FINANCIAL STATEMENTS

For the year ended June 30, 2018

STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

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

CONTINGENCIES AND COMMITMENTS 13

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

CHAIRMAN

CHIEF EXECUTIVE

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

CHIEF FINANCIAL OFFICER

STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2018

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

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

CHAIRMAN

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended June 30, 2018

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

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

CHAIRMAN

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

	Note	2018	2017
		(Rupees in '000')	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**768,210**	862,593
Adjustments for:			
Depreciation/amortization on tangible assets		**498,398**	463,197
Amortization on intangible assets		**5,430**	225
Provision for doubtful debts		**27,924**	36,649
Property, plant and equipment written off		**8,643**	13,189
Gain on disposal of property, plant and equipment		**(2,025)**	(11,395)
Provision for compensated absences		**41,444**	34,565
Provision for gratuity		**91,369**	82,192
Provision for slow moving stores		**234**	(4,550)
Liabilities written back		**(6,178)**	(7,362)
Profit on investments and bank deposits		**(11,996)**	(58,130)
Loss on foreign currency translation		**464**	419
Finance cost		**56,816**	65,970
Operating cash flows before changes in working capital		**1,478,733**	1,477,562
Changes in working capital:			
(Increase) in current assets:			
Stores, spare parts and loose tools		**(40,212)**	(12,080)
Stock-in-trade		**(88,767)**	(42,663)
Trade debts		**(294,188)**	(145,674)
Loans and advances		**(66,376)**	(180,457)
Trade deposits and short term prepayments		**(14,653)**	(17,146)
Increase in current liabilities:			
Trade and other payables		**580,140**	469,891
Cash generated from operations		**1,554,677**	1,549,433
Finance cost paid		**(44,950)**	(66,055)
Income tax paid		**(486,605)**	(340,414)
Payment to SIHL Employees' Gratuity Fund		**(89,196)**	(76,017)
Compensated absences paid		**(31,624)**	(29,112)
Net cash from operating activities		**902,302**	1,037,835
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,068,034)**	(1,349,851)
Purchase of investment property		**(1,056,812)**	-
Purchase of intangible assets		**(28,322)**	(10,810)
Encashment of Investments - held to maturity		**50,000**	-
Proceeds from disposal of property, plant and equipment		**3,763**	33,958
Investment in TDRs		**-**	(50,000)
Markup received		**13,161**	58,466
Investment in subsidiary		**-**	(120)
Increase in long term deposits		**(15,463)**	(5,596)
Net cash used in investing activities		**(2,101,707)**	(1,323,953)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - repayments		**(335,764)**	(335,673)
Long term financing - proceeds		**1,493,679**	-
Dividend paid		**(265,761)**	(179,286)
Net cash generated from/(used in) financing activities		**892,154**	(514,959)
Net decrease in cash and cash equivalents		**(307,251)**	(801,077)
Cash and cash equivalents at beginning of year		**781,194**	1,582,690
Effect of exchange rate changes on cash and cash equivalents		**(464)**	(419)
Cash and cash equivalents at end of year	38	**473,479**	781,194

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

CHAIRMAN CHIEF EXECUTIVE CHIEF FINANCIAL OFFICER

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2018

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

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

CHAIRMAN

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

1 STATUS AND NATURE OF BUSINESS

1.1 Shifa International Hospitals Limited ("the Company") was incorporated in Pakistan on September 29, 1987 as a private limited company under the repealed Companies Ordinance, 1984 and converted into a public limited company on October 12, 1989. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The registered office of the Company is situated at Sector H-8/4, Islamabad.

1.2 The principal activity of the Company is to establish and run medical centers and hospitals in Pakistan. The Company has established its first hospital in 1993 in H-8/4 Islamabad, second hospital in 2011 in Faisalabad and another in 2014 in G-10/4 Islamabad. The Company is also running medical center, pharmacies and Lab collection points in different cities of Pakistan.

1.3 These financial statements are separate financial statements of the Company whereas investment in subsidiary is recognized on the basis of direct equity interest rather than on the basis of reporting results of the subsidiary. Consolidated financial statements are prepared separately.

1.4 Geographical locations of business units of the Company are as follows:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

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

3.2 Basis of measurement

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

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

3.3 Functional and presentation currency

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

3.4 Use of estimates and judgments

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

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

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

3.4.1 Property, plant and equipment

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

3.4.2 Investment property

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

3.4.3 Intangible assets

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

3.4.4 Provision for doubtful debts

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

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

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

3.4.6 Employee benefits

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

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

3.4.7 Compensated absences

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

3.4.8 Taxation

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

3.4.9 Contingencies

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

3.5 New accounting standards, interpretations and amendments

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

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

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

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

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

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

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

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

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment

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

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

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs that do not meet the recognition criteria are charged to the statement of profit or loss as and when incurred.

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

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

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

4.2 Investment property

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

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

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

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

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

4.3 Intangible assets

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

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

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

4.4 Leases

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

Finance leases as lessee

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

Operating leases/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.

4.5 Impairment

Non - Financial assets

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

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

Financial assets

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

4.6 Investments

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

4.6.1 Investment in subsidiary

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

4.6.2 Investments - held to maturity

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

4.6.3 Loans and receivables

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

4.7 Stores, spare parts and loose tools

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

4.8 Stock-in-trade

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

4.9 Cash and cash equivalents

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

4.10 Financial instruments

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

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

4.10.1 Trade debts and other receivables

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

4.10.2 Trade and other payables

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

4.10.3 Offsetting

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

4.11 Employee benefits

Defined benefit plan

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

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

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

Compensated absences

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

4.12 Provisions

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

4.13 Taxation

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

Current

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

Deferred

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

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

4.14 Foreign currencies

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

4.15 Revenue recognition

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

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

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

Scrap sales and miscellaneous receipts are recognized on realized amounts.

4.16 Borrowings

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

4.17 Borrowing costs

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

4.18 Earnings per share

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

4.19 Dividend

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

4.20 Non - current assets held for sale

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

4.21 Change in accounting policy

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

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018	2017		2018	2017
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 The Company has no reserved shares for issuance under options and sales contracts.

6 SHARE PREMIUM ACCOUNT

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

7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

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

8 LONG TERM FINANCING - SECURED

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

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

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

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

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

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

9.3 Movement in deferred taxation

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

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

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

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

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

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

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

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

		Note	2018	2017
			(Rupees in '000')	
10.4	**The amounts recognized in the balance sheet are as follows:**			
	Present value of defined benefit obligations	10.4.1	**497,634**	424,984
	Fair value of plan assets	10.4.2	**(410,621)**	(389,676)
			87,013	35,308
10.4.1	**Movement in the present value of funded obligation is as follows:**			
	Present value of defined benefit obligation at beginning		**424,984**	373,317
	Interest cost		**29,459**	25,324
	Current service cost		**92,113**	82,427
	Benefits paid		**(89,118)**	(47,343)
	Benefits payable		**(628)**	(710)
	Non refundable loan to employees adjustable against gratuity		**(1,535)**	(2,540)
	Remeasurement loss/(gain) on defined benefit obligation		**42,359**	(5,491)
	Present value of defined benefit obligation at year end		**497,634**	424,984
10.4.2	**Movement in the fair value of plan assets is as follows:**			
	Fair value of plan assets at beginning		**389,676**	338,204
	Expected return on plan assets		**30,203**	25,559
	Contributions		**89,196**	76,017
	Benefits paid		**(89,118)**	(47,343)
	Benefits payable		**(628)**	(710)
	Non refundable loan to employees adjustable against gratuity		**(1,535)**	(2,540)
	Remeasurement (loss)/ gain on plan assets		**(7,173)**	489
	Fair value of plan assets at year end		**410,621**	389,676
10.4.3	**Charge for the year is as follows:**			
	Current service cost		**92,113**	82,427
	Interest cost		**29,459**	25,324
	Expected return on plan assets		**(30,203)**	(25,559)
		29.1	**91,369**	82,192

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

10.4.8 Sensitivity analysis

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

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

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

11 MARKUP ACCRUED

This represents markup accrued on long and short term financing.

