. This could also pay a diplomatic and strategic dividend if we emerge as a source of mitigating human suffering of ill health and infirmity.

I wish to welcome International Finance Corporation as an equity partner in Shifa International Hospitals Limited. We look forward to a progressive partnership. We view this as a vote of confidence in the private health sector of Pakistan. This is truly a symbol of commitment to social development.

## 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, 2019:

- 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 offer heartfelt gratitude to patients, their families, Shifa team and our many stakeholders for their support in accomplishing our mission of service.

ISLAMABAD  
September 14, 2019

  
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 subsidiaries for the year ended June 30, 2019.

## OPERATING RESULTS

	2019	2018
	(Rupees in "000")	
Net revenue	11,743,625	10,270,597
Other income	55,871	63,084
Operating costs	(10,630,459)	(9,508,191)
Finance costs	(95,900)	(57,280)
Profit before taxation	1,073,137	768,210
Provision for taxation	(295,803)	(211,522)
Profit for the year	777,334	556,688
Earnings before interest tax, depreciaton & amortization (EBITDA)	1,737,375	1,329,318
Earnings per share-basic and diluted - Rupees	14.25	10.21



# DIRECTORS' REPORT

## Operating Highlights

The overall growth in the net revenue of the Company is 14.3% as compared to corresponding period in previous year. The operating cost however increased by 11.8% from Rs. 9,508.2 million to Rs. 10,630.5 million, which is mainly due to increase in salaries, wages & benefits, cost and volume of supplies and medicines consumed, utilities costs, repair & maintenance, and depreciation etc. All this increase in expenses is in line with revenue growth. All these factors translated into net profit after taxation of Rs. 777.3 million against Rs. 556.7 million in the previous year.

## Earnings Per Share

During the year under review earnings per share stood at Rs. 14.25 as compared to Rs. 10.21 in the previous year.

## Dividend

The Board is pleased to declare the final cash dividend of Rs. 2.55 per share for the year ended June 30, 2019.

## 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 members of the Board are Doctors, two IT Professionals, three Pharmacists, one Businessperson and one is a 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 six times during the year ended June 30, 2019.

During the year under review Shah Naveed Saeed, Independent Director resigned from the Board and subsequently Mr. Javed K. Siddiqui was appointed as the Independent Director in his place. The Board put on record its appreciation for Shah Naveed Saeed for his unrelenting support and commitment all the times during his tenure.

The Board also welcomes Mr. Javed K. Siddiqui on the Board of the Company who is a Chartered Accountant by profession.

### Audit Committee

Audit Committee of the Company has been re-constituted on 19-08-2019 as under:

Syed Ilyas Ahmed	Chairman Independent Director
Dr. Habib-Ur-Rahman	Member Non-Executive Director
Dr. Samea Kauser Ahmad	Member Non-Executive Director
Mr. Javed K. Siddiqui	Member Independent Director

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 the Chairman of the Committee. The Committee met four times during the year ended June 30, 2019 besides one time with External Auditors without the presence of Head of Internal Audit & CFO and once with Head of Internal Audit without the presence of CFO & External Auditors.

# DIRECTORS' REPORT

## Human Resource & Remuneration Committee

The Human Resource & Remuneration (HR & R) Committee was re-constituted with effect from 19-08-2019 and now the members of the re-constituted HR & R Committee are as under:

Syed Ilyas Ahmed	Chairman, Independent Director
Dr. Habib-Ur-Rahman	Member, Non-Executive Director
Dr. Manzoor H. Qazi	Member, Executive Director
Dr. Mohammad Naseem Ansari	Member, Independent Director

Further, TORs of the Committee were also revised during the period under review and the same were approved by the Board. Committee met thrice during the year ended June 30, 2019.

## Corporate Governance & Nominations Committee

Under the provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2017 the Board has also constituted a Corporate Governance & Nominations Committee with the following members:

Mr. Muhammad Zahid	Chairman, Executive Director
Dr. Habib-Ur-Rahman	Member, Non-Executive Director
Dr. Manzoor H. Qazi	Member, Executive Director
Dr. Samea Kauser Ahmad	Member, Non-Executive Director
Mr. Javed K. Siddiqui	Member, Independent Director

## Frequency & Attendance of Board & Audit Committee Meetings

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

Number of meetings attended by each director is stated below:

Name of Director	No. of Board Meetings Attended	No. of Audit Committee Meetings Attended
Dr. Habib-Ur-Rahman	6	4
Dr. Manzoor H. Qazi	6	N/A
Mr. Muhammad Zahid	5	N/A
Mr. Shafquat Ali Chaudhary	1	N/A
Shah Naveed Saeed*	5	4
Mr. Qasim Farooq Ahmad	3	N/A
Dr. Samea Kauser Ahmad	6	4
Syed Ilyas Ahmed	6	4
Prof. Dr. Shoab Ahmed Khan	3	N/A
Dr. Mohammad Naseem Ansari	6	N/A
Mr. Javed K. Siddiqui**	0	0

\*Resigned on 14-05-2019

\*\*Appointed as Independent Director w.e.f. 09-08-2019 in place of Shah Naveed Saeed



## 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 detail of the remuneration of Directors and CEO is provided in the Note 38 of Notes to the Financial Statements.

## TRADING OF SHARES

During the year under review, Dr. Mohammad Naseem Ansari, Director sold 3,500 shares of the Company whereas Tameer-e-Millat Foundation, Major Shareholder recieved donation of 10,000 shares of the Company and accordingly its shareholding was increased by 10,000 shares. 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.

# DIRECTORS' REPORT



## DIRECTORS' TRAINING PROGRAM

During the year under review, Dr. Mohammad Naseem Ansari, Independent Director, has successfully completed the Directors' Training Program that meets the criterion specified by the SECP.

## CORPORATE & FINANCIAL REPORTING FRAMEWORK

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained as required by the Companies Act, 2017.
- Appropriate accounting policies have been consistently applied in preparation of the financial Statements except change in accounting policies as mentioned in Note No. 4 to the financial statements 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. 50.
- Note 10.4 of the notes to the financial statements reflects the value of investments of gratuity fund account.
- The pattern of shareholding and additional information regarding pattern of shareholding is given on Page No. 185.



## EXTERNAL AUDITORS

The present auditors M/s Grant Thornton Anjum Rahman retire at the conclusion of 33<sup>rd</sup> AGM and being eligible have offered themselves for re-appointment. On the suggestion of the Audit Committee, the Board of Directors 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, 2020.

## 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. The disclosure of such related party transactions have been given at Note 37 of the notes to the financial statements.

## 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:

	2019
	Rs. in "000"
Direct Taxes	348,797
Indirect Taxes	199,981
Tax deducted and deposited from suppliers, employees etc.	622,716
<b>Total</b>	<b>1,171,494</b>



# DIRECTORS' REPORT



## ENERGY CONSERVATION

- Conserved 31.60 KW through replacement of LED lights saved Rs. 147,569.
- Extension of readily available steam for the use of heating water and cooking purposes in main kitchen of FNSD. Water heating project is completed and a saving of Rs. 3.4 million/year is accomplished. Steam cooking project is in progress and will save Rs. 3.6 million/year.
- The water intensive practice of washing cars with hose has been replaced with bucket. This practice has resulted in water conservation and energy saving.

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

- SIH maintains environmental and infection control standards; cleaning of all hospital premises also includes disinfection, fumigation and pest control.
- Hospital security arrangements keep patients, staff and visitors safe from inappropriate behavior such as violence and aggressive patients and attendants.



## ENVIRONMENTAL PROTECTION MEASURES

Environmental parameters are being tested at planned intervals as below:

Sr. No.	Description	Frequency	Standard
1	Boiler Stack Emission Monitoring	01 / Qtr.	<b>SMART Program, EPA Pakistan (Category B Industry)</b>
2	Chillers	01 / Qtr.	
3	Gas Generator Emission	01 / Qtr.	
4	Diesel Generator Emission	01 / Qtr.	
5	Incinerator Stack Emission Monitoring	01 / Qtr.	
6	Drinking Water (1-15 Parameters)	01 / Qtr.	
7	Drinking Water (Elemental Analysis)	01 / Year	
8	Waste Water (1-5 parameters)	01 / Qtr.	
9	Indoor Air Quality	01 /Qtr.	
10	Legionella in HVAC Water	01 / Qtr.	
11	Residual Ash Facility	01 / Year	
12	Dialysis Chemical Sampling	01 / Qtr.	AAMI
13	Dialysis Endotoxin	01 / Year	AAMI
14	Dialysis Microbiological	01 / Year	AAMI

# DIRECTORS' REPORT

- Disinfect infectious liquid to antiseptic tank before discharging it to main sewerage line.
- Segregation of waste at source for safe disposal.
- Ash generated from incinerator being disposed at designated ash burial pit as per standards.
- Minimal Concentration of SO<sub>x</sub>, NO<sub>x</sub> and CO<sub>2</sub> emissions into atmosphere. (Quarterly tests are done to monitor the emissions by a third party.)
- For the efficient combustion of infectious waste and to render the hazardous residue and toxic emissions safe for the environment, both the incinerators have been upgraded.
- Incinerator ash testing is being done at NUST and declared fit for the disposal method.

## COMMUNITY INVESTMENT AND WELFARE SCHEMES

Like always, this year too Shifa Foundation, social arm of Shifa International Hospitals Limited, remained active in assisting the marginalized communities. A brief account of these activities accomplished and started in 2018-19 is as under:

- Provided free of cost healthcare services worth Rs. 51 million plus in Falahee Clinic
- 398,373 Pregnant and Lactating Women given nutrition and health support in Sindh
- 284,078 children screened for treatment
- 13,970 awareness sessions conducted on Health, Nutrition and WASH in Sindh
- SF WASH Department formed & trained 50 village committees for Open Defecation Free (ODF) in Umerkot & Sanghar
- In collaboration with UNICEF, SF formed 61 village WASH committees & 35 school WASH clubs in Umerkot
- Installed 21 water wells in drought-hit communities
- Distributed monthly ration packages to 1200 deserving families during the year. Moreover, SF has also started the following programs during the year;
  - o Integrated WASH, Nutrition & Health response in Umerkot since June 10, 2019
  - o Saaf Suthro Sindh Program in Sanghar since May 28, 2019
  - o Maternal, Newborn and IYCN in Lodhran, Punjab since March 19, 2019
  - o Maternal and IYCN project with the Nutrition International's support since March 19, 2019 in Lodhran (Punjab), Mirpurkhas, Khairpur & Jamshoro (Sindh) and Swabi, Mardan & Nowshera (KP)
  - o Program for Improved Nutrition (PINS) in Matiari, Sindh January 1, 2019.





## CONSUMER PROTECTION MEASURES

- Added three Chillers to maintain suitable indoor environment at G-0 and A Block for patients and visitors.
- “How am I Driving?” stickers pasted on pool vehicles for any public complaint
- Vehicles maintenance done for emission testing and road safety.
- As a part of green hospital initiative, around 74,000 seedlings and 279 plants have been planted in parks, seating areas, paved areas and sidewalks.
- Neat and clean environment, seating arrangements, green parking, cafeteria, safe drinking water and suitable controlled temperature is being provided to staff and visitors.
- Safe Entry and Exit and evacuation maps, notice boards, signage and safety flyers are provided for education and awareness of general public.

## ACTIVITIES UNDERTAKEN BY THE COMPANY REGARDING CSR

### Employees’ Child Education

Each year Shifa International Hospitals Limited offers sponsorship for college/school fee for one child per employee subject to fulfilling prescribed criteria. During the year 2018-19, a total of 595 employees have availed this facility at SIH.

### Internship for University/College students at SIH

Every year Shifa International Hospitals Limited facilitates more than 500 university students from all over country for internship program in different clinical and non-clinical areas.

### Employment of Disabled Persons

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

# DIRECTORS' REPORT

## OCCUPATIONAL SAFETY & HEALTH

- For Life and Fire Safety, a third-party audit was conducted for H-8 campus. A comprehensive report was shared by the auditors and future strategy has been developed to address the issues highlighted in the report.
- A documented Facility Inspection Program was executed as per plans in all areas of the hospital and its remote campuses. Reports of the inspections have been prepared and shared with the concerned staff and highlighted issues have been addressed.
- Annual risk analysis for each section is being conducted to identify health safety risk and necessary actions have been taken.
- Training on health safety is being conducted quarterly to make staff aware about health risks and safe precaution at work place; 1387 staff members participated in 42 sessions till June 2019.
- Lint collector installed for staff safety as well as clean environment for machine and work force in laundry.
- Provided PPE for staff working in hazard areas/ processes as and where applicable.
- Provision of suitable working environment, lighting, temperature, work place for employees.
- Health screening is being done of the staff working in high risk areas to ensure safety of the staff in particular and others in general.



**HEALTH  
& SAFETY**



## CODE OF CONDUCT

The Company has a complete Code of Conduct that underpins integrity and ethical behaviors at workplace. In the light of Code of Conduct we ensure that all our business operations are conducted in accordance with the highest business ethical values, meanwhile complying with all statutory regulations and best practices of corporate governance.

The Code requires all employees to maintain a work environment which calls for fairness, respect and integrity. The Code has provisions which include but are not limited to legal compliance, restraint on political activities, avoiding conflict of interest, non-discrimination, harassment, maintaining confidentiality of information and environmental protection etc. The Code of Conduct is applicable to all the directors, officers, employees, consultants and agents of the Company.

## RISK MANAGEMENT AND INTERNAL CONTROL

Like any healthcare concern, Shifa is also vulnerable to risks which may involve areas and/or types like, regulatory, competition, reputation, business, economic environment, operational & credit, financing & liquidity, clinical, information systems security & availability, quality & stability of operational services, availability, recruitment & retention of skilled resources and frauds etc. Nevertheless, we have a robust internal control and risk management system which is designed to safeguard the Company's interests and mitigate different risks.



# DIRECTORS' REPORT

## GRIEVANCE POLICY

Shifa International Hospitals Limited ensures that employees' grievances are properly acknowledged and addressed. An effective mechanism is in place to facilitate the employees with grievances to communicate the same to the management for appropriate remedial measures. Grievances of third party workers are also seriously considered and communicated to the respective vendors by the concerned supervisors for their effective resolution.

## WHISTLEBLOWING POLICY

Shifa International Hospitals Limited is committed to conducting business with honesty and in compliance with the highest standards of transparency and accountability. In this regard the Company has adopted a Whistleblowing Policy to enable stakeholders detect, identify and report any event inconsistent with the policies and laws or mismanagement and misuse of authority etc. The main purpose of the policy is to encourage individuals feel confident in raising concerns; providing reassurance that they will be protected from possible reprisals or victimization and to provide them with guidance as to how to raise their concerns.







## ISSUANCE OF SHARES TO INTERNATIONAL FINANCE CORPORATION

In the Extraordinary General Meeting of the Company held on May 16, 2019 members of the Company approved to issue 7,436,986 shares of the Company to International Finance Corporation (IFC) other than right under section 83(1)(b) of the Companies Act, 2017. These shares were issued to IFC on July 12, 2019. We believe that IFC will bring international exposure of International Corporate Governance, will be instrumental in attaining quality leadership, raising further investment opportunities and attaining higher international healthcare standards.

## EXPANSION ACTIVITIES UNDERTAKEN DURING THE YEAR ENDED JUNE 30, 2019

Expansion/Renovation and Shifting of Departments:

- D4 Lab Renovation/Alternation – TLA Project
- Afghan Patient Facilitation Office
- Employee Health Clinic
- Blood Bank Relocation
- GCC Area Renovation
- Rehabilitation (Orthotic Lab Relocation)
- F-0 Becomes Operational

## FUTURE OUTLOOK

In Pakistan, affording healthcare has traditionally been an out of pocket expense for individuals and families. Nevertheless, following key factors are likely to impact healthcare market in the years to come. These factors underpin the need of quality healthcare in local market beyond any doubt.

- Ministry of National Health Services Regulations & Coordination (NHSR&C) has announced to give 17.5 million health cards to Pakistani citizens. The initiative will enhance health services outreach and enable private hospitals alongside public hospitals to reach a broader patient base
- Private health insurance is also expanding and emerging to enable access of quality and quaternary/tertiary healthcare services to the masses
- Medical tourism is potential untapped market
- Shifa has become a destination of choice of majority of Afghan population traveling to Pakistan for treatment. Afghan patients account for approximately 5 to 7% of total OPD visits
- A huge influx of Chinese population related to OBOR is likely to immigrate to and visit Pakistan frequently in near future
- Our patient facilitation center in Dubai since 2014 has catered to patients from more than 27 countries. Pakistani expat community in KSA, UK, & the US is also an emerging patient segment, opting for quality medical treatment during visits back home

The above-mentioned factors perfectly coincide with our expansion projects, which are underway at different stages, to cater to this growing quality healthcare demand.

## EXPANSION - PROJECTS OF SHIFA

### **Shifa Development Services (Pvt.) Limited**

Shifa Development Services (Pvt.) Limited (SDS), a subsidiary of Shifa, is Pakistan's first, healthcare focused, Project Development and Management Services Organization. Backed by Shifa's decades of healthcare experience, SDS is capable of delivering high quality facilities that meet the exacting international standards, efficient budgets and demanding schedules through a highly qualified team well-versed with the latest international practices, applications and tools.

SDS is currently managing different projects of Shifa including Shifa Pan Africa Hospitals, Dar es Salaam, Tanzania, Faisalabad, F-11 Islamabad, Neuro Sciences Institute Islamabad, City Hospital Sialkot and expansion projects of H-8 and Faisalabad facilities. SDS is also providing a unique set of services to the healthcare industry at large ranging from advisory and planning to complete turnkey solutions.

## **Shifa CARE (Pvt.) Limited**

Shifa has always been keen about diversifying its portfolio both vertically as well as horizontally. The establishment of Shifa CARE manifests the Shifa's resolve to expand its portfolio in fields, which have become an integral and essential part of modern day quality healthcare. Shifa CARE is an associated company of Shifa that has been established in collaboration with a strategic investor.

Shifa CARE is an initiative to develop HIMSS compliant EMR/EHR and healthcare management information solutions for enterprise healthcare organizations. The company is developing cutting edge IT solutions for the quality conscious healthcare organizations. It goes without saying that IT has revolutionized the modern healthcare and it is practically impossible to make timely and accurate decisions in modern hospitals without robust IT support. Keeping in view the critical and important nature of Information Technology in healthcare, Shifa CARE was commissioned. The associated company already has a large clientele base in form of project hospitals and prevailing demand of the company's products because of the strong brand name.

## **Shifa Medical Center Islamabad (Pvt.) Limited**

Realizing the growing demand for quality healthcare services in twin cities of Rawalpindi and Islamabad and surrounding areas, Shifa Medical Center Islamabad was conceived to meet this requirement. The Center shall primarily focus on diagnostic services, day (outpatient) surgeries, specialty OPD clinics, 24/7 Emergency Room and urgent care services. The center has been planned to host well equipped operating rooms and state-of-the-art diagnostic technology.

The progress on the establishment of this subsidiary company has been remarkable. The land has been acquired and pre-feasibility market report and initial financial forecast have already been developed. Architectural designs have been submitted and approval is being awaited from the municipal regulatory body, Capital Development Authority. Once approval is received the construction work will kickoff immediately and is expected to complete in two-years time.

## **Shifa National Hospital Faisalabad (Pvt.) Limited**

Once Shifa National Hospital Faisalabad gets operational as per plans, Shifa International Hospitals Limited shall be having its full-fledged presence in the 2<sup>nd</sup> largest metropolis of Punjab and 3<sup>rd</sup> most populous city of Pakistan.

Faisalabad hosts a variety of commercial and industrial activities and thus offers ample employment opportunities that have made it one of the fast increasing urban centers of Pakistan. With an average GDP of 20.5 billion USD, the city provides for a sizeable portion of the provincial and national GDP. According to Punjab Board of Investment and Trade, Faisalabad alone caters for more than half of the nation's total textile shipments.

# DIRECTORS' REPORT

Shifa first entered the local healthcare market with a 40-beds facility in 2011, which is currently offering 55 inpatient beds to the seekers of quality healthcare. To cater to the continuously rising demand for quality healthcare, Shifa National Hospital Faisalabad was planned. Land for the hospital has been acquired at a prime location and other activities like architectural plans and related legal requirements are underway at different stages of completion.

## **Shifa Pan African Hospitals Limited**

Tanzanian Market, considering the healthcare demand & supply gap, is potentially the perfect market that falls in line with the vision of Shifa International Hospitals Limited i.e. "Healthcare with compassion for all". Shifa Pan African Hospitals shall be operated by Shifa International Hospitals Limited, Pakistan. The human resource strategy is to appoint Shifa's existing employees at all management levels and team lead positions for a period of two years. However, team level staff should be hired locally. In two years time the expatriate employees shall prepare their successors to manage the hospital onwards.

## **Shifa Neuro Sciences Institute Islamabad (Pvt.) Limited**

Following its glorious tradition of catering to the need of advanced and quality healthcare of patients, Shifa acknowledged the gap prevailing in the field of Neuro Sciences and decided to play its role to offer some respite for the patients of neurology and neurosurgery. It is pertinent to mention that there are very few neurosciences centers across the world and unfortunately not a single center of excellence in Pakistan.

Rising to the occasion in order to fill this gap, Shifa's Board of Directors approved Shifa Neuro Sciences Institute Islamabad to be formed as a subsidiary company. Shifa has purchased the land for this purpose in Islamabad. Shifa is already running vibrant departments of Neurology and Neurosurgery at H-8 Hospital and thus is well aware of the challenges and capable of coping with them.

The broader composition of Shifa Neuro Sciences Institute shall include areas like Neurology Services, Neurosurgical Services, Neurophysiology Services, Neuroimaging/Neuroradiology Services and Neurorehab Services.

## **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



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



**MUHAMMAD ZAHID**  
Executive Director

**ISLAMABAD**  
September 14, 2019



# DIRECTORS' REPORT IN URDU

From page 44 to 36.





# RECOGNITION







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

**Headquarters**  
1515 West 22nd Street  
Suite 1300W  
Oak Brook, Illinois 60523  
United States  
Voice +1 630 268 7400  
Fax +1 630 268 7405

**Accreditation**  
Voice +1 630 268 4800  
**Consulting**  
Voice +1 630 268 2900

**Asia-Pacific Office**  
37th Floor  
Singapore Land Tower  
50 Raffles Place  
Singapore 048623  
Voice +65 6829 7208  
Fax +65 6826 4181

**Middle East Office**  
P.O. Box 505018  
Bldg 27, Suite B503  
Dubai Healthcare City  
Dubai  
United Arab Emirates  
Voice +971 4369 4930  
Fax +971 4362 4951

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



تکمیل ہوگی۔

فیصل آباد میں بہت سی تجارتی اور صنعتی سرگرمیاں ملازمت کے وافر مواقع پیدا کرتی ہیں جس نے اسے پاکستان کے تیزی سے بڑھنے والے شہروں میں سے ایک بنا دیا ہے۔ 20.5 ارب ڈالر کی اوسط جی ڈی پی کے ساتھ یہ شہر صوبائی اور قومی جی ڈی پی میں نمایاں حصہ ڈالتا ہے۔ پنجاب بورڈ آف انویسٹمنٹ اینڈ ٹریڈ کے مطابق پاکستان کی ٹیکسٹائل کی ٹوٹل برآمدات کا نصف سے زائد فیصل آباد پورا کرتا ہے۔

شفاسب سے پہلے اس مارکیٹ میں 2011 میں 40 بیڈز کے ہسپتال کے ساتھ داخل ہوا جہاں معیاری صحت کی خدمات مانگنے والوں کے لئے اس وقت 55 بیڈز کی سہولیات موجود ہیں۔ معیاری نگہداشت صحت کی بڑھتی طلب کو پورا کرنے کے لئے شفانیشنل ہسپتال فیصل آباد کی منصوبہ بندی کی گئی۔ ایک نمایاں جگہ پر زمین حاصل کی جا چکی ہے، آرکیٹیکچرل منصوبہ بندی اور اس سے متعلقہ قانونی لوازمات تکمیل کے مختلف مرحلوں پر ہیں۔

#### شفاپین افریقن ہسپتال لمیٹڈ

رسد اور طلب کے خلا کو دیکھتے ہوئے تنزانیہ کی مارکیٹ بعینہ ایسی مارکیٹ ہے جہاں شفانیشنل ہسپتال لمیٹڈ کے وژن یعنی شفقت اور انس کے ساتھ سب کے لئے نگہداشت صحت کے اصول پر عمل پیرا ہونے کا بھرپور موقع ہے۔ شفاپین افریقن ہسپتال کا انتظام شفانیشنل ہسپتال پاکستان چلائے گا۔ انسانی وسائل کے انصرام کے حوالے سے حکمت عملی یہ ہے کہ انتظامی سطح اور ٹیم لیڈ کی پوزیشنوں پر شفکا کے موجودہ ملازمین میں سے افراد دو سال کے لئے تعینات کئے جائیں گے۔ جبکہ باقی ٹیم مقامی طور پر لی جائے گی۔ دو سال کے عرصے میں غیر ملکی ملازمین اپنے جانشین تیار کریں گے جو بعد میں ہسپتال کا انتظام چلائیں گے۔

#### شفانیوروسائنسز انسٹیٹیوٹ اسلام آباد (پرائیویٹ) لمیٹڈ

مریضوں کو جدید اور معیاری سہولیات صحت کی فراہمی کی اپنی تابندہ روایات کی پیروی میں شفانے نیوروسائنسز کے شعبہ میں موجود خلا کو تسلیم کرتے ہوئے اپنا کردار ادا کرنے کا فیصلہ کیا تاکہ نیورولوجی اور نیوروسرجری کے مریضوں کو کچھ سہولت فراہم کی جاسکے۔ یہ بات قابل ذکر ہے کہ دنیا بھر میں نیوروسائنسز کے بہت کم سنٹرز ہیں اور بد قسمتی سے پاکستان میں کوئی ایک بھی سنٹر آف ایکسپلینس موجود نہیں۔ اس خلا کو پر کرنے کے لئے شفکا کے بورڈ آف ڈائریکٹرز نے شفانیوروسائنسز انسٹیٹیوٹ اسلام آباد کو ایک ذیلی کمپنی کے طور پر قائم کرنے کا فیصلہ کیا۔ اس کے لئے اسلام آباد میں زمین خریدی جا چکی ہے۔ شفکا پہلے ہی ایچ ایٹ ہسپتال میں نیورولوجی اور نیوروسرجری کے مصروف اور متحرک شعبے چلا رہا ہے اس لئے اس سنٹر کے قیام میں درپیش چیلنجوں سے بخوبی آگاہ اور ان کا سامنا کرنے کا قابل ہے۔

شفانیوروسائنسز میں وسیع تناظر میں جن ایریاز میں خدمات فراہم کی جائیں گی ان میں نیورولوجی، نیوروسرجری، نیوروفزیالوجی، نیوروائچنگ / نیوروریڈیالوجی اور نیوروری ہیپ شامل ہوں گے۔

#### اظہار تشکر

بورڈ اعلیٰ معیار کی بلا تعطل طبی دیکھ بھال فراہم کرنے اور فارمیسیوں، لیب پک اپ پوائنٹس اور میڈیکل سنٹرز وغیرہ پر بھی اسی معیار کا اعادہ کرنے کے لئے کنسلٹنٹس، انتظامیہ اور عملے کی ان تھک کوششوں کو پیش نظر رکھتے ہوئے ان کا ممنون ہے اور شیئر ہولڈرز، بینکوں، مریضوں اور ریگولیٹری اداروں کو ان کی سرپرستی پر سراہتا ہے۔

منجانب

*Munir Zahid*

جناب محمد زاہد  
ایگزیکٹو ڈائریکٹر

*Maryam Ali*

ڈاکٹر منظور ایچ قاضی  
چیف ایگزیکٹو آفیسر

اسلام آباد  
14 ستمبر 2019



# ڈائریکٹر رپورٹ

﴿ وزارت صحت نے 17.5 ملین پاکستانی شہریوں کو ہیلتھ کارڈ دینے کا اعلان کیا ہے۔ اس اقدام سے صحت کی سہولیات کی رسائی بڑھے گی اور سرکاری ہسپتالوں کے ساتھ ساتھ نجی ہسپتال بھی زیادہ مریضوں تک پہنچنے کے قابل ہوں گے۔

