UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

Grant Thronton Anjum Rahman
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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 Rah

Grant Thornton Anjum Rahman
Chartered Accountants
Islamabad
September 14, 2019

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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	**Valuation of lands** (Refer notes 7.1 and 14.1 to the financial statements) 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.	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 Vale 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.
2.	**Applicability of IFRS 9** (Refer notes 4.1, 21 and 23 to the financial statements) 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'. Determination of ECL provision requires significant judgement and assumptions including consideration of historical events, current conditions and forecasts of future economic conditions. 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.	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. We, further, assessed the integrity and quality of the data used for ECL computation and checked the mathematical accuracy of ECL working. We also reviewed and assessed the impact and disclosures made in the financial statements with regard to the effect of adoption of IFRS 9.

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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 Rah

Grant Thornton Anjum Rahman

Chartered Accountants

Place: Islamabad

Date: September 14, 2019

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Note	2019	2018
		(Rupees in '000')	
SHARE CAPITAL AND RESERVES			
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
Capital reserves			
Share premium account	6	**1,046,025**	1,046,025
Surplus on revaluation of property, plant and equipment	7	**772,019**	723,310
Revenue reserve			
Unappropriated profit		**3,283,636**	2,811,117
		5,647,059	5,125,831
NON - CURRENT LIABILITIES			
Long term financing - secured	8	**2,333,030**	1,506,890
Deferred taxation	9	**384,315**	375,186
		2,717,345	1,882,076
CURRENT LIABILITIES			
Trade and other payables	10	**3,328,432**	2,917,424
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
		3,573,255	3,137,871
		11,937,659	10,145,778
CONTINGENCIES AND COMMITMENTS	13		

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

CHAIRMAN

CHIEF EXECUTIVE

	Note	2019	2018
		(Rupees in '000')	
NON - CURRENT ASSETS			
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
		8,738,656	7,543,052
CURRENT ASSETS			
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
		2,891,682	2,602,726
Non - current asset held for sale	27	**307,321**	-
		11,937,659	10,145,778

CHIEF FINANCIAL OFFICER

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2019

	Note	2019	2018
		(Rupees in '000')	
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
Earnings per share - basic and diluted - (Rupees)	33	14.25	10.21

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	2018
	(Rupees in '000')	
Profit after taxation	**777,334**	556,688
Other comprehensive income		
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')	
CASH FLOWS FROM OPERATING ACTIVITIES		
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	2018
		(Rupees in '000')	
CASH FLOWS FROM INVESTING ACTIVITIES			
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)
CASH FLOWS FROM FINANCING ACTIVITIES			
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')		
Balance at July 01, 2017	545,379	1,046,025	726,760	2,553,295	4,871,459
Total comprehensive income for the year					
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	-
Distribution to owners					
Final dividend 2016-17: Rs. 5 per share	-	-	-	(272,690)	(272,690)
Balance at June 30, 2018	545,379	1,046,025	723,310	2,811,117	5,125,831
Balance at July 01, 2018	**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**
Total comprehensive income for the year					
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**	**-**
Distribution to owners					
Final dividend 2017-18: Rs. 4.5 per share	**-**	**-**	**-**	**(245,421)**	**(245,421)**
Balance at June 30, 2019	**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

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.

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.

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:

		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 losses 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

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.

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.

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.

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.

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.

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 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.

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.

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.

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 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.

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:

- 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

- 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')
Current financial assets					
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	-
Non-current financial assets					
Long term deposits	Held to maturity	Amortized cost	41,140	41,140	-
Current financial liabilities					
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	-
Non- current financial liability					
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.

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')	
54,537,900	54,537,900	Ordinary shares of Rs. 10 each fully paid in cash	**545,379**	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 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	**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	2018
		(Rupees in '000')	
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.

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	2018
			(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**

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:				
Effect of taxable temporary differences				
Accelerated depreciation/amortization allowance	470,068	(6,793)	-	463,275
Effect of deductible temporary differences				
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**	2018
		(Rupees in '000')	
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
		3,328,432	2,917,424

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

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.