12 SHORT TERM BORROWING

From banking company

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

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

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

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

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

13.1.4 The tax authorities amended the assessments for tax years 2012, 2013, 2014, 2015 and 2016 under section 122(5A) of Income Tax Ordinance, 2001 and raised tax demands of Rs. 147.7 million, Rs. 133.3 million, Rs. 85.5 million, Rs. 26.1 million and Rs. 566.2 million respectively. Being aggrieved the Company agitated the assessments in appeals before the Commissioner (Appeals) on August 13, 2018, June 26, 2018, February 19, 2018, January 15, 2018 and December 28, 2017 respectively. Thereafter the Commissioner (Appeals) has unfavorably decided the appeals for tax year 2014 and 2016 and being aggrieved the Company filed appeals against the appellate orders before the Appellate Tribunal Inland Revenue [ATIR], which are pending for adjudication. While appeals for tax year 2012, 2013 and 2015 is still pending for adjudication before Commissioner (Appeals). No provision has been recorded as the management is hopeful for favorable outcome.

13.1.5 The tax authorities levied tax of Rs. 178.4 million under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2014 on the account of alleged non deduction of tax on payments. Being aggrieved, the Company agitated the assessment in appeal before the Commissioner (Appeals) on May 09, 2018 who confirmed the order of the sub-ordinate tax authority. Being not satisfied with order of the CIR(A), the Company preferred appeal before the ATIR, which is pending for adjudication. The Company is confident for a favorable outcome and therefore, no provision in respect of above matter has been recorded in these financial statements.

13.1.6 The Assistant Commissioner Inland Revenue (ACIR) has amended the Company's assessment for tax year 2014 under section 221 of the Income Tax Ordinance, 2001 which has resulted a tax demand of Rs. 11.8 million. Being aggrieved, the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) on March 10, 2017 wherein the CIR(A) has remanded back the said assessment to ACIR on November 30, 2017. The Department has filed an appeal on January 31, 2018 against the CIR(A) order which is pending adjudication before the Appellate Tribunal Inland Revenue. The Company is confident for a favorable outcome and therefore, no provision in respect of this matter has been recorded in these financial statements.

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

14. PROPERTY, PLANT AND EQUIPMENT

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 14.8)	Total
	(Rupees in 000)												
Cost/revalued amount													
Balance as at July 01, 2016	323,752	960,959	1,959,918	-	2,541,124	226,894	409,471	139,052	8,671	252,217	113,109	55,245	6,990,412
Additions	565,777	-	-	-	387,034	20,945	34,015	25,353	830	62,097	7,283	246,552	1,349,886
Disposals	(22,010)	-	-	-	(81)	-	-	-	(7,614)	(142)	(5,298)	-	(35,145)
Write offs	-	-	(29,479)	-	(2,377)	-	-	(185)	-	(436)	-	-	(32,477)
Transfers	-	-	102,941	35,295	-	-	-	-	-	-	-	(138,236)	-
Balance at June 30, 2017	867,519	960,959	2,033,380	35,295	2,925,700	247,839	443,486	164,220	1,887	313,736	115,094	163,561	8,272,676
Balance as at July 01, 2017	867,519	960,959	2,033,380	35,295	2,925,700	247,839	443,486	164,220	1,887	313,736	115,094	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**
Depreciation/amortization													
Balance as at July 01, 2016	-	31,658	462,436	-	1,194,433	129,876	247,476	65,202	8,648	164,677	79,391	-	2,383,797
Charge for the year	-	18,671	59,180	3,951	240,925	18,553	44,367	12,892	23	53,241	11,401	-	463,204
On disposals	-	-	-	-	(53)	-	-	-	(7,614)	(79)	(4,836)	-	(12,582)
On write offs	-	-	(17,736)	-	(978)	-	-	(138)	-	(436)	-	-	(19,288)
Balance at June 30, 2017	-	50,329	503,880	3,951	1,434,327	148,429	291,843	77,956	1,057	217,403	85,956	-	2,815,131
Balance as at July 01, 2017	-	50,329	503,880	3,951	1,434,327	148,429	291,843	77,956	1,057	217,403	85,956	-	2,815,131
Charge for the year	-	18,671	61,775	7,059	250,781	22,115	58,511	14,610	138	48,695	11,068	-	493,423
On disposals	-	-	-	-	(4,523)	-	-	-	-	(393)	(3,046)	-	(7,962)
On write offs	-	-	-	-	(34,234)	(5)	(1,813)	(347)	-	(2,865)	-	-	(39,264)
Balance at June 30, 2018	**-**	**69,000**	**565,655**	**11,010**	**1,646,351**	**170,539**	**348,541**	**92,219**	**1,195**	**262,840**	**93,978**	**-**	**3,261,328**
Carrying value as at June 30, 2017	867,519	910,630	1,529,500	31,344	1,491,373	99,410	151,643	86,264	830	96,333	29,138	163,561	5,457,545
Carrying value as at June 30, 2018	**1,027,327**	**896,742**	**1,707,611**	**24,285**	**1,453,252**	**129,237**	**251,305**	**94,259**	**1,206**	**97,693**	**20,011**	**325,954**	**6,028,882**
Annual rate of depreciation %	-	1.34-3.03	2.5-10	20	10	10-15	10-15	10	10-20	25	20		

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

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

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

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

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

*The covered area includes multi-storey buildings.

14.3 Property, plant and equipment include items with aggregate cost of Rs. 1,188,833 thousand (2017: Rs. 843,756 thousand) representing fully depreciated assets that are still in use of the Company.

14.4 Property, plant and equipment of the Company are encumbered under an aggregate charge of Rs. 6,206.67 million (2017: 3,014.67 million) in favor of banking companies under various financing arrangements as disclosed in notes 8, 13.2.2 and 34.

14.5 The forced sale values of the revalued leasehold and freehold lands have been assessed at Rs. 717,393 thousand and Rs. 821,861 thousand respectively.

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

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

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

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

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

14.8.1 Construction work-in-progress

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

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

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For the year ended June 30, 2018

		Note	2018	2017
14.8.2	**Stores held for capital expenditure**		**(Rupees in '000')**	
	Stores held for capital expenditure		**5,121**	50,365
	Less: provision for slow moving items	14.8.2.1	**1,513**	3,079
			3,608	47,286
14.8.2.1	Balance at beginning of year		**3,079**	3,107
	Reversed during the year		**(1,566)**	(28)
	Balance at end of year		**1,513**	3,079
14.8.3	**Installation of equipment in progress**			
	Fire doors		**29,075**	23,374
	Ultrasound machine		**19,800**	-
	Plasma Sterilizer		**-**	10,853
	Steam Sterilizer		**-**	7,000
	Auto Washer Disinfector		**-**	6,116
	High Voltage AC		**29,064**	-
	PFT machine		**9,400**	-
	X-Ray machine		**9,010**	-
	Others		**69,307**	-
			165,656	47,343
15	**INVESTMENT PROPERTY**			
	Cost		**1,406,812**	-
	Accumulated amortization		**(4,975)**	-
	Net book value	15.1	**1,401,837**	-
	Opening net book value		**-**	-
	Additions:			
	Cost of acquisition of property		**1,350,000**	-
	Cost of civil works executed		**19,619**	-
	Capitalization of borrowing cost		**37,193**	-
			1,406,812	
	Amortization		**(4,975)**	-
	Closing net book value		**1,401,837**	-

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

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

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

17 LONG TERM INVESTMENT - AT COST

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

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

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

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

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

20 **STOCK-IN-TRADE**

This represents medicines being carried at moving average cost.