﴿ پرائیویٹ ہیلتھ انشورنس میں اضافہ ہو رہا ہے جس سے لوگوں کی معیاری اور ثانوی نگہداشت صحت تک رسائی ممکن ہو رہی ہے۔

﴿ میڈیکل ٹورزم وہ ٹینشل مارکیٹ ہے جس کو ابھی کھوجا نہیں گیا۔

﴿ علاج کے لئے پاکستان آنے والے افغان شہریوں کا ترجیحی انتخاب شفا ہے۔ اوپی ڈی کے پانچ سے سات فیصد وزٹس افغان مریضوں پر مشتمل ہیں۔

﴿ ون بیلٹ ون روڈ سے متعلق ایک بڑی چینی آبادی کے مستقبل قریب میں پاکستان کا سفر کرنے اور یہاں منتقل ہونے کے امکانات ہیں۔

﴿ دہئی میں 2014 سے قائم ہمارے پیشہ سہولت مرکز نے 27 سے زائد ممالک کے مریضوں کو خدمات فراہم کی ہیں۔ سعودیہ، برطانیہ اور امریکہ میں رہنے والے پاکستانی تارکین وطن بھی ان مریضوں میں شامل ہیں جو پاکستان کے سفر کے دوران معیاری نگہداشت صحت کے لئے یہاں سہولیات کا انتخاب کرتے ہیں۔

﴿ مذکورہ بالا عوامل بہترین طور پر ہمارے توسیعی منصوبوں سے ہم آہنگ ہیں جو مختلف مراحل میں ہیں۔ تاکہ معیاری نگہداشت صحت کی سہولیات کی اس بڑھتی ہوئی طلب کو پورا کیا جاسکے۔

## توسیع - شفا کے پروجیکٹس

شفا ڈیولپمنٹ سروسز (پرائیویٹ) لمیٹڈ

شفا ڈیولپمنٹ سروسز (پرائیویٹ) لمیٹڈ شفا ہسپتال کی ذیلی کمپنی ہے جو ہیلتھ کیئر کے حوالے سے پروجیکٹ ڈیولپمنٹ اور انتظامی خدمات فراہم کرنے والی پاکستان کا پہلا ادارہ ہے۔ شفا کے عشروں پر محیط تجربے اور جدید بین الاقوامی طریقوں اور ٹولز سے بخوبی آگاہ کوالیفائیڈ ٹیم کے ساتھ شفا ڈیولپمنٹ سروسز ایسے اعلیٰ معیاری ادارے بنانے کے قابل ہے جو بین الاقوامی معیار پر پورا اترتے ہوں اور موثر طریقے سے بجٹ کے تقاضوں اور دیگر چیلنجز کے پیش نظر پر فارم کر سکیں۔

شفا ڈیولپمنٹ سروسز اس وقت شفا کے مختلف منصوبے سنبھال رہی ہے جن میں شفا بین افریقہ ہسپتال تنزانیہ، فیصل آباد، ایف ایون اسلام آباد، نیوروسائنس انسٹیٹیوٹ اسلام آباد، سٹی ہسپتال سیالکوٹ، ایچ ایٹ اور فیصل آباد ہسپتالوں کے توسیعی کام شامل ہیں۔ شفا ڈیولپمنٹ سروسز ہیلتھ کیئر انڈسٹری کو مشورے اور منصوبہ بندی سے لے کر مکمل تعمیر تک کی تمام منفرد خدمات بھی فراہم کر رہی ہے۔

شفا کیئر (پرائیویٹ) لمیٹڈ

شفا ہمیشہ سے ہی عمودی اور افقی حوالوں سے اپنے پورٹ فولیو کو متنوع بنانے میں دلچسپی لیتا رہا ہے۔ شفا کیئر کا قیام شفا کے اس عزم کا آئینہ دار ہے کہ یہ ان شعبوں میں اپنا پورٹ فولیو بڑھانا چاہتا ہے جو جدید نگہداشت صحت کا لازمی حصہ بن چکے ہیں۔ شفا کیئر شفا کی منسلک کمپنی ہے جو ایک ترویجی سرمایہ کار کے تعاون سے قائم کی گئی ہے۔

شفا کیئر انٹرپرائز ہیلتھ اداروں کے لئے ہیلتھ کیئر مینجمنٹ انفارمیشن سسٹم اور ای ایم آر ای ایچ آر تیار کرنے کے لئے قائم کی گئی ہے۔ کمپنی کو ایٹمی ہیلتھ کیئر کے حوالے سے حساس اداروں کے لئے جدید آئی ٹی سلوشنز بنا رہی ہے۔ یہ کمپنی کی ضرورت نہیں کہ آئی ٹی کی وجہ سے ہیلتھ کیئر میں ایک انقلاب آ چکا ہے اور جدید ہسپتالوں میں مضبوط آئی ٹی سسٹم کے بغیر بروقت اور درست فیصلے کرنا عملاً ناممکن ہو چکا ہے۔ ہیلتھ کیئر میں انفارمیشن ٹیکنالوجی کی اہمیت کے پیش نظر شفا کیئر قائم کی گئی۔ مضبوط برانڈ نیم کی وجہ سے کمپنی کی مصنوعات کی طلب اور پروجیکٹس ہسپتال کی صورت میں اس منسلک کمپنی کے پاس کلائنٹس کی بڑی بنیاد موجود ہے۔

شفا میڈیکل سینٹر اسلام آباد (پرائیویٹ) لمیٹڈ

راولپنڈی، اسلام آباد کے جزو اہل شہروں اور ملحقہ علاقوں میں معیاری ہیلتھ کیئر کی بڑھتی ہوئی طلب کا احساس کرتے ہوئے شفا میڈیکل سینٹر اسلام آباد قائم کرنے کا سوچا گیا۔ یہ مرکز بنیادی طور پر تشخیصی خدمات، ڈے سرجریز، سیشیٹی، اوپی ڈی کلینکس، 24/7 ایمرجنسی خدمات اور آرجنٹ کیئر سروسز فراہم کرے گا۔ سنٹر کی منصوبہ بندی اس طرح کی گئی ہے کہ یہاں پر اچھی طرح آراستہ آپریٹنگ روم اور جدید تشخیصی ٹیکنالوجی موجود ہوگی۔

اس ذیلی کمپنی کے قیام کے سلسلے میں پراگریس غیر معمولی ہے۔ زمین حاصل کی جا چکی ہے اور پری فیزیبلیٹی مارکیٹ رپورٹ اور ابتدائی مالیاتی تخمینہ تیار کیا جا چکا ہے۔ آرکیٹیکچرل ڈیزائن کی منظوری کا انتظار ہے جو سی ڈی ای میں جمع کرائے گئے ہیں۔ منظوری ملتے ہی تعمیراتی کام شروع ہو جائے گا جو دو برس میں مکمل ہوگا۔

شفا نیشنل ہسپتال فیصل آباد (پرائیویٹ) لمیٹڈ

جس وقت پلانز کے مطابق شفا نیشنل ہسپتال فیصل آباد کام شروع کرے گا تو شفا انٹرنیشنل ہسپتال لمیٹڈ کی پاکستان کے تیسرے بڑے اور پنجاب کے دوسرے بڑے شہر میں بھرپور موجودگی کی

ملازموں کو کام کے ماحول کو برقرار رکھنے کو ترجیح دیتا ہے جو منصفانہ، احترام اور سالمیت کا مطالبہ کرتا ہے۔ اس ضابطہ میں قوانین کی تعمیل، سیاسی سرگرمیوں کو روکنے، رنگ، عمر وغیرہ کی بنیاد پر ہراساں کرنے، معلومات کی رازداری کو برقرار رکھنے، ماحولیاتی تحفظ سے متعلق قوانین وغیرہ شامل ہیں۔ ضابطہ اخلاق تمام ڈائریکٹرز، افسران، ملازمین، کنسلٹنٹس اور کمپنی کے ایجنٹوں پر لاگو ہوتا ہے۔

### رسک مینجمنٹ اور داخلی کنٹرول

کسی بھی صحت کی دیکھ بھال کے ادارے کی طرح شفا انٹرنیشنل ہسپتال کو بھی بہت سے خطرات کا سامنا ہے یا سامنا کرنا پڑ سکتا ہے جن میں ریگولیٹری، مقابلہ، کاروباری، اقتصادی 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۔ مختلف خطرات سے نبٹنے اور اثاثوں کی حفاظت کیلئے ہمارے پاس رسک مینجمنٹ اور داخلی کنٹرول کا مضبوط عمل موجود ہے۔

### شکایت کی پالیسی (گریوینس پالیسی)

شفا انٹرنیشنل ہسپتال اس امر کو یقینی بناتا ہے کہ ملازمین کی شکایات کی باقاعدہ نشاندہی ہو اور ان کا ازالہ کیا جائے۔ ملازمین کو اپنی شکایات کو متعلقہ سپروائزر تک پہنچانے میں سہولت کی خاطر ایک موثر میکانزم موجود ہے۔ تھرڈ پارٹی کنفریکٹ کے تحت کام کرنے والے وکروں کی شکایات کو بھی سنجیدگی سے لیا جاتا ہے اور ان کے موثر حل کے لئے متعلقہ شعبہ کا سپروائزر شکایت کو وینڈر تک پہنچاتا ہے۔

### ”وسل بلونگ“ پالیسی

شفا انٹرنیشنل ہسپتال دیاننداری سمیت شفافیت، احتساب اور کثادگی کے اعلیٰ معیارات پر عمل پیرا رہتے ہوئے کاروبار کرنے میں پرعزم ہے۔ اس حوالے سے کمپنی نے وسل بلونگ کی پالیسی لاگو کی تاکہ سٹیک ہولڈر ایسے کسی بھی واقعہ کو شناخت اور رپورٹ کرنے کے قابل ہو سکے جو کمپنی کی پالیسیوں کے خلاف، غیر قانونی سرگرمی، بدانتظامی یا اختیار کے ناجائز استعمال کی ذیل میں آتا ہو۔ اس پالیسی کا بنیادی مقصد افراد کو ایسے مواقع فراہم کر کے اس قابل بنانا ہے کہ وہ تشویش ظاہر کرنے میں اعتماد محسوس کریں اور انہیں ممکنہ رد عمل سے تحفظ کی یقین دہانی فراہم کی جائے اور شاف کو رہنمائی بھی فراہم کی جائے کہ اس طرح کی تشویش کیسے ظاہر کرتے ہیں۔

### انٹرنیشنل فنانس کارپوریشن (آئی ایف سی) کو حصص کا اجراء

16 مئی 2019 کو منعقد ہونے والے کمپنی کے غیر معمولی عام اجلاس میں ممبران نے آئی ایف سی کو 7,436,986 حصص جاری کرنے کی منظوری دی۔ کمپنیز ایکٹ 2017 کے سیکشن 83(1)(b) کے تحت رائٹ شیئرز کے علاوہ ہیں۔ آئی ایف سی کو یہ حصص 12 جولائی 2019 کو جاری کئے گئے۔ ہمیں یقین ہے کہ آئی ایف سی بین الاقوامی کارپوریٹ گورننس کے حوالے سے بین الاقوامی تجربہ اور علم لائے گا اور کوالٹی لیڈر شپ کے حصول سرمایہ کاری کے مزید مواقع پیدا کرنے اور نگہداشت صحت کے بین الاقوامی معیارات کے حصول میں اہم عامل ثابت ہوگا۔

### اختتامی سال برائے 30 جون 2019 کے دوران سرانجام کردہ توسیع کی سرگرمیاں

توسیع / ترمیم نو اور ڈیپارٹمنٹس کی منتقلی:

❖ ڈی فوریب کی ترمیم نو / تبدیلی۔ ٹی ایل اے پروجیکٹ۔

❖ افغان پشمنٹ سہولت دفتر۔

❖ ایمپلائز ہیلتھ کلینک۔

❖ بلڈ بینک کی منتقلی۔

❖ جی سی سی کی ترمیم نو۔

❖ ری ہیلٹھیشن (آر تھائٹ لیب کی منتقلی)۔

❖ ایف زیرو میں کام کی تکمیل۔

### مستقبل کا منظر نامہ

پاکستان میں خاندان اور افراد روایتی طور پر صحت پر اٹھنے والے اخراجات اپنی ہی جیب سے ادا کرتے آئے ہیں۔ تاہم درج ذیل کلیدی عوامل ممکنہ طور پر آنے والے برسوں میں ہیلتھ کیئر مارکیٹ پر اثرات ڈالیں گے یہ عوامل لوکل مارکیٹ میں کوالٹی ہیلتھ کیئر کی ضرورت کو کسی شک و شبہ سے بالاتر ہو کر ثابت کرتے ہیں۔

# ڈائریکٹرز رپورٹ

﴿لودھراں (پنجاب)، میرپور خاص، خیرپور اور جام شورو (سندھ) اور صوابی، مردان اور نوشہرہ (خیبر پختونخوا) میں 19 مارچ 2019 سے نیوٹریشن انٹرنیشنل کی مدد سے

”میشل اور آئی وائی سی این پراجیکٹ“

﴿ٹیاری، سندھ میں یکم جنوری 2019 سے ”پروگرام فار امپرووڈ نیوٹریشن“

## صارفین کے تحفظ کے اقدامات

﴿مریضوں اور ویز کے لئے موزوں ماحول برقرار رکھنے کے لئے جی زیرو اور اے بلاک میں تین چلڑکا اضافہ کیا گیا۔

﴿ہسپتال کی گاڑیوں پر کسی عوامی شکایت سے آگاہ ہونے کے لئے ”میشل ڈرائیونگ کر رہا ہوں“ کے سکرز لگائے گئے۔

﴿دھوئیں کے اخراج کی جانچ اور روڈ سیفٹی کے لئے گاڑیوں کی مینٹیننس۔

﴿”گرین ہسپتال اقدام“ کے تحت تقریباً 74,000 پودوں کی پٹیری اور 279 درخت پارکس، بیٹھنے کی جگہوں اور راستوں کے اطراف میں لگائے گئے ہیں۔

﴿سٹاف اور ویز کو صاف ستھرا ماحول، بیٹھنے کے انتظامات، گرین پارکنگ، کیفے ٹیریا، پینے کا صاف پانی اور موزوں کنٹرولڈ درجہ حرارت فراہم کیا جا رہا ہے۔

﴿عام لوگوں کی آگہی کے لئے داخلے اور نکلنے کے محفوظ راستے، ہنگامی اخراج کے نقشے، نوٹس بورڈ، نشانات و علامات اور سیفٹی کے بروشرز کی فراہمی۔

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

### ملازمین کے بچوں کی تعلیم

ہر سال شفاء انٹرنیشنل ہسپتال فی ایمپلائے ایک بچے کے سکول یا کالج کی فیس ادا کرتا ہے اگر وہ اس سلسلے میں نافذ کردہ معیار پر پورا اتریں۔ زیر جائزہ سال میں 595 ملازمین نے یہ سہولت استعمال کی۔

### شفاء میں یونیورسٹی اور کالج کے طلباء کے لئے انٹرن شپ

ہر سال شفاء انٹرنیشنل ہسپتال ملک بھر سے جامعات کے پانچ سو سے زائد طلباء و طالبات کو مختلف کلینکل اور نان کلینکل ایریاز میں انٹرن شپ کی سہولت فراہم کرتا ہے۔

### معذور افراد کے لئے روزگار

شفاء 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

﴿لائف اور فائرسیفٹی کے لئے ایچ ایٹ ہسپتال کا تھرڈ پارٹی آڈٹ کروایا گیا۔ آڈیٹرز نے ایک جامع رپورٹ شیئر کی، رپورٹ میں بتائے گئے ایڈیٹس کے لئے مستقبل کی حکمت عملی بتائی گئی ہے۔

﴿منصوبوں کے مطابق ہسپتال کے تمام حصوں اور ریموٹ کمپسز میں معائنے کے دستاویزی پروگرام پر عمل کیا گیا معائنوں کی رپورٹس تیار کی گئیں اور متعلقہ عملے کو دی گئیں رپورٹس میں ہائی

لائٹ کئے گئے ایڈیٹس کو حل کیا گیا ہے۔

﴿ہیلتھ سیفٹی کو لاحق خطرات کی نشاندہی کے لئے ہر سیشن میں سالانہ رسک اینالسز کیا گیا ہے اور ضروری اقدامات لئے گئے ہیں۔

﴿عملے کو کام کی جگہ پر صحت کو لاحق خطرات اور محفوظ احتیاط کے بارے میں آگاہ کرنے کے لئے سہ ماہی تربیت کا اہتمام کیا گیا ہے۔ جون 2019 تک 42 سیشنز میں عملے کے 1387 افراد

نے شرکت کی۔

﴿لائڈری میں اینٹ کو لیکٹر نصب کئے گئے تاکہ سٹاف اور مشین کے لئے صاف ماحول فراہم کیا جائے۔

﴿خطرناک ایریاز / کاموں میں موجود عملے کے لئے پی پی ای کی فراہمی۔

﴿ایمپلائز کے لئے کام کرنے کی موزوں جگہ، ماحول، روشنی اور ٹمپریچر کی فراہمی۔

﴿خطرناک ایریاز میں کام کرنے والے سٹاف کی ہیلتھ اسکریننگ تاکہ اس عملے کی بالخصوص اور دیگر عملے کی بالعموم حفاظت یقینی بنائی جائے۔

### ضابطہ اخلاق

شفاء انٹرنیشنل ہسپتال لمیٹڈ نے ایک مکمل ضابطہ اخلاق تشکیل دیا ہوا ہے جس میں کام کی جگہوں پر دیانتداری اور اخلاقی رویے پر زور دیا جاتا ہے۔ اس ضابطہ اخلاق کی روشنی میں ہم اس بات کو یقینی

بناتے ہیں کہ ہمارے سارے کاروباری معاملات اعلیٰ اخلاقی اقدار کے ساتھ ساتھ کارپوریٹ گورننس کی بہترین مثالوں اور قانونی تقاضوں کی پاسداری میں چلائے جائیں۔ ضابطہ اخلاق تمام

نمبر شمار	وضاحت / تفصیل	تواتر	معیار
1	بوانکرسٹیک اخراج کی نگرانی	سہ ماہی	
2	چلرز	سہ ماہی	
3	گیس جزیٹ کا اخراج	سہ ماہی	
4	ڈیزل جزیٹ کا اخراج	سہ ماہی	پاکستان کی ماحولیاتی تحفظ کی کمپنی ایجنسی (ای پی اے)
5	انسٹرٹرسٹیک اخراج کی نگرانی	سہ ماہی	کے درجہ ”ب“ کی صنعت پر لاگو ہونے والے
6	پینے کا پانی (1 سے 15 تک کے پیمانے / پیرامیٹر)	سہ ماہی	”سمارٹ“ پروگرام کے مطابق
7	پینے کا پانی (عنصر جاتی تجزیہ)	سہ ماہی	
8	ویسٹ واٹر (1 سے 5 پیرامیٹر)	سہ ماہی	
9	اندرونی ہوا کا معیار	سہ ماہی	
10	انچ وی اے سی کے پانی میں بیکٹریا کی جانچ	سہ ماہی	
11	نچ رہنے والی راکھ کا بندوبست	سالانہ	
12	ڈائیلیسز کیمیکل کی سپلائی	سہ ماہی	اے اے ایم آئی
13	ڈائیلیسز اینڈ وٹاکسن	سالانہ	اے اے ایم آئی
14	ڈائیلیسز ماسکرو بائیو لاجیکل	سالانہ	اے اے ایم آئی

﴿ انفیکشن والے مائع کو مین سیوریج لائن میں چھوڑنے سے پہلے ڈس انفیکٹ کرنا۔

﴿ محفوظ اتلاف کے لئے کوڑا پیدا ہونے والی جگہ پر کوڑے کی درجہ بندی۔

﴿ معیار کے مطابق انسٹرٹریٹ کی راکھ کو مقرر کردہ جگہ پر دبانے سے اتلاف۔

﴿ ماحول میں سلفر آکسائیڈز، نائٹروجن آکسائیڈز اور کاربن ڈائی آکسائیڈز کا کم از کم اخراج (نگرانی کے لئے تھرڈ پارٹی سے سہ ماہی ٹیسٹ کروائے جاتے ہیں)۔

﴿ عفوئی کوڑے کے موثر اتلاف اور جلانے کے عمل میں نچ جانے والے نقصان دہ اور زہریلے اخراج کو ماحول کے لئے محفوظ بنانے کی خاطر دونوں انسٹرٹریٹ پر گریڈ کئے گئے ہیں۔

﴿ انسٹرٹریٹ کی راکھ کی جانچ نسٹ (NUST) میں ہو رہی ہے اور اسے اتلاف کے لئے محفوظ پایا گیا ہے۔

### کیونٹی سرمایہ کاری اور فلاحی منصوبے

ہمیشہ کی طرح اس برس بھی شفا فاؤنڈیشن (شفا کی سماجی بازو) غریب کمیونٹی کی معاونت میں سرگرم رہی۔ 2018-19 کے دوران مکمل اور شروع کی جانے والے سرگرمیوں کا ایک مختصر احوال درج ذیل ہے:

﴿ فلاحی کلینک میں اکیاون بلین روپوں سے زائد مالیت کی صحت کی سہولیات فراہم کیں۔

﴿ سندھ میں حاملہ اور دودھ پلانے والی 398,373 خواتین کو نیوٹریشن اور ہیلتھ سپورٹ فراہم کی گئی۔

﴿ 284,078 بچوں کی علاج کے لیے سکریننگ کی گئی

﴿ سندھ میں ہیلتھ، نیوٹریشن اور واش پراجیکٹ کے لیے 13,970 سیشن منعقد کیے گئے۔

﴿ عمر کوٹ اور ساگھڑ میں شفا فاؤنڈیشن کے واش ڈیپارٹمنٹ نے ”کھلے میں پانخانے سے پاک“ دیہات کے مقصد کے لیے 50 لیچ کمیٹیاں قائم کیں اور ان کی تربیت کی۔

﴿ یونیسیف کے تعاون سے شفا فاؤنڈیشن نے عمر کوٹ میں 61 لیچ واش کمیٹیاں اور 35 سکول واش کلب قائم کیے۔

﴿ خشک سالی سے متاثرہ کمیونٹی میں پانی کے 21 کنویں کھدوائے گئے۔

﴿ زیر جائزہ سال کے دوران 1200 مستحق خاندانوں کو ماہانہ راشن کیج دیے گئے۔ مذکورہ بالا تکمیل شدہ کاموں کے علاوہ شفا فاؤنڈیشن نے رواں برس ذیل پروگراموں کا آغاز کیا:

﴿ عمر کوٹ میں 10 جون 2019 سے ”انگلر پیڈ واش، نیوٹریشن اور ہیلتھ ریسپانس“

﴿ ساگھڑ میں 28 مئی 2019 سے ”صاف ستھرے سندھ پروگرام“

﴿ لودھراں (پنجاب) میں 19 مارچ 2019 سے ”ماؤں، نوزائیدگان، دودھ پیتے اور نو عمر بچوں (آئی وائی سی این) کا غذائی پروگرام“



# ڈائریکٹرز رپورٹ

## بیرونی آڈیٹرز

33 ویں سالانہ اجلاس عام کے اختتام پر موجودہ آڈیٹرز میسرز گرانٹ تھارٹن انجمن رحمن دستبردار ہو رہے ہیں اور اہلیت کے معیار پر پورا اترنے کے باعث انہوں نے اپنے آپ کو دوبارہ تعیناتی کے لئے پیش کیا ہے۔ بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارشات پر میسرز گرانٹ تھارٹن انجمن رحمن چارٹڈ اکاؤنٹنٹس کی بطور آڈیٹرز برائے سال 30 جون 2020 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 ایسے تمام معاملات کا مکمل ریکارڈ بشمول شرائط برقرار رکھتی ہے۔ ایسے متعلقہ پارٹی معاملات کی اطلاع مالیاتی گوشواروں کے نوٹس میں نوٹ نمبر 37 پر دی گئی ہے۔

## کمپنی کی ویب سائٹ

شفائرنیشنل 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 قومی خزانے میں کمپنی کا پیش کردہ حصہ درج ذیل ہے۔

2019

(روپے 000 میں)

348,797

براہ راست ٹیکسز

199,981

بالواسطہ ٹیکسز

622,716

سپلائرز، ملازمین وغیرہ سے ٹیکس کٹوتی

1,171,494

کل رقم

## توانائی کا تحفظ

توانائی کی بچت والی لائٹس کی تنصیب کے ذریعے 31.60 کلو واٹ بجلی اور 147,569 روپے کی بچت۔

پانی گرم کرنے اور کھانا بنانے کے لئے پہلے سے دستیاب بھاپ کی ایف این ایس ڈی کے کچن تک توسیع۔ پانی گرم کرنے والا پراجیکٹ مکمل ہو چکا ہے جس سے سال میں 34 لاکھ روپے کی بچت کی گئی ہے۔ بھاپ سے کھانا بنانے کے منصوبے پر کام جاری ہے جو سالانہ 36 لاکھ روپے کی بچت کا سبب بنے گا۔

پائپ سے گاڑیاں دھونے کو بالٹی کے استعمال سے بدل دیا گیا ہے۔ اس مشق کا نتیجہ پانی اور بجلی کی بچت کی شکل میں نکلا ہے۔

## کمپنی کے کاروبار کا ماحول پر اثرات

شفائرنیشنل ہسپتال ماحولیاتی اور انفیکشن کنٹرول کے معیارات برقرار رکھتا ہے، ہسپتال کی صفائی میں ڈس انفیکشن اور کیڑے مکوڑوں کے اتلاف کے ساتھ ساتھ معمول کی فیو میکیشن بھی شامل ہے۔

ہسپتال کے سیکورٹی انتظامات مریضوں، عملے اور وزیٹرز کو غیر موزوں رویے مثلاً تشدد اور جارح مریضوں اور لواحقین سے محفوظ رکھتے ہیں۔

## ماحولیاتی تحفظ کے اقدامات

درج ذیل جدول کے مطابق طے شدہ وقفوں سے ماحولیاتی معیارات کے مطابق مختلف پہلوؤں کی جانچ کی جا رہی ہے۔

04	06	ڈاکٹر سمیعہ کوثر احمد
04	06	سید الیاس احمد
لاگو نہیں	03	پروفیسر ڈاکٹر شعیب احمد خان
لاگو نہیں	06	ڈاکٹر محمد نسیم انصاری
0	0	جناب جاوید کے صدیقی**

\* 14-05-2019 کو ریٹائر ہوئے

\*\* 09-08-2019 کو شاہ نوید سعید کی جگہ آزاد ڈاکٹر کے طور پر تعینات کئے۔

### بورڈ کی کارکردگی کی جانچ

اس سالانہ رپورٹ میں چیئرمین کے جائزہ 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 رپورٹ بھی شامل ہے۔

### 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۔ ڈائریکٹرز اور چیف ایگزیکٹو کے معاوضے کی تفصیل مالی گوشوارے کے نوٹس میں نمبر 38 میں فراہم کی گئی ہے۔

### حصص کی تجارت

زیر جائزہ سال کے دوران ڈائریکٹر ڈاکٹر محمد نسیم انصاری نے کمپنی کے 3500 حصص فروخت کئے جبکہ تعمیر ملت فاؤنڈیشن کو 10,000 حصص کا عطیہ ملا اور اس کی شیئر ہولڈنگ میں 10,000 کا اضافہ ہوا۔ اس کے علاوہ کسی اور ڈائریکٹر، چیف ایگزیکٹو، ایف او، کمپنی سیکرٹری، ایگزیکٹوز اور ان کی بیویوں اور نابالغ بچوں نے سال کے دوران کمپنی کے حصص کی تجارت نہیں کی۔

### ڈائریکٹرز کا تربیتی پروگرام

زیر جائزہ سال کے دوران آزاد ڈائریکٹر، ڈاکٹر محمد نسیم انصاری نے کامیابی سے ڈائریکٹرز کا تربیتی پروگرام مکمل کیا جو ایس ای سی پی کے مختص کردہ معیار کی شرائط پوری کرتا ہے۔

### 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 2017 کے تحت مطلوب ہوتا ہے۔

﴿ مالیاتی گوشواروں کے تیار کرنے میں مسلسل مناسب اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے سوائے ان اکاؤنٹنگ پالیسیوں کی تبدیلی کے جن کا مالیاتی گوشوارے کے

