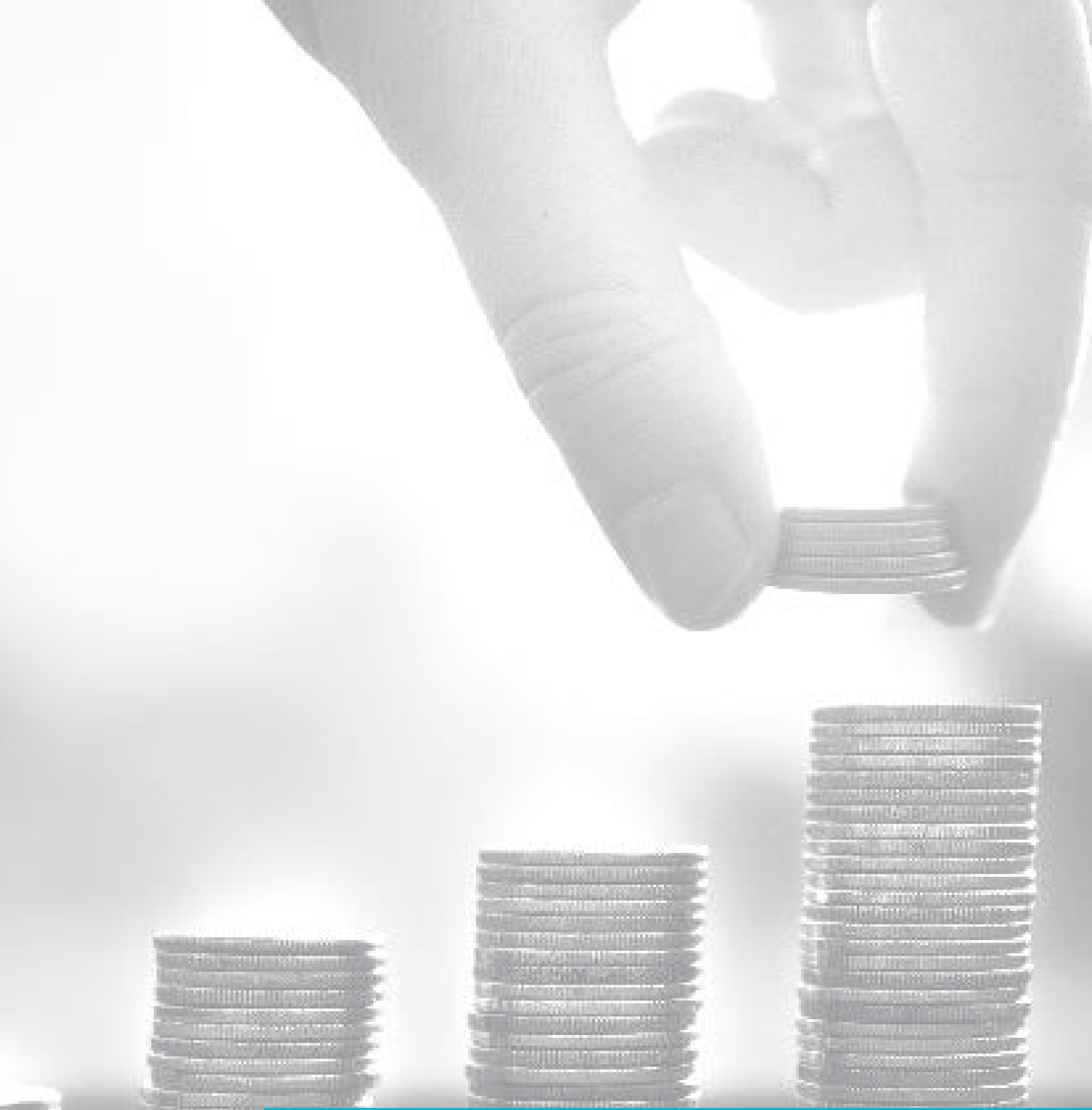

UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

Grant Thornton
An instinct for growth™

Grant Thronton Anjum Rahman
302 B, 3rd Floor Evacuee
Trust Complex,
Aga Khan Road F-5/1,
Islamabad, Pakistan

T: +92 51 2271906, 2274665
F: +92 51 2273874
www.gtpak.com

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Shifa International Hospitals Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the board of directors of Shifa International Hospitals Limited (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