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

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

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

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

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

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

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

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

		Note	2018	2017
			(Rupees in '000')	
24	**INVESTMENT - HELD TO MATURITY**			
	Faysal Bank Limited	24.1	-	89,022
	Dubai Islamic Bank Limited	24.2	-	50,238
	MCB Islamic Bank	24.3	-	50,191
			-	189,451

24.1 The corresponding figure represents three TDRs having face value of Rs. 50 million, Rs. 25 million and Rs. 13 million with three month maturity encashed on November 17, 2017, November 15, 2017 and November 16, 2017 respectively. These TDRs carried an effective interest rate ranging from 5.4% to 6.1% per annum (2017: 5.4% to 6.1% per annum).

24.2 The corresponding figure represents TDR having face value of Rs. 50 million with three month maturity, encashed on November 16, 2017 carried effective interest rate of 5.5% (2017: 5.5%) per annum.

24.3 The corresponding figure represents TDR having face value of Rs. 50 million with six month maturity, encashed on November 17, 2017 carried effective interest rate of 5.06% (2017: 5.06%) per annum.

		Note	2018	2017
25	**TAX REFUNDS DUE FROM THE GOVERNMENT (NET OF PROVISION)**		(Rupees in '000')	
	Balance at beginning of year		97,474	24,980
	Income tax paid/deducted at source during the year		486,605	340,414
			584,079	365,394
	Provision for taxation for the year	31	(235,618)	(267,920)
	Balance at end of year		348,461	97,474
26	**CASH AND BANK BALANCES**			
	Cash at banks in:			
	Current accounts			
	Local currency		81,156	62,156
	Foreign currency		59	4,333
			81,215	66,489
	Saving accounts:			
	Local currency		397,712	565,546
	Foreign currency		88	587
		26.1	397,800	566,133
		26.2	479,015	632,622
	Cash in hand		438	9,121
			479,453	641,743

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

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

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

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

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

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

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

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For the year ended June 30, 2018

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

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

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

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 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:

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

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

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

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

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

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

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

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

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

31	PROVISION FOR TAXATION	Note	2018 (Rupees in '000')	2017
	Current			
	for the year		**205,927**	258,010
	prior year		**29,691**	9,910
		25	**235,618**	267,920
	Deferred		**(24,096)**	(11,754)
			211,522	256,166

31.1 Reconciliation of tax charge for the year

	2018	2017
Profit before taxation	**768,210**	862,593
Provision for taxation	**211,522**	256,166
Effective tax rate	**27.53%**	29.70%
Reconciliation of effective tax rate		
Applicable tax rate	**30.00%**	31.00%
Super tax	**3.00%**	3.00%
Total	**33.00%**	34.00%
Add: tax effect of amounts taxed at lower rates/others	**22.56%**	19.38%
Less: net tax effect of amounts that are deductible for tax purposes	**28.03%**	23.68%
Average effective tax rate charged on income	**27.53%**	29.70%

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

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

32 EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2018	2017
		(Rupees in '000')	
Profit after taxation for the year		**556,688**	606,427
		(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		**10.21**	11.12

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

33 CAPACITY UTILIZATION

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

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

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

34 UNAVAILED CREDIT FACILITIES

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

35 NUMBER OF EMPLOYEES

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

36 RELATED PARTIES TRANSACTIONS

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

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

	Note	2018	2017
		(Rupees in 000)	
SIHL Employees' Gratuity Fund			
Payments made by the Company during the year	36.4	**89,196**	76,017
Remuneration including benefits and perquisites of key management personnel	36.5	**269,794**	275,619

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 based on agreed terms which are approved by the Board of Directors of the Company.

36.2 This mainly includes uniforms and dairy products. These transactions are based on agreed terms which are approved by the Board of Directors of the Company.

36.3 Other services are received by the Company for nursing education/training, employees' children education and consultancy services etc. These transactions are based on agreed terms which are approved by the Board of Directors of the Company.

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 the Company, including directors of the Company. There were no transactions with the key management personnel during the year other than their terms of employment/ entitlements.

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

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

37.1 The chief executive is provided with a Company maintained car, while two other directors and twenty three executives availed car facility.

37.2 Managerial remuneration includes Rs. 2,235 thousand (2017: 2,571 thousand) paid to directors in respect of meeting attending fee.

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

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

39 FINANCIAL RISK MANAGEMENT

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

Credit risk

Liquidity risk

Market risk

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

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

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

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

39.1 Credit risk

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

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

39.1.1 Counterparties

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

Trade debts

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

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

Cash and investments

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

39.1.2 Exposure to credit risk

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

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

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

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

39.1.3 Impairment losses

The aging of trade debts at the reporting date was:

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

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

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

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

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

39.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. For this purpose the Company has credit facilities as mentioned in notes 8 and 34 to the financial statements. Further liquidity position of the Company is monitored by the Board through budgets, cash flow projections and comparison with actual results.

Following is the maturity analysis of financial liabilities:

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

39.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, markup rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Company is exposed to currency and mark up rate risk.

39.3.1 Foreign currency risk

Exposure to foreign currency risk

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

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

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

The following significant exchange rates applied during the year:

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

Foreign currency sensitivity analysis

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

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

39.3.2 Markup rate risk

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

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

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

Profile

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

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

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

Markup rate sensitivity analysis

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

39.4 Fair value of financial instruments

Fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except investment held to maturity which are carried at amortized cost.

39.5 Capital management

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

40 FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Financial instruments by category

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

	Carrying Amount					Fair Value			
	Loans and receivables	Available for sale instruments	Fair value through profit or loss	Other financial instruments	Total	Level 1	Level 2	Level 3	Total
					(Rupees in '000')				
June 30, 2018									
Non-current assets									
Long term deposits	41,140	-	-	-	41,140	-	-	-	-
Current assets									
Trade debts - considered good	714,034	-	-	-	714,034	-	-	-	-
Trade deposits	40,717	-	-	-	40,717	-	-	-	-
Bank Balances	479,015	-	-	-	479,015	-	-	-	-
	1,274,906	-	-	-	1,274,906	-	-	-	-
Non-current liabilities									
Long term financing - secured	-	-	-	1,506,890	1,506,890	-	-	-	-
Current liabilities									
Trade and other payables	-	-	-	2,575,037	2,575,037	-	-	-	-
Markup accrued	-	-	-	12,264	12,264	-	-	-	-
Unclaimed dividend	-	-	-	33,981	33,981	-	-	-	-
Short term borrowing	-	-	-	5,974	5,974	-	-	-	-
Current portion of long term financing	-	-	-	168,228	168,228	-	-	-	-
	-	-	-	4,302,374	4,302,374	-	-	-	-

	Carrying Amount					Fair Value			
	Loans and receivables	Available for sale instruments	Fair value through profit or loss	Other financial instruments	Total	Level 1	Level 2	Level 3	Total
					(Rupees in '000')				
June 30, 2017									
Non-current assets									
Long term deposits	41,729	-	-	-	41,729	-	-	-	-
Current assets									
Trade debts - considered good	447,770	-	-	-	447,770	-	-	-	-
Trade deposits	21,187	-	-	-	21,187	-	-	-	-
Markup accrued	1,165	-	-	-	1,165	-	-	-	-
Investments - held to maturity	189,451	-	-	-	189,451	-	-	-	-
Bank balances	632,622	-	-	-	632,622	-	-	-	-
	1,333,924	-	-	-	1,333,924	-	-	-	-
Non-current liabilities									
Long term financing - secured	-	-	-	168,228	168,228	-	-	-	-
Current liabilities									
Trade and other payables	-	-	-	1,732,012	1,732,012	-	-	-	-
Markup accrued	-	-	-	398	398	-	-	-	-
Unclaimed dividend	-	-	-	27,052	27,052	-	-	-	-
Current portion of long term financing	-	-	-	335,764	335,764	-	-	-	-
	-	-	-	2,263,454	2,263,454	-	-	-	-