نوٹ نمبر 4 میں تذکرہ کیا 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 حد و خال 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 مدنظر 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 50 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 پٹرن اور اس سے متعلق اضافی معلومات صفحہ نمبر 185 پر دی گئی ہیں۔

# ڈائریکٹرز رپورٹ

1. سید الیاس احمد چیئر مین، آزاد ڈائریکٹر
2. ڈاکٹر حبیب الرحمان ممبر، نان ایگزیکٹو ڈائریکٹر
3. ڈاکٹر سمیعہ کوثر احمد ممبر، نان ایگزیکٹو ڈائریکٹر
4. جناب جاوید کے صدیقی ممبر، آزاد ڈائریکٹر

آڈٹ کمیٹی کے "حوالے کی شرائط" (ٹی او آر) لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 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 2019 کو ختم ہونے والے سال کے دوران چار بار اپنا اجلاس منعقد کیا۔ علاوہ ازیں آڈٹ کمیٹی کے مزید دو اجلاس 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

کمیٹی برائے انسانی وسائل و معاوضہ کی تشکیل نو 19 اگست 2019 کو کی گئی، یہ کمیٹی درج ذیل چار ارکان پر مشتمل ہے:

1. سید الیاس احمد چیئر مین، آزاد ڈائریکٹر
2. ڈاکٹر حبیب الرحمان ممبر، نان ایگزیکٹو ڈائریکٹر
3. ڈاکٹر منظور ایچ قاضی ممبر، ایگزیکٹو ڈائریکٹر
4. ڈاکٹر محمد نسیم انصاری ممبر، آزاد ڈائریکٹر

علاوہ ازیں، کمیٹی کے ٹی او آر پر زیر جائزہ سال کے دوران نظر ثانی کی گئی اور بورڈ نے ان کی منظوری دی۔ کمیٹی نے 30 جون 2019 کو ختم ہونے والے سال کے دوران تین بار میٹنگ کی۔ کارپوریٹ گورننس اور نامزدگی کمیٹی

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کی دفعات کے تحت بورڈ نے کارپوریٹ گورننس اور نامزدگی کمیٹی تشکیل دی ہے جو درج ذیل ممبران پر مشتمل ہے:

1. جناب محمد زاہد چیئر مین، ایگزیکٹو ڈائریکٹر
2. ڈاکٹر حبیب الرحمان ممبر، نان ایگزیکٹو ڈائریکٹر
3. ڈاکٹر منظور ایچ قاضی ممبر، ایگزیکٹو ڈائریکٹر
4. ڈاکٹر سمیعہ کوثر احمد ممبر، نان ایگزیکٹو ڈائریکٹر
5. جناب جاوید کے صدیقی ممبر، آزاد ڈائریکٹر

بورڈ اور آڈٹ کمیٹی کے اجلاس کی تعداد و حاضری

زیر جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کی چھ 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	06	04
ڈاکٹر منظور ایچ قاضی	06	لاگو نہیں
جناب محمد زاہد	05	لاگو نہیں
جناب شفقت علی چوہدری	01	لاگو نہیں
شاہ نوید سعید *	05	04
جناب قاسم فاروق احمد	03	لاگو نہیں

# ڈائریکٹرز رپورٹ

## نتائج عملی کارکردگی

2018	2019	
----- (روپے 000) -----		
10,270,597	11,743,625	خالص آمدنی
63,084	55,871	دیگر آمدنی
(9,508,191)	(10,630,459)	آپریٹنگ لاگت
(57,280)	(95,900)	فنانس لاگت
768,210	1,073,137	منافع قبل از ٹیکسیشن
(211,522)	(295,803)	ٹیکسیشن برائے سال
556,688	777,334	منافع برائے سال
1,329,318	1,737,375	ای بی آئی ٹی ڈی اے
10.21	14.25	فی شیئر آمدنی - بنیادی اور ڈائریکٹرز (روپے)

## عملی کارکردگی: چیدہ چیدہ نکات

گزشتہ سال کے اسی مدت کے مقابلے میں کمپنی کی مجموعی آمدنی میں 14.3 فیصد کا اضافہ ہوا ہے۔ تاہم کمپنی کی آپریٹنگ لاگت 9,508.2 ملین روپے سے بڑھ کر 11.8 فیصد اضافے کے ساتھ 10,630.5 ملین روپے ہو گئی جس کی وجہ تنخواہوں و جرتوں میں اضافہ، استعمال ہونے والی دواؤں اور دیگر سپلائیز کے مہیا کردہ حجم و لاگت، مرمت و بحالی کے اخراجات اور اثاثوں کی بوسیدگی وغیرہ میں اضافہ ہے۔ ان تمام عوامل کے نتیجے میں خالص منافع بعد از ٹیکسیشن گزشتہ سال کے 556.7 ملین روپے کے مقابلے میں 777.3 ملین روپے رہا۔

## فی شیئر آمدنی

زیر جائزہ سال کی فی شیئر آمدنی گزشتہ سال کی 10.21 روپے فی شیئر آمدنی کے مقابلے میں 14.25 روپے رہی۔

## منافع

بورڈ کو یہ بتاتے ہوئے خوشی ہو رہی ہے کہ اختتامی سال 30 جون، 2019 کا حتمی نقد منافع 2.55 روپے فی شیئر مقرر ہوا ہے۔

## بورڈ آف ڈائریکٹرز اور کمیٹیاں

### بورڈ کی ساخت

کمپنی کا بورڈ ڈس 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، دو آئی ٹی 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 2019 کو ختم ہونے والے سال کے دوران چھ مرتبہ اپنا اجلاس منعقد کیا۔

زیر جائزہ سال کے دوران آزاد ڈائریکٹر شاہ نوید سعید بورڈ سے مستعفی ہو گئے اور بعد ازاں ان کی جگہ جناب جاوید کے صدیقی کو آزاد ڈائریکٹر تعینات کیا گیا۔ بورڈ نے ریکارڈ پر شاہ نوید سعید صاحب کی اپنے سارے عرصے میں مسلسل سپورٹ اور وابستگی کو سراہا۔

بورڈ جناب جاوید کے صدیقی صاحب کا بھی کمپنی کے بورڈ پر خیر مقدم کرتا ہے جو پیشے کے لحاظ سے چارٹرڈ اکاؤنٹنٹ ہیں۔

## آڈٹ کمیٹی

آڈٹ کمیٹی 19 اگست 2019 کو نئے سرے سے تشکیل دی گئی ہے جو درج ذیل چار ممبران پر مشتمل ہے:



# **NOTICE OF THE 33<sup>RD</sup> ANNUAL GENERAL MEETING**

# NOTICE OF THE 33<sup>RD</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 33<sup>rd</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 26, 2019 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 16, 2019.
2. To receive, consider and adopt the annual audited accounts and consolidated audited accounts of the Company and its subsidiaries for the year ended June 30, 2019 together with the directors' and auditors' report thereon.
3. To approve the payment of cash dividend @ Rs. 2.55 per share for the year ended June 30, 2019 as recommended by the directors.
4. To appoint auditors for the year ending June 30, 2020 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.

By Order of the Board



MUHAMMAD NAEEM  
Company Secretary

ISLAMABAD  
September 16, 2019

## Notes:

- i) The share transfer books of the Company will remain closed from October 19, 2019 to October 26, 2019 (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 Friday, October 18, 2019 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 once again advised to provide the particulars related to their name, folio number, bank account number (24 digits IBAN), 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 2019, 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 - 30 %**
- All members are requested to make 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) Members are requested to submit their Notarized Declarations (CZ-50) [if not already provided] under Zakat & Ushr Ordinance, 1980 for Zakat Exemption, if they want to claim exemption towards non-deductions of zakat on cash dividend.
- ix) Shareholders who have not collected their dividend/physical shares so far are advised to contact our Share Registrar to collect/enquire about their unclaimed dividend or shares, if any.
- x) 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 18, 2019 each member will be assumed to have equal proportion of shares and the tax will be deducted accordingly.
- xi) Pursuant to Notification vide SRO. 787(I)/2014 of September 08, 2014, the Securities & Exchange Commission of 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

# NOTICE OF THE 33<sup>RD</sup> ANNUAL GENERAL MEETING

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.

- xii)** 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.
- xiii)** If the Company receives consent from members holding 10% or more shareholding, residing in geographical location to participate in the meeting through video conference atleast 7 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 within stipulated time 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 \_\_\_\_\_.

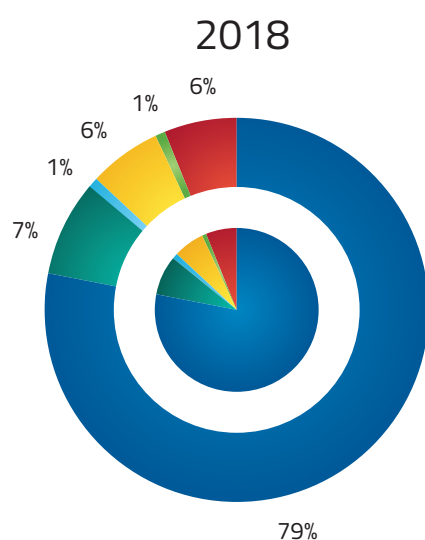
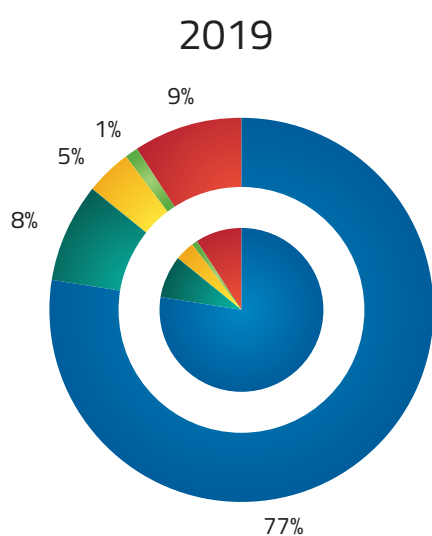
\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Signature**



# STATEMENT OF VALUE ADDITION

	2019		2018	
	Rs. in '000'	%	Rs. in '000'	%
<b>Value added</b>				
Total Revenue inclusive of other income	<b>11,799,496</b>		10,333,681	
Supplies and other operating costs	<b>5,889,564</b>		5,443,659	
<b>Total value added</b>	<b>5,909,932</b>		4,890,022	
<b>Value allocated</b>				
<b>To employees</b>				
Salaries, wages and other benefits	<b>4,550,186</b>	<b>77</b>	3,886,276	79
<b>To Government</b>				
Income tax, sales tax and federal excise duty etc	<b>495,784</b>	<b>8</b>	356,958	7
<b>To society</b>				
Donation	<b>15,000</b>	<b>-</b>	50,000	1
<b>To providers of capital</b>				
Dividend to shareholders	<b>245,421</b>	<b>5</b>	272,690	6
Finance cost of borrowed funds	<b>71,628</b>	<b>1</b>	40,100	1
	<b>317,049</b>	<b>6</b>	312,790	7
Retained in the Company	<b>531,913</b>	<b>9</b>	283,998	6
<b>Total value allocated</b>	<b>5,909,932</b>	<b>100</b>	4,890,022	100



Salaries, wages and other benefits

Income tax and sales tax

Donation

Dividend to shareholders

Finance cost of borrowed funds

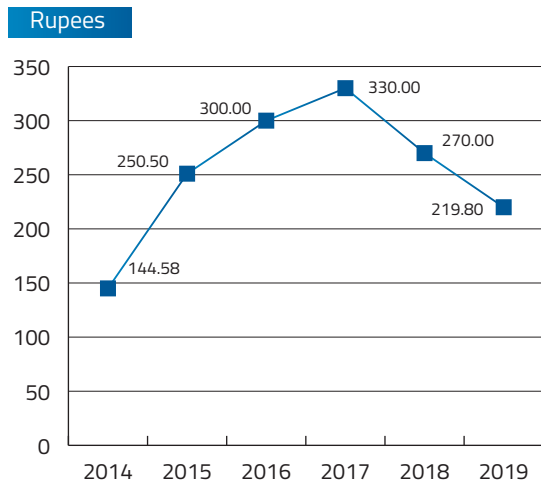
Retained in the Company

# SIX YEARS AT A GLANCE

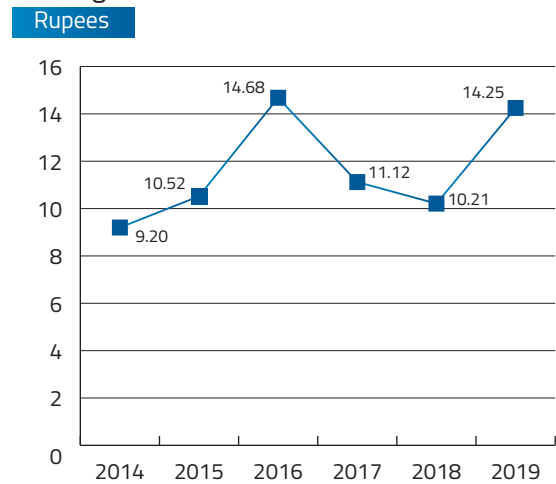
		2019	2018	2017	2016	2015	2014
<b>PERFORMANCE</b>							
Operating profit margin	%	<b>9.95</b>	8.04	10.04	13.16	11.95	12.95
Net profit margin	%	<b>6.62</b>	5.42	6.55	8.71	7.19	7.27
Return on equity	%	<b>14.43</b>	11.14	13.05	20.46	18.85	19.27
Return on assets	%	<b>9.79</b>	8.14	11.99	15.97	14.47	14.14
Asset turnover	Times	<b>0.98</b>	1.01	1.19	1.21	1.21	1.09
<b>CAPITAL MARKET/CAPITAL STRUCTURE ANALYSIS</b>							
Market value per share (year end)	Rs.	<b>219.80</b>	270.00	330.00	300.00	250.50	144.58
Breakup value per share	Rs.	<b>103.54</b>	93.99	89.32	81.13	59.51	52.45
Market price to breakup value	Times	<b>2.12</b>	2.87	3.69	3.70	4.21	2.76
Earnings per share	Rs.	<b>14.25</b>	10.21	11.12	14.68	10.52	9.20
Price earning ratio	Times	<b>15.42</b>	26.44	29.68	20.44	23.81	15.72
Dividend per share (total)	Rs.	<b>4.50</b>	5.00	3.00	6.50	3.00	3.00
Dividend yield/effective dividend rate	%	<b>2.05</b>	1.85	0.91	2.17	1.20	2.07
Interest cover	Times	<b>12.19</b>	14.41	13.99	10.54	5.57	4.33
Debt : equity	Ratio	<b>31:69</b>	25:75	9:91	16:84	28:72	37:63
<b>LIQUIDITY</b>							
Current ratio		<b>0.81</b>	0.83	0.97	1.37	0.87	0.93
Quick ratio		<b>0.63</b>	0.64	0.76	1.16	0.66	0.69
<b>HISTORICAL TRENDS</b>							
<b>FINANCIAL POSITION</b>		<b>Rs in '000'</b>					
Authorized capital		<b>1,000,000</b>	1,000,000	545,379	545,379	545,379	545,379
Share capital		<b>545,379</b>	545,379	545,379	545,379	505,138	505,138
Capital reserve		<b>1,046,025</b>	1,046,025	1,046,025	1,046,025	40,000	40,000
Surplus on revaluation of PP&E		<b>772,019</b>	723,310	726,760	742,191	751,182	760,176
Unappropriated profit		<b>3,283,636</b>	2,811,117	2,553,295	2,090,865	1,709,813	1,344,260
<b>Share holders' equity</b>		<b>5,647,059</b>	5,125,831	4,871,459	4,424,460	3,006,133	2,649,574
Non current liabilities		<b>2,717,345</b>	1,882,076	581,874	927,597	1,290,733	1,608,133
Current liabilities		<b>3,573,255</b>	3,137,871	2,295,152	1,842,642	1,822,423	1,597,824
<b>Total</b>		<b>11,937,659</b>	10,145,778	7,748,485	7,194,699	6,119,289	5,855,531
Property, plant and equipment		<b>6,845,816</b>	6,028,882	5,457,545	4,606,615	4,485,977	4,034,090
Investment property		<b>1,642,085</b>	1,401,837	-	-	-	-
Intangible		<b>83,711</b>	33,477	10,585	-	-	-
Long term investment		<b>79,833</b>	18,120	18,120	18,000	18,000	-
Long term deposits		<b>87,211</b>	60,736	45,273	39,677	38,129	40,651
Current assets		<b>2,891,682</b>	2,602,726	2,216,962	2,530,407	1,577,183	1,483,316
Non current asset held for sale		<b>307,321</b>	-	-	-	-	297,474
<b>Total</b>		<b>11,937,659</b>	10,145,778	7,748,485	7,194,699	6,119,289	5,855,531
<b>OPERATING RESULTS</b>		<b>Rs in '000'</b>					
Net revenue		<b>11,743,625</b>	10,270,597	9,257,009	8,730,803	7,410,022	6,393,105
Operating costs		<b>(10,630,459)</b>	(9,508,191)	(8,464,606)	(7,668,538)	(6,579,618)	(5,622,197)
Other income		<b>55,871</b>	63,084	136,579	86,760	55,288	56,894
<b>Operating profit</b>		<b>1,169,037</b>	825,490	928,982	1,149,025	885,692	827,802
Finance cost		<b>(95,900)</b>	(57,280)	(66,389)	(108,997)	(158,914)	(191,229)
Provision for taxation		<b>(295,803)</b>	(211,522)	(256,166)	(279,930)	(193,768)	(172,017)
<b>Profit after taxation</b>		<b>777,334</b>	556,688	606,427	760,098	533,010	464,556
<b>CASH FLOW SUMMARY</b>		<b>Rs in '000'</b>					
Net cash flows from operating activities		<b>1,725,551</b>	902,302	1,037,835	1,033,182	1,158,863	962,854
Net cash used in investing activities		<b>(1,996,448)</b>	(2,101,707)	(1,323,953)	(498,613)	(534,181)	(829,793)
Net cash flows from/ (used in) financing activities		<b>592,927</b>	892,154	(514,959)	398,912	(485,424)	(385,228)
Changes in cash & cash equivalent (C&CE)		<b>322,030</b>	(307,251)	(801,077)	933,481	139,258	(252,167)
Cash & cash equivalents at beginning of year		<b>473,479</b>	781,194	1,582,690	649,702	510,612	763,546
Effect of exchange rate change on C&CE		<b>(813)</b>	(464)	(419)	(493)	(168)	(767)
Cash & cash equivalents at end of year		<b>794,696</b>	473,479	781,194	1,582,690	649,702	510,612

# SIX YEARS AT A GLANCE - GRAPHS

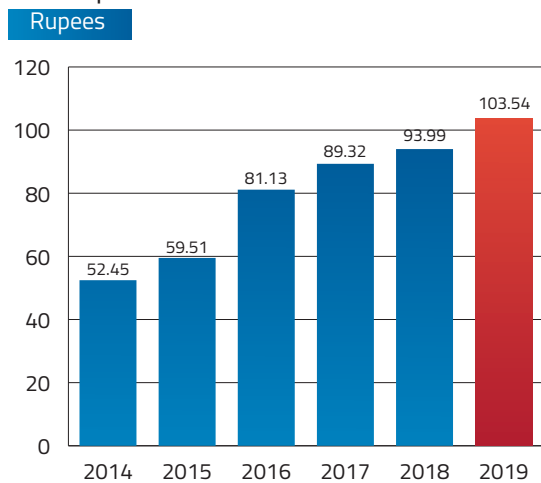
Market Value Per Share



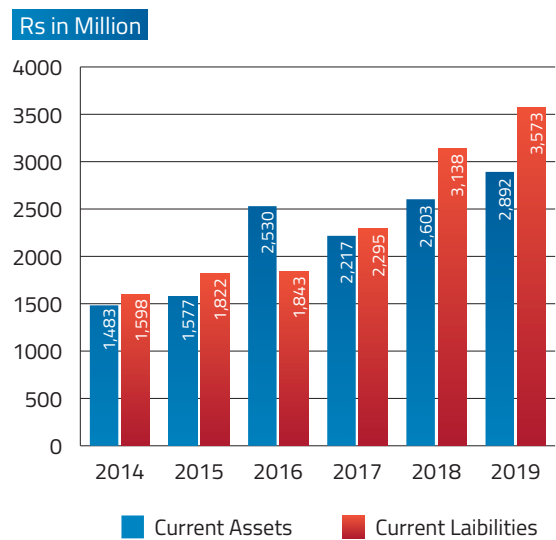
Earnings Per Share



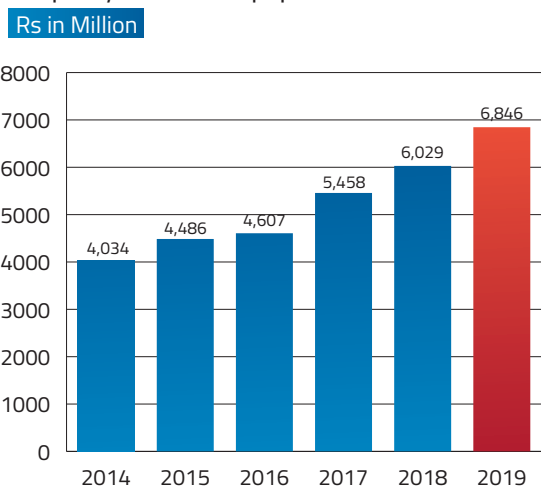
Breakup Value Per Share



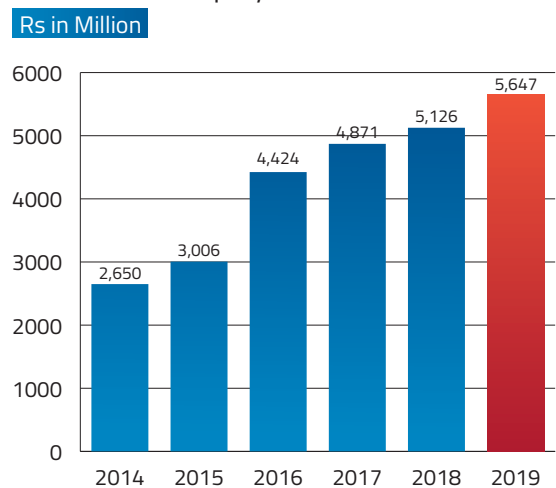
Current Assets & Current Liabilities



Property, Plant & Equipment



Shareholders' Equity



# HORIZONTAL ANALYSIS

	2019		2018	
	Rs in '000'	19 Vs. 18 %	Rs in '000'	18 Vs. 17 %
<b>UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>				
<b>SHARE CAPITAL &amp; RESERVES</b>				
Share capital	545,379	-	545,379	-
Capital reserve	1,046,025	-	1,046,025	-
Surplus on revaluation of PP&E	772,019	6.7	723,310	(0.5)
Unappropriated profit	3,283,636	17	2,811,117	10
<b>Shareholders' equity</b>	<b>5,647,059</b>	<b>10</b>	<b>5,125,831</b>	<b>5</b>
Non current liabilities	2,717,345	44	1,882,076	223
Current liabilities	3,573,255	14	3,137,871	37
<b>Total</b>	<b>11,937,659</b>	<b>18</b>	<b>10,145,778</b>	<b>31</b>
<b>ASSETS</b>				
Property, plant and equipment (PP&E)	6,845,816	14	6,028,882	10
Investment property	1,642,085	17	1,401,837	100
Intangible	83,711	150	33,477	216
Long term investment	79,833	341	18,120	-
Long term deposits	87,211	44	60,736	34
Current assets	2,891,682	11	2,602,726	17
Non current asset held for sale	307,321	100	-	-
<b>Total</b>	<b>11,937,659</b>	<b>18</b>	<b>10,145,778</b>	<b>31</b>
<b>UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>				
<b>Net revenue *</b>	<b>11,743,625</b>	<b>14</b>	<b>10,270,597</b>	<b>11</b>
Operating costs **	(10,630,459)	12	(9,508,191)	12
Other income	55,871	(11)	63,084	(54)
<b>Operating profit</b>	<b>1,169,037</b>	<b>42</b>	<b>825,490</b>	<b>(11)</b>
Finance cost	(95,900)	67	(57,280)	(14)
Provision for taxation	(295,803)	40	(211,522)	(17)
<b>Profit after taxation</b>	<b>777,334</b>	<b>40</b>	<b>556,688</b>	<b>(8)</b>

\* The overall growth in the net revenue of the Company is 14.34% as compared to last year due to increased number of patient visits, procedures, tests, and surgeries etc.

\*\* The operating cost however increased by 11.80% from Rs. 9,508.2 million to Rs. 10,630.5 million, which is mainly due to increase in salaries, wages & benefits, cost and volume of supplies and medicines consumed, utilities costs, repair & maintenance, and depreciation etc. All this increase in expenses is in line with revenue growth.

2017		2016		2015		2014	
Rs in '000'	17 Vs. 16 %	Rs in '000'	16 Vs. 15 %	Rs in '000'	15 Vs. 14 %	Rs in '000'	14 Vs. 13 %
545,379	-	545,379	8	505,138	-	505,138	-
1,046,025	-	1,046,025	2,515	40,000	-	40,000	-
726,760	(2)	742,191	(1)	751,182	(1)	760,176	30
2,553,295	22	2,090,865	22	1,709,813	27	1,344,260	29
4,871,459	10	4,424,460	47	3,006,133	13	2,649,574	22
581,874	(37)	927,597	(28)	1,290,733	(20)	1,608,133	(24)
2,295,152	25	1,842,642	1	1,822,423	14	1,597,824	65
7,748,485	8	7,194,699	18	6,119,289	5	5,855,531	11
5,457,545	18	4,606,615	3	4,485,977	11	4,034,090	12
-	-	-	-	-	-	-	-
10,585	100	-	-	-	-	-	-
18,120	1	18,000	-	18,000	100	-	-
45,273	14	39,677	4	38,129	(6)	40,651	31
2,216,962	(12)	2,530,407	60	1,577,183	6	1,483,316	(8)
-	-	-	-	-	(100)	297,474	100
7,748,485	8	7,194,699	18	6,119,289	5	5,855,531	11
9,257,009	6	8,730,803	18	7,410,022	16	6,393,105	20
(8,464,606)	10	(7,668,538)	17	(6,579,618)	17	(5,622,197)	22
136,579	57	86,760	57	55,288	(3)	56,894	40
928,982	(19)	1,149,025	30	885,692	7	827,802	13
(66,389)	(39)	(108,997)	(31)	(158,914)	(17)	(191,229)	0.5
(256,166)	(8)	(279,930)	44	(193,768)	13	(172,017)	13
606,427	(20)	760,098	43	533,010	15	464,556	20



# VERTICAL ANALYSIS

	2019		2018	
	Rs in '000'	%	Rs in '000'	%
<b>UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>				
<b>SHARE CAPITAL &amp; RESERVES</b>				
Share capital	545,379	5	545,379	5
Capital reserve	1,046,025	9	1,046,025	10
Surplus on revaluation of PP&E	772,019	6	723,310	7
Unappropriated profit	3,283,636	27	2,811,117	28
<b>Shareholders' equity</b>	<b>5,647,059</b>	<b>47</b>	<b>5,125,831</b>	<b>50</b>
Non current liabilities	2,717,345	23	1,882,076	19
Current liabilities	3,573,255	30	3,137,871	31
<b>Total</b>	<b>11,937,659</b>	<b>100</b>	<b>10,145,778</b>	<b>100</b>
<b>ASSETS</b>				
Property, plant and equipment (PP&E)	6,845,816	57.3	6,028,882	59.4
Investment property	1,642,085	13.8	1,401,837	13.8
Intangible	83,711	0.7	33,477	0.3
Long term investment	79,833	0.7	18,120	0.2
Long term deposits	87,211	0.7	60,736	0.6
Current assets	2,891,682	24.2	2,602,726	25.7
Non current asset held for sale	307,321	2.6	-	-
<b>Total</b>	<b>11,937,659</b>	<b>100</b>	<b>10,145,778</b>	<b>100</b>
<b>UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>				
<b>Net revenue</b>	<b>11,743,625</b>	<b>100</b>	<b>10,270,597</b>	<b>100</b>
Operating costs	(10,630,459)	90.5	(9,508,191)	92.6
Other income	55,871	0.5	63,084	0.6
<b>Operating profit</b>	<b>1,169,037</b>	<b>10</b>	<b>825,490</b>	<b>8</b>
Finance cost	(95,900)	0.8	(57,280)	0.6
Provision for taxation	(295,803)	2.6	(211,522)	2
<b>Profit after taxation</b>	<b>777,334</b>	<b>6.6</b>	<b>556,688</b>	<b>5.4</b>

2017		2016		2015		2014	
Rs in '000'	%	Rs in '000'	%	Rs in '000'	%	Rs in '000'	%
545,379	7	545,379	8	505,138	8	505,138	9
1,046,025	13	1,046,025	14	40,000	1	40,000	1
726,760	9	742,191	10	751,182	12	760,176	13
2,553,295	33	2,090,865	29	1,709,813	28	1,344,260	23
4,871,459	62	4,424,460	61	3,006,133	49	2,649,574	46
581,874	8	927,597	13	1,290,733	21	1,608,133	27
2,295,152	30	1,842,642	26	1,822,423	30	1,597,824	27
7,748,485	100	7,194,699	100	6,119,289	100	5,855,531	100
5,457,545	70.4	4,606,615	64	4,485,977	73	4,034,090	69
-	-	-	-	-	-	-	-
10,585	0.2	-	-	-	-	-	-
18,120	0.2	18,000	0.3	18,000	0.3	-	-
45,273	0.6	39,677	0.6	38,129	0.7	40,651	1
2,216,962	28.6	2,530,407	35.1	1,577,183	26	1,483,316	25
-	-	-	-	-	-	297,474	5
7,748,485	100	7,194,699	100	6,119,289	100	5,855,531	100
9,257,009	100	8,730,803	100	7,410,022	100	6,393,105	100
(8,464,606)	91.4	(7,668,538)	87.8	(6,579,618)	88.8	(5,622,197)	88
136,579	1.5	86,760	1.0	55,288	0.7	56,894	1
928,982	10.1	1,149,025	13.2	885,692	11.9	827,802	13
(66,389)	0.7	(108,997)	1.3	(158,914)	2.1	(191,229)	3
(256,166)	2.8	(279,930)	3.2	(193,768)	2.6	(172,017)	2.7
606,427	6.6	760,098	8.7	533,010	7.2	464,556	7.3

# STATEMENT OF COMPLIANCE

## With Listed Companies (Code of Corporate Governance) Regulations, 2017 Shifa International Hospitals Limited – Year Ended June 30, 2019

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

1. The total number of directors were Nine (09)<sup>1</sup> as at June 30, 2019 which includes the following:
  - a. Male: Nine (08)
  - b. Female: One (01)
2. The composition of board is as follows:

Category	Names
Independent Directors	Syed Ilyas Ahmed Dr. Mohammad Naseem Ansari
Non-Executive Directors	Dr. Habib-Ur-Rahman Mr. Shafquat Ali Chaudhary Mr. Qasim Farooq Ahmad Dr. Samea Kauser Ahmad Prof. Dr. Shoab Ahmed Khan
Executive Directors	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 Companies Act, 2017 (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. During the year under review, one director of the Company namely Dr. Mohammad Naseem Ansari has successfully completed the directors' training program that meets the criteria specified by the SECP. Upto June 30, 2019 eighty percent (80%) of the existing Board members have attended the Directors' Training Program.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and

1 The Total number of directors as fixed by the Company are ten (10). However, one of the Independent Director namely Shah Naveed Saeed resigned (on 14-05-2019) from the Board during the year under review. The casual vacancy occurred was filled by inducting Mr. Javed K. Siddiqui as Independent Director on 09-08-2019.