		Note	2019	2018
			(Rupees in '000')	
10.3	**Compensated absences**			
	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
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)
		30.1	**111,351**	91,369

		2019	2018
		(Rupees in '000')	
10.4.4	**Remeasurements recognized in other comprehensive income (OCI) during the year**		
	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
10.4.5	**Movement in liability recognized in statement of financial position:**		
	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
10.4.6	**Plan assets comprise of:**		
	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

10.4.7 The principal actuarial assumptions used in the actuarial valuation are as follows:

	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**

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	2018
		(Rupees in '000')	
13.1 Contingencies			
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.

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.

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

14. PROPERTY, PLANT AND EQUIPMENT

Particulars	Note	Owned assets												
		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)	Total
		(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	**27**	**-**	**(256,692)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(60,225)**	**(316,917)**
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**

Particulars	Note	Owned assets											Capital work-in-progress (note 14.6)	Total
		Freehold land	Leasehold land	Building on leasehold land	Leasehold Improve-ments	Biomedical equipment	Air conditioning equipment and machinery	Electrical and other equipment	Furniture and fittings	Construction equipment	Computer installations	Vehicles		
		(Rupees in 000)												
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	27	-	**(9,596)**	-	-	-	-	-	-	-	-	-	-	**(9,596)**
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		

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
Leasehold land	(Rupees in '000')		
2019	**8,399**	**2,574**	**5,825**
2018	325,065	62,436	262,629
Freehold land			
2019	**981,581**	**-**	**981,581**
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.

14.6 Capital work-in-progress	Note	**2019**	2018
		(Rupees in '000')	
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
		910,601	325,954

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	2018
		(Rupees in '000')	
H-8/4 hospital		-	44,940
F-11 hospital		-	47,906
Shifa guest house		58,720	45,455
Other constructions		40,165	18,389
		98,885	156,690

14.6.2 Stores held for capital expenditure

	Note	2019	2018
Stores held for capital expenditure		4,521	5,121
Less: provision for slow moving items	14.6.2.1	2,030	1,513
		2,491	3,608

		2019	2018
14.6.2.1	Balance at beginning of the year	1,513	3,079
	Charged/ (reversed) during the year	517	(1,566)
	Balance at the end of the year	2,030	1,513

14.6.3 Installation of equipment in progress

	2019	2018
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
	809,225	165,656

15 INVESTMENT PROPERTY

	Note	2019	2018
		(Rupees in '000')	
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	2018
		(Rupees in '000')	
Cost	16.1	**105,185**	39,132
Accumulated amortization	16.1	**(21,474)**	(5,655)
Net book value		**83,711**	33,477

16.1 Movement in cost and accumulated amortization is as follow:

	Note	2019	2018
Cost:			
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
Accumulated amortization:			
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
Net book value		**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.

17 LONG TERM INVESTMENT - AT COST

	Note	2019	2018
		(Rupees in '000')	
In associated company (unquoted):			
Shifa Care (Private) Limited (SCPL)	17.2	**14,445**	-
In subsidiary companies (unquoted):			
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**	-
		79,833	18,120

17.1 The breakup values of these investments are given below:

	2019	2018
	Rupees / Share	
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.

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	2018
		(Rupees in '000')	
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	2018
		(Rupees in '000')	
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

19.1

	2019	2018
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.

21 TRADE DEBTS - CONSIDERED GOOD

	Note	2019	2018
		(Rupees in '000')	
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	2018
		(Rupees in '000')	
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

22.1 Reconciliation of carrying amount of advances given to executives:

	2019	2018
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).

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	2018
		(Rupees in '000')	
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	2018
		(Rupees in '000')	
23.2	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	2018
		(Rupees in '000')	
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

26 CASH AND BANK BALANCES

	Note	2019	2018
		(Rupees in '000')	
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	2018
		(Rupees in '000')	
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.

29 OTHER INCOME

	Note	2019	2018
		(Rupees in '000')	
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
		55,871	63,084

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

30 OPERATING COSTS

	Note	2019	2018
		(Rupees in '000')	
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
		10,630,459	9,508,191

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).

30.2 Auditors' remuneration

	2019	2018
	(Rupees in '000')	
Annual audit fee	**1,600**	1,417
Half yearly review fee	**700**	583
Statutory certifications	**725**	150
	3,025	2,150

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	**47,468**	67,631

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
	95,900	57,280

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	2018
		(Rupees in 000)	
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

32.1 Reconciliation of tax charge for the year

	2019	2018
Profit before taxation	**1,073,137**	768,210
Provision for taxation	**295,803**	211,522
Effective tax rate	**27.56%**	27.53%
Reconciliation of effective tax rate		
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

	Note	2019	2018
		(Rupees in '000')	
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.