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

41 OPERATING SEGMENTS

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

41.1 All revenue of the Company is earned from customers located in Pakistan.

41.2 All non-current assets of the Company at June 30, 2018 are located in Pakistan.

41.3 There is no customer with more than 10% of total revenue of the Company for the year.

42 RECLASSIFICATION

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

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

43 GENERAL

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

44 EVENT AFTER BALANCE SHEET DATE

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

45 DATE OF AUTHORIZATION FOR ISSUE

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

CHAIRMAN

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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Following are the key audit matters:

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

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

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

Grant Thornton Anjum Rahman

Chartered Accountants
Place: Islamabad
Date: September 08, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

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

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

CHAIRMAN

CHIEF EXECUTIVE

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

CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2018

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

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, 2018

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

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

CHAIRMAN

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

	Note	2018	2017
		(Rupees in '000')	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**770,871**	863,217
Adjustments for:			
Depreciation/amortization on tangible assets		**498,598**	463,713
Amortization on intangible assets		**5,430**	225
Provision for doubtful debts		**30,010**	41,149
Property, plant and equipment written off		**8,699**	13,189
Gain on disposal of property, plant and equipment		**(2,025)**	(10,667)
Provision for compensated absences		**41,481**	34,565
Provision for gratuity		**91,369**	82,192
Provision for slow moving stores		**234**	(4,550)
Liabilities written back		**(6,178)**	(7,362)
Profit on investments and bank deposits		**(11,996)**	(58,130)
Loss on foreign currency translation		**464**	419
Finance cost		**56,847**	65,971
Operating cash flows before changes in working capital		**1,483,804**	1,483,931
Changes in working capital:			
(Increase) in current assets:			
Stores, spare parts and loose tools		**(40,212)**	(12,080)
Stock-in-trade		**(88,767)**	(42,663)
Trade debts		**(296,712)**	(145,710)
Loans and advances		**(66,381)**	(182,048)
Trade deposits and short term prepayments		**(14,016)**	(19,918)
Increase in current liabilities:			
Trade and other payables		**583,365**	468,926
Cash generated from operations		**1,561,081**	1,550,438
Finance cost paid		**(44,980)**	(66,056)
Income tax paid		**(487,808)**	(341,962)
Payment to SIHL Employees' Gratuity Fund		**(89,196)**	(76,017)
Compensated absences paid		**(31,661)**	(29,112)
Net cash from operating activities		**907,436**	1,037,291
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,068,155)**	(1,349,912)
Purchase of investment property		**(1,056,812)**	-
Purchase of intangible		**(28,322)**	(10,810)
Encashment of investments - held to maturity		**50,000**	-
Proceeds from disposal of property, plant and equipment		**3,763**	35,393
Investment in TDRs		**-**	(50,000)
Markup received		**13,161**	58,466
Investment in subsidiary		**-**	(120)
Increase in long term deposits		**(15,463)**	(5,286)
Net cash used in investing activities		**(2,101,828)**	(1,322,269)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - repayments		**(335,764)**	(335,673)
Long term financing - proceeds		**1,493,679**	-
Dividend paid		**(265,761)**	(179,286)
Net cash generated from/(used in) financing activities		**892,154**	(514,959)
Net decrease in cash and cash equivalents		**(302,238)**	(799,937)
Cash and cash equivalents at beginning of year		**782,586**	1,582,942
Effect of exchange rate changes on cash and cash equivalents		**(464)**	(419)
Cash and cash equivalents at end of year	37	**479,884**	782,586

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, 2018

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

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 subsidiary Shifa Consulting Services (Private) Limited. SIHL was incorporated in Pakistan on September 29, 1987 as a private limited company under the repealed Companies Ordinance, 1984 and converted into a public limited company on October 12, 1989. The shares of the SIHL are quoted on Pakistan Stock Exchange Limited. The registered office of the SIHL is situated at Sector H-8/4, Islamabad.

1.2 The principal activity of the SIHL is to establish and run medical centers and hospitals in Pakistan. The SIHL has established its first hospital in 1993 in H-8/4 Islamabad, second hospital in 2011 in Faisalabad and another in 2014 in G-10/4 Islamabad. The SIHL is also running medical center, pharmacies and Lab collection points in different cities of Pakistan.

1.3 Shifa Consulting Services (Private) Limited (SCSPL) was incorporated on December 18, 2014. The principal activity of Shifa Consulting Services (Private) Limited is to provide consulting services relating to healthcare facilities, medical staff, availability of human resource and hospital quality.

1.4 Geographical locations of business units of the Group are as follows:

SIHL

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

SCSPL

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

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

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

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

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

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

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

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

3.2 Basis of measurement

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

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

3.3 Functional and presentation currency

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

3.4 Use of estimates and judgments

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

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

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

3.4.1 Property, plant and equipment

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

3.4.2 Investment property

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

3.4.3 Intangible assets

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

3.4.4 Provision for doubtful debts

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

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

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

3.4.6 Employee benefits

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

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

3.4.7 Compensated absences

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

3.4.8 Taxation

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

3.4.9 Contingencies

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

3.5 New accounting standards, interpretations and amendments

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

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

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

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

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

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

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

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

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Basis of consolidation

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

Subsidiaries

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquire 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 losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

4.2 Property, plant and equipment

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

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

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

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs that do not meet the recognition criteria are charged to consolidated statement of profit or loss as and when incurred.

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

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

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

4.3 Investment property

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

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

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

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

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

4.4 Intangible assets

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

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

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

4.5 Leases

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

Finance leases as lessee

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

Operating leases/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 consolidated statement of profit or loss on straight-line basis over the term of relevant lease/Ijarah.

4.6 Impairment

Non - Financial assets

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

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

Financial assets

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

4.7 Investments

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

4.7.1 Investment - held to maturity

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

4.7.2 Loans and receivables

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

4.8 Stores, spare parts and loose tools

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

4.9 Stock-in-trade

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

4.10 Cash and cash equivalents

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

4.11 Financial instruments

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

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

4.11.1 Trade debts and other receivables

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

4.11.2 Trade and other payables

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

4.11.3 Offsetting

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

4.12 Employee benefits

Defined benefit plan

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

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

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

Compensated absences

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

4.13 Provisions

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

4.14 Taxation

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

Current

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

Deferred

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

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

4.15 Foreign currencies

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

4.16 Revenue recognition

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

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

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

Scrap sales and miscellaneous receipts are recognized on realized amounts.

4.17 Borrowings

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

4.18 Borrowing costs

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

4.19 Earnings per share

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

4.20 Dividend

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

4.21 Non - current assets held for sale

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

4.22 Change in Accounting policy

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

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018	2017		2018	2017
Number			(Rupees in '000')	
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 The SIHL has no reserved shares for issuance under options and sales contracts.

6 SHARE PREMIUM ACCOUNT

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

7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

9.3 Movement in deferred taxation

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

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

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

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

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

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

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

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

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

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

10.4.8 Sensitivity analysis

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

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

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

11 MARKUP ACCRUED

This represents markup accrued on long and short term financing.