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<sup>2</sup>

- i.** Syed Ilyas Ahmed
- ii.** Dr. Habib Ur Rahman
- iii.** Dr. Samea Kauser Ahmad

**b.** HR & Remuneration Committee<sup>2</sup>

- i.** Dr. Habib Ur Rahman
- ii.** Dr. Manzoor H. Qazi
- iii.** Syed Ilyas Ahmed

**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 14, 2019

  
DR. HABIB-UR-RAHMAN  
Chairman

<sup>2</sup> A casual vacancy was occurred in the Audit Committee and HR & R Committee due to resignation of Shah Naveed Saeed which were subsequently filled in by the Board by inducting Mr. Javed K. Siddiqui and Dr. Mohammad Naeem Ansari as the member of Audit Committee and HR & R Committee respectively on 19-08-2019.







# **UNCONSOLIDATED FINANCIAL STATEMENTS**

For the year ended June 30, 2019



## 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**

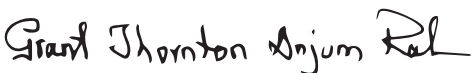
We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by Board of Directors of Shifa International Hospitals Limited (the Company) for the year ended June 30, 2019 in accordance with the requirements 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 provision 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 the 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 regulation 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 the statement of compliance does not appropriately reflect the company's compliance, in all material respect, with the requirement contained in the regulations as applicable to the company for the year ended June 30, 2019.



**Grant Thornton Anjum Rahman**

Chartered Accountants  
Islamabad  
September 14, 2019

## INDEPENDENT AUDITOR'S 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 unconsolidated statement of financial position as at June 30, 2019 and the unconsolidated statement of profit or loss account, the unconsolidated statement of other comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated 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 unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by 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, 2019 and of the profit and 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 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 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>(Refer notes 7.1 and 14.1 to the financial statements)</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 land and restrictions and conditions 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>Applicability of IFRS 9</b></p> <p>(Refer notes 4.1, 21 and 23 to the financial statements)</p> <p>The Company has adopted IFRS 9 'Financial Instruments' with effect from July 01, 2018. The new standard requires to make provision for financial assets using Expected Credit Loss (ECL) approach as against the Incurred Loss Model previously applied by the Company under IAS 39 'Financial Instruments: Recognition and Measurement'.</p> <p>Determination of ECL provision requires significant judgement and assumptions including consideration of historical events, current conditions and forecasts of future economic conditions.</p> <p>We have considered the first time application of IFRS 9 requirements as a key audit matter due to significance of the change in accounting methodology and involvement of estimates and judgments in this regard.</p>	<p>We reviewed and understood the requirements of the IFRS 9. Our key audit procedures to review the application of IFRS 9 included, amongst others, review of the methodology developed and applied by the Company to estimate the ECL. We also evaluated the assumptions used in applying the ECL methodology based on historical information and other factors as relevant for such estimates.</p> <p>We, further, assessed the integrity and quality of the data used for ECL computation and checked the mathematical accuracy of ECL working.</p> <p>We also reviewed and assessed the impact and disclosures made in the financial statements with regard to the effect of adoption of IFRS 9.</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 the approved accounting and reporting 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 as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

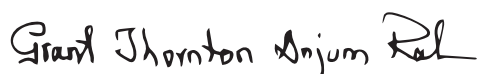
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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 unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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 Hassan Riaz.



**Grant Thornton Anjum Rahman**

Chartered Accountants

Place: Islamabad

Date: September 14, 2019

# UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Note	2019 (Rupees in '000')	2018
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
100,000,000 (2018: 100,000,000) ordinary shares of Rs. 10 each		<b>1,000,000</b>	1,000,000
Issued, subscribed and paid up capital	5	<b>545,379</b>	545,379
<b>Capital reserves</b>			
Share premium account	6	<b>1,046,025</b>	1,046,025
Surplus on revaluation of property, plant and equipment	7	<b>772,019</b>	723,310
<b>Revenue reserve</b>			
Unappropriated profit		<b>3,283,636</b>	2,811,117
		<b>5,647,059</b>	5,125,831
<b>NON - CURRENT LIABILITIES</b>			
Long term financing - secured	8	<b>2,333,030</b>	1,506,890
Deferred taxation	9	<b>384,315</b>	375,186
		<b>2,717,345</b>	1,882,076
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	<b>3,328,432</b>	2,917,424
Unclaimed dividend		<b>48,671</b>	33,981
Markup accrued	11	<b>30,406</b>	12,264
Short term borrowing - secured	12	-	5,974
Current portion of long term financing	8	<b>165,746</b>	168,228
		<b>3,573,255</b>	3,137,871
		<b>11,937,659</b>	10,145,778
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13		

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

*Danish M. Rahman*

CHAIRMAN

*Mazharul Haq*

CHIEF EXECUTIVE

		2019 (Rupees in '000')	2018
	Note		
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	14	6,845,816	6,028,882
Investment property	15	1,642,085	1,401,837
Intangible assets	16	83,711	33,477
Long term investments - at cost	17	79,833	18,120
Long term deposits	18	87,211	60,736
		<b>8,738,656</b>	<b>7,543,052</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	19	131,637	119,607
Stock-in-trade	20	496,758	468,819
Trade debts - considered good	21	581,466	714,034
Loans and advances - considered good	22	412,803	419,201
Trade deposits, prepayments and other receivables	23	61,026	53,151
Markup accrued		486	-
Investment - at amortized cost	24	3,000	-
Tax refunds due from the government (net of provision)	25	412,810	348,461
Cash and bank balances	26	791,696	479,453
		<b>2,891,682</b>	<b>2,602,726</b>
Non - current asset held for sale	27	307,321	-
		<b>11,937,659</b>	<b>10,145,778</b>



CHIEF FINANCIAL OFFICER



# UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2019

	Note	2019 (Rupees in '000')	2018
Net revenue	28	11,743,625	10,270,597
Other income	29	55,871	63,084
Operating costs	30	(10,630,459)	(9,508,191)
Finance costs	31	(95,900)	(57,280)
Profit before taxation		1,073,137	768,210
Provision for taxation	32	(295,803)	(211,522)
Profit after taxation		777,334	556,688
<b>Earnings per share - basic and diluted - (Rupees)</b>	<b>33</b>	<b>14.25</b>	<b>10.21</b>

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



CHAIRMAN



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

# UNCONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended June 30, 2019

	2019 (Rupees in '000')	2018
Profit after taxation	777,334	556,688
<b>Other comprehensive income</b>		
Items that will not be subsequently reclassified in statement of profit or loss		
Loss on remeasurement of staff gratuity fund benefit plan	(7,671)	(49,532)
Deferred tax relating to remeasurement of staff gratuity fund benefit plan	2,225	14,365
Loss on remeasurement of staff gratuity fund benefit plan (net of tax)	(5,446)	(35,167)
Surplus on revaluation of property, plant and equipment	57,739	5,541
Total comprehensive income for the year	829,627	527,062

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



CHAIRMAN



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

# UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

	2019	2018
	(Rupees in '000')	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,073,137	768,210
Adjustments for:		
Depreciation/amortization on tangible assets	552,519	498,398
Amortization on intangible assets	15,819	5,430
Allowance for impairment of financial assets	(11,853)	27,924
Property, plant and equipment written off	3,198	8,643
Gain on disposal of property, plant and equipment	(4,053)	(2,025)
Gain on disposal of investment	(2,201)	-
Provision for compensated absences	44,674	41,444
Provision for gratuity	111,351	91,369
Provision for slow moving stores	999	234
Liabilities written back	(1,102)	(6,178)
Profit on investments and bank deposits	(6,161)	(11,996)
Loss on foreign currency translation	813	464
Finance cost	95,087	56,816
Operating cash flows before changes in working capital	1,872,227	1,478,733
Changes in working capital:		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(12,512)	(40,212)
Stock-in-trade	(27,939)	(88,767)
Trade debts	99,070	(294,188)
Loans and advances	6,398	(66,376)
Trade deposits and prepayments	(25,502)	(14,653)
Increase in current liabilities:		
Trade and other payables	368,313	580,140
Cash generated from operations	2,280,055	1,554,677
Finance cost paid	(85,806)	(44,950)
Income tax paid	(348,798)	(486,605)
Payment to SIHL Employees' Gratuity Fund	(82,907)	(89,196)
Compensated absences paid	(36,993)	(31,624)
Net cash from operating activities	1,725,551	902,302

# UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

	Note	2019 (Rupees in '000')	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(1,600,043)	(1,068,034)
Purchase of investment property		(255,173)	(1,056,812)
Purchase of intangible assets		(66,053)	(28,322)
Sale proceeds of long term investment		10,355	-
Payments against long term investments		(69,867)	-
Encashment of investments - at amortized cost		-	50,000
Proceeds from disposal of property, plant and equipment		5,133	3,763
Markup received		5,675	13,161
Increase in long term deposits		(26,475)	(15,463)
Net cash used in investing activities		(1,996,448)	(2,101,707)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term financing - repayments		(186,985)	(335,764)
Long term financing - proceeds		1,010,643	1,493,679
Dividend paid		(230,731)	(265,761)
Net cash generated from financing activities		592,927	892,154
Net increase/(decrease) in cash and cash equivalents		322,030	(307,251)
Cash and cash equivalents at beginning of the year		473,479	781,194
Effect of exchange rate changes on cash and cash equivalents		(813)	(464)
Cash and cash equivalents at end of the year	39	794,696	473,479

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



CHAIRMAN



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

# UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2019

	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, 2017</b>	545,379	1,046,025	726,760	2,553,295	4,871,459
<b>Total comprehensive income for the year</b>					
Profit after taxation	-	-	-	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 the 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>	545,379	1,046,025	723,310	2,811,117	5,125,831
<b>Balance at July 01, 2018</b>	545,379	1,046,025	723,310	2,811,117	5,125,831
Effect of change in accounting policy due to adoption of IFRS - 9 (Note 4.1, 23.2 & 40.1.3.1)	-	-	-	(62,978)	(62,978)
Adjusted balance at July 01, 2018	545,379	1,046,025	723,310	2,748,139	5,062,853
<b>Total comprehensive income for the year</b>					
Profit after taxation	-	-	-	777,334	777,334
Other comprehensive income - net of tax	-	-	57,739	(5,446)	52,293
	-	-	57,739	771,888	829,627
Transfer of depreciation/amortization on incremental value arising on revaluation of property, plant and equipment attributed to current year	-	-	(9,030)	9,030	-
<b>Distribution to owners</b>					
Final dividend 2017-18: Rs. 4.5 per share	-	-	-	(245,421)	(245,421)
<b>Balance at June 30, 2019</b>	545,379	1,046,025	772,019	3,283,636	5,647,059

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



CHAIRMAN



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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 centers, pharmacies and lab collection points in different cities of Pakistan. The Company according to memorandum of understanding with Fatma Properties Limited (incorporated in Tanzania) intends to establish a hospital in Tanzania.
- 1.3** In these unconsolidated financial statements, being the separate financial statements of the Company, investment in subsidiaries and associates are stated at cost rather than on the basis of reporting results of the investee. 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, National Radio Telecommunication Corporation, Haripur
  - F-11 Medical center, Savoy Arcade, F-11 markaz Islamabad

## 2 BASIS OF PREPARATION

---

### 2.1 Statement of compliance

These financial statements of the Company have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 2.2 Basis of measurement

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

- certain items of property, plant and equipment have been measured at revalued amounts; and
- recognition of employees gratuity benefits obligation at present value.

## 2.3 Functional and presentation currency

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

## 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with accounting and reporting 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 accounting and reporting standards that have significant effect on the unconsolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

### 2.4.1 Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on a regular basis. Similarly revaluation of lands are made with sufficient regularity. 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.

### 2.4.2 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.

### 2.4.3 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.

### 2.4.4 Allowance for expected credit losses (ECLs) of certain financial assets

The Company uses provision matrix to calculate ECLs for trade receivables and other receivables. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of actual default in the future.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## **2.4.5 Stock in trade and stores, spares and loose tools**

The Company reviews the net realizable value of stock in trade and 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.

## **2.4.6 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.

## **2.4.7 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.

## **2.4.8 Taxation**

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

## **2.4.9 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 reporting 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 reporting date.

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

There are new and amended standards and interpretations that are mandatory for accounting periods beginning July 01, 2018, other than those disclosed in note 4, are considered not to be relevant or do not have any significant effect on the Company's unconsolidated financial statements and are therefore not stated in these unconsolidated financial statement.

### **2.5.1 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective from the dates mentioned below:

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations (Amendments)	January 1, 2020
IFRS 9	Financial instruments (Amendments)	January 1, 2019
IFRS 16	Leases	January 1, 2019
IAS 1	Presentation of financial statements (Amendments)	January 1, 2020
IAS 8	Accounting policies, changes in accounting estimates and errors (Amendments)	January 1, 2020
IAS 12	Income taxes (Amendments)	January 1, 2019
IAS 19	Employee benefits (Amendments)	January 1, 2019
IAS 23	Borrowing costs (Amendments)	January 1, 2019
IAS 28	Investments in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRIC 23	Uncertainty over Income tax treatment	January 1, 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application except for IFRS 16 - 'Leases'. The Company is currently evaluating the impact of changes laid down by IFRS 16 and its effect on financial statements.

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:

IFRS 1	First time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The following interpretations issued by IASB have been waived of by SECP:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concessions arrangements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described in Note 4, the significant accounting policies applied in the preparation of these financial statements are the same as those applied in earlier period presented.

### 3.1 Financial instruments

All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, canceled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of profit or loss.

#### i. Financial assets

##### Classification

Financial assets are classified in following three categories:

a. Amortized cost where the effective interest rate method will apply

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

b. fair value through other comprehensive income

c. fair value through profit or loss.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in statement of profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes.

## Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

## Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

## Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

### a. Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other operating gains/(losses), together with foreign exchange gains and losses.

### b. Fair value through other comprehensive income (FVTOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of profit or loss and recognized in other income / charges. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income / charges and impairment expenses are presented as separate line item in the statement of profit or loss.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## **c. Fair value through profit and loss (FVTPL)**

Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in the statement of profit or loss and presented net within other operating gains / (losses) in the period in which it arises.

### **De-recognition**

A financial asset (or, where applicable part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

### **Impairment**

Effective July 1, 2018, the Company assesses on a forward looking basis the Expected Credit Losses (ECL) associated with its debt instruments carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

- Trade receivables
- Deposits and other receivables
- Short term investments
- Cash and bank balances

### **General approach for short term investment, deposits and other receivables and cash and bank balances**

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward-looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognized when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognized without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

## **a. Significant increase in credit risk**

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increase in credit risk on other financial instruments of the same debtor; and
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

## **b. Definition of default**

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Irrespective of the above analysis, in case of trade debts, the Company considers that default has occurred when a financial asset is more than 18 months past due, unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## **c. Credit - impaired financial assets**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## **Simplified approach for trade receivable**

The Company recognizes life time ECL on trade receivables, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

As the Company applies simplified approach in calculating ECLs for trade receivables, the Company does not track changes in credit risk, but instead recognized a loss allowance based on life time ECLs at each reporting date. ECLs on these financial assets are estimated using a provision matrix approach adjusted for forward looking factors specific to the debtors and economic environment.

## **Recognition of loss allowance**

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

## **Write-off**

The Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

The Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

## **ii. Financial liabilities**

### **Classification, initial recognition and subsequent measurement**

The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss; and
- other financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

#### **a) Fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## b) Amortized cost

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the statement of profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

## De-recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

## iii Off-setting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to set off the recognized amounts, and the Company either intends to settle on a net basis, or realize the asset and settle the liability simultaneously. Legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

## 3.2 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 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 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.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

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 classified 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.

## 3.3 Investment property

Investment property is held for long term rental yields/capital appreciation. The investment property of the Company comprises of land and building 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.

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.

## 3.4 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 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 than the assets recoverable amount is estimated. The recoverable amount is the greater of its value



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

in use and fair value less cost to sell. An impairment is recognized if the carrying amount exceeds its estimated recoverable amount.

## 3.5 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the 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/ijarah 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/ijarah are charged to the statement of profit or loss on straight-line basis over the term of relevant lease/ijarah.

## 3.6 Impairment of 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.

## 3.7 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 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.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 3.7.1 Investment in subsidiary

Investment in subsidiary is initially recognized at cost. At subsequent reporting date, recoverable amounts are estimated to determine the extent of impairment loss, if any, and carrying amount of investment is adjusted accordingly. Impairment losses are recognized as expense in the statement of profit or loss. Where impairment loss is subsequently reversed, the carrying amounts of investment are increased to its revised recoverable amount, limited to the extent of initial cost of investment. Reversal of impairment losses are recognized in the statement of profit or loss.

The profits or losses of subsidiaries are carried forward in their financial statements and are not dealt within these financial statements except to the extent of dividend declared by the subsidiaries. Gains and losses on disposal of investment are included in other income. When the disposal on investment in subsidiary results in loss of control such that it becomes an associate, the retained investment is carried at cost.

## 3.7.2 Investment in associates

Investments in associates and jointly controlled entities are initially recognized at cost. At subsequent reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense in the statement of profit or loss. Where impairment losses are subsequently reversed, the carrying amounts of these investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the statement of profit or loss. The profits and losses of associates and jointly controlled entities are carried forward in their financial statements and are not dealt within these financial statements except to the extent of dividend declared by the associates and jointly controlled entities. Gains and losses on disposal of investments are included in the statement of profit or loss.

## 3.7.3 Other investments

Investments in term deposit receipts are classified as amortized cost and are initially measured at fair value. Transaction costs directly attributable to the acquisition are included in the carrying amount. Subsequently these investments are measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses, if any. Interest/markup income, losses and impairment are recognized in the statement of profit or loss.

## 3.8 Trade debts, loans, deposits, interest accrued and other receivables

These are classified at amortized cost and are initially recognized when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Past years experience of credit loss is used to base the calculation of credit loss.

## 3.9 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.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 3.10 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.

## 3.11 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.

## 3.12 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 in the 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, 2019 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 unconsolidated financial statements.

The amount recognized in the statement of financial position 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.

## 3.13 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 reporting date and adjusted prospectively to reflect the current best estimates.

## 3.14 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.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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 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 it 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.

### 3.15 Foreign currencies

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the dates of transactions. At each reporting 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.

### 3.16 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. Revenue from operations of the Company are recognized when the services are provided, and thereby the performance obligations are satisfied.

Revenue consists of inpatient revenue, outpatient revenue, pharmacy, cafeteria, rent of building and other services. Company's contract performance obligations are fulfilled at point in time when the services are provided to customer in case of inpatient, outpatient and other services and goods are delivered to customer in case of pharmacy and cafeteria revenue. Revenue is recognized at that point in time, as the control has been transferred to the customers.

Receivable is recognized when the services are provided and goods are delivered to customers as this is the point in time that the consideration is unconditional because only passage of time is required before the payment is due. The Company recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as 'advances from customers' in the statement of financial position.

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.

### 3.17 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 Company has an unconditional right to defer settlement of liability for at least twelve months after the reporting date.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 3.18 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 the statement of profit or loss.

## 3.19 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 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.

## 3.20 Dividend

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

## 3.21 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 the statement of profit or loss.

## 3.22 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market is accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the unconsolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the unconsolidated financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Chief Financial Officer determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. External valuers may be involved for valuation of significant assets and significant liabilities. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

## 4 CHANGES IN ACCOUNTING POLICIES

---

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on the Company's financial statements that have been applied w.e.f. July 1, 2018 are as follows:

### 4.1 Financial instruments

IFRS 9 "Financial Instruments" (IFRS 9) replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities; and ii) impairment for financial assets.

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption is recognized in unappropriated profit as of July 1, 2018 and comparatives are not restated. Details of these new requirements as well as their impact on the Company's unconsolidated financial statements are described below:

#### Classification and measurement of financial assets and financial liabilities

The new standard requires the Company to assess the classification of financial assets on its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial assets. IFRS 9 no longer has an "Available-for-sale" classification for financial assets. The new standard has different requirements for debt or equity financial assets.

Debt instruments should be classified and measured either at:

- Amortized cost, where the effective interest rate method will apply;
- Fair value through other comprehensive income, with subsequent recycling to the statement of profit or loss upon disposal of the financial asset; or
- Fair value through profit or loss.

Investments in equity instruments, other than those to which consolidation or equity accounting apply, should be classified and measured either at:

- Fair value through other comprehensive income, with no subsequent recycling to the statement of profit or loss upon disposal of the financial asset; or

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- Fair value through profit or loss.

Application of IFRS 9 had no impact on financial liability of the Company.

Assessment of financial impact of measurement requirements on adoption of IFRS 9 as at July 1, 2018 is as follows:

Measurement category			Carrying amount		Difference
Original (IAS 39)	New (IFRS 9)		Original (Rupees in '000')	New (Rupees in '000')	(Rupees in '000')
<b>Current financial assets</b>					
Trade debts	Loans and receivables	Amortized cost	714,034	668,683	45,351
Trade deposits and other receivables	Loans and receivables	Amortized cost	40,717	23,090	17,627
Cash and bank balances	Loans and receivables	Amortized cost	479,015	479,015	-
<b>Non-current financial assets</b>					
Long term deposits	Held to maturity	Amortized cost	41,140	41,140	-
<b>Current financial liabilities</b>					
Trade and other payables	Amortized cost	Amortized cost	2,575,037	2,575,037	-
Unclaimed dividend	Amortized cost	Amortized cost	33,981	33,981	-
Markup accrued	Amortized cost	Amortized cost	12,264	12,264	-
Current portion of long term financing	Amortized cost	Amortized cost	168,228	168,228	-
Short term borrowing - secured	Amortized cost	Amortized cost	5,974	5,974	-
<b>Non-current financial liability</b>					
Long term financing - secured	Amortized cost	Amortized cost	1,506,890	1,506,890	-

## Impairment of financial assets

IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, trade debts and other receivables), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred. For trade receivables and other receivable, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for other financial assets i.e. to measure ECL through loss allowance at an amount equal to 12-months ECL, if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 4.2 Revenue from contracts with customers

Effective July 1, 2018, the Company has applied IFRS 15 "Revenue from Contracts with Customers" for determining its revenue recognition policy. IFRS 15 "Revenue from Contracts with Customers" (IFRS 15) replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. IFRS 15 is applicable on the Company with effect from July 1, 2018. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred in acquiring a contract with a customer.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. IFRS 15 permits either a full retrospective or a modified retrospective approach for adoption. The application of IFRS 15 has no material impact on the financial statements of the Company.

## 5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	2019	2018		2019	2018
	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	Subsequent to year end, the Company has issued 7,436,986 ordinary shares of the Company to International Finance Corporation (IFC) other than right shares under section 83(1)(b) of the Companies Act, 2017. These shares were issued to IFC on July 12, 2019 at Price of Rs. 239.21 per share including a premium of Rs. 229.21 per share.				
5.3	The Company has no reserved shares for issuance under options and sales contracts.				
6	<b>SHARE PREMIUM ACCOUNT</b>				

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.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

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

	2019 (Rupees in '000')	2018
Balance at beginning of year	723,310	726,760
Revaluation surplus during the year	57,739	5,541
Transferred to unappropriated profits in respect of incremental depreciation charged during the year	(9,030)	(8,991)
Balance at the end of year	772,019	723,310

- 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, 2018 and 2019 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.

## 8 LONG TERM FINANCING - SECURED

	Note	2019 (Rupees in '000')	2018
From banking companies:			
Syndicated Islamic Finance Facility - 1	8.2	-	166,667
Syndicated Islamic Finance Facility - 2	8.3	1,994,691	1,493,678
Diminishing Musharakah Facility	8.4	504,085	14,773
		2,498,776	1,675,118
Less: Current portion		165,746	168,228
		2,333,030	1,506,890

- 8.1** The Company has fully availed all the above facilities, except Diminishing Musharakah Facility from Al-Baraka Bank (Pakistan) Limited and First Habib Modaraba.
- 8.2** This represented the syndicated Islamic finance facility, arranged and lead by Meezan Bank Limited, obtained on markup basis at 3 months KIBOR plus 1% (2018: 3 months KIBOR plus 1%) per annum, repayable in 18 equal quarterly installments. The facility with sanctioned limit of Rs. 1,500 million has been fully repaid on December 28, 2018. The financing was 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. The charge has been vacated subsequently.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- 8.3** This represents syndicated Islamic finance facility, arranged and lead by Meezan Bank Limited, obtained on markup basis at 3 months KIBOR plus 0.85% (2018: 3 months KIBOR plus 0.85%) per annum, repayable in 14 equal quarterly installments. The Company has availed loan facility upto the total sanctioned limit of Rs. 2,000 million which shall be repaid by November 22, 2023. The financing is secured by ranking charge upgraded into first pari passu charge of Rs. 2,667 million on all present and future movable fixed assets and land / building located at H-8/4, Islamabad. Meezan Bank Limited has the custody of original ownership documents of the Company's land located at sector 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 biomedical equipment. Principal amount is repayable in 36 equal monthly installments carrying markup at 3 months KIBOR plus 0.80% (2018: 3 months KIBOR plus 0.80%) per annum. The financing is secured by ranking charge on all present and future movable fixed assets (plant, machinery, tools and equipment) of Rs. 781.3 million for bio-medical equipment. Further, this also includes a long term Islamic finance facility obtained under the Diminishing Musharakah basis from First Habib Modaraba to finance the purchase of brand new vehicles. Principal amount is repayable in 60 equal monthly installments carrying markup at 3 months KIBOR plus 0.70% (2018: Nil) per annum.