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)	
Shifa Foundation: (Related party by virtue of common directorship)			
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

	Note	2019	2018
		(Rupees in '000')	
Tameer-e-Millat Foundation: (Related party by virtue of common directorship)			
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
Shifa Tameer-e-Millat University: (Related party by virtue of common directorship)			
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
Shifa Development Services (Private) Limited (subsidiary company)			
Expenses paid by and reimbursed to the Company		**2,515**	743
SIHL Employees' Gratuity Fund			
Payments made by the Company during the year	37.4	**82,907**	89,196
Remuneration including benefits and perquisites of key management personnel	37.5	**311,226**	269,794

37.1 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.

37.2 The supplies mainly includes uniforms and dairy products. These transactions are executed on terms agreed between the parties.

37.3 Services are received by the Company for nursing education/training, employees' children education. These transactions are based on terms agreed between the parties.

37.4 Transactions with the Fund are carried out based on the terms of employment of employees and according to actuarial advice.

37.5 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.

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%

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

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.

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	2018
	(Rupees in '000')	
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
	1,515,044	1,274,906

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	**191,275**	263,827
Individuals	**40,783**	44,581
Related parties	**28,647**	25,483
Others	**-**	12,481
	581,466	714,034

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
	678,773	**97,307**	780,190	66,156

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

	Note	2019	2018
		(Rupees in '000')	
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
40.1.3.1 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')			
2019						
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**	**-**

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

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')	
2019			
Foreign currencies	**+10%**	**132**	**132**
Foreign currencies	**-10%**	**(132)**	**(132)**
2018			
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.

Profile

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

	Note	2019	2018
		(Rupees in '000')	
Financial assets			
Investment - at amortized cost	24	**3,000**	-
Bank balances	26	**641,891**	397,800
		644,891	397,800
Financial liabilities			
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.

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.