12 SHORT TERM BORROWING

From banking company

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

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

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

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

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

13.1.4 The tax authorities amended the assessments for tax years 2012, 2013, 2014, 2015 and 2016. Under section 122(5A) of Income Tax Ordinance, 2001 and raised tax demands of Rs. 147.7 million, Rs. 133.3 million, Rs. 85.5 million, Rs. 26.1 million and Rs. 566.2 million respectively. Being aggrieved the SIHL agitated the assessments in appeals before the Commissioner (Appeals) on August 13, 2018, June 26, 2018, February 19, 2018, January 15, 2018 and December 28, 2017, respectively. Thereafter the Commissioner (Appeals) has unfavorably decided the appeals for tax year 2014 and 2016 and being aggrieved the SIHL filed appeals against the appellate orders before the Appellate Tribunal Inland Revenue [ATIR], which are pending for adjudication. While appeals for tax year 2012, 2013 and 2015 is still pending for adjudication before Commissioner (Appeals). No provision has been recorded as the management is hopeful for favorable outcome.

13.1.5 The tax authorities levied tax of Rs. 178.4 million under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2014 on the account of alleged non deduction of tax on payments. Being aggrieved, the SIHL agitated the assessment in appeal before the Commissioner (Appeals) on May 09, 2018 who confirmed the order of the sub-ordinate tax authority. Being not satisfied with order of the CIR(A), the SIHL preferred appeal before the ATIR, which is pending for adjudication. The SIHL is confident for a favorable outcome and therefore, no provision in respect of above matter has been recorded in these financial statements.

13.1.6 The Assistant Commissioner Inland Revenue (ACIR) has amended the SIHL's assessment for tax year 2014 under section 221 of the Income Tax Ordinance, 2001 which has resulted a tax demand of Rs. 11.8 million. Being aggrieved, the SIHL has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) on March 10, 2017 wherein the CIR(A) has remanded back the said assessment to ACIR on November 30, 2017. The Department has filed an appeal on January 31, 2018 against the CIR(A) order which is pending adjudication before the Appellate Tribunal Inland Revenue. The SIHL is confident for a favorable outcome and therefore, no provision in respect of this matter has been recorded in these consolidated financial statements.

13.1.7 During the prior period the Deputy Commissioner Inland Revenue (DCIR) concluded an ex-party assessment against SCSPL under the Islamabad Capital Territory (Tax on Services) Ordinance 2001 (the Ordinance) and charged sales tax on the entire receipts of SCSPL for the tax year 2016 representing consulting income. The above assessment resulted in a demand of Rs. 2.5 million against which a provision of Rs. 2.0 million had been recorded in these the consolidated financial statements as SCSPL intended to pay the balance amount of Rs. 0.7 million considering that the tax authorities had recovered Rs. 1.4 million from the bank accounts. The un-provided balance represented a calculation error and management of SCSPL has filed an appeal with the Commissioner Inland Revenue (Appeals) and rectification application with the DCIR on which DCIR had partially accepted and rectified the demand of Rs. 2.5 million to Rs. 2.3 million. However, the decision of Commissioner Inland Revenue (Appeals) is still pending. SCSPL is confident for a favorable outcome and therefore, no further provision in respect of this matter has been recorded in these consolidated financial statements.

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

14. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

*The covered area includes multi-storey buildings.

14.3 Property, plant and equipment include items with aggregate cost of Rs. 1,188,833 thousand (2017: Rs. 843,756 thousand) representing fully depreciated assets that are still in use of the SIHL.

14.4 Property, plant and equipment of the SIHL are encumbered under an aggregate charge of Rs. 6,206.67 million (2017: 3,014.67 million) in favor of banking companies under various financing arrangements as disclosed in notes 8, 13.2.2 and 33.

14.5 The forced sale values of the revalued leasehold and freehold lands have been assessed at Rs. 717,393 thousand and Rs. 821,861 thousand respectively.

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

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

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

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

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

14.8.1 Construction work-in-progress

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

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

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

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

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

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

		Note	2018	2017
17	**LONG TERM DEPOSITS**		**(Rupees in '000')**	
	Ijarah key money deposits	17.1	**20,000**	6,844
	Less: current portion of Ijarah key money deposits	22	**404**	3,300
			19,596	3,544
	Security deposits	17.2	**41,140**	41,729
			60,736	45,273

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

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

18	**STORES, SPARE PARTS AND LOOSE TOOLS**	**Note**	**2018**	2017
			(Rupees in '000')	
	Stores		**105,781**	76,107
	Spare parts		**25,511**	20,391
	Loose tools		**5,620**	202
			136,912	96,700
	Less: provision for slow moving items	18.1	**17,305**	15,505
			119,607	81,195
18.1	Balance at beginning of year		**15,505**	20,027
	Charged/(reversed) during the year		**1,800**	(4,522)
	Balance at end of year		**17,305**	15,505

19 **STOCK-IN-TRADE**

This represents medicines being carried at moving average cost.

20	**TRADE DEBTS - CONSIDERED GOOD**	**Note**	**2018**	2017
			(Rupees in '000')	
	Considered good			
	Related party - Shifa Foundation		**25,483**	12,979
	Others		**691,275**	437,077
	Considered doubtful			
	Others		**66,156**	55,078
	Considered bad			
	Others		**18,932**	33,630
			801,846	538,764
	Less: provision for doubtful debts	20.2 & 38.1.3	**66,156**	55,078
	Less: bad debts written off	38.1.3	**18,932**	33,630
			716,758	450,056

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

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

			2018	2017
21	**LOANS AND ADVANCES - CONSIDERED GOOD**	**Note**	**(Rupees in '000')**	
	Considered good - unsecured			
	Executives	21.1	**7,617**	10,709
	Other employees		**32,001**	27,034
			39,618	37,743
	Consultants		**14,020**	9,911
	Suppliers/Contractors	21.2	**365,582**	291,974
			419,220	339,628
21.1	Reconciliation of carrying amount of advances given to executives:			
	Balance at beginning of year		**10,709**	11,556
	Disbursements during the year		**39,419**	41,311
			50,128	52,867
	Less: repayments during the year		**42,511**	42,158
	Balance at end of year		**7,617**	10,709

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

21.2 This includes advance of Rs. 178 million (2017:Rs. 84 million) paid by SIHL for acquisition of land in Islamabad.

			2018	2017
22	**TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES**	**Note**	**(Rupees in '000')**	
	Current portion of Ijarah key money deposits	17	**404**	3,300
	Other deposits		**3,060**	2,560
	Short term prepayments		**12,031**	14,011
	Other receivables		**37,855**	19,463
			53,350	39,334

			2018	2017
23	**INVESTMENT - HELD TO MATURITY**	**Note**	**(Rupees in '000')**	
	Faysal Bank Limited	23.1	-	89,022
	Dubai Islamic Bank Limited	23.2	-	50,238
	MCB Islamic Bank	23.3	-	50,191
			-	189,451

23.1 The corresponding figure represents three TDRs having face value of Rs. 50 million, Rs. 25 million and Rs. 13 million with three month maturity encashed on November 17, 2017, November 15, 2017 and November 16, 2017 respectively. These TDRs carried an effective interest rate ranging from 5.4% to 6.1% per annum (2017: 5.4% to 6.1% per annum).

23.2 The corresponding figure represents TDR having face value of Rs. 50 million with three month maturity, encashed on November 16, 2017 carried effective interest rate of 5.5% (2017: 5.5%) per annum.

23.3 The corresponding figure represents TDR having face value of Rs. 50 million with six month maturity, encashed on November 17, 2017 carried effective interest rate of 5.06% (2017: 5.06%) per annum.