## 9 DEFERRED TAXATION

	Note	2019 (Rupees in '000')	2018
Deferred tax liability	9.1	494,137	463,275
Deferred tax asset	9.2	(109,822)	(88,089)
Net deferred tax liability		384,315	375,186
<b>9.1 Deferred tax liability on taxable temporary differences:</b>			
Accelerated depreciation/amortization allowance		494,137	463,275
<b>9.2 Deferred tax asset on deductible temporary differences:</b>			
Specific provisions		(63,926)	(44,418)
Retirement benefit obligation		(45,896)	(43,671)
		(109,822)	(88,089)

### 9.3 Movement in deferred taxation

Deferred tax liabilities/(assets)	As at July 1, 2018	Statement of profit or loss	Other comprehensive Income	As at June 30, 2019
	(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	463,275	30,862	-	494,137
<b>Effect of deductible temporary differences</b>				
Allowance for expected credit loss	(44,418)	(19,508)	-	(63,926)
Retirement benefit obligation	(43,671)	-	(2,225)	(45,896)
	375,186	11,354	(2,225)	384,315



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

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>				
Allowance for expected credit loss	(27,116)	(17,302)	-	(44,418)
Retirement benefit obligation	(29,306)	-	(14,365)	(43,671)
	413,646	(24,095)	(14,365)	375,186

**9.4** Deferred tax assets and liabilities on temporary differences are measured at the rate of 29% (2018: 29%).

## **10 TRADE AND OTHER PAYABLES**

	Note	2019 (Rupees in '000')	2018
Creditors		1,521,458	1,390,586
Accrued liabilities		686,212	360,007
Advances from customers		283,479	342,387
Medical consultants' charges		452,127	490,837
Payable to related parties - unsecured	10.1	35,863	27,504
Security deposits	10.2	80,226	83,176
Compensated absences	10.3	107,690	100,009
Retention money		38,249	35,905
Payable to Shifa International Hospitals Limited (SIHL) Employees' Gratuity Fund	10.4	123,128	87,013
		<b>3,328,432</b>	<b>2,917,424</b>

**10.1** This represent payables to Tameer-e-Millat Foundation and Shifa Tameer-e-Millat University having common directorship with the Company. Maximum amount due at the end of any month during the year was Rs. 11,789 thousand (2018: 9,676 thousand) and Rs. 24,074 thousand (2018: 24,439 thousand) respectively. Detail of balances of each related party is as under:

	2019 (Rupees in '000')	2018
Tameer -e- Millat Foundation	11,789	3,065
Shifa Tameer -e- Millat University	24,074	24,439
	<b>35,863</b>	<b>27,504</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 requirements of written agreements.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

		2019	2018
	Note	(Rupees in '000')	
<b>10.3 Compensated absences</b>			
Balance at beginning of the year		100,009	90,189
Provision made for the year		44,674	41,444
		144,683	131,633
Payments made during the year		(36,993)	(31,624)
Balance at year end		107,690	100,009
<b>10.4 The amounts recognized in the statement of financial position are as follows:</b>			
Present value of defined benefit obligation	10.4.1	579,986	497,634
Fair value of plan assets	10.4.2	(456,858)	(410,621)
		123,128	87,013
<b>10.4.1 Movement in the present value of funded obligation is as follows:</b>			
Present value of defined benefit obligation at beginning of the year		497,634	424,984
Interest cost		42,155	29,459
Current service cost		107,338	92,113
Benefits paid		(56,554)	(89,118)
Benefits payable		(1,927)	(628)
Non refundable loan to employees adjustable against gratuity		(2,175)	(1,535)
Remeasurement (gain) /loss on defined benefit obligation		(6,485)	42,359
Present value of defined benefit obligation at year end		579,986	497,634
<b>10.4.2 Movement in the fair value of plan assets is as follows:</b>			
Fair value of plan assets at beginning of the year		410,621	389,676
Expected return on plan assets		38,142	30,203
Contributions		82,907	89,196
Benefits paid		(56,554)	(89,118)
Benefits payable		(1,927)	(628)
Non refundable loan to employees adjustable against gratuity		(2,175)	(1,535)
Remeasurement loss on plan assets		(14,156)	(7,173)
Fair value of plan assets at year end		456,858	410,621
<b>10.4.3 Charge for the year is as follows:</b>			
Current service cost		107,338	92,113
Interest cost		42,155	29,459
Expected return on plan assets		(38,142)	(30,203)
	30.1	111,351	91,369

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	2019	2018
	(Rupees in '000')	
<b>10.4.4 Remeasurements recognized in other comprehensive income (OCI) during the year</b>		
Remeasurement (income)/loss on obligation	(6,485)	42,359
Remeasurement loss on plan assets	14,156	7,173
Remeasurement loss recognized in OCI	7,671	49,532
<b>10.4.5 Movement in liability recognized in statement of financial position:</b>		
Balance at beginning of year	87,013	35,308
Cost for the year	111,351	91,369
Total amount of remeasurement recognized in OCI during the year	7,671	49,532
Contributions during the year	(82,907)	(89,196)
Balance at end of year	123,128	87,013
<b>10.4.6 Plan assets comprise of:</b>		
Accrued mark up	8,703	6,727
Term deposit receipt (TDR)	361,000	271,000
Ordinary shares	16,907	20,000
Cash and bank balances	72,175	116,114
Payable to outgoing members	(1,927)	(3,220)
	456,858	410,621
<b>10.4.7 The principal actuarial assumptions used in the actuarial valuation are as follows:</b>		
	2019	2018
Discount rate used for interest cost in profit or loss	9.00%	7.75%
Discount rate used for year end obligation	14.25%	9.00%
Expected rate of salary growth		
Salary increase FY 2019	N/A	8.00%
Salary increase FY 2020	8.00%	8.00%
Salary increase FY 2020 onward	13.25%	8.00%
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 UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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	540,462	625,396
Future salary increase	625,973	539,282

10.4.9 The average duration of the defined benefit obligation as at June 30, 2019 is 7 years (2018: 8 years).

## 11 MARKUP ACCRUED

This represents markup accrued on long and short term financing.

## 12 SHORT TERM BORROWING

### From banking company

The corresponding balance of borrowing represents running finance facility obtained from Habib Bank Limited on markup basis at 3 months KIBOR plus 1% per annum 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	2019 (Rupees in '000')	2018
<b>13.1 Contingencies</b>			
Claims against the Company not acknowledged as debts:			
Patients	13.1.1	3,000	1,000
Competition Commission of Pakistan (CCP)	13.1.2	20,000	20,000
Letter of guarantees	13.1.3	35,900	35,100

13.1.1 This represent claims lodged by patients/others and his heirs against the Company for alleged negligence on part of the consultant(s)/doctor(s). The management is contesting the claim that are pending in Peshawar and Islamabad High Courts 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.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

**13.1.3** This represents 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 its ordinary course of business.

**13.1.4** Contingencies related to income tax are as follows:

**13.1.4.1** 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. 50.4 million, Rs. 133.3 million, Rs. 85.5 million, Rs. 26.1 million and Rs. 566.2 millions respectively. Being aggrieved the Company agitated the assessments in appeals before the Commissioner (Appeals) who in respect of tax years 2015 and 2016 has decided the appeals against the Company. The Company being aggrieved filed appeals against the appellate orders before the Appellate Tribunal Inland Revenue [ATIR]. For tax year 2016 ATIR set aside the case for denovo consideration, hence the demand of Rs. 566.2 million stands deleted as of today. While for tax year 2012, 2013 and 2014 the Commissioner (Appeals) partly confirmed and partly allowed relief to the Company and being aggrieved on issues not decided in favor, the Company has filed appeal before the Appellate Tribunal Inland Revenue. No provision has been recorded as the management is hopeful for favorable outcome.

**13.1.4.2** The tax authorities levied tax of Rs. 178.4 million and Rs. 27.4 million under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2014 and 2013 respectively on the account of alleged non deduction of tax on payments. Being aggrieved, the Company agitated the assessment of tax year 2014 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. ATIR has set aside the case for denovo consideration, hence the demand of Rs. 178.4 million stands deleted as of today. Further, for tax year 2013, Company has filed a appeal before CIR(A) which is pending for decision. The Company is confident for a favorable outcome and therefore, no provision in respect of above matters has been recorded in these unconsolidated financial statements.

**13.1.4.3** The tax authorities amended the assessments from tax years 2012, 2013 and 2015 to 2017 u/s 122(5) of Income Tax Ordinance, 2001 and raised total tax demand of Rs. 1,350.9 million. Being aggrieved the Company agitated the assessments in appeals before the Commissioner (Appeals) who annulled all the assessment orders and hence demand stand deleted. Being not satisfied with order of the CIR(A), the department has filed appeal before the ATIR, which is pending for adjudication.

**13.1.4.4** The Assistant Commissioner Inland Revenue (ACIR) has amended the Company's assessment for tax year 2014 and 2015 u/s 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 appeals before the Commissioner Inland Revenue (Appeals) (CIR(A)) wherein the CIR(A) has remanded back the said assessments to ACIR on November 30, 2017. The Company as well as the Department has filed cross appeals against the CIR(A) order before the Appellate Tribunal Inland Revenue, which are pending adjudication. The Company is confident for a favorable outcome and therefore, no provision in respect of this matter has been recorded in these unconsolidated financial statements.

**13.1.4.5** The tax authorities amended the assessment from tax years 2014 u/s 177 of Income Tax Ordinance, 2001 on June 29, 2019 and raised total tax demand of Rs. 1,143.8 million. Being aggrieved SIHL agitated the assessments in appeals before the Commissioner (Appeals) on July 22, 2019, which is pending for adjudication. The management is confident for a favorable outcome and therefore, no provision in respect of this matter has been recorded in these unconsolidated financial statements.

<b>13.2</b>	<b>Commitments</b>	<b>2019</b>	<b>2018</b>
		<b>(Rupees in '000')</b>	
<b>13.2.1</b>	Capital expenditure contracted	<b>148,203</b>	297,113
<b>13.2.2</b>	Letters of credit	-	37,463



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 14. PROPERTY, PLANT AND EQUIPMENT

Particulars	Owned assets											Total	
	Freehold land	Leasehold land	Building on leasehold land	Leasehold improvements	Biomedical equipment	Air conditioning equipment and machinery	Electrical and other equipment	Furniture and fittings	Construction equipment	Computer installations	Vehicles		Capital work-in-progress (note 14.6)
	(Rupees in 000)												
Cost/Revalued amount													
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	163,561	8,272,676
Additions	159,050	-	18,194	-	214,297	23,081	158,005	21,951	514	49,590	3,473	421,445	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	325,954	9,290,210
Balance as at July 01, 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	325,954	9,290,210
Additions	43,453	-	-	5,314	306,334	155,396	56,410	14,454	394	87,016	10,738	928,879	1,608,388
Revaluation	47,445	10,294	-	-	-	-	-	-	-	-	-	-	57,739
Disposals	-	-	-	-	(15)	(87)	-	(12)	-	(43)	(12,392)	-	(12,549)
Write offs	-	-	-	-	(16,586)	(528)	(1,089)	(93)	-	(2,822)	-	-	(21,118)
Transfers	-	-	278,843	4,564	346	-	-	-	-	254	-	(284,007)	-
Reclassified as held for sale	-	(256,692)	-	-	-	-	-	-	-	-	-	(60,225)	(316,917)
27													
Balance as at June 30, 2019	1,118,225	719,344	2,552,109	45,173	3,389,682	454,557	655,167	200,827	2,795	444,938	112,335	910,601	10,605,753

27

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

Particulars	Owned assets											Capital work-in-progress (note 14.6)	Total	
	Freehold land	Leasehold land	Building on leasehold land	Leasehold improvements	Biomedical equipment	Air conditioning equipment and machinery	Electrical and other equipment	Furniture and fittings	Construction equipment	Computer installations	Vehicles			
	(Rupees in 000)													
Depreciation/amortization														
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	
Balance as at July 01, 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	
Charge for the year	-	18,708	70,307	7,591	261,826	36,661	62,216	16,165	213	55,050	8,857	-	537,594	
On disposals	-	-	-	-	(2)	(12)	-	(7)	-	(43)	(11,404)	-	(11,468)	
On write offs	-	-	-	-	(13,659)	(494)	(887)	(65)	-	(2,816)	-	-	(17,921)	
Reclassified as held for sale	-	(9,596)	-	-	-	-	-	-	-	-	-	-	(9,596)	
27														
Balance as at June 30, 2019	-	78,112	635,962	18,601	1,894,516	206,694	409,870	108,312	1,408	315,031	91,431	-	3,759,937	
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	325,954	6,028,882	
Carrying value as at June 30, 2019	1,118,225	641,232	1,916,147	26,572	1,495,166	247,863	245,297	92,515	1,387	129,907	20,904	910,601	6,845,816	
Annual rate of depreciation %	-	1.34-3.03	2.5-10	20	10	10-15	10-15	10	10-20	25	20			

27

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- 14.1** The Company had its leasehold land revalued in 1999, 2004, 2009, 2014, 2018 and 2019 freehold land in 2009, 2014, 2018 and 2019 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, Rs. 5,541 thousand and Rs. 57,739 thousand respectively. The revaluation surplus amounting to Rs. 884,688 thousand has been included in the carrying value of the respective assets. Out of the revaluation surplus, an amount of Rs. 772,019 thousand (2018: Rs. 723,310 thousand) remains undepreciated as at June 30, 2019.

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>2019</b>	<b>8,399</b>	<b>2,574</b>	<b>5,825</b>
2018	325,065	62,436	262,629
<b>Freehold land</b>			
<b>2019</b>	<b>981,581</b>	<b>-</b>	<b>981,581</b>
2018	938,128	-	938,128

- 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	48.2
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. 1,334,799 thousand (2018: Rs. 1,188,833 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. 4,634.25 million (2018: 6,206.67 million) in favor of banking companies under various financing arrangements as disclosed in notes 8, 13.2.2 and 35.
- 14.5** The forced sale values (FSV) of the revalued leasehold and freehold lands have been assessed at Rs. 1,080,985 thousand (including FSV of F-11, Islamabad plot) and Rs. 894,580 thousand respectively.

	Note	2019 (Rupees in '000')	2018
<b>14.6 Capital work-in-progress</b>			
Construction work-in-progress	14.6.1	98,885	156,690
Stores held for capital expenditure	14.6.2	2,491	3,608
Installation of equipment in progress	14.6.3	809,225	165,656
		<b>910,601</b>	<b>325,954</b>

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 14.6.1 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 works being carried out as detailed below:

	Note	2019 (Rupees in '000')	2018
H-8/4 hospital		-	44,940
F-11 hospital		-	47,906
Shifa guest house		58,720	45,455
Other constructions		40,165	18,389
		<b>98,885</b>	<b>156,690</b>
<b>14.6.2 Stores held for capital expenditure</b>			
Stores held for capital expenditure		4,521	5,121
Less: provision for slow moving items	14.6.2.1	2,030	1,513
		<b>2,491</b>	<b>3,608</b>
<b>14.6.2.1</b> Balance at beginning of the year		<b>1,513</b>	3,079
Charged/ (reversed) during the year		517	(1,566)
Balance at the end of the year		<b>2,030</b>	<b>1,513</b>
<b>14.6.3 Installation of equipment in progress</b>			
CT, Angio and MRI machine		551,422	-
Neuro navigation system		69,317	-
Server virtualization		36,097	-
Brachytherapy machine		30,223	-
Flow cytometer machine		15,374	-
Ventilator high frequency		11,600	-
Immobilization devices		11,317	-
KKT Chiller		9,695	-
Grossing station		8,288	-
X-Ray Static Examine		5,496	-
Plasma sterilizer		5,395	-
Monitor 2Mp (Eizo) Colored		5,000	-
Cold chamber		4,411	-
Gama probe		3,961	-
Ultrasound machine		3,855	-
Fire doors		-	29,075
Ultrasound machine		-	19,800
High Voltage AC		-	29,064
PFT machine		-	9,400
X-Ray machine		-	9,010
Others		37,774	69,307
		<b>809,225</b>	<b>165,656</b>

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 15 INVESTMENT PROPERTY

	Note	2019 (Rupees in '000')	2018
Cost		1,661,985	1,406,812
Accumulated amortization		(19,900)	(4,975)
Net book value	15.1	1,642,085	1,401,837
Opening net book value		1,401,837	-
Additions:			
Cost of acquisition of property		-	1,350,000
Cost of civil works and borrowing cost		255,173	56,812
		255,173	1,406,812
Amortization charge		(14,925)	(4,975)
Closing net book value		1,642,085	1,401,837

- 15.1** This represents the 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). The Board of Directors of the Company intends to sublet the said property to its subsidiary (Shifa Neuro Sciences Institute Islamabad (Private) Limited). Land is being amortized over the term of the lease. The fair value of the property is Rs. 1,654 million (2018: Rs. 1,402 million) with the forced sale value of Rs. 1,323 million (2018: Rs. 981 million) as per valuation report.

## 16 INTANGIBLE ASSETS

	Note	2019 (Rupees in '000')	2018
Cost	16.1	105,185	39,132
Accumulated amortization	16.1	(21,474)	(5,655)
Net book value		83,711	33,477
<b>16.1</b> Movement in cost and accumulated amortization is as follow:			
<b>Cost:</b>			
Balance as at the beginning of the year		39,132	10,810
Addition	16.2	66,053	28,322
Balance as at the end of the year		105,185	39,132
<b>Accumulated amortization:</b>			
Balance as at the beginning of the year		5,655	225
Charge during the year		15,819	5,430
Balance as at the end of the year		21,474	5,655
<b>Net book value</b>		<b>83,711</b>	<b>33,477</b>



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- 16.2** Value of intangibles include cost of Oracle Financials software and other softwares. Amortization of intangibles has been recorded at rate of 25 % (2018: 25%) per annum.

## **17 LONG TERM INVESTMENT - AT COST**

	Note	2019 (Rupees in '000')	2018
<b>In associated company (unquoted):</b>			
Shifa Care (Private) Limited (SCPL)	17.2	14,445	-
<b>In subsidiary companies (unquoted):</b>			
Shifa Development Services (Private) Limited (SDSPL)	17.3	9,966	18,120
Shifa Neuro Sciences Institute Islamabad (Private) Limited (SNS)	17.4	7,509	-
Shifa National Hospital Faisalabad (Private) Limited (SNH Faisalabad)	17.5	8,161	-
Shifa Medical Centre Islamabad (Private) Limited (SMC Islamabad)	17.6	39,752	-
		<b>79,833</b>	<b>18,120</b>

- 17.1** The breakup values of these investments are given below:

	2019 Rupees / Share	2018
Shifa Care (Private) Limited (SCPL)	(143,039)	-
Shifa Development Services (Private) Limited (SDSPL)	1.91	2.02
Shifa Neuro Sciences Institute Islamabad (Private) Limited (SNS)	(75,575)	-
Shifa National Hospital Faisalabad (Private) Limited (SNH Faisalabad)	(82,092)	-
Shifa Medical Centre Islamabad (Private) Limited (SMC Islamabad)	(73,015)	-

- 17.2** This represents investment in 50 (2018: Nil) fully paid ordinary shares of newly incorporated SCPL and expenses aggregating to Rs. 14,444 thousand (2018: Nil) incurred on its behalf against future issuance of ordinary shares in favor of the Company. The above investment in ordinary shares represents 50% (2018: Nil) shareholding in SCPL held by the Company with its nominee directors.
- 17.3** This represents investment in 1,650,000 (2018: 3,000,000) fully paid ordinary shares of Rs. 10 each of SDSPL (formerly known as Shifa Consulting Services (Private) Limited) representing 55% (2018: 100%) shareholding held by the Company with its nominee directors. During the current year the Company has disposed of its 45% shareholding in SDSPL to M/S October Holding (Private) Limited.
- 17.4** This represents investment in 100 (2018: Nil) fully paid ordinary shares of newly incorporated SNS and expenses of Rs. 7,508 thousand (2018: Nil) incurred on its behalf against future issuance of ordinary shares in favor of the Company. The above investment in ordinary shares represents 100% (2018: Nil) shareholding in SNS held by the Company with its nominee directors.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- 17.5** This represents investment in 100 (2018: Nil) fully paid ordinary shares of newly incorporated SNH Faisalabad and expenses aggregating to Rs. 8,160 thousand (2018: Nil) incurred on its behalf against future issuance of ordinary shares in favor of the Company. The above investment in ordinary shares represents 100% (2018: Nil) shareholding in SNH Faisalabad held by the Company with its nominee directors.
- 17.6** This represents investment in SMC Islamabad in form of fully paid 100 (2018: Nil) ordinary shares of Rs. 10 each, Rs. 32,500 thousand paid as share deposit and expenses of Rs. 7,252 thousands incurred on its behalf against future issuance of ordinary shares in favor of the Company. The above investment in ordinary shares represents 100% (2018: Nil) shareholding in SMC Islamabad held by the Company with its nominee directors.

## 18 LONG TERM DEPOSITS

	Note	2019 (Rupees in '000')	2018
Ijarah key money deposits	18.1	19,734	20,000
Less: current portion of Ijarah key money deposits	23	2,439	404
		17,295	19,596
Security deposits	18.2	69,916	41,140
		87,211	60,736

- 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	2019 (Rupees in '000')	2018
Stores		123,620	105,781
Spare parts		24,294	25,511
Loose tools		1,510	5,620
		149,424	136,912
Less: provision for slow moving items	19.1	17,787	17,305
		131,637	119,607
<b>19.1</b> Balance at the beginning of the year		17,305	15,505
Charged during the year		482	1,800
Balance at the end of the year		17,787	17,305

## 20 STOCK-IN-TRADE

This represents medicines being carried at moving average cost.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 21 TRADE DEBTS - CONSIDERED GOOD

	Note	2019 (Rupees in '000')	2018
Considered good			
Related party - Shifa Foundation	21.1	28,647	25,483
Others		552,819	688,551
Considered doubtful			
Others		97,307	66,156
Considered bad			
Others		2,347	16,846
		681,120	797,036
Less: allowance for expected credit loss	40.1.3	97,307	66,156
Less: bad debts written off	40.1.3	2,347	16,846
		581,466	714,034

**21.1** Maximum amount due from Shifa Foundation at the end of any month during the year was Rs. 44,238 thousand (2018: Rs. 43,868 thousand).

## 22 LOANS AND ADVANCES - CONSIDERED GOOD

	Note	2019 (Rupees in '000')	2018
Considered good - unsecured			
Executives	22.1	3,617	7,617
Other employees		15,558	31,982
		19,175	39,599
Consultants		1,066	14,020
Suppliers/contractors	22.2	392,562	365,582
		412,803	419,201
<b>22.1</b> Reconciliation of carrying amount of advances given to executives:			
Balance at beginning of year		7,617	10,709
Disbursements during the year		25,584	39,419
		33,201	50,128
Less: repayments during the year		29,584	42,511
Balance at the end of the year		3,617	7,617

**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. 4,259 thousand (2018: Rs. 7,937 thousand).

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

**22.2** This includes advance of Rs. 193 million (2018:Rs. 178 million) paid for acquisition of land in Islamabad.

## **23 TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	Note	2019 (Rupees in '000')	2018
Current portion of Ijarah key money deposits	18	2,439	404
Other deposits		60	3,060
Short term prepayments		7,734	12,030
Other receivables	23.1	68,420	37,657
		78,653	53,151
Less: loss allowance	23.2	17,627	-
		61,026	53,151

**23.1** This includes receivable from Shifa Development Services (Private) Limited of Rs. 1,984 thousand (2018: Rs. 343 thousand). The referred amount also represents the maximum amount due at the end of any month during the year.

	2019 (Rupees in '000')	2018
<b>23.2</b> Balance at beginning of year under IAS 39	-	NA
Effect of change in accounting policy due to adoption of IFRS 9 - Note 4.1	17,627	NA
Adjusted balance at beginning of year under IFRS 9	17,627	NA
Impairment loss	-	NA
Balance at the end of the year	17,627	NA

## **24 INVESTMENT - AT AMORTIZED COST**

This represents term deposit receipt (TDR) having face value of Rs. 3 million with three months maturity. Profit payable on monthly basis at the rate ranging from 5.65% to 11.00% per annum.

## **25 TAX REFUNDS DUE FROM THE GOVERNMENT (NET OF PROVISION)**

	Note	2019 (Rupees in '000')	2018
Balance at the beginning of the year		348,461	97,474
Income tax paid/deducted at source during the year		348,798	486,605
		697,259	584,079
Provision for taxation for the year	32	(284,449)	(235,618)
Balance at the end of the year		412,810	348,461

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 26 CASH AND BANK BALANCES

	Note	2019 (Rupees in '000')	2018
Cash at banks in:			
Current accounts			
Local currency		148,646	81,156
Foreign currency		1,159	59
		149,805	81,215
Saving accounts:			
Local currency		641,727	397,712
Foreign currency		164	88
	26.1	641,891	397,800
	26.2	791,696	479,015
Cash in hand		-	438
		791,696	479,453

**26.1** These carry effective profit rates ranging from 2.25% - 6.88% and 0.10% (2018: 1.73% - 4.50% and 0.10% ) per annum in respect of local and foreign currency accounts respectively.

**26.2** Balances with banks includes Rs. 80,226 thousand (2018: Rs. 83,176 thousand) in respect of security deposits (note 10.2).

## 27 NON - CURRENT ASSET HELD FOR SALE

This represents the carrying amount of a plot (including the allied charges) located at Sector F-11, Islamabad. The said plot has been sold to the Company's subsidiary 'SMC Islamabad' subsequent to current year end.

## 28 NET REVENUE

	Note	2019 (Rupees in '000')	2018
Inpatients		4,832,932	4,039,551
Outpatients		2,634,474	2,296,604
Pharmacy	28.1	4,048,938	3,688,149
Cafeteria		314,972	328,837
Rent of building/others	28.2	24,330	13,856
		11,855,646	10,366,997
Less: discount		112,021	96,400
Net revenue		11,743,625	10,270,597

**28.1** This includes revenue of Rs. 426,358 thousand (2018: Rs. 489,094 thousand) from external pharmacy outlets.

**28.2** This includes rental income of Rs. 16,785 thousand (2018: Rs. 2,539 thousand) against operating leases to related parties.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 29 OTHER INCOME

	Note	2019 (Rupees in '000')	2018
Income from financial assets:			
Profit on investments and bank deposits		6,161	11,996
Income from other than financial assets:			
Gain on disposal of property, plant and equipment		4,053	2,025
Gain on disposal of shares in subsidiary (SDSPL)		2,201	-
Liabilities written back		1,102	6,178
Sale of scrap		6,858	7,052
Miscellaneous	29.1	35,496	35,833
		<b>55,871</b>	<b>63,084</b>

**29.1** This mainly includes sale of Shifa News (magazine of Shifa Publications) and other miscellaneous income.

## 30 OPERATING COSTS

	Note	2019 (Rupees in '000')	2018
Salaries, wages and benefits	30.1	4,550,186	3,886,276
Utilities		417,351	315,665
Supplies consumed		1,127,757	1,012,912
Medicines consumed		2,961,556	2,782,747
Communication		30,985	27,673
Travelling and conveyance		26,455	29,031
Printing and stationery		82,620	69,282
Repairs and maintenance		401,269	346,606
Auditors' remuneration	30.2	3,025	2,150
Legal and professional		13,377	15,954
Rent		138,408	138,487
Rates and taxes		18,424	7,766
Advertising and sales promotion		43,053	43,981
Fee, subscription and membership		44,641	38,081
Vehicle and equipment rentals	30.3	26,769	13,376
Cleaning and washing		119,544	118,032
Insurance		10,421	14,884
Property, plant and equipment written off	30.4	3,198	8,643
Impairment (reversal) / charge of financial assets	40.1.3	(11,853)	27,924
Provision for slow moving stores		999	234
Depreciation/amortization on tangible assets	14 & 15	552,519	498,398
Amortization on intangible assets	16	15,819	5,430
Donations	30.5	15,000	50,000
Miscellaneous		38,936	54,659
		<b>10,630,459</b>	<b>9,508,191</b>

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- 30.1** This includes employee retirement benefits (gratuity) of Rs. 111,351 thousand (2018: Rs. 91,369 thousand), expense for compensated absences of Rs. 44,674 thousand (2018: Rs. 41,444 thousand) and bonus to employees of Rs. 107,674 thousand (2018: Rs. 178,753 thousand).