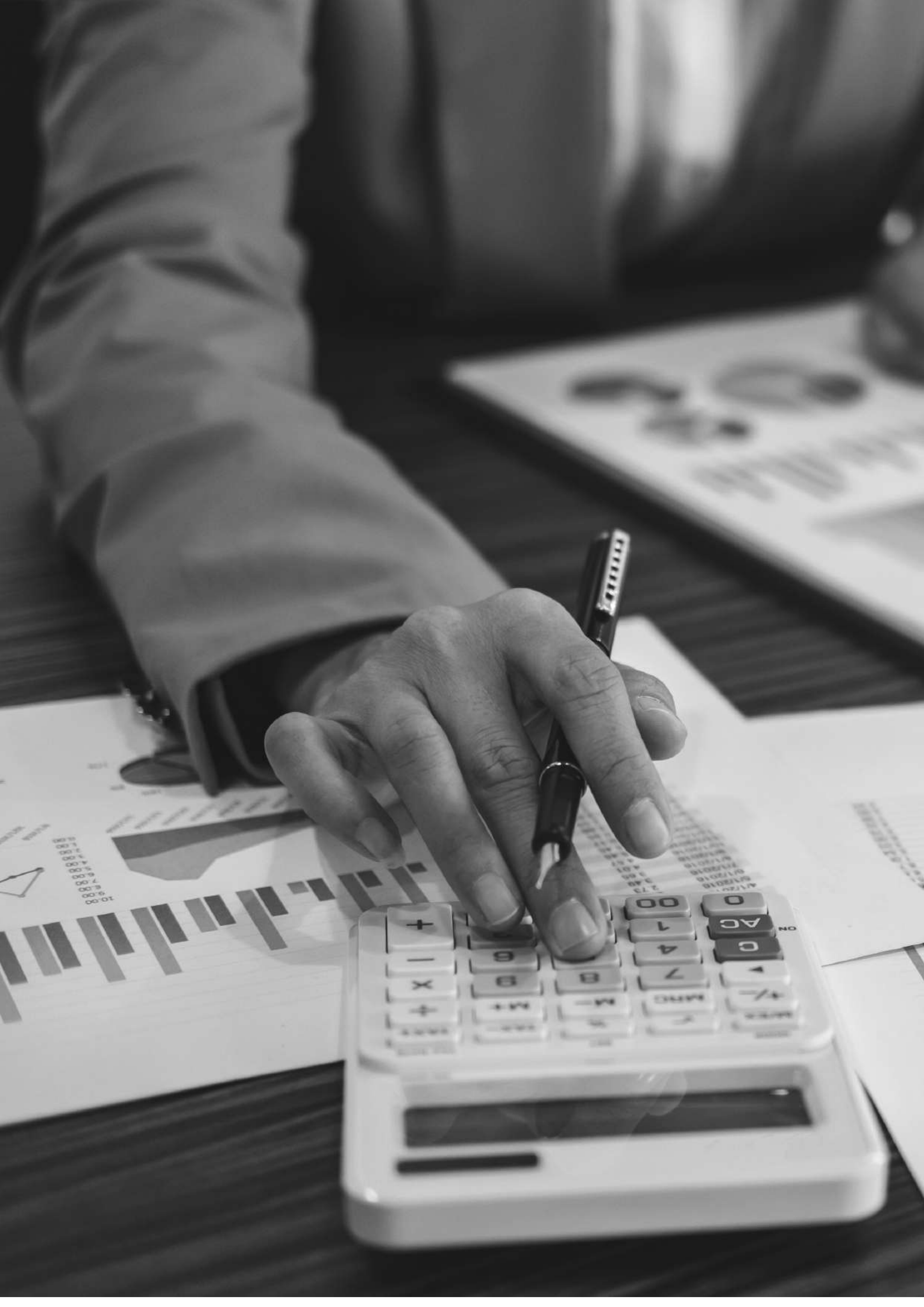
45 GENERAL

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

Grant Thronton Anjum Rahman
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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	**Valuation of lands** (Refer notes 7.1 and 14.1 to the financial statements) 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.	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 Vale 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.
2	**Applicability of IFRS 9** (Refer notes 4.1, 21 and 23 to the financial statements) 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'. Determination of ECL provision requires significant judgement and assumptions including consideration of historical events, current conditions and forecasts of future economic conditions. 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.	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. We, further, assessed the integrity and quality of the data used for ECL computation and checked the mathematical accuracy of ECL working. We also reviewed and assessed the impact and disclosures made in the financial statements with regard to the effect of adoption of IFRS 9.

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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 Rah

Grant Thornton Anjum Rahman
Chartered Accountants
Place: Islamabad
Date: September 14, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Note	2019	2018
		(Rupees in '000')	
SHARE CAPITAL AND RESERVES			
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
Capital reserves			
Share premium account	6	**1,046,025**	1,046,025
Surplus on revaluation of property, plant and equipment	7	**1,234,923**	723,310
Revenue reserve			
Unappropriated profit		**3,250,167**	2,798,675
		6,076,494	5,113,389
NON - CONTROLLING INTEREST		**2,593**	-
NON - CURRENT LIABILITIES			
Long term financing - secured	8	**2,333,030**	1,506,890
Deferred taxation	9	**384,315**	375,186
		2,717,345	1,882,076
CURRENT LIABILITIES			
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
CONTINGENCIES AND COMMITMENTS	13		

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

CHAIRMAN

CHIEF EXECUTIVE

	Note	2019	2018
		(Rupees in '000')	
NON - CURRENT ASSETS			
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
		9,440,858	7,525,513
CURRENT ASSETS			
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
		2,938,244	2,611,944
		12,379,102	10,137,457

CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2019

	Note	2019	2018
		(Rupees in '000')	
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
Attributable to:			
Equity holders of Shifa International Hospitals Limited		748,840	557,947
Earnings per share - basic and diluted - (Rupees)	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	2018
	(Rupees in '000')	
Profit after taxation	**748,840**	557,947
Other comprehensive income		
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
Attributable to:		
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')	
CASH FLOWS FROM OPERATING ACTIVITIES		
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	2018
		(Rupees in '000')	
CASH FLOWS FROM INVESTING ACTIVITIES			
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)
CASH FLOWS FROM FINANCING ACTIVITIES			
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')					
Balance at July 01, 2017	545,379	1,046,025	726,760	2,539,594	-	4,857,758
Total comprehensive income for the year						
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	-	-
Distribution to owners						
Final dividend 2016-17: Rs. 5 per share	-	-	-	(272,690)	-	(272,690)
Balance at June 30, 2018	545,379	1,046,025	723,310	2,798,675	-	5,113,389
Balance at July 01, 2018	**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**
Total comprehensive income for the year						
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**	**-**	**-**
Distribution to owners						
Final dividend 2017-18: Rs. 4.5 per share	**-**	**-**	**-**	**(245,421)**	**-**	**(245,421)**
Changes in ownership interests						
Disposal of shares without change in control	**-**	**-**	**-**	**7,762**	**2,593**	**10,355**
Balance at June 30, 2019	**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

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:

- 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.