			2018	2017
24	**TAX REFUNDS DUE FROM THE GOVERNMENT (NET OF PROVISION)**	**Note**	**(Rupees in '000')**	
	Balance at beginning of year		**97,543**	25,737
	Income tax paid/deducted at source during the year		**487,809**	341,962
			585,352	367,699
	Provision for taxation for the year	30	**(237,020)**	(270,156)
	Balance at end of year		**348,332**	97,543
25	**CASH AND BANK BALANCES**			
	Cash at banks in:			
	Current accounts			
	Local currency		**87,528**	63,536
	Foreign currency		**59**	4,333
			87,587	67,869

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

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

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

26 NET REVENUE

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

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

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

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

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

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

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

28.2 Auditors' remuneration

	2018	2017
	(Rupees in '000')	
Annual audit fee	**1,517**	1,517
Half yearly review fee	**633**	633
Statutory certifications	**150**	350
	2,300	2,500

28.3 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:

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

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

28.5 Donations

	2018	2017
	(Rupees in '000')	
Shifa Foundation	**-**	2,400
Shifa Tameer-e-Millat University (STMU)	**50,000**	50,000
	50,000	52,400

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

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

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

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

29 FINANCE COSTS

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

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

30 PROVISION FOR TAXATION

	Note	2018	2017
		(Rupees in '000')	
Current			
for the year		**207,338**	259,553
prior year		**29,682**	10,603
	24	**237,020**	270,156
Deferred		**(24,096)**	(11,754)
		212,924	258,402

30.1 Reconciliation of tax charge for the year

	2018	2017
Profit before taxation	**770,871**	863,217
Provision for taxation	**212,924**	258,402
Effective tax rate	**27.62%**	30.00%

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

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

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

31 EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2018	2017
		(Rupees in '000')	
Profit after taxation for the year		**557,947**	604,920
		(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		**10.23**	11.09

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

32 CAPACITY UTILIZATION

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

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

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

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

34 NUMBER OF EMPLOYEES

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

35 RELATED PARTIES TRANSACTIONS

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

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

	Note	2018	2017
		(Rupees in 000)	
Shifa Tameer-e-Millat University: (Related party by virtue of common directorship)			
Revenue from services earned by the SIHL	35.1	**41,646**	26,865
Revenue from rent earned by the SIHL		**2,184**	13,613
Other services provided to the SIHL	35.3	**36,000**	24,066
Expenses paid by and reimbursed to the SIHL		**2,003**	14,291
Donation paid by the SIHL		**50,000**	50,000
SIHL Employees' Gratuity Fund			
Payments made by the SIHL during the year	35.4	**89,196**	76,017
Remuneration including benefits and perquisites of key management personnel	35.5	**269,794**	283,382

35.1 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 based on agreed terms which are approved by the Board of Directors of the SIHL.

35.2 This mainly includes uniforms and dairy products. These transactions are based on agreed terms which are approved by the Board of Directors of the SIHL.

35.3 Other services are received by the SIHL for nursing education/training, employees' children education and consultancy services etc. These transactions are based on agreed terms which are approved by the Board of Directors of the SIHL.

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

35.5 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the SIHL, including directors of the SIHL. There were no transactions with the key management personnel during the year other than their terms of employment/entitlements.

36 REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

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

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

36.1 The chief executives are provided with a company maintained car, while two other directors and twenty three executives of SIHL availed car facility.

36.2 Managerial remuneration includes Rs. 2,235 thousand (2017: 2,571 thousand) paid to directors of SIHL in respect of meeting attending fee.

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

37 CASH AND CASH EQUIVALENTS

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

38 FINANCIAL RISK MANAGEMENT

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

Credit risk

Liquidity risk

Market risk

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

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

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

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

38.1 Credit risk

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

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

38.1.1 Counterparties

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

Trade debts

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

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

Cash and investments

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

38.1.2 Exposure to credit risk

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

	2018	2017
	(Rupees in '000')	
Long term deposits	**41,140**	41,729
Trade debts - considered good	**716,758**	450,056
Trade deposits and other receivables	**40,915**	22,023
Markup accrued	**-**	1,165
Investment - held to maturity	**-**	189,451
Bank balances	**485,387**	634,002
	1,284,200	1,338,426

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

	2018	2017
	(Rupees in '000')	
Government companies	**367,662**	247,581
Private companies	**266,551**	127,979
Individuals	**44,581**	47,999
Related parties	**25,483**	12,979
Others	**12,481**	13,518
	716,758	450,056

38.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	2018		2017	
	Gross debts	Impaired	Gross debts	Impaired
	(Rupees in '000')		(Rupees in '000')	
Not past due	353,994	-	204,301	-
1 - 4 months	281,781	-	195,486	-
5 - 7 months	35,330	1,143	8,868	443
8 - 12 months	39,515	2,596	34,427	143
13 - 18 months	25,879	16,002	43,866	36,306
19 - 23 months	46,415	46,415	18,186	18,186
	782,914	66,156	505,134	55,078

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

	Note	2018	2017
		(Rupees in '000')	
Balance at beginning of year		55,078	47,559
Provision made during the year		30,010	41,149
Less: bad debts written off		18,932	33,630
Balance at end of year	20	66,156	55,078

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

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

38.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For this purpose the Group has credit facilities as mentioned in notes 8 and 33 to the consolidated financial statements. Further liquidity position of the Group is monitored by the Board through budgets, cash flow projections and comparison with actual results.

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')					
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**	**-**	**-**	**-**	**-**
Markup accrued	**12,264**	**12,264**	**-**	**-**	**-**	**-**
Short term borrowing	**5,974**	**5,974**	**-**	**-**	**-**	**-**
	3,956,495	**2,799,225**	**380**	**6,370**	**1,287,128**	**213,392**
2017						
Long term financing - secured	503,992	167,870	167,894	168,228	-	-
Trade and other payables	1,732,906	1,732,906	-	-	-	-
Unclaimed dividend	27,052	27,052	-	-	-	-
Markup accrued	398	398	-	-	-	-
	2,264,348	1,928,226	167,894	168,228	-	-

38.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, markup rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Group is exposed to currency and mark up rate risk.

38.3.1 Foreign currency risk

Exposure to foreign currency risk

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

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

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

The following significant exchange rates applied during the year:

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

Foreign currency sensitivity analysis

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

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

38.3.2 Markup rate risk

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

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

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

Profile

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

	Note	**2018**	2017
		(Rupees in '000')	
Financial assets			
Investments - held to maturity	23	**-**	189,451
Bank balances	25	**397,800**	566,133
		397,800	755,584
Financial liabilities			
Long term financing - secured	8	**1,675,118**	503,992
Short term borrowing	12	**5,974**	-
		1,681,092	503,992
		(1,283,292)	251,592

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

Markup rate sensitivity analysis

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

38.4 Fair value of financial instruments

Fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values except investment held to maturity which are carried at amortized cost.

38.5 Capital management

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

39 FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

IFRS 13,'Fair Value Measurements' requires the Company to classify fair value measurements using fair value hierarchy that reflects the significance of the inputs used in making the measurements.
The fair value hierarchy has the following levels:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Financial instruments by category

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

	Carrying Amount					Fair Value			
	Loans and receivables	Available for sale instruments	Fair value through profit or loss	Other financial instruments	Total	Level 1	Level 2	Level 3	Total
					(Rupees in '000')				
June 30, 2018									
Non-current assets									
Long term deposits	41,140	-	-	-	41,140	-	-	-	-
Current assets									
Trade debts - considered good	716,758	-	-	-	716,758	-	-	-	-
Trade deposits	40,915	-	-	-	40,915	-	-	-	-
Cash and bank balances	485,387	-	-	-	485,387	-	-	-	-
	1,284,200	-	-	-	1,284,200	-	-	-	-
Non-current liabilities									
Long term financing - secured	-	-	-	1,506,890	1,506,890	-	-	-	-
Current liabilities									
Trade and other payables	-	-	-	2,579,158	2,579,158	-	-	-	-
Markup accrued	-	-	-	12,264	12,264	-	-	-	-
Unclaimed dividend				33,981	33,981				
Short term borrowing				5,974	5,974				
Current portion of long term financing	-	-	-	168,228	168,228	-	-	-	-
	-	-	-	4,306,495	4,306,495	-	-	-	-