	2019	2018
	(Rupees in '000')	
<b>30.2 Auditors' remuneration</b>		
Annual audit fee	1,600	1,417
Half yearly review fee	700	583
Statutory certifications	725	150
	<b>3,025</b>	<b>2,150</b>

- 30.3** This includes ujrah 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) ujrah 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 ujrah payments and the periods in which these will be due are as follows:

	2019	2018
	(Rupees in 000)	
Within one year	27,860	25,113
After one year but not more than five years	19,608	42,518
Total ujrah payments	<b>47,468</b>	<b>67,631</b>

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

## **30.5 Donations**

This represents donations given to Shifa Tameer-e-Millat University (STMU) which is the related party of the Company due to common directorship as detailed below:

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

The registered office of STMU is located at H-8/4 Islamabad.

## **31 FINANCE COSTS**

	2019	2018
	(Rupees in '000')	
Markup on:		
Long term loans	61,519	39,458
Running finance and murabaha facilities	10,109	642
Credit card payment collection charges	20,365	15,517
Loss on foreign currency translation	813	464
Bank charges and commission	3,094	1,199
	<b>95,900</b>	<b>57,280</b>

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- 31.1** The borrowing costs of Rs. 134,923 thousand (2018: Rs. 37,193 thousand) and Rs. 8,861 thousand (2018: Rs. 6,465 thousand) are capitalized to investment property and capital work in progress respectively.

## 32 PROVISION FOR TAXATION

	Note	2019 (Rupees in '000)	2018
Current			
- for the year		284,449	205,927
- prior year		-	29,691
	25	284,449	235,618
Deferred		11,354	(24,096)
		295,803	211,522
<b>32.1 Reconciliation of tax charge for the year</b>			
Profit before taxation		1,073,137	768,210
Provision for taxation		295,803	211,522
Effective tax rate		27.56%	27.53%
<b>Reconciliation of effective tax rate</b>			
Applicable tax rate		29.00%	30.00%
Super tax		2.00%	3.00%
Total		31.00%	33.00%
Add: Tax effect of amounts taxed at lower rates/others		18.04%	22.56%
Less: Net tax effect of amounts that are deductible for tax purposes		21.48%	28.03%
Average effective tax rate charged on income		27.56%	27.53%

## 33 EARNINGS PER SHARE - BASIC AND DILUTED

		2019 (Rupees in '000')	2018
Profit after taxation for the year		777,334	556,688
		(Numbers in '000')	
Weighted average number of ordinary shares in issue during the year	5	54,538	54,538
		(Rupees)	
Earnings per share - basic and diluted		14.25	10.21

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

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 34 CAPACITY UTILIZATION

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

	2019	2018	2019	2018	2019	2018
	Available bed days		Occupied bed days		Occupancy Ratio	
SIHL H-8/4 Islamabad	175,734	167,781	118,808	117,671	67.61%	70.13%
SIHL Faisalabad	13,505	14,322	5,724	5,455	42.38%	38.09%
SIHL G-10/4 Islamabad	-	8,760	-	1,196	0.00%	13.65%

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

## 35 UNAVAILED CREDIT FACILITIES

	2019	2018
	(Rupees in '000')	
Unavailed credit facilities at year end are as under:		
Running/Murabaha financing	796,900	564,816
Letter of credit	147,700	220,468
Diminishing Musharakah	672,125	1,158,288
Ijarah financing	65,577	93,695
	1,682,302	2,037,267

## 36 NUMBER OF EMPLOYEES

The Company had 4,865 employees (2018: 4,778) at the year end and average number of employees during the year were 4,801 (2018: 4,626).

## 37 RELATED PARTIES TRANSACTIONS

The related parties comprise of subsidiaries, associates, 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	2019	2018
		(Rupees in 000)	
<b>Shifa Foundation: (Related party by virtue of common directorship)</b>			
Revenue from services earned by the Company	37.1	151,487	154,756
Revenue from rent earned by the Company		44	44
Expenses paid by and reimbursed to the Company		877	3,582
Services provided to the Company		21,083	18,716

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	Note	2019 (Rupees in '000')	2018
<b>Tameer-e-Millat Foundation: (Related party by virtue of common directorship)</b>			
Revenue from rent earned by the Company		311	311
Supplies provided to the Company	37.2	28,473	20,245
Services provided to the Company	37.3	17,259	13,835
Rental services received by the Company		4,725	1,753
<b>Shifa Tameer-e-Millat University: (Related party by virtue of common directorship)</b>			
Revenue from services earned by the Company	37.1	47,615	41,646
Revenue from rent earned by the Company		12,911	2,184
Services provided to the Company	37.3	69,518	36,000
Expenses paid by and reimbursed to the Company		11,753	2,003
Donation paid by the Company		15,000	50,000
<b>Shifa Development Services (Private) Limited (subsidiary company)</b>			
Expenses paid by and reimbursed to the Company		2,515	743
<b>SIHL Employees' Gratuity Fund</b>			
Payments made by the Company during the year	37.4	82,907	89,196
<b>Remuneration including benefits and perquisites of key management personnel</b>	37.5	311,226	269,794
<b>37.1</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 executed on terms agreed between the parties.		
<b>37.2</b>	The supplies mainly includes uniforms and dairy products. These transactions are executed on terms agreed between the parties.		
<b>37.3</b>	Services are received by the Company for nursing education/training, employees' children education. These transactions are based on terms agreed between the parties.		
<b>37.4</b>	Transactions with the Fund are carried out based on the terms of employment of employees and according to actuarial advice.		
<b>37.5</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. Transactions with key management personnel are based on their terms of employment/entitlements.		



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- 37.6** 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 Development Services (Private) Limited	Subsidiary and common directorship	55%
Shifa Neuro Sciences Institute Islamabad (Private) Limited	Subsidiary and common directorship	100%
Shifa National Hospital Faisalabad (Private) Limited	Subsidiary and common directorship	100%
Shifa Medical Centre Islamabad (Private) Limited	Subsidiary and common directorship	100%
Shifa CARE (Private) Limited	Associate and common directorship	50%

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Executive Directors		Non Executive Directors		Executives	
	2019	2018	2019	2018	2019	2018	2019	2018
	(Rupees in '000')							
Managerial remuneration	43,734	40,578	25,336	38,160	9,730	7,132	189,974	133,911
Rent and utilities	6,205	7,260	4,654	2,474	1,267	1,267	33,419	26,314
Bonus and incentives	2,090	2,657	2,344	4,275	307	645	8,963	14,965
Gratuity	-	-	-	-	-	-	10,428	7,132
Medical insurance	-	-	121	155	60	50	1,970	1,560
Leave encashment	-	-	-	-	-	-	3,284	2,062
	52,029	50,495	32,455	45,064	11,364	9,094	248,038	185,944
Number of persons	1	1	2	2	6	5	34	27

**38.1** The chief executive is provided with a Company maintained car, while two other directors and 26 executives availed car facility.

**38.2** Managerial remuneration includes Rs. 4,441 thousand (2018: 2,235 thousand) paid to directors in respect of meeting attending fee.

**38.3** Travelling expenses of directors for official purposes are reimbursed by the Company.

## 39 CASH AND CASH EQUIVALENTS

	Note	2019	2018
		(Rupees in '000')	
Cash and bank balances	26	791,696	479,453
Investment - at amortized cost	24	3,000	-
Short term borrowing	12	-	(5,974)
		794,696	473,479

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 40 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 unconsolidated 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 the internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

### 40.1 Credit risk

Credit risk represents the financial loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. The Company does not have significant exposure to any individual counter-party. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also regularly monitors the credit exposure towards the customers and makes allowance for ECLs for those credit exposure. Furthermore, the Company has credit control in place to ensure that services are rendered to customers with an appropriate credit history.

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:

#### 40.1.1 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 and makes allowance for ECLs against those balances considered doubtful of recovery.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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 high credit ratings and therefore management does not expect any counterparty to fail to meet its obligations.

### 40.1.2 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:

	2019 (Rupees in '000')	2018
Long term deposits	69,916	41,140
Trade debts - considered good	581,466	714,034
Trade deposits and other receivables	68,480	40,717
Markup accrued	486	-
Investment - at amortized cost	3,000	-
Bank balances	791,696	479,015
	<b>1,515,044</b>	<b>1,274,906</b>

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

	2019 (Rupees in '000')	2018
Government companies	320,761	367,662
Private companies	191,275	263,827
Individuals	40,783	44,581
Related parties	28,647	25,483
Others	-	12,481
	<b>581,466</b>	<b>714,034</b>

### 40.1.3 The aging of trade debts at the reporting date was:

	2019		2018	
	Gross debts	Allowance for ECL	Gross debts	Allowance for ECL
	(Rupees in '000')		(Rupees in '000')	
Not past due	287,376	19,978	351,270	-
1 - 4 months	256,981	28,034	281,781	-
5 - 7 months	21,664	4,719	35,330	1,143
8 - 12 months	46,952	10,161	39,515	2,596
13 - 18 months	15,054	7,905	25,879	16,002
19 - 23 months	50,746	26,510	46,415	46,415
	<b>678,773</b>	<b>97,307</b>	<b>780,190</b>	<b>66,156</b>

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

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

	Note	2019 (Rupees in '000')	2018
Balance at beginning of the year	40.1.3.1	111,507	55,078
Impairment (reversal)/charge on financial assets during the year		(11,853)	27,924
Less: bad debts written off		2,347	16,846
Balance at end of year	21	97,307	66,156
<b>40.1.3.1</b> Balance at beginning of year under IAS 39		66,156	NA
Effect of change in accounting policy due to adoption of IFRS 9 - Note 4.1		45,351	NA
Adjusted balance at beginning of year under IFRS 9		111,507	NA

**40.1.4** 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 amounts is possible.

**40.1.5** The ageing of Shifa Foundation at the reporting date was:

	2019		2018	
	Gross debts	Allowance for ECL	Gross debts	Allowance for ECL
	(Rupees in '000')		(Rupees in '000')	
1 - 4 months	28,647	-	25,483	-

## 40.2 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 manage 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 35 to the unconsolidated 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>2019</b>						
Long term financing - secured	2,498,776	82,046	83,700	745,872	1,587,158	-
Trade and other payables	3,044,953	3,044,953	-	-	-	-
Unclaimed dividend	48,671	48,671	-	-	-	-
Mark up accrued	30,406	30,406	-	-	-	-
	5,622,806	3,206,076	83,700	745,872	1,587,158	-



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	Carrying amount	Six months or less	Six to twelve months	One to two years	Two to five years	Above five years
	(Rupees in '000')					
2018						
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	-	-	-	-
Mark up accrued	12,264	12,264	-	-	-	-
Short term borrowing - secured	5,974	5,974	-	-	-	-
	4,302,374	2,795,104	380	6,370	1,287,128	213,392

## 40.3 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.

### 40.3.1 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 minimal. The Company's exposure to foreign currency risk is as follows:

	2019 (Amount in '000')		2018 (Amount in '000')	
	USD	AED	USD	AED
Bank balances	1.01	26.15	0.73	1.79
Letter of credit	-	-	(220.00)	-
	1.01	26.15	(219.27)	1.79

	2019 (Rupees in '000')		2018 (Rupees in '000')	
Bank balances	164	1,159	88	59
Letter of credit	-	-	(26,759)	-
	164	1,159	(26,671)	59

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2019	2018	2019	2018
	(Rupees)		(Rupees)	
USD 1 - Buying	136.11	109.88	162.9	121.45
USD 1 - Selling	136.40	110.07	163.2	121.63
AED 1 - Buying	37.05	29.91	44.35	33.05
AED 1 - Selling	37.13	29.96	44.45	33.10

## 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	Effect on Equity
	%	(Rupees in '000')	
<b>2019</b>			
Foreign currencies	+10%	132	132
Foreign currencies	-10%	(132)	(132)
<b>2018</b>			
Foreign currencies	+10%	(2,661)	(2,661)
Foreign currencies	-10%	2,661	2,661

## 40.3.2 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 and 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.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## Profile

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

	Note	2019 (Rupees in '000')	2018
<b>Financial assets</b>			
Investment - at amortized cost	24	3,000	-
Bank balances	26	641,891	397,800
		644,891	397,800
<b>Financial liabilities</b>			
Long term financing - secured	8	2,498,776	1,675,118
Short term borrowing - secured	12	-	5,974
		2,498,776	1,681,092
		(1,853,885)	(1,283,292)

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, 2019 would decrease/increase by Rs. 2,819 thousand (2018: decrease/increase by Rs. 2,496 thousand). This is mainly attributable to the Company's exposure to markup rates on its variable rate borrowings.

## 40.4 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of all financial assets and liabilities reflected in the unconsolidated financial statements approximate their fair values.

## 40.5 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.

## 41 FAIR VALUE HIERARCHY

### Fair value of land

Valuation of the lands owned by the Company are valued by independent valuers to determine the fair value of the lands as at June 30, 2019. The fair value of lands subject to revaluation model fall under level 2 of fair value hierarchy.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

---

## 42 OPERATING SEGMENTS

The financial statements have been prepared on the basis of single reportable segment. All revenue of the Company is earned from customers located in Pakistan. All non-current assets of the Company at June 30, 2019 are located in Pakistan. There is no customer with more than 10% of total revenue of the Company for the year.

---

## 43 SUBSEQUENT EVENTS

The Board of Directors in their meeting held on September 14, 2019 has proposed a dividend of Rs. 2.55 per share.

---

## 44 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on September 14, 2019.

---

## 45 GENERAL

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



CHAIRMAN



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER





# **CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended June 30, 2019



## INDEPENDENT AUDITOR'S 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 subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2019 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, 2019, 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 lands</b></p> <p>(Refer notes 7.1 and 14.1 to the financial statements)</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 land and restrictions and conditions attached to the same. Based on the latest report 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 Group with regard to the revaluation performed.</p>
2	<p><b>Applicability of IFRS 9</b></p> <p>(Refer notes 4.1, 21 and 23 to the financial statements)</p> <p>The Group has adopted IFRS 9 'Financial Instruments' with effect from July 01, 2018. The new standard requires to make provision for financial assets using Expected Credit Loss (ECL) approach as against the Incurred Loss Model previously applied by the Company under IAS 39 'Financial Instruments: Recognition and Measurement'.</p> <p>Determination of ECL provision requires significant judgement and assumptions including consideration of historical events, current conditions and forecasts of future economic conditions.</p> <p>We have considered the first time application of IFRS 9 requirements as a key audit matter due to significance of the change in accounting methodology and involvement of estimates and judgments in this regard.</p>	<p>We reviewed and understood the requirements of the IFRS 9. Our key audit procedures to review the application of IFRS 9 included, amongst others, review of the methodology developed and applied by the Company to estimate the ECL. We also evaluated the assumptions used in applying the ECL methodology based on historical information and other factors as relevant for such estimates.</p> <p>We, further, assessed the integrity and quality of the data used for ECL computation and checked the mathematical accuracy of ECL working.</p> <p>We also reviewed and assessed the impact and disclosures made in the financial statements with regard to the effect of adoption of IFRS 9.</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.

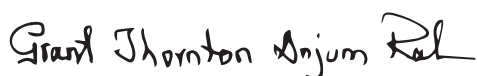
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we 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 Hassan Riaz.



**Grant Thornton Anjum Rahman**

Chartered Accountants

Place: Islamabad

Date: September 14, 2019

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Note	2019 (Rupees in '000')	2018
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
100,000,000 (2018: 100,000,000) ordinary shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid up capital	5	545,379	545,379
<b>Capital reserves</b>			
Share premium account	6	1,046,025	1,046,025
Surplus on revaluation of property, plant and equipment	7	1,234,923	723,310
<b>Revenue reserve</b>			
Unappropriated profit		3,250,167	2,798,675
		6,076,494	5,113,389
<b>NON - CONTROLLING INTEREST</b>			
		2,593	-
<b>NON - CURRENT LIABILITIES</b>			
Long term financing - secured	8	2,333,030	1,506,890
Deferred taxation	9	384,315	375,186
		2,717,345	1,882,076
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	3,337,847	2,921,545
Unclaimed dividend		48,671	33,981
Markup accrued	11	30,406	12,264
Short term borrowing - secured	12	-	5,974
Current portion of long term financing	8	165,746	168,228
		3,582,670	3,141,992
		12,379,102	10,137,457
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13		

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

*Danish M. Rahman*

CHAIRMAN

*Mazharul Haq*

CHIEF EXECUTIVE

	Note	2019 (Rupees in '000')	2018
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	14	7,616,982	6,029,463
Investment property	15	1,642,085	1,401,837
Intangible assets	16	83,711	33,477
Long term investment	17	10,869	-
Long term deposits	18	87,211	60,736
		<b>9,440,858</b>	<b>7,525,513</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	19	131,637	119,607
Stock-in-trade	20	496,758	468,819
Trade debts - considered good	21	584,846	716,758
Loans and advances - considered good	22	445,547	419,220
Trade deposits, prepayments and other receivables	23	59,124	53,350
Markup accrued		486	-
Investment - at amortized cost	24	3,000	-
Tax refunds due from the government (net of provision)	25	412,951	348,332
Cash and bank balances	26	803,895	485,858
		<b>2,938,244</b>	<b>2,611,944</b>
		<b>12,379,102</b>	<b>10,137,457</b>



CHIEF FINANCIAL OFFICER



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2019

	Note	2019 (Rupees in '000')	2018
Net revenue	27	11,762,501	10,285,061
Other income	28	54,094	63,084
Operating costs	29	(10,668,833)	(9,519,963)
Finance costs	30	(95,914)	(57,311)
Share of loss of an associate	17	(3,576)	-
Profit before taxation		1,048,272	770,871
Provision for taxation	31	(299,432)	(212,924)
Profit after taxation		748,840	557,947
<b>Attributable to:</b>			
Equity holders of Shifa International Hospitals Limited		748,840	557,947
<b>Earnings per share - basic and diluted - (Rupees)</b>	32	13.73	10.23

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



CHAIRMAN



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended June 30, 2019

	2019 (Rupees in '000')	2018
Profit after taxation	748,840	557,947
<b>Other comprehensive income</b>		
Items that will not be subsequently reclassified in statement of profit or loss		
Loss on remeasurement of staff gratuity fund benefit plan	(7,671)	(49,532)
Deferred tax relating to remeasurement of staff gratuity fund benefit plan	2,225	14,365
Loss on remeasurement of staff gratuity fund benefit plan (net of tax)	(5,446)	(35,167)
Surplus on revaluation of property, plant and equipment	520,643	5,541
Total comprehensive income for the year	1,264,037	528,321
<b>Attributable to:</b>		
Equity holders of Shifa International Hospitals Limited	1,264,037	528,321

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



CHAIRMAN



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

# CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended June 30, 2019

	2019	2018
	(Rupees in '000')	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,048,272	770,871
Adjustments for:		
Depreciation/amortization on tangible assets	552,818	498,598
Amortization on intangible assets	15,819	5,430
Allowance for impairment of financial assets	(11,473)	30,010
Property, plant and equipment written off	3,221	8,699
Gain on disposal of property, plant and equipment	(4,416)	(2,025)
Provision for compensated absences	44,674	41,481
Provision for gratuity	111,351	91,369
Provision for slow moving stores	999	234
Liabilities written back	(1,102)	(6,178)
Profit on investments and bank deposits	(6,222)	(11,996)
Loss on foreign currency translation	813	464
Share of loss of an associate	3,576	-
Finance cost	95,101	56,847
Operating cash flows before changes in working capital	1,853,431	1,483,804
Changes in working capital:		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(12,512)	(40,212)
Stock-in-trade	(27,939)	(88,767)
Trade debts	97,813	(296,712)
Loans and advances	(26,327)	(66,381)
Trade deposits and prepayments	(23,475)	(14,016)
Increase in current liabilities:		
Trade and other payables	373,605	583,365
Cash generated from operations	2,234,596	1,561,081
Finance cost paid	(85,820)	(44,980)
Income tax paid	(352,697)	(487,808)
Payment to SIHL Employees' Gratuity Fund	(82,907)	(89,196)
Compensated absences paid	(36,993)	(31,661)
Net cash from operating activities	1,676,179	907,436

# CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended June 30, 2019

	Note	2019 (Rupees in '000')	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(1,600,361)	(1,068,155)
Purchase of investment property		(255,173)	(1,056,812)
Sale proceeds of long term investment		10,355	-
Payment against long term investment		(14,444)	-
Purchase of intangible assets		(66,053)	(28,322)
Encashment of Investment - at amortized cost		-	50,000
Proceeds from disposal of property, plant and equipment		5,133	3,763
Markup received		5,736	13,161
Increase in long term deposits		(26,475)	(15,463)
Net cash used in investing activities		(1,941,282)	(2,101,828)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term financing - repayments		(186,985)	(335,764)
Long term financing - proceeds		1,010,643	1,493,679
Dividend paid		(230,731)	(265,761)
Net cash generated from financing activities		592,927	892,154
Net increase/(decrease) in cash and cash equivalents		327,824	(302,238)
Cash and cash equivalents at beginning of the year		479,884	782,586
Effect of exchange rate changes on cash and cash equivalents		(813)	(464)
Cash and cash equivalents at end of the year	38	806,895	479,884

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



CHAIRMAN



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2019

	Share capital	Share premium account	Surplus on revaluation of property, plant and equipment	Un-appropriated profit	Non - controlling interest	Total
	(Rupees in '000')					
<b>Balance at July 01, 2017</b>	545,379	1,046,025	726,760	2,539,594	-	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	-	-	5,541	(35,167)	-	(29,626)
	-	-	5,541	522,780	-	528,321
Transfer of depreciation/amortization on incremental value arising on revaluation of property, plant and equipment attributed to the 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>	545,379	1,046,025	723,310	2,798,675	-	5,113,389
<b>Balance at July 01, 2018</b>	545,379	1,046,025	723,310	2,798,675	-	5,113,389
Effect of change in accounting policy due to adoption of IFRS - 9 (Note 4.1, 23.1 & 39.1.3.1)	-	-	-	(63,273)	-	(63,273)
Adjusted balance at July 01, 2018	545,379	1,046,025	723,310	2,735,402	-	5,050,116
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	748,840	-	748,840
Other comprehensive income - net of tax	-	-	520,643	(5,446)	-	515,197
	-	-	520,643	743,394	-	1,264,037
Transfer of depreciation/amortization on incremental value arising on revaluation of property, plant and equipment attributed to current year	-	-	(9,030)	9,030	-	-
<b>Distribution to owners</b>						
Final dividend 2017-18: Rs. 4.5 per share	-	-	-	(245,421)	-	(245,421)
<b>Changes in ownership interests</b>						
Disposal of shares without change in control	-	-	-	7,762	2,593	10,355
<b>Balance at June 30, 2019</b>	545,379	1,046,025	1,234,923	3,250,167	2,593	6,079,087

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, 2019

## 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 subsidiaries mentioned below. 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 SIHL are quoted on Pakistan Stock Exchange Limited. The registered office of SIHL is situated at Sector H-8/4, Islamabad. The principal activity of SIHL is to establish and run medical centers and hospitals in Pakistan. 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. SIHL is also running medical centers, pharmacies and lab collection points in different cities of Pakistan. The SIHL according to memorandum of understanding with Fatma Properties Limited (incorporated in Tanzania) intends to establish a hospital in Tanzania.
- 1.2** Shifa Development Services (Private) Limited (SDSPL) (formerly "Shifa Consulting Services (Private) Limited") was incorporated on December 18, 2014. The principal activity of Shifa Development Services (Private) Limited is to provide consulting services relating to healthcare facilities, medical staff, availability of human resource and hospital quality.
- 1.3** Shifa Neuro Sciences Institute Islamabad (Private) Limited (SNS) was incorporated on February 28, 2019. The principal activity of SNS is to setup center of excellence of neuroscience at H-8, Islamabad which will cater the need of all over Pakistan related to neurological diseases and disorders.
- 1.4** Shifa National Hospital Faisalabad (Private) Limited (SNH Faisalabad) was incorporated on February 28, 2019. SNH Faisalabad is planned to setup a secondary/ tertiary healthcare hospital at Faisalabad which will provide healthcare facilities to the people of Faisalabad as well as surrounding areas.
- 1.5** Shifa Medical Center Islamabad (Private) Limited (SMC Islamabad) was incorporated on February 28, 2019. SMC Islamabad is planned to setup an OPD, Day care surgeries and diagnostic services center at F-11 Islamabad which will provide healthcare facilities to people of F-11 as well as surrounding areas.
- 1.6** Geographical locations of business units of SIHL 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, National Radio Telecommunication Corporation, Haripur
  - F-11 Medical center, Savoy Arcade, F-11 markaz Islamabad

## 2 BASIS OF PREPARATION

---

### 2.1 Statement of compliance

These financial statements of the Group have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

## 2.2 Basis of measurement

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

- certain items of property, plant and equipment have been measured at revalued amounts; and
- recognition of employees gratuity benefits obligation at present value.

## 2.3 Functional and presentation currency

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

## 2.4 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with accounting and reporting 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 accounting and reporting 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.

### 2.4.1 Property, plant and equipment

The Group reviews the useful lives of property, plant and equipment on a regular basis. Similarly revaluation of lands are made with sufficient regularity. 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.

### 2.4.2 Investment property

The Group 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 2.4.3 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.

## 2.4.4 Allowance for expected credit losses (ECLs) of certain financial assets

The Group uses provision matrix to calculate ECLs for trade receivables. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of actual default in the future.

## 2.4.5 Stock in trade and stores, spares and loose tools

The Group reviews the net realizable value of stock in trade and 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.

## 2.4.6 Employee benefits

The Group 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.

## 2.4.7 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.

## 2.4.8 Taxation

The Group takes into account the current income tax law 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.

## 2.4.9 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 reporting 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 reporting date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 2.5 New accounting standards, interpretations and amendments

There are new and amended standards and interpretations that are mandatory for accounting periods beginning July 01, 2018, other than those disclosed in note 4, are considered not to be relevant or do not have any significant effect on the Group's financial statements and are therefore not stated in these consolidated financial statement.

### 2.5.1 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective from the dates mentioned below;

		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations (Amendments)	January 1, 2020
IFRS 9	Financial instruments (Amendments)	January 1, 2019
IFRS 16	Leases	January 1, 2019
IAS 1	Presentation of financial statements (Amendments)	January 1, 2020
IAS 8	Accounting policies, changes in accounting estimates and errors (Amendments)	January 1, 2020
IAS 12	Income taxes (Amendments)	January 1, 2019
IAS 19	Employee benefits (Amendments)	January 1, 2019
IAS 23	Borrowing costs (Amendments)	January 1, 2019
IAS 28	Investments in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRIC 23	Uncertainty over Income tax treatment	January 1, 2019

The above standards and amendments are not expected to have any material impact on the Group's consolidated financial statements in the period of initial application except for IFRS 16 - 'Leases'. The Group is currently evaluating the impact of changes laid down by IFRS 16 and its effect on consolidated financial statements.

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:

IFRS 1	First time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The following interpretations issued by IASB have been waived of by SECP:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concessions arrangements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described in Note 4, the significant accounting policies applied in the preparation of these consolidated financial statements are the same as those applied in earlier period presented.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 3.1 Financial instruments

All financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Group loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the consolidated statement of profit or loss.

### i. Financial assets

#### Classification

Financial assets are classified in following three categories:

- a. Amortized cost where the effective interest rate method will apply;
- b. fair value through other comprehensive income;
- c. fair value through profit or loss.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in consolidated statement of profit or loss or consolidated OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in consolidated statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

##### a. Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

derecognition is recognized directly in consolidated profit or loss and presented in other operating gains/(losses), together with foreign exchange gains and losses.

## **b. Fair value through other comprehensive income (FVTOCI)**

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in consolidated profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in consolidated OCI is reclassified from consolidated equity to consolidated statement of profit or loss and recognized in other income / charges. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income / charges and impairment expenses are presented as separate line item in the consolidated statement of profit or loss.

## **c. Fair value through profit and loss (FVTPL)**

Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in the consolidated statement of profit or loss and presented net within other operating gains / (losses) in the period in which it arises.