Grant Thornton Anjum Rahman

Grant Thornton Anjum Rahman

Chartered Accountants

Islamabad

September 26, 2020

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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 financial statements of **Shifa International Hospitals Limited** (the Company), which comprise the unconsolidated statement of financial position as at June 30, 2020 and the unconsolidated statement of profit or loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following is the Key audit matter:

Key audit matter	How the matter was addressed in our audit
Adoption of IFRS 16 effective from 1 July 2019 The Company has adopted the IFRS 16 'Leases' with effect from 01 July 2019. The new standard which has replaced the previous standard IAS 17 'Lease' specifies how an IFRS adopter will recognize, measure, present and disclose leases. The Company decided to apply the modified retrospective approach for the transition accounting. The application of the new standard gave rise to a right of use assets with a corresponding lease liabilities. The assessment of the impact of new standard is significant to our audit, as the balances recorded are material, the update of the accounting policy requires policy election and the implementation process to identify and process all relevant data associated with the leases require judgement. The measurement of the right-of-use assets and lease liabilities is based on assumptions such as discount rates and the lease terms including termination and renewal options. Hence, this is considered a key matter. The lease related disclosure included in Notes to the unconsolidated financial statements are as follows: • The transitional impact of IFRS 16 is disclosed in Note 04 to the financial statements; and • The lease related information has been disclosed in Notes 10 and 14 to the financial statements.	Our audit procedures in this area included the following: • Obtained an understanding and evaluated the Company's implementation process, including the review of the updated accounting policy and policy elections in accordance with IFRS 16; • We evaluated management assumptions, specifically the assumptions used to determine the discount rates, lease terms and measurement principles; • Tested the factual inputs and calculation of the right-of-use asset and lease liability calculated by the management for each material lease contract; • Performed substantive procedures on the unconsolidated statement of profit or loss and unconsolidated statement of financial position balances that were subject to the effect of IFRS 16; and • Assessed the modified retrospective application and adequacy of the Company's disclosures of the impact of the new standard in the unconsolidated financial statements.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

Grant Thornton Anjum Rah

Grant Thornton Anjum Rahman

Chartered Accountants

Islamabad

September 26, 2020

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

	Note	2020	2019
		(Rupees in '000')	
SHARE CAPITAL AND RESERVES			
Authorized share capital			
100,000,000 (2019: 100,000,000) ordinary shares of Rs. 10 each		**1,000,000**	1,000,000
Issued, subscribed and paid up capital	5	**619,749**	545,379
Capital reserves			
Share premium	6	**2,751,283**	1,046,025
Surplus on revaluation of property, plant and equipment	7	**760,346**	772,019
Revenue reserves			
Unappropriated profit		**3,636,170**	3,283,636
		7,767,548	5,647,059
NON - CURRENT LIABILITIES			
Long term financing - secured	8	**3,141,102**	2,333,030
Deferred taxation	9	**438,995**	384,315
Lease liabilities	10	**382,454**	-
		3,962,551	2,717,345
CURRENT LIABILITIES			
Trade and other payables	11	**2,984,085**	3,328,432
Unclaimed dividend		**36,665**	48,671
Markup accrued	12	**34,784**	30,406
Current portion of long term financing - secured	8	**290,556**	165,746
Current portion of lease liabilities	10	**183,064**	-
		3,529,154	3,573,255
		15,259,253	11,937,659
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 47 form an integral part of these unconsolidated financial statements.

CHAIRMAN

CHIEF EXECUTIVE

	Note	2020	2019
		(Rupees in '000')	
NON - CURRENT ASSETS			
Property, plant and equipment	14	**6,991,936**	6,845,816
Investment property	15	**-**	1,642,085
Intangible assets	16	**57,414**	83,711
Long term investments - at cost	17	**2,933,524**	79,833
Long term deposits	18	**111,740**	87,211
		10,094,614	8,738,656
CURRENT ASSETS			
Stores, spare parts and loose tools	19	**151,312**	131,637
Stock-in-trade	20	**646,353**	496,758
Trade debts	21	**511,624**	581,466
Loans and advances	22	**390,186**	412,803
Deposits, prepayments and other receivables	23	**93,656**	61,026
Markup accrued		**253**	486
Investment - at amortized cost	24	**3,000**	3,000
Tax refunds due from the government (net of provision)	25	**478,225**	412,810
Cash and bank balances	26	**2,395,052**	791,696
		4,669,661	2,891,682
Non - current assets held for sale	27	**494,978**	307,321
		15,259,253	11,937,659

CHIEF FINANCIAL OFFICER

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2020

	Note	2020	2019
		(Rupees in '000')	
Net revenue	28	12,151,762	11,754,393
Other income	29	637,219	44,290
Operating costs	30	(11,480,652)	(10,642,312)
Finance costs	31	(478,598)	(95,087)
Expected credit (losses)/reversal	40.1.3	(32,278)	11,853
Profit before taxation		797,453	1,073,137
Provision for taxation	32	(292,262)	(295,803)
Profit after taxation		505,191	777,334
Earnings per share - basic and diluted - (Rupees)	33	8.18	14.25

The annexed notes 1 to 47 form an integral part of these unconsolidated financial statements.