	Carrying Amount					Fair Value			
	Loans and receivables	Available for sale instruments	Fair value through profit or loss	Other financial instruments	Total	Level 1	Level 2	Level 3	Total
					(Rupees in '000')				
June 30, 2017									
Non-current assets									
Long term deposits	41,729	-	-	-	41,729	-	-	-	-
Current assets									
Trade debts - considered good	450,056	-	-	-	450,056	-	-	-	-
Trade deposits	22,023	-	-	-	22,023	-	-	-	-
Markup accrued	1,165	-	-	-	1,165	-	-	-	-
Other financial assets	189,451	-	-	-	189,451	-	-	-	-
Bank balances	634,002	-	-	-	634,002	-	-	-	-
	1,338,426	-	-	-	1,338,426	-	-	-	-
Non-current liabilities									
Long term financing - secured	-	-	-	168,228	168,228	-	-	-	-
Current liabilities									
Trade and other payables	-	-	-	1,732,906	1,732,906	-	-	-	-
Markup accrued	-	-	-	398	398	-	-	-	-
Unclaimed dividend				27,052	27,052				
Current portion of long term financing	-	-	-	335,764	335,764	-	-	-	-
	-	-	-	2,264,348	2,264,348	-	-	-	-

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

40 OPERATING SEGMENTS

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

40.1 All revenue of the Group is earned from customers located in Pakistan.

40.2 All non-current assets of the Group at June 30, 2018 are located in Pakistan.

40.3 There is no customer with more than 10% of total revenue of the Group for the year.

41 RECLASSIFICATION

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

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

42 GENERAL

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

43 EVENTS AFTER BALANCE SHEET DATE

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

44 DATE OF AUTHORIZATION FOR ISSUE

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

CHAIRMAN	CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER

PATTERN OF SHAREHOLDING

As at June 30, 2018

Number of shareholders	Size of holding of shares		Total shares held
	From	To	
147	1	100	**5,987**
1,117	101	500	**537,009**
311	501	1,000	**259,797**
249	1,001	5,000	**579,039**
80	5,001	10,000	**652,820**
53	10,001	15,000	**647,351**
34	15,001	20,000	**616,459**
22	20,001	25,000	**502,613**
14	25,001	30,000	**389,364**
10	30,001	35,000	**320,329**
9	35,001	40,000	**345,712**
8	40,001	45,000	**338,651**
12	45,001	50,000	**584,290**
10	50,001	55,000	**525,093**
4	55,001	60,000	**236,410**
2	60,001	65,000	**121,750**
1	65,001	70,000	**68,000**
1	70,001	75,000	**70,772**
4	75,001	80,000	**314,291**
1	80,001	85,000	**80,500**
6	85,001	90,000	**528,860**
3	90,001	95,000	**276,197**
10	95,001	100,000	**999,357**
2	100,001	105,000	**205,266**
5	105,001	110,000	**538,488**
4	120,001	125,000	**492,910**
2	125,001	130,000	**252,825**
2	130,001	135,000	**266,890**
3	135,001	140,000	**411,267**
1	145,001	150,000	**149,600**
2	150,001	155,000	**306,230**
1	155,001	160,000	**159,600**
1	160,001	165,000	**161,040**
1	165,001	170,000	**167,410**
1	170,001	175,000	**170,300**
1	180,001	185,000	**182,200**
2	190,001	195,000	**385,229**
1	195,001	200,000	**200,000**
1	200,001	205,000	**204,925**
2	205,001	210,000	**415,317**
1	210,001	215,000	**211,650**
1	215,001	220,000	**219,755**

PATTERN OF SHAREHOLDING

As at June 30, 2018

Number of shareholders	Size of holding of shares		Total shares held
	From	To	
1	225,001	230,000	**227,975**
1	240,001	245,000	**243,840**
3	250,001	255,000	**758,568**
1	255,001	260,000	**259,119**
1	275,001	280,000	**278,358**
1	280,001	285,000	**284,507**
1	285,001	290,000	**285,436**
1	295,001	300,000	**300,000**
3	300,001	305,000	**904,622**
2	305,001	310,000	**616,663**
1	325,001	330,000	**327,548**
1	330,001	335,000	**332,852**
1	345,001	350,000	**347,260**
1	350,001	355,000	**354,370**
2	415,001	420,000	**832,304**
1	440,001	445,000	**442,364**
1	450,001	455,000	**452,850**
2	455,001	460,000	**915,909**
1	520,001	525,000	**523,400**
1	530,001	535,000	**532,846**
1	555,001	560,000	**557,500**
1	585,001	590,000	**588,229**
1	620,001	625,000	**623,201**
1	665,001	670,000	**670,000**
1	920,001	925,000	**922,511**
1	1,450,001	1,455,000	**1,451,747**
1	1,465,001	1,470,000	**1,465,343**
1	1,765,001	1,770,000	**1,768,307**
1	1,775,001	1,780,000	**1,775,068**
1	1,860,001	1,865,000	**1,861,500**
1	1,885,001	1,890,000	**1,885,205**
1	2,230,001	2,235,000	**2,234,528**
1	2,285,001	2,290,000	**2,289,072**
1	2,730,001	2,735,000	**2,733,351**
1	5,110,001	5,115,000	**5,110,425**
1	5,275,001	5,280,000	**5,279,569**
2,185			**54,537,900**

Categories of shareholders	Number of shareholders	Shares held	Percentage
INDIVIDUAL	2081	38,033,426	69.74
FINANCIAL INSTITUTIONS	3	160,071	0.29
JOINT STOCK COMPANIES	10	187,401	0.34
OTHERS	91	16,157,002	29.63
Total	**2185**	**54,537,900**	**100**

DISCLOSURE IN CONNECTION WITH THE PATTERN OF SHAREHOLDING

As at June 30, 2018

Categories of shareholders	Number of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouses and minor children *	11	7,790,825	14.285
Associated Companies, Undertakings and related parties **	3	8,415,487	15.431
Banks, Development Financial Institutions, Non Banking Financial Institutions	3	160,071	0.294
Shareholders holding 10 % or more voting interest ***	1	7,768,641	14.244
Joint Stock Companies	10	187,401	0.344
Executives	6	250,192	0.459

*** No. of Shares held by Directors, CEO and their spouses**

Dr. Manzoor H. Qazi	1,465,343	2.687
Dr. Habib-Ur-Rahman	456,589	0.837
Mrs. Shahida Rahman W/o Dr. Habib-Ur-Rahman	13,117	0.024
Mr. Muhammad Zahid	947,099	1.737
Mr. Shafquat Ali Chaudhary	1,768,307	3.242
Shah Naveed Saeed	13,528	0.025
Mr. Qasim Farooq Ahmad	2,053,426	3.765
Dr. Samea Kauser Ahmad	1,030,594	1.890
Syed Ilyas Ahmed	11,336	0.021
Prof. Dr. Shoab Ahmed Khan	11,336	0.021
Dr. Mohammad Naseem Ansari	20,150	0.037

**** Shares held by related parties**

Shifa Foundation	569,923	1.045
Tameer-e-Millat Foundation	7,768,641	14.244
SIHL Employees' Gratuity Fund	76,923	0.141

Shareholders with 5 % or more voting interest

Tameer-e-Millat Foundation	7,768,641	14.244
Mrs. Kulsoom Zaheer Ahmad	5,389,294	9.882
Matthews Emerging Asia Fund	2,733,351	5.012

Form of Proxy
32nd Annual General Meeting
Shifa International Hospitals Limited

I/We____

of____

being a member of Shifa International Hospitals Ltd., Folio No./CDC A/c No.______________

No. of Shares ____________ hereby appoint ______________________________

of______________________ Folio No./CDC A/c No. ______________________

or failing him/her ______________________________________

of ______________________Folio No./CDC A/c No. ______________________

who is a member of the Company as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 32nd Annual General Meeting of the Company to be held at 1100 hours on Saturday, October 27, 2018, and at any adjournment thereof.