## **De-recognition of financial assets**

A financial asset (or, where applicable part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## **Impairment**

Effective July 1, 2018, the Group assesses on a forward looking basis the Expected Credit Losses (ECL) associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

- Trade receivables
- Deposits and other receivables
- Short term investments
- Cash and bank balances

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## i. General approach for short term investment, deposits and other receivables and cash and bank balances

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward-looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognized when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognized without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

### a. Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increase in credit risk on other financial instruments of the same debtor; and
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

### b. Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, in case of trade debts, the Group considers that default has occurred when a financial asset is more than 18 months past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### c. Credit - impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

## **Simplified approach for trade receivable**

The Group recognizes life time ECL on trade receivables, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group applies simplified approach in calculation ECLs for trade receivables, the Group does not track changes in credit risk, but instead recognized a loss allowance based on life time ECLs at each reporting date. ECLs on these financial assets are estimated using a provision matrix approach adjusted for forward-looking factors specific to the debtors and economic environment.

## **Recognition of loss allowance**

The Group recognizes an impairment gain or loss in the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in consolidated other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

## **Write-off**

The Group write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

## **ii. Financial liabilities**

### **Classification, initial recognition and subsequent measurement**

The Group classifies its financial liabilities in the following categories:

- at fair value through profit or loss; and
- other financial liabilities

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

**a) Fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Group has not designated any financial liability upon recognition as being at fair value through profit or loss.

**b) Amortized cost**

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the consolidated statement of profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

**De-recognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

**iii Off-setting financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position, if the Group has a legally enforceable right to set off the recognized amounts, and the Group either intends to settle on a net basis, or realize the asset and settle the liability simultaneously. Legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counter party.

**3.2 Basis of consolidation**

These consolidated financial statements include the financial statements of Shifa International Hospitals Limited and its subsidiary Shifa Development Services (Private) Limited (SDSPL) [55% owned] and its wholly owned subsidiaries Shifa Neuro Sciences Institute Islamabad (Private) Limited, Shifa Medical Center Islamabad (Private) Limited and Shifa National Hospital Faisalabad (Private) Limited for the year ended June 30, 2019. 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, 2019

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 gains or losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

## Associates

Entities in which the Group has significant influence directly or indirectly (through subsidiaries) but not control and which are neither subsidiaries nor joint ventures of the members of the Group are associates and are accounted for under the equity method of accounting (equity accounted investees). These investments are initially recognized at cost. The consolidated financial statements include the associates' share of profit or loss and movements in consolidated other comprehensive income, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date it ceases. Share of post acquisition profit/loss of associates is recognized in the consolidated statement of profit or loss account and consolidated statement of other comprehensive income. Distributions received from associates reduce the carrying amount of investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that investment (including any long-term interests that, in substance, form part of the Group's net investment in the associate) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. The carrying amount of investments in associates is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the investments is estimated which is higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount and is charged to consolidated statement of profit or loss. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of carrying amount that would have been determined if no impairment loss had been recognized. A reversal of impairment loss is recognized in the consolidated statement of profit or loss.

## Non controlling interest (NCI)

NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

## Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in consolidated statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when the control is lost.

### 3.3 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

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 consolidated 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 consolidated 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 consolidated 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 the consolidated 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 classified 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 consolidated statement of profit or loss.

## 3.4 Investment property

Investment property is held for long term rental yields/capital appreciation. The investment property of the SIHL comprises of land and building 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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

The residual values and useful lives of investment property are reviewed at each reporting date and adjusted if appropriate. The Group 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.

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 consolidated statement of profit or loss.

## 3.5 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 than the assets 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.

## 3.6 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 the consolidated statement of profit or loss.

### Operating leases/ijarah contracts

#### As lessor

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## **As lessee**

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

### **3.7 Impairment of 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 the 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 the consolidated statement of profit or loss.

### **3.8 Other Investments**

Investments in term deposit receipts are classified as amortized cost and are initially measured at fair value. Transaction costs directly attributable to the acquisition are included in the carrying amount. Subsequently these investments are measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses, if any. Interest/markup, income, losses and impairment are recognized in the consolidated statement of profit or loss.

### **3.9 Trade debts, loans, deposits, interest accrued and other receivables**

These are classified at amortized cost and are initially recognized when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Past years experience of credit loss is used to base the calculation of credit loss.

### **3.10 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.

### **3.11 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.

### **3.12 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, 2019

## 3.13 Employee benefits

### Defined benefit plan

The Group operates approved funded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined in the scheme. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation and is charged to the consolidated statement of profit or loss. The most recent valuation was carried out as at June 30, 2019 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 consolidated financial statements.

The amount recognized in the consolidated statement of financial position 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.

## 3.14 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 reporting date and adjusted prospectively to reflect the current best estimates.

## 3.15 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 consolidated equity or in consolidated 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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

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.

## **3.16 Foreign currencies**

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the dates of transactions. At each reporting 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 consolidated statement of profit or loss for the year.

## **3.17 Revenue recognition**

Revenue is measured based on the consideration specified in a contract with a customer. Revenue from operations of the Group are recognized when the services are provided, and thereby the performance obligations are satisfied.

Revenue consists of inpatient revenue, outpatient revenue, pharmacy, cafeteria, rent of building and other services. Group's contract performance obligations are fulfilled at point in time when the services are provided to customer in case of inpatient, outpatient and other services and goods are delivered to customer in case of pharmacy and cafeteria revenue. Revenue is recognized at that point in time, as the control has been transferred to the customers.

Receivable is recognized when the services are provided and goods are delivered to customers as this is the point in time that the consideration is unconditional because only passage of time is required before the payment is due. The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as 'advances from customers' in the consolidated statement of financial position.

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.

## **3.18 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.

## **3.19 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 consolidated statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 3.20 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 consolidated 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 consolidated profit or loss attributable to ordinary shareholder and weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares.

## 3.21 Dividend

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

## 3.22 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 consolidated statement of profit or loss.

## 3.22 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market is accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's Chief Financial Officer determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. External valuers may be involved for valuation of significant assets and significant liabilities. For the purpose of fair value disclosures, the Group determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

## 4 CHANGES IN ACCOUNTING POLICIES

---

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on the Group's financial statements that have been applied w.e.f. July 1, 2018 are as follows:

### 4.1 Financial instruments

IFRS 9 "Financial Instruments" (IFRS 9) replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities ii) impairment for financial assets.

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Group has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption is recognized in consolidated unappropriated profit as of July 1, 2018 and comparatives are not restated. Details of these new requirements as well as their impact on the Group's financial statements are described below:

#### **Classification and measurement of financial assets and financial liabilities**

The new standard requires the Group to assess the classification of financial assets on its consolidated statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Group has for a specific class of financial assets. IFRS 9 no longer has an "Available-for-sale" classification for financial assets. The new standard has different requirements for debt or equity financial assets.

Debt instruments should be classified and measured either at:

- Amortized cost, where the effective interest rate method will apply;
- Fair value through other comprehensive income, with subsequent recycling to the consolidated statement of profit or loss upon disposal of the financial asset; or
- Fair value through profit or loss.

Investments in equity instruments, other than those to which consolidation or equity accounting apply, should be classified and measured either at:

- Fair value through other comprehensive income, with no subsequent recycling to the consolidated statement of profit or loss upon disposal of the financial asset; or
- Fair value through profit or loss.

Application of IFRS 9 had no impact on financial liability of the Group.

Assessment of financial impact of measurement requirements on adoption of IFRS 9 as at July 1, 2018 is as follows:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	Measurement category		Carrying amount		Difference
	Original (IAS 39)	New (IFRS 9)	Original (Rupees in '000')	New (Rupees in '000')	(Rupees in '000')
<b>Current financial assets</b>					
Trade debts	Loans and receivables	Amortized cost	716,758	671,186	45,572
Trade deposits and other receivables	Loans and receivables	Amortized cost	40,915	23,214	17,701
Cash and bank balances	Loans and receivables	Amortized cost	485,387	485,387	-
<b>Non-current financial assets</b>					
Long term deposits	Held to maturity	Amortized cost	41,140	41,140	-
<b>Current financial liabilities</b>					
Trade and other payables	Amortized cost	Amortized cost	2,579,158	2,579,158	-
Unclaimed dividend	Amortized cost	Amortized cost	33,981	33,981	-
Markup accrued	Amortized cost	Amortized cost	12,264	12,264	-
Current portion of long term financing	Amortized cost	Amortized cost	168,228	168,228	-
Short term borrowing - secured	Amortized cost	Amortized cost	5,974	5,974	-
<b>Non- current financial liability</b>					
Long term financing	Amortized cost	Amortized cost	1,506,890	1,506,890	-

## Impairment of financial assets

IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Group to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, trade debts and other receivables), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred. For trade receivables and other receivable, the Group applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for other financial assets i.e. to measure ECL through loss allowance at an amount equal to 12-months ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

## 4.2 Revenue from contracts with customers

Effective July 1, 2018, the Group has applied IFRS 15 "Revenue from Contracts with Customers" for determining its revenue recognition policy. IFRS 15 "Revenue from Contracts with Customers" (IFRS 15) replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. IFRS 15 is applicable on the Group with effect from July 1, 2018. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred in acquiring a contract with a customer.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5-step approach to revenue recognition:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. IFRS 15 permits either a full retrospective or a modified retrospective approach for adoption. The application of IFRS 15 has no material impact on the consolidated financial statements of the Group.

## 5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	2019	2018		2019	2018
	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** Subsequent to year end, the SIHL has issued 7,436,986 ordinary shares of the SIHL to International Finance Corporation (IFC) other than right shares under section 83(1)(b) of the Companies Act, 2017. These shares were issued to IFC on July 12, 2019 at Price of Rs. 239.21 per share including a premium of Rs. 229.21 per share.

**5.3** 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

	2019	2018
	(Rupees in '000')	
Balance at beginning of year	<b>723,310</b>	726,760
Revaluation surplus during the year	<b>520,643</b>	5,541
Transferred to unappropriated profits in respect of incremental depreciation charged during the year	<b>(9,030)</b>	(8,991)
Balance at end of year	<b>1,234,923</b>	723,310

**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, 2018 and 2019 as disclosed in note 14.1, is not available for distribution of dividend to the shareholders of the SIHL. As the surplus on revaluation is on leasehold and freehold lands, the incidence of related deferred tax does not arise.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 8 LONG TERM FINANCING - SECURED

	Note	2019 (Rupees in '000')	2018
From banking companies:			
Syndicated Islamic Finance Facility - 1	8.2	-	166,667
Syndicated Islamic Finance Facility - 2	8.3	1,994,691	1,493,678
Diminishing Musharakah Facility	8.4	504,085	14,773
		<b>2,498,776</b>	1,675,118
Less: Current portion		<b>165,746</b>	168,228
		<b>2,333,030</b>	1,506,890

- 8.1** The SIHL has fully availed all the above facilities, except Diminishing Musharakah Facility from Al-Baraka Bank (Pakistan) Limited and First Habib Modaraba.
- 8.2** This represented the syndicated Islamic finance facility, arranged and lead by Meezan Bank Limited, obtained on markup basis at 3 months KIBOR plus 1% (2018: 3 months KIBOR plus 1%) per annum, repayable in 18 equal quarterly installments. The facility with sanctioned limit of Rs. 1,500 million has been fully repaid on December 28, 2018. The financing was secured by ranking charge upgraded into first pari passu charge on all present and future fixed assets of SIHL (excluding plot No.5, F-11 Markaz, Islamabad) amounting to Rs. 2,000 million. The charge has been vacated subsequently.
- 8.3** This represents syndicated Islamic finance facility, arranged and lead by Meezan Bank Limited, obtained on markup basis at 3 months KIBOR plus 0.85% (2018: 3 months KIBOR plus 0.85%) per annum, repayable in 14 equal quarterly installments. SIHL has availed loan facility upto the total sanctioned limit of Rs. 2,000 million which shall be repaid by November 22, 2023. The financing is secured by ranking charge upgraded into first pari passu charge of Rs. 2,667 million on all present and future movable fixed assets and land / building located at H-8/4, Islamabad. Meezan Bank Limited has the custody of original ownership documents of SIHL land located at sector 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 biomedical equipment. Principal amount is repayable in 36 equal monthly installments carrying markup at 3 months KIBOR plus 0.80% (2018: 3 months KIBOR plus 0.80%) per annum. The financing is secured by ranking charge on all present and future movable fixed assets (plant, machinery, tools and equipment) of Rs. 781.3 million for bio-medical equipment. Further, this also includes a long term Islamic finance facility obtained under the Diminishing Musharakah basis from First Habib Modaraba to finance the purchase of brand new vehicles. Principal amount is repayable in 60 equal monthly installments carrying markup at 3 months KIBOR plus 0.70% (2018: Nil) per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 9 DEFERRED TAXATION

		2019	2018	
	Note	(Rupees in '000')		
Deferred tax liability	9.1	494,137	463,275	
Deferred tax asset	9.2	(109,822)	(88,089)	
Net deferred tax liability		384,315	375,186	
9.1	Deferred tax liability on taxable temporary differences:			
	Accelerated depreciation/amortization allowance	494,137	463,275	
9.2	Deferred tax asset on deductible temporary differences:			
	Specific provisions	(63,926)	(44,418)	
	Retirement benefit obligation	(45,896)	(43,671)	
		(109,822)	(88,089)	
9.3	Movement in deferred taxation			
Deferred tax liabilities/(assets)	As at July 1, 2018	Statement of profit or loss	Other comprehensive Income	As at June 30, 2019
	(Rupees in '000')			
The balance of deferred tax is in respect of the following temporary differences:				
Effect of taxable temporary differences				
Accelerated depreciation/amortization allowance	463,275	30,862	-	494,137
Effect of deductible temporary differences				
Allowance for expected credit loss	(44,418)	(19,508)	-	(63,926)
Retirement benefit obligation	(43,671)	-	(2,225)	(45,896)
	375,186	11,354	(2,225)	384,315

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

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>				
Allowance for expected credit loss	(27,116)	(17,302)	-	(44,418)
Retirement benefit obligation	(29,306)	-	(14,365)	(43,671)
	413,646	(24,095)	(14,365)	375,186

**9.4** Deferred tax assets and liabilities on temporary differences are measured at the rate of 29% (2018: 29%).

## **10 TRADE AND OTHER PAYABLES**

	Note	2019 (Rupees in '000')	2018
Creditors		1,528,334	1,394,707
Accrued liabilities		688,751	360,007
Advances from customers		283,479	342,387
Medical consultants' charges		452,127	490,837
Payable to related parties - unsecured	10.1	35,863	27,504
Security deposits	10.2	80,226	83,176
Compensated absences	10.3	107,690	100,009
Retention money		38,249	35,905
Payable to Shifa International Hospitals Limited (SIHL) Employees' Gratuity Fund	10.4	123,128	87,013
		<b>3,337,847</b>	<b>2,921,545</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. 11,789 thousand (2018: 9,676 thousand) and Rs. 24,074 thousand (2018: 24,439 thousand) respectively. Detail of balances of each related party is as under:

	2019 (Rupees in '000')	2018
Tameer -e- Millat Foundation	11,789	3,065
Shifa Tameer -e- Millat University	24,074	24,439
	<b>35,863</b>	<b>27,504</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- 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 requirements of written agreements.

			2019	2018
10.3	Compensated absences	Note	(Rupees in '000')	
	Balance at beginning of the year		100,009	90,189
	Provision made for the year		44,674	41,481
			144,683	131,670
	Payments made during the year		(36,993)	(31,661)
	Closing balance as at the year end		107,690	100,009
10.4	The amounts recognized in the statement of financial position are as follows:			
	Present value of defined benefit obligation	10.4.1	579,986	497,634
	Fair value of plan assets	10.4.2	(456,858)	(410,621)
			123,128	87,013
10.4.1	Movement in the present value of funded obligation is as follows:			
	Present value of defined benefit obligation at beginning of the year		497,634	424,984
	Interest cost		42,155	29,459
	Current service cost		107,338	92,113
	Benefits paid		(56,554)	(89,118)
	Benefits payable		(1,927)	(628)
	Non refundable loan to employees adjustable against gratuity		(2,175)	(1,535)
	Remeasurement (gain)/loss on defined benefit obligation		(6,485)	42,359
	Present value of defined benefit obligation at year end		579,986	497,634
10.4.2	Movement in the fair value of plan assets is as follows:			
	Fair value of plan assets at beginning of the year		410,621	389,676
	Expected return on plan assets		38,142	30,203
	Contributions		82,907	89,196
	Benefits paid		(56,554)	(89,118)
	Benefits payable		(1,927)	(628)
	Non refundable loan to employees adjustable against gratuity		(2,175)	(1,535)
	Remeasurement loss on plan assets		(14,156)	(7,173)
	Fair value of plan assets at year end		456,858	410,621
10.4.3	Charge for the year is as follows:			
	Current service cost		107,338	92,113
	Interest cost		42,155	29,459
	Expected return on plan assets		(38,142)	(30,203)
		29.1	111,351	91,369

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	2019	2018
	(Rupees in '000')	
<b>10.4.4 Remeasurements recognized in other comprehensive income (OCI) during the year</b>		
Remeasurement (income)/loss on obligation	(6,485)	42,359
Remeasurement loss on plan assets	14,156	7,173
Remeasurement loss recognized in OCI	7,671	49,532
<b>10.4.5 Movement in liability recognized in statement of financial position:</b>		
Balance at beginning of year	87,013	35,308
Cost for the year	111,351	91,369
Total amount of remeasurement recognized in OCI during the year	7,671	49,532
Contributions during the year	(82,907)	(89,196)
Balance at end of year	123,128	87,013
<b>10.4.6 Plan assets comprise of:</b>		
Accrued mark up	8,703	6,727
Term deposit receipt (TDR)	361,000	271,000
Ordinary shares	16,907	20,000
Cash and bank balances	72,175	116,114
Payable to outgoing members	(1,927)	(3,220)
	456,858	410,621
<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	9.00%	7.75%
Discount rate used for year end obligation	14.25%	9.00%
Expected rate of salary growth		
Salary increase FY 2019	N/A	8.00%
Salary increase FY 2020	8.00%	8.00%
Salary increase FY 2020 onward	13.25%	8.00%
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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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	540,462	625,396
Future salary increase	625,973	539,282

10.4.9 The average duration of the defined benefit obligation as at June 30, 2019 is 7 years (2018: 8 years).

## 11 MARKUP ACCRUED

This represents markup accrued on long and short term financing.

## 12 SHORT TERM BORROWING

### From banking company

The corresponding balance of borrowing represents running finance facility obtained from Habib Bank Limited on markup basis at 3 months KIBOR plus 1% per annum 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	2019	2018
		(Rupees in '000')	
<b>13.1 Contingencies</b>			
Claims against the SIHL not acknowledged as debts:			
Patients	13.1.1	3,000	1,000
Competition Commission of Pakistan (CCP)	13.1.2	20,000	20,000
Letter of guarantee	13.1.3	35,900	35,100

13.1.1 This represent claims lodged by patients/others and their heirs against SIHL for alleged negligence on part of the consultants/doctors. The management is contesting the claims that are pending in Peshawar and Islamabad High Courts 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 SIHL 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 guarantees issued by banks in favor of Sui Northern Gas Pipelines Limited (SNGPL), Ministry of Economy U.A.E. and Oil and Gas Development Company Limited (OGDCL) on behalf of SIHL in its ordinary course of business.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 13.1.4 Contingencies related to income tax are as follows:

**13.1.4.1** 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. 50.4 million, Rs. 133.3 million, Rs. 85.5 million, Rs. 26.1 million and Rs. 566.2 millions respectively. Being aggrieved the SIHL agitated the assessments in appeals before the Commissioner (Appeals) who in respect of tax years 2015 and 2016 has decided the appeals against SIHL. SIHL being aggrieved filed appeals against the appellate orders before the Appellate Tribunal Inland Revenue [ATIR]. For tax year 2016 ATIR set aside the case for denovo consideration, hence the demand of Rs. 566.2 million stands deleted as of today. While for tax year 2012, 2013 and 2014 the Commissioner (Appeals) partly confirmed and partly allowed relief to SIHL and being aggrieved on issues not decided in favor, the SIHL has filed appeal before the Appellate Tribunal Inland Revenue. No provision has been recorded as the management is hopeful for favorable outcome.

**13.1.4.2** The tax authorities levied tax of Rs. 178.4 million and Rs. 27.4 million under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2014 and 2013 respectively on the account of alleged non deduction of tax on payments. Being aggrieved, the SIHL agitated the assessment of tax year 2014 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), SIHL preferred appeal before the ATIR. ATIR has set aside the case for denovo consideration, hence the demand of Rs. 178.4 million stands deleted as of today. Further, for tax year 2013, the SIHL has filed a appeal before CIR(A) which is pending for decision. The SIHL is confident for a favorable outcome and therefore, no provision in respect of above matters has been recorded in these consolidated financial statements.

**13.1.4.3** The tax authorities amended the assessments from tax years 2012, 2013 and 2015 to 2017 u/s 122(5) of Income Tax Ordinance, 2001 and raised total tax demand of Rs. 1,350.9 million. Being aggrieved SIHL agitated the assessments in appeals before the Commissioner (Appeals) who annulled all the assessment orders and hence demand stand deleted. Being not satisfied with order of the CIR(A), the department has filed appeal before the ATIR, which is pending for adjudication.

**13.1.4.4** The Assistant Commissioner Inland Revenue (ACIR) has amended SIHL assessment for tax year 2014 and 2015 u/s 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 appeals before the Commissioner Inland Revenue (Appeals) (CIR(A)) wherein the CIR(A) has remanded back the said assessments to ACIR on November 30, 2017. The SIHL as well as the Department has filed cross appeals against the CIR(A) order before the Appellate Tribunal Inland Revenue, which are pending adjudication. The management of 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.

**13.1.4.5** The tax authorities amended the assessment from tax years 2014 u/s 177 of Income Tax Ordinance, 2001 on June 29, 2019 and raised total tax demand of Rs. 1,143.8 million. Being aggrieved, the SIHL agitated the assessments in appeals before the Commissioner (Appeals) on July 22, 2019, which is pending for adjudication. The management of 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.

13.2	Commitments	2019	2018
		(Rupees in '000')	
13.2.1	Capital expenditure contracted	148,203	297,113
13.2.2	Letters of credit	-	37,463

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 14. PROPERTY, PLANT AND EQUIPMENT

Particulars	Owned assets												Total
	Freehold land	Leasehold land	Building on leasehold land	Leasehold improvements	Biomedical equipment	Air conditioning equipment and machinery	Electrical and other equipment	Furniture and fittings	Construction equipment	Computer installations	Vehicles	Capital work-in-progress (note 14.6)	
(Rupees in 000)													
Cost/Revalued amount													
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
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 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
Balance as at July 01, 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
Additions	43,453	-	-	5,314	306,334	155,396	56,410	14,454	394	87,312	10,738	928,879	1,608,684
Revaluation	47,445	473,198	-	-	-	-	-	-	-	-	-	-	520,643
Disposals	-	-	-	-	(15)	(87)	-	(12)	-	(43)	(11,872)	-	(12,029)
Write offs	-	-	-	-	(16,586)	(552)	(1,089)	(93)	-	(2,822)	-	-	(21,142)
Transfers	-	-	278,843	4,564	346	-	-	-	-	254	-	(284,007)	-
Balance as at June 30, 2019	1,118,225	1,438,940	2,552,109	45,173	3,389,682	454,557	655,293	202,011	2,795	445,948	112,387	970,826	11,387,946

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

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 14.6)	
(Rupees in 000)													
<b>Depreciation/amortization</b>													
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 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
<b>Balance as at July 01, 2018</b>													
Charge for the year	-	69,000	565,655	11,010	1,646,351	170,548	348,578	92,744	1,195	263,359	93,887	-	3,262,327
On disposals	-	18,708	70,307	7,592	261,826	36,652	62,223	16,278	213	55,227	8,867	-	537,893
On write offs	-	-	-	-	(2)	(12)	-	(1)	-	(43)	(11,277)	-	(11,335)
	-	-	-	-	(13,659)	(494)	(887)	(65)	-	(2,816)	-	-	(17,921)
<b>Balance as at June 30, 2019</b>	-	87,708	635,962	18,602	1,894,516	206,694	409,914	108,956	1,408	315,727	91,477	-	3,770,964
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
Carrying value as at June 30, 2019	1,118,225	1,351,232	1,916,147	26,571	1,495,166	247,863	245,379	93,055	1,387	130,221	20,910	970,826	7,616,982
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, 2019

- 14.1** The SIHL had its leasehold land revalued in 1999, 2004, 2009, 2014, 2018 and 2019 freehold land in 2009, 2014, 2018 and 2019 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, Rs. 5,541 thousand and Rs. 520,643 thousand respectively. The revaluation surplus amounting to Rs. 1,347,592 thousand has been included in the carrying value of the respective assets. Out of the revaluation surplus, an amount of Rs. 1,234,923 thousand (2018: Rs. 723,310 thousand) remains undepreciated as at June 30, 2019.

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>2019</b>	<b>325,065</b>	<b>72,145</b>	<b>252,920</b>
2018	325,065	62,436	262,629
<b>Freehold land</b>			
<b>2019</b>	<b>981,581</b>	<b>-</b>	<b>981,581</b>
2018	938,128	-	938,128

- 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	48.2
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. 1,334,799 thousand (2018: Rs. 1,188,833 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. 4,634.25 million (2018: 6,206.67 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 (FSV) of the revalued leasehold and freehold lands have been assessed at Rs. 1,080,985 thousand and Rs. 894,580 thousand respectively.

	Note	2019 (Rupees in '000')	2018
<b>14.6 Capital work-in-progress</b>			
Construction work-in-progress	14.6.1	159,110	156,690
Stores held for capital expenditure	14.6.2	2,491	3,608
Installation of equipment in progress	14.6.3	809,225	165,656
		<b>970,826</b>	<b>325,954</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 14.6.1 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 works being carried out as detailed below:

	Note	2019 (Rupees in '000')	2018
H-8/4 hospital		-	44,940
F-11 hospital		60,225	47,906
Shifa guest house		58,720	45,455
Other constructions		40,165	18,389
		<b>159,110</b>	<b>156,690</b>
<b>14.6.2 Stores held for capital expenditure</b>			
Stores held for capital expenditure		4,521	5,121
Less: provision for slow moving items	14.6.2.1	2,030	1,513
		<b>2,491</b>	<b>3,608</b>
<b>14.6.2.1</b> Balance at beginning of the year		<b>1,513</b>	3,079
Charged/ (reversed) during the year		517	(1,566)
Balance at the end of the year		<b>2,030</b>	<b>1,513</b>
<b>14.6.3 Installation of equipment in progress</b>			
CT, Angio and MRI machine		551,422	-
Neuro navigation system		69,317	-
Server virtualization		36,097	-
Brachytherapy machine		30,223	-
Flow cytometer machine		15,374	-
Ventilator high frequency		11,600	-
Immobilization devices		11,317	-
KKT Chiller		9,695	-
Grossing station		8,288	-
X-Ray Static Examine		5,496	-
Plasma sterilizer		5,395	-
Monitor 2Mp (Eizo) Colored		5,000	-
Cold chamber		4,411	-
Gama probe		3,961	-
Ultrasound machine		3,855	-
Fire doors		-	29,075
Ultrasound machine		-	19,800
High Voltage AC		-	29,064
PFT machine		-	9,400
X-Ray machine		-	9,010
Others		37,774	69,307
		<b>809,225</b>	<b>165,656</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 15 INVESTMENT PROPERTY

	Note	2019 (Rupees in '000')	2018
Cost		1,661,985	1,406,812
Accumulated amortization		(19,900)	(4,975)
Net book value	15.1	1,642,085	1,401,837
Opening net book value		1,401,837	-
Additions:			
Cost of acquisition of property		-	1,350,000
Cost of civil works and borrowing cost		255,173	56,812
		255,173	1,406,812
Amortization charge		(14,925)	(4,975)
Closing net book value		1,642,085	1,401,837

- 15.1** This represents the 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). The board of directors of the SIHL intends to sublet the said property to its subsidiary (Shifa Neuro Sciences Institute Islamabad (Private) Limited). Land is being amortized over the term of the lease. The fair value of the property is Rs. 1,654 million (2018: Rs. 1,402 million) with the forced sale value of Rs. 1,323 million (2018: Rs. 981 million) as per valuation report.