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.

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 losses 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 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

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:

- 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:

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.

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 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.

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.

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.

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.

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.

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.

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:

	Measurement category		Carrying amount		Difference
	Original (IAS 39)	New (IFRS 9)	Original (Rupees in '000')	New (Rupees in '000')	(Rupees in '000')
Current financial assets					
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	-
Non-current financial assets					
Long term deposits	Held to maturity	Amortized cost	41,140	41,140	-
Current financial liabilities					
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	-
Non- current financial liability					
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:

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')	
54,537,900	54,537,900	Ordinary shares of Rs. 10 each fully paid in cash	**545,379**	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	**723,310**	726,760
Revaluation surplus during the year	**520,643**	5,541
Transferred to unappropriated profits in respect of incremental depreciation charged during the year	**(9,030)**	(8,991)
Balance at end of year	**1,234,923**	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.

8 LONG TERM FINANCING - SECURED

	Note	2019	2018
		(Rupees in '000')	
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 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.

9 DEFERRED TAXATION

	Note	2019	2018
		(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:

	2019	2018
Accelerated depreciation/amortization allowance	**494,137**	463,275

9.2 Deferred tax asset on deductible temporary differences:

	2019	2018
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**

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:				
Effect of taxable temporary differences				
Accelerated depreciation/ amortization allowance	470,068	(6,793)	-	463,275
Effect of deductible temporary differences				
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**	2018
		(Rupees in '000')	
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
		3,337,847	2,921,545

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

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.

		Note	2019	2018
10.3	**Compensated absences**		**(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

		2019	2018
		(Rupees in '000')	
10.4.4	**Remeasurements recognized in other comprehensive income (OCI) during the year**		
	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
10.4.5	**Movement in liability recognized in statement of financial position:**		
	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
10.4.6	**Plan assets comprise of:**		
	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
10.4.7	**The principal actuarial assumptions used in the actuarial valuation are as follows:**		
	Discount rate used for interest cost in profit or loss	**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**

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')	
13.1 Contingencies			
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.

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.

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

14. PROPERTY, PLANT AND EQUIPMENT

Particulars	Owned assets												Total
	Freehold land	Leasehold land	Building on leasehold land	Leasehold Improve-ments	Biomedical equipment	Air conditioning equipment and machinery	Electrical and other equipment	Furniture and fittings	Construction equipment	Computer installations	Vehicles	Capital work-in-progress (note 14.6)	
	(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**

Particulars	Owned assets												
	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)	Total
	(Rupees in 000)												
Depreciation/amortization													
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
Balance as at July 01, 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**
Charge for the year	**-**	**18,708**	**70,307**	**7,592**	**261,826**	**36,652**	**62,223**	**16,278**	**213**	**55,227**	**8,867**	**-**	**537,893**
On disposals	**-**	**-**	**-**	**-**	**(2)**	**(12)**	**-**	**(1)**	**-**	**(43)**	**(11,277)**	**-**	**(11,335)**
On write offs	**-**	**-**	**-**	**-**	**(13,659)**	**(494)**	**(887)**	**(65)**	**-**	**(2,816)**	**-**	**-**	**(17,921)**
Balance as at June 30, 2019	**-**	**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		

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
Leasehold land	(Rupees in '000')		
2019	**325,065**	**72,145**	**252,920**
2018	325,065	62,436	262,629
Freehold land			
2019	**981,581**	**-**	**981,581**
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.