As witness my hand this _________ day of ___________ 2018

Signed by the said ______________________________

Revenue Stamp

(Signature must agree with the **SPECIMEN** signature registered with the Company)

Witnesses:

1	**Signature** ______________	2	**Signature** ______________
	Name ______________		Name ______________
	Address ______________		Address ______________
	______________		______________
	CNIC/Passport No. ______________		CNIC/Passport No. ______________

Important:

1. This form of Proxy, duly completed, signed and stamped must be deposited at the Company's Registered Office, Sector H-8/4 Islamabad, not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. CDC account holder, sub account holder/shareholder may appoint proxy and the proxy must produce attested copy of his/her CNIC or original passport at the time of attending the meeting.

AFFIX
CORRECT
POSTAGE

The Company Secretary
Shifa International Hospitals Limited
Sector H-8/4, Islamabad

پراکسی فارم

32واں سالانہ اجلاس عام

شفاانٹرنیشنل ہسپتال لمیٹڈ

میں/ہم..ساکن..شیئر ہولڈر

شفاانٹرنیشنل ہسپتال لمیٹڈ فولیونمبر/سی ڈی سی اکاؤنٹ نمبر........................شیئرز کا شمار........................بذریعہ ہذا تقرر کرتا ہوں

....ساکن..فولیونمبر/سی ڈی سی اکاؤنٹ نمبر

یا اس کی عدم دستیابی پر..ساکن..

فولیونمبر/سی ڈی سی اکاؤنٹ نمبر........................جو کہ میری/ہماری غیر موجودگی میں میرے/ہمارے پراکسی (نمائندے) کے طور پر کمپنی کے 32ویں سالانہ اجلاس عام میں جو 27 اکتوبر 2018 بروز ہفتہ دن 11 بجے یا اس کے التوا کی صورت میں منعقد ہوگا میں میری/ہماری جگہ شرکت کرے گا اور ووٹ استعمال کرے گا۔

میں بطور گواہ اس................دن................2018

دستخط مذکورہ بالا..

ریونیو مہر

دستخط کمپنی کے پاس موجود
نمونہ کے دستخط کے مطابق ہونا چاہیے

گواہان:

1۔ دستخط..
نام..
پتہ..
....
قومی شناختی کارڈ/پاسپورٹ نمبر..

2۔ دستخط..
نام..
پتہ..
....
قومی شناختی کارڈ/پاسپورٹ نمبر..

خصوصی ہدایات:

1۔ یہ پراکسی فارم باقاعدہ طور پر مکمل کر کے، دستخط اور مہر کے بعد اجلاس کے انعقاد سے کم از کم 48 گھنٹے پہلے کمپنی کے رجسٹرڈ دفتر واقع سیکٹر H-8/4، اسلام آباد پہنچ جانا چاہیے۔

2۔ اگر ایک ممبر ایک سے زائد پراکسی یا پراکسی کے فارم مقرر کر کے کمپنی کے پاس جمع کرواتا ہے تو ایسے تمام پراکسی کے فارم کو غیر قانونی تصور کیا جائے گا۔

3۔ سی ڈی سی اکاؤنٹ ہولڈر، سب اکاؤنٹ ہولڈر/شیئر ہولڈرز اپنی پراکسی مقرر کرنے کا مجاز ہے۔ اس پراکسی کو اجلاس میں شرکت کے وقت اپنی کمپیوٹرائزڈ قومی شناختی کارڈ یا اصلی پاسپورٹ کی کاپی لازمی دکھانا ہوگی۔

AFFIX
CORRECT
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The Company Secretary
Shifa International Hospitals Limited
Sector H-8/4, Islamabad

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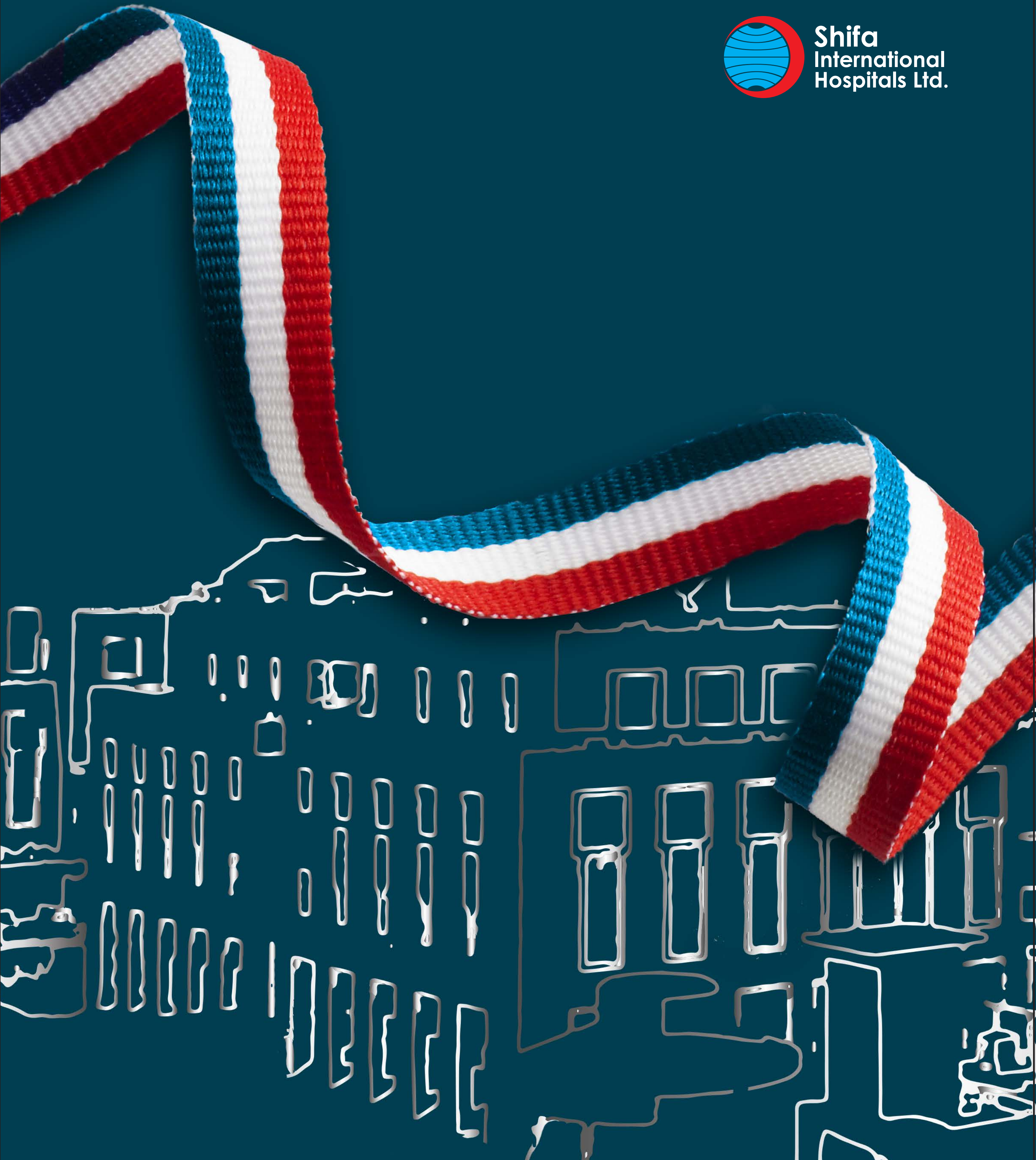
Shifa International Hospitals Ltd.



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