## 16 INTANGIBLE ASSETS

	Note	2019 (Rupees in '000')	2018
Cost	16.1	105,185	39,132
Accumulated amortization	16.1	(21,474)	(5,655)
Net book value		83,711	33,477
<b>16.1</b> Movement in cost and accumulated amortization is as follow:			
<b>Cost:</b>			
Balance as at the beginning of the year		39,132	10,810
Addition	16.2	66,053	28,322
Balance as at the end of the year		105,185	39,132
<b>Accumulated amortization:</b>			
Balance as at the beginning of the year		5,655	225
Charge during the year		15,819	5,430
Balance as at the end of the year		21,474	5,655
<b>Net book value</b>		83,711	33,477

- 16.2** Value of intangibles include cost of Oracle Financials software and other softwares. Amortization of intangibles has been recorded at rate of 25 % (2018: 25%) per annum.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 17 LONG TERM INVESTMENT - EQUITY METHOD

	Note	2019 (Rupees in '000')	2018
<b>In associated company - unquoted</b>			
Shifa Care (Private) Limited (SCPL)			
Investment - at cost		14,445	-
Share in loss for the year		(3,576)	-
	17.1	10,869	-

- 17.1** This represents investment in 50 (2018: Nil) fully paid ordinary shares of newly incorporated SCPL and expenses aggregating to Rs. 14,444 thousand (2018: Nil) incurred on its behalf against future issuance of ordinary shares in favor of SIHL. The above investment in ordinary shares represents 50% (2018: Nil) shareholding in SCPL held by the Group. The following table illustrates the summarized financial information of the Group's investment in SCPL:

	2019 (Rupees in '000')	2018
Non-current assets	21,787	-
Current assets	1	-
Current liabilities	(50)	-
Equity	21,738	-
Group's share in equity – 50%	10,869	-
Group's carrying amount of the investment	10,869	-
Net revenue	-	-
Operating costs	(7,152)	-
Loss before taxation	(7,152)	-
Provision for taxation	-	-
Loss after taxation	(7,152)	-
Group's share of loss for the year – 50%	(3,576)	-

## 18 LONG TERM DEPOSITS

	Note	2019 (Rupees in '000')	2018
Ijarah key money deposits	18.1	19,734	20,000
Less: current portion of Ijarah key money deposits	23	2,439	404
		17,295	19,596
Security deposits	18.2	69,916	41,140
		87,211	60,736

- 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 19 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2019 (Rupees in '000')	2018
Stores		123,620	105,781
Spare parts		24,294	25,511
Loose tools		1,510	5,620
		<b>149,424</b>	136,912
Less: provision for slow moving items	19.1	17,787	17,305
		<b>131,637</b>	119,607
<b>19.1</b> Balance at the beginning of the year		17,305	15,505
Charged during the year		482	1,800
Balance at the end of the year		<b>17,787</b>	17,305

## 20 STOCK-IN-TRADE

This represents medicines being carried at moving average cost.

## 21 TRADE DEBTS - CONSIDERED GOOD

	Note	2019 (Rupees in '000')	2018
Considered good			
Related party - Shifa Foundation		28,647	25,483
Others		556,199	691,275
Considered doubtful			
Others		97,498	66,156
Considered bad			
Others		2,347	18,932
		<b>684,691</b>	801,846
Less: allowance for expected credit loss	39.1.3	97,498	66,156
Less: bad debts written off	39.1.3	2,347	18,932
		<b>584,846</b>	716,758
<b>21.1</b> Maximum amount due from Shifa Foundation at the end of any month during the year was Rs. 44,238 thousand (2018: Rs. 43,868 thousand).			

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 22 LOANS AND ADVANCES - CONSIDERED GOOD

	Note	2019 (Rupees in '000')	2018
Considered good - unsecured			
Executives	22.1	3,617	7,617
Other employees		18,141	32,001
		21,758	39,618
Consultants		1,066	14,020
Suppliers/contractors	22.2	422,723	365,582
		445,547	419,220
<b>22.1</b> Reconciliation of carrying amount of advances given to executives:			
Balance at beginning of year		7,617	10,709
Disbursements during the year		25,584	39,419
		33,201	50,128
Less: repayments during the year		29,584	42,511
Balance at end of year		3,617	7,617
<b>22.1.1</b> 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. 4,259 thousand (2018: Rs. 7,937 thousand).			
<b>22.2</b> This includes advance of Rs. 193 million (2018:Rs. 178 million) paid for acquisition of land in Islamabad.			

## 23 TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2019 (Rupees in '000')	2018
Current portion of Ijarah key money deposits	18	2,439	404
Other deposits		60	3,060
Short term prepayments		7,734	12,031
Other receivables - net		67,002	37,855
		77,235	53,350
Less: loss allowance	23.1	(18,111)	-
		59,124	53,350
<b>23.1</b> Balance at beginning of year under IAS 39		-	NA
Effect of change in accounting policy due to adoption of IFRS 9 - Note 4.1		17,701	NA
Adjusted balance at beginning of year under IFRS 9		17,701	NA
Impairment loss		410	NA
Balance at the end of the year		18,111	NA

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 24 INVESTMENT - AT AMORTIZED COST

**24.1** This represents term deposit receipt (TDR) having face value of Rs. 3 million with three months maturity. Profit payable on monthly basis at the rate ranging from 5.65% to 11.00% per annum.

## 25 TAX REFUNDS DUE FROM THE GOVERNMENT (NET OF PROVISION)

	Note	2019 (Rupees in '000')	2018
Balance at the beginning of the year		348,332	97,543
Income tax paid/deducted at source during the year		352,697	487,809
		701,029	585,352
Provision for taxation for the year	31	(288,078)	(237,020)
Balance at the end of the year		412,951	348,332

## 26 CASH AND BANK BALANCES

	Note	2019 (Rupees in '000')	2018
Cash at banks in:			
Current accounts			
Local currency		160,835	87,528
Foreign currency		1,159	59
		161,994	87,587
Saving accounts:			
Local currency		641,727	397,712
Foreign currency		164	88
	26.1	641,891	397,800
	26.2	803,885	485,387
Cash in hand		10	471
		803,895	485,858

**26.1** These carry effective profit rates ranging from 2.25% - 6.88% and 0.10% (2018: 1.73% - 4.50% and 0.10% ) per annum in respect of local and foreign currency accounts respectively.

**26.2** Balances with banks includes Rs. 80,226 thousand (2018: Rs. 83,176 thousand) in respect of security deposits (note 10.2).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 27 NET REVENUE

	Note	2019 (Rupees in 000)	2018
Inpatients		4,832,932	4,039,551
Outpatients		2,634,474	2,296,604
Pharmacy	27.1	4,048,938	3,688,149
Cafeteria		314,972	328,837
Rent of building/others	27.2	46,600	30,633
		<b>11,877,916</b>	10,383,774
Less: discount		112,021	96,400
Less: sales tax		3,394	2,313
Net revenue		<b>11,762,501</b>	10,285,061

**27.1** This includes revenue of Rs. 426,358 thousand (2018: Rs. 489,094 thousand) from external pharmacy outlets.

**27.2** This includes rental income of Rs. 16,785 thousand (2018: Rs. 2,539 thousand) against operating leases to related parties.

## 28 OTHER INCOME

	Note	2019 (Rupees in 000)	2018
Income from financial assets:			
Profit on investments and bank deposits		6,222	11,996
Income from other than financial assets:			
Gain on disposal of property, plant and equipment		4,416	2,025
Liabilities written back		1,102	6,178
Sale of scrap		6,858	7,052
Miscellaneous	28.1	35,496	35,833
		<b>54,094</b>	63,084

**28.1** This mainly includes sale of Shifa News (magazine of Shifa Publications) and other miscellaneous income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 29 OPERATING COSTS

	Note	2019 (Rupees in 000)	2018
Salaries, wages and benefits	29.1	4,561,573	3,893,324
Utilities		417,497	315,808
Supplies consumed		1,127,757	1,012,912
Medicines consumed		2,961,556	2,782,747
Communication		31,129	27,917
Travelling and conveyance		27,288	29,558
Printing and stationery		82,722	69,525
Repairs and maintenance		401,321	346,621
Auditors' remuneration	29.2	3,325	2,300
Legal and professional		37,159	16,314
Rent		139,097	138,990
Rates and taxes		18,424	7,766
Advertising and sales promotion		43,053	43,981
Fee, subscription and membership		44,647	38,109
Vehicle and equipment rentals	29.3	26,769	13,376
Cleaning and washing		119,544	118,032
Insurance		10,421	14,884
Property, plant and equipment written off	29.4	3,221	8,699
Provision for doubtful debts	39.1.3	(11,473)	30,010
Provision for slow moving stores		999	234
Depreciation/amortization on tangible assets	14 & 15	552,818	498,598
Amortization on intangible assets	16	15,819	5,430
Donations	29.5	15,000	50,000
Miscellaneous		39,167	54,828
		<b>10,668,833</b>	<b>9,519,963</b>

**29.1** This includes employee retirement benefits (gratuity) of Rs. 111,351 thousand (2018: Rs. 91,369 thousand), expense for compensated absences of Rs. 44,674 thousand (2018: Rs. 41,481 thousand) and bonus to employees of Rs. 107,674 thousand (2018: Rs. 178,753 thousand).

	2019 (Rupees in '000')	2018
<b>29.2 Auditors' remuneration</b>		
Annual audit fee	1,900	1,517
Half yearly review fee	700	633
Statutory certifications	725	150
	<b>3,325</b>	<b>2,300</b>

**29.3** This includes ujrah 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) ujrah 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

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

	2019	2018
	(Rupees in '000')	
Within one year	27,860	25,113
After one year but not more than five years	19,608	42,518
Total ujah payments	47,468	67,631

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

## **29.5 Donations**

This represents donations given to Shifa Tameer-e-Millat University (STMU) which is the related party due to common directorship as detailed below:

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

The registered office of STMU is located at H-8/4 Islamabad.

## **30 FINANCE COSTS**

	2019	2018
	(Rupees in 000)	
Markup on:		
Long term loans	61,519	39,458
Running finance and murabaha facilities	10,109	642
Credit card payment collection charges	20,365	15,517
Loss on foreign currency translation	813	464
Bank charges and commission	3,108	1,230
	95,914	57,311

- 30.1** The borrowing costs of Rs. 134,923 thousand (2018: Rs. 37,193 thousand) and Rs. 8,861 thousand (2018: Rs. 6,465 thousand) are capitalized to investment property and capital work in progress respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 31 PROVISION FOR TAXATION

	Note	2019 (Rupees in 000)	2018
Current			
- for the year		288,078	207,338
- prior year		-	29,682
	25	288,078	237,020
Deferred		11,354	(24,096)
		299,432	212,924
<b>31.1 Reconciliation of tax charge for the year</b>			
Profit before taxation		1,048,272	770,871
Provision for taxation		299,432	212,924
Effective tax rate		28.56%	27.62%
<b>Reconciliation of effective tax rate</b>			
Applicable tax rate		29.00%	30.00%
Super tax		2.00%	3.00%
Total		31.00%	33.00%
Add: Tax effect of amounts taxed at lower rates/others		18.26%	22.56%
Less: Net tax effect of amounts that are deductible for tax purposes		20.70%	27.94%
Average effective tax rate charged on income		28.56%	27.62%

## 32 EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2019 (Rupees in 000)	2018
Profit after taxation for the year		748,840	557,947
		(Numbers in '000')	
Weighted average number of ordinary shares in issue during the year	5	54,538	54,538
		(Rupees)	
Earnings per share - basic and diluted		13.73	10.23

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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:

	2019	2018	2019	2018	2019	2018
	Available bed days		Occupied bed days		Occupancy Ratio	
SIHL H-8/4 Islamabad	175,734	167,781	118,808	117,671	67.61%	70.13%
SIHL Faisalabad	13,505	14,322	5,724	5,455	42.38%	38.09%
SIHL G-10/4 Islamabad	-	8,760	-	1,196	0.00%	13.65%

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

## 34 UNAVAILED CREDIT FACILITIES

	2019	2018
	(Rupees in '000')	
Unavailed credit facilities at year end are as under:		
Running/Murabaha financing	796,900	564,816
Letter of credit	147,700	220,468
Diminishing Musharakah	672,125	1,158,288
Ijarah financing	65,577	93,695
	1,682,302	2,037,267

## 35 NUMBER OF EMPLOYEES

The Group had 4,877 employees (2018: 4,788) at the year end and average number of employees during the year were 4,813 (2018: 4,635).

## 36 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	2019	2018
		(Rupees in 000)	
<b>Shifa Foundation: (Related party by virtue of common directorship)</b>			
Revenue from services earned by the SIHL	36.1	151,487	154,756
Revenue from rent earned by the SIHL		44	44
Expenses paid by and reimbursed to the SIHL		877	3,582
Other services provided to the SIHL		21,083	18,716

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

		2019 (Rupees in 000)	2018
	Note		
<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	36.2	28,473	20,245
Other services provided to the SIHL	36.3	17,259	13,835
Rental services received by the SIHL		4,725	1,753
<b>Shifa Tameer-e-Millat University: (Related party by virtue of common directorship)</b>			
Revenue from services earned by the SIHL	36.1	47,615	41,646
Revenue from rent earned by the SIHL		12,911	2,184
Other services provided to the SIHL	36.3	69,518	36,000
Expenses paid by and reimbursed to the SIHL		11,753	2,003
Donation paid by the SIHL		15,000	50,000
<b>SIHL Employees' Gratuity Fund</b>			
Payments made by the SIHL during the year	36.4	82,907	89,196
<b>Remuneration including benefits and perquisites of key management personnel</b>			
	36.5	311,226	269,794
<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 executed on terms agreed between the parties.		
<b>36.2</b>	The supplies mainly includes uniforms and dairy products. These transactions are executed on terms agreed between the parties.		
<b>36.3</b>	Services are received by the SIHL for nursing education/training, employees' children education. These transactions are based on terms agreed between the parties.		
<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 SIHL, including directors of SIHL. There were no transactions with the key management personnel during the year other than their terms of employment/entitlements.		
<b>36.6</b>	Names of associated companies or related parties or undertakings, with whom the Group had entered into transactions or had agreements and / or arrangements in place during the financial year are as follow:		
	<b>Name of related party</b>	<b>Basis of relationship</b>	<b>Percentage shareholding</b>
	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 CARE (Private) Limited	Associate and common directorship	50%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 37 REMUNERATION OF CHIEF EXECUTIVE, 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 Executive		Executive Directors		Non Executive Directors		Executives	
	2019	2018	2019	2018	2019	2018	2019	2018
	(Rupees in '000')							
Managerial remuneration	43,734	40,578	25,336	38,160	9,730	7,132	194,990	137,104
Rent and utilities	6,205	7,260	4,654	2,474	1,267	1,267	33,419	26,314
Bonus and incentives	2,090	2,657	2,344	4,275	307	645	8,963	14,965
Gratuity	-	-	-	-	-	-	10,428	7,132
Medical insurance	-	-	121	155	60	50	1,970	1,560
Leave encashment	-	-	-	-	-	-	3,284	2,062
	52,029	50,495	32,455	45,064	11,364	9,094	253,054	189,137
Number of persons	2	2	2	2	7	5	36	29

**37.1** The chief executives are provided with a Group maintained car, while two other directors and 26 executives availed car facility.

**37.2** Managerial remuneration includes Rs. 4,441 thousand (2018: 2,235 thousand) paid to directors in respect of meeting attending fee.

**37.3** Travelling expenses of directors for official purposes are reimbursed by the Group.

## 38 CASH AND CASH EQUIVALENTS

	2019		2018	
	Note	(Rupees in '000')	Note	(Rupees in '000')
Cash and bank balances	26	803,895		485,858
Investment - at amortized cost	24	3,000		-
Short term borrowing	12	-		(5,974)
		806,895		479,884

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 39 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 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 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.

### 39.1 Credit risk

Credit risk represents the financial loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. The Group does not have significant exposure to any individual counter-party. To reduce exposure to credit risk the Group has developed a formal approval process whereby credit limits are applied to its customers. The management of the Group also regularly monitors the credit exposure towards the customers and makes allowance for ECLs for those credit exposure. 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:

#### 39.1.1 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 and other services. Normally the services are rendered to the panel companies on agreed rates and limits from whom the SIHL 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 and makes allowance for ECLs against those balances considered doubtful of recovery.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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 high credit ratings and therefore 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:

	2019	2018
	(Rupees in '000')	
Long term deposits	69,916	41,140
Trade debts - considered good	584,846	716,758
Trade deposits and other receivables	67,062	40,915
Markup accrued	486	-
Investment - at amortized cost	3,000	-
Bank balances	803,885	485,387
	<b>1,529,195</b>	<b>1,284,200</b>

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

	2019	2018
	(Rupees in '000')	
Government companies	320,761	367,662
Private companies	194,655	266,551
Individuals	40,783	44,581
Related parties	28,647	25,483
Others	-	12,481
	<b>584,846</b>	<b>716,758</b>

### 39.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	2019		2018	
	Gross debts	Impaired	Gross debts	Impaired
	(Rupees in '000')		(Rupees in '000')	
Not past due	287,376	19,978	353,994	-
1 - 4 months	259,652	28,129	281,781	-
5 - 7 months	22,564	4,815	35,330	1,143
8 - 12 months	46,952	10,161	39,515	2,596
13 - 18 months	15,054	7,905	25,879	16,002
19 - 23 months	50,746	26,510	46,415	46,415
	<b>682,344</b>	<b>97,498</b>	<b>782,914</b>	<b>66,156</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

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

	Note	2019 (Rupees in '000')	2018
Balance at beginning of year		111,728	55,078
Provision made during the year		(11,883)	30,010
Less: bad debts written off		2,347	18,932
Balance at end of year	21	97,498	66,156
<b>39.1.3.1</b> Balance at beginning of year under IAS 39		66,156	NA
Effect of change in accounting policy due to adoption of IFRS 9 - Note 4.1		45,572	NA
Adjusted balance at beginning of year under IFRS 9		111,728	NA

**39.1.4** 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 amounts is possible.

**39.1.5** The ageing of Shifa Foundation at the reporting date was:

	2019		2018	
	Gross debts	Allowance for ECL	Gross debts	Allowance for ECL
	(Rupees in '000')		(Rupees in '000')	
1 - 4 months	28,647	-	25,483	-

## 39.2 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 manage 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 34 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.

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>2019</b>						
Long term financing - secured	2,498,776	82,046	83,700	745,872	1,587,158	-
Trade and other payables	3,054,369	3,054,369	-	-	-	-
Unclaimed dividend	48,671	48,671	-	-	-	-
Mark up accrued	30,406	30,406	-	-	-	-
	5,632,222	3,215,492	83,700	745,872	1,587,158	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	Carrying amount	Six months or less	Six to twelve months	One to two years	Two to five years	Above five years
	(Rupees in '000')					
2018						
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	-	-	-	-
Mark up accrued	12,264	12,264	-	-	-	-
Short term borrowing - secured	5,974	5,974	-	-	-	-
	4,306,495	2,799,225	380	6,370	1,287,128	213,392

## 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 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.

### 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 Group's exposure to foreign currency risk is very minimal. The Group's exposure to foreign currency risk is as follows:

	2019 (Amount in '000')		2018 (Amount in '000')	
	USD	AED	USD	AED
Bank balances	1.01	26.15	0.73	1.79
Letter of credit	-	-	(220.00)	-
	1.01	26.15	(219.27)	1.79

	2019 (Rupees in '000')		2018 (Rupees in '000')	
Bank balances	164	1,159	88	59
Letter of credit	-	-	(26,759)	-
	164	1,159	(26,671)	59

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2019	2018	2019	2018
	(Rupees)		(Rupees)	
USD 1 - Buying	136.11	109.88	162.9	121.45
USD 1 - Selling	136.40	110.07	163.2	121.63
AED 1 - Buying	37.05	29.91	44.35	33.05
AED 1 - Selling	37.13	29.96	44.45	33.10

## 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>2019</b>			
Foreign currencies	+10%	132	132
Foreign currencies	-10%	(132)	(132)
<b>2018</b>			
Foreign currencies	+10%	(2,661)	(2,661)
Foreign currencies	-10%	2,661	2,661

### 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 Group's exposure to the risk of changes in market markup rates relates primarily to the 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 and 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## Profile

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

	Note	2019 (Rupees in '000')	2018
<b>Financial assets</b>			
Investment - at amortized cost	24	3,000	-
Bank balances	26	641,891	397,800
		<b>644,891</b>	397,800
<b>Financial liabilities</b>			
Long term financing - secured	8	2,498,776	1,675,118
Short term borrowing - secured	12	-	5,974
		<b>2,498,776</b>	1,681,092
		<b>(1,853,885)</b>	(1,283,292)

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 consolidated profit for the year ended June 30, 2019 would decrease/increase by Rs. 2,819 thousand (2018: decrease/increase by Rs. 2,496 thousand). This is mainly attributable to the Group's exposure to markup rates on its variable rate borrowings.

## 39.4 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

## 39.5 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

---

## 40 FAIR VALUE HIERARCHY

---

### Fair value of land

Valuation of the lands owned by the SIHL are valued by independent valuers to determine the fair value of the lands as at June 30, 2019. The fair value of lands subject to revaluation model fall under level 2 of fair value hierarchy.

---

## 41 OPERATING SEGMENTS

---

The consolidated financial statements have been prepared on the basis of single reportable segment. All revenue of the Group is earned from customers located in Pakistan. All non-current assets of the Group at June 30, 2019 are located in Pakistan. There is no customer with more than 10% of total revenue of the Group for the year.

---

## 42 SUBSEQUENT EVENTS

---

The Board of Directors of SIHL in their meeting held on September 14, 2019 has proposed a dividend of Rs. 2.55 per share.

---

## 43 DATE OF AUTHORIZATION FOR ISSUE

---

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the SIHL on September 14, 2019.

---

## 44 GENERAL

---

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



CHAIRMAN



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



# **SHAREHOLDERS' INFORMATION**

# PATTERN OF SHAREHOLDING

As at June 30, 2019

Number of shareholders	Size of holding of shares		Total shares held
	From	To	
155	1	100	5,756
1,111	101	500	534,422
301	501	1,000	251,295
241	1,001	5,000	556,347
81	5,001	10,000	657,109
50	10,001	15,000	599,724
35	15,001	20,000	631,609
22	20,001	25,000	496,086
12	25,001	30,000	329,113
9	30,001	35,000	286,124
11	35,001	40,000	420,312
7	40,001	45,000	297,309
14	45,001	50,000	680,532
9	50,001	55,000	474,816
3	55,001	60,000	176,510
2	60,001	65,000	121,750
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
4	90,001	95,000	370,051
10	95,001	100,000	999,357
1	100,001	105,000	105,000
5	105,001	110,000	538,488
3	120,001	125,000	370,910
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	149,008
3	150,001	155,000	457,205
2	155,001	160,000	317,400
2	160,001	165,000	326,040
1	165,001	170,000	167,410
2	170,001	175,000	341,950
1	195,001	200,000	200,000
1	200,001	205,000	204,925
2	205,001	210,000	415,317
1	215,001	220,000	219,755
1	225,001	230,000	227,670
1	240,001	245,000	243,840
2	250,001	255,000	505,898

# PATTERN OF SHAREHOLDING

As at June 30, 2019

Number of shareholders	Size of holding of shares		Total shares held
	From	To	
1	255,001	260,000	259,119
1	260,001	265,000	264,300
1	275,001	280,000	278,358
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	495,001	500,000	500,000
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	1,885,001	1,890,000	1,885,205
1	2,230,001	2,235,000	2,234,528
1	2,295,001	2,300,000	2,299,072
1	2,620,001	2,625,000	2,622,600
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>2,163</b>			<b>54,537,900</b>

Categories of shareholders	Number of shareholders	Shares held	Percentage
<b>INDIVIDUALS</b>	2062	37,388,694	68.56
<b>FINANCIAL INSTITUTIONS</b>	14	752,057	1.38
<b>INVESTMENT COMPANIES</b>	2	929,119	1.70
<b>JOINT STOCK COMPANIES</b>	14	511,953	0.94
<b>MUTUAL FUND</b>	11	2,983,609	5.47
<b>CHARITABLE TRUSTS</b>	5	119,138	0.22
<b>OTHERS</b>	54	9,230,730	16.93
<b>INSURANCE COMPANIES</b>	1	2,622,600	4.81
<b>Total</b>	<b>2163</b>	<b>54,537,900</b>	<b>100.00</b>

Categories of shareholders	Number of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouses and minor children *	10	7,773,797	14.254
Associated Companies, Undertakings and related parties **	4	8,436,616	15.469
Banks, Development Financial Institutions, Non Banking Financial Institutions	14	752,057	1.379
Shareholders holding 10 % or more voting interest ***	1	7,778,641	14.263
Joint Stock Companies	14	511,953	0.939
Executives	4	20,939	0.038

# PATTERN OF SHAREHOLDING

As at June 30, 2019

## \* 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
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	16,650	0.031

## \*\* Shares held by related parties

Shifa Foundation	571,052	1.047
Tameer-e-Millat Foundation	7,778,641	14.263
SIHL Employees' Gratuity Fund	76,923	0.141
Shifa Tameer-e-Millat University	10,000	0.018

## Shareholders with 5 % or more voting interest

Tameer-e-Millat Foundation***	7,778,641	14.263
Mrs. Kulsoom Zaheer Ahmad	5,358,594	9.825
Matthews Emerging Asia Fund	2,733,351	5.012

# FORM OF PROXY

## 33rd 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 33<sup>rd</sup> Annual General Meeting of the Company to be held at 1100 hours on Saturday, October 26, 2019, and at any adjournment thereof.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2019

**Revenue  
Stamp**

Signed by the said \_\_\_\_\_

(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.





پراکسی فارم  
۳۳واں سالانہ اجلاس عام  
شفا انٹرنیشنل ہسپتال لمیٹڈ

میں / ہم ..... ساکن ..... شیئر ہولڈر .....  
شفا انٹرنیشنل ہسپتال لمیٹڈ فلیو نمبر / سی ڈی سی اکاؤنٹ نمبر ..... شیئر زکا شمار ..... بذریعہ ہذا تقرر کرتا ہوں  
..... ساکن ..... فلیو نمبر / سی ڈی سی اکاؤنٹ نمبر .....  
..... یا اس کی عدم دستیابی پر ..... ساکن .....  
فلیو نمبر / سی ڈی سی اکاؤنٹ نمبر ..... جو کہ میری / ہماری غیر موجودگی میں میرے / ہمارے پراکسی (نمائندے) کے طور پر کمپنی کے  
33 ویں سالانہ اجلاس عام میں جو 26 اکتوبر 2019 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 ..... 2019  
دستخط مذکورہ بالا .....

ریونیو  
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 :

- 1- 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 H-8/4، اسلام آباد پہنچ جانا چاہئے۔
- 2- اگر ایک ممبر ایک سے زائد پراکسی یا پراکسی کے فارم کمپنی کے پاس جمع کرواتا ہے تو ایسے تمام پراکسی کے فارم کو غیر قانونی تصور کیا جائے گا۔
- 3- سی ڈی سی اکاؤنٹ ہولڈر، سب اکاؤنٹ ہولڈر / شیئر ہولڈر ز 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۔



















**Be aware, Be alert,  
Be safe**

**Learn about investing at  
www.jamapunji.pk**

**Key features:**

-  Licensed Entities Verification
-  Scam meter\*
-  Jamapunji games\*
-  Tax credit calculator\*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator  
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event  
notifications, corporate and  
regulatory actions)
-  Jamapunji application for  
mobile device
-  Online Quizzes



Jama Punji is an Investor  
Education Initiative of  
Securities and Exchange  
Commission of Pakistan

 [jamapunji.pk](https://www.facebook.com/jamapunji.pk)

 [@jamapunji\\_pk](https://twitter.com/jamapunji_pk)

\*Mobile apps are also available for download for android and ios devices

## NOTES

[illegible]



Designed and Produced By:

**ASTRAL HATCH INC.**



Pitras Bukhari Road,  
Sector H-8/4, Islamabad - Pakistan  
Tel: +92-51-846-3000,3666,4646  
Fax: +92-51-4863182  
Email: [info@shifa.com.pk](mailto:info@shifa.com.pk)  
Website: [www.shifa.com.pk](http://www.shifa.com.pk)