14.6 Capital work-in-progress	Note	**2019**	2018
		(Rupees in '000')	
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
		970,826	325,954

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	2018
		(Rupees in '000')	
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
		159,110	156,690

14.6.2 Stores held for capital expenditure

	Note	2019	2018
Stores held for capital expenditure		**4,521**	5,121
Less: provision for slow moving items	14.6.2.1	**2,030**	1,513
		2,491	3,608

		2019	2018
14.6.2.1	Balance at beginning of the year	**1,513**	3,079
	Charged/ (reversed) during the year	**517**	(1,566)
	Balance at the end of the year	**2,030**	1,513

14.6.3 Installation of equipment in progress

	2019	2018
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
	809,225	165,656

15 INVESTMENT PROPERTY

	Note	2019	2018
		(Rupees in '000')	
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	2018
		(Rupees in '000')	
Cost	16.1	105,185	39,132
Accumulated amortization	16.1	(21,474)	(5,655)
Net book value		83,711	33,477
16.1 Movement in cost and accumulated amortization is as follow:			
Cost:			
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
Accumulated amortization:			
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
Net book value		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.

17 LONG TERM INVESTMENT - EQUITY METHOD

	Note	2019	2018
		(Rupees in '000')	
In associated company - unquoted			
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	2018
	(Rupees in '000')	
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	2018
		(Rupees in '000')	
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	2018
		(Rupees in '000')	
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

		2019	2018
19.1	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.

21 TRADE DEBTS - CONSIDERED GOOD

	Note	2019	2018
		(Rupees in '000')	
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
		684,691	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
		584,846	716,758

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	2018
		(Rupees in '000')	
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

22.1 Reconciliation of carrying amount of advances given to executives:

	2019	2018
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

22.1.1 The above advances were given in accordance with the Group's service rules. The maximum amount due from executives at the end of any month during the year was Rs. 4,259 thousand (2018: Rs. 7,937 thousand).

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	2018
		(Rupees in '000')	
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

		2019	2018
23.1	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

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	2018
		(Rupees in '000')	
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	2018
		(Rupees in '000')	
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).

27 NET REVENUE

	Note	2019	2018
		(Rupees in 000)	
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
		11,877,916	10,383,774
Less: discount		**112,021**	96,400
Less: sales tax		**3,394**	2,313
Net revenue		**11,762,501**	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	2018
		(Rupees in 000)	
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
		54,094	63,084

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

29 OPERATING COSTS

	Note	2019	2018
		(Rupees in 000)	
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
		10,668,833	9,519,963

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).

29.2 Auditors' remuneration

	2019	2018
	(Rupees in '000')	
Annual audit fee	**1,900**	1,517
Half yearly review fee	**700**	633
Statutory certifications	**725**	150
	3,325	2,300

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.

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	**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.

31 PROVISION FOR TAXATION

	Note	2019	2018
		(Rupees in 000)	
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

31.1 Reconciliation of tax charge for the year

	2019	2018
Profit before taxation	**1,048,272**	770,871
Provision for taxation	**299,432**	212,924
Effective tax rate	**28.56%**	27.62%
Reconciliation of effective tax rate		
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	2018
		(Rupees in 000)	
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.

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)	
Shifa Foundation: (Related party by virtue of common directorship)			
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

	Note	2019	2018
		(Rupees in 000)	
Tameer-e-Millat Foundation: (Related party by virtue of common directorship)			
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
Shifa Tameer-e-Millat University: (Related party by virtue of common directorship)			
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
SIHL Employees' Gratuity Fund			
Payments made by the SIHL during the year	36.4	**82,907**	89,196
Remuneration including benefits and perquisites of key management personnel	36.5	**311,226**	269,794

36.1 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.

36.2 The supplies mainly includes uniforms and dairy products. These transactions are executed on terms agreed between the parties.

36.3 Services are received by the SIHL for nursing education/training, employees' children education. These transactions are based on terms agreed between the parties.

36.4 Transactions with the Fund are carried out based on the terms of employment of employees and according to actuarial advice.

36.5 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.

36.6 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:

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 CARE (Private) Limited	Associate and common directorship	50%

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

	Note	2019	2018
		(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

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.

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
	1,529,195	1,284,200

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
	584,846	716,758

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
	682,344	97,498	782,914	66,156

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

	Note	2019	2018
		(Rupees in '000')	
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

		2019	2018
39.1.3.1	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')					
2019						
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**	**-**

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

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')	
2019			
Foreign currencies	**+10%**	**132**	**132**
Foreign currencies	**-10%**	**(132)**	**(132)**
2018			
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.

Profile

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

	Note	2019	2018
		(Rupees in '000')	
Financial assets			
Investment - at amortized cost	24	**3,000**	-
Bank balances	26	**641,891**	397,800
		644,891	397,800
Financial liabilities			
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 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