CHAIRMAN

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2020

	2020	2019
	(Rupees in '000')	
Profit after taxation	**505,191**	777,334
Other comprehensive income		
Items that will not be subsequently reclassified in statement of profit or loss		
Loss on remeasurement of staff gratuity fund benefit plan	**(22,542)**	(7,671)
Deferred tax relating to remeasurement of staff gratuity fund benefit plan	**6,538**	2,225
Loss on remeasurement of staff gratuity fund benefit plan (net of tax)	**(16,004)**	(5,446)
Surplus on revaluation of property, plant and equipment	**9,710**	57,739
Total comprehensive income for the year	**498,897**	829,627

The annexed notes 1 to 47 form an integral part of these unconsolidated financial statements.

CHAIRMAN

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

	2020	2019
	(Rupees in '000')	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**797,453**	1,073,137
Adjustments for:		
Depreciation/amortization on tangible assets	**791,810**	552,519
Amortization on intangible assets	**26,297**	15,819
Expected credit losses/(reversal)	**32,278**	(11,853)
Property, plant and equipment written off	**5,273**	3,198
Gain on disposal of tangible assets	**(471,572)**	(4,053)
Gain on disposal of investment	**-**	(2,201)
Provision for compensated absences	**46,706**	44,674
Provision for gratuity	**123,824**	111,351
Provision for slow moving stores	**1,438**	999
Liabilities written back	**(8,113)**	(1,102)
Profit on investments and bank deposits	**(12,302)**	(6,161)
(Gain)/loss on foreign currency translation	**(113,740)**	813
Finance costs	**478,598**	95,087
Operating cash flows before changes in working capital	**1,697,950**	1,872,227
Changes in working capital:		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	**(20,492)**	(12,512)
Stock-in-trade	**(149,595)**	(27,939)
Trade debts	**37,564**	99,070
Loans and advances	**22,617**	6,398
Deposits, prepayments and other receivables	**(32,630)**	(25,502)
(Decrease)/increase in current liabilities:		
Trade and other payables	**(409,961)**	368,313
Cash generated from operations	**1,145,453**	2,280,055
Finance costs paid	**(408,244)**	(85,806)
Income tax paid	**(296,459)**	(348,798)
Payment to SIHL Employees' Gratuity Fund	**(73,273)**	(82,907)
Compensated absences paid	**(46,072)**	(36,993)
Net cash generated from operating activities	**321,405**	1,725,551

UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

	Note	2020	2019
		(Rupees in '000')	
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(812,256)**	(1,600,043)
Addition in investment property		**(58,432)**	(255,173)
Purchase of intangible assets		**-**	(66,053)
Sale proceeds of long term investments		**-**	10,355
Outlay against long term investments		**(403,466)**	(69,867)
Proceeds from disposal of property, plant and equipment		**106,028**	5,133
Markup received		**12,535**	5,675
Increase in long term deposits		**(24,529)**	(26,475)
Net cash used in investing activities		**(1,180,120)**	(1,996,448)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of further share capital - other than right		**1,779,628**	-
Long term financing - repayments		**(140,214)**	(186,985)
Long term financing - proceeds		**1,014,133**	1,010,643
Deferred Govt. grant		**58,963**	-
Lease liabilities - repayments		**(194,137)**	-
Dividend paid		**(170,042)**	(230,731)
Net cash generated from financing activities		**2,348,331**	592,927
Net increase in cash and cash equivalents		**1,489,616**	322,030
Cash and cash equivalents at beginning of the year		**794,696**	473,479
Effect of exchange rate changes on cash and cash equivalents		**113,740**	(813)
Cash and cash equivalents at end of the year	39	**2,398,052**	794,696

The annexed notes 1 to 47 form an integral part of these unconsolidated financial statements.

CHAIRMAN

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2020

	Note	Share capital	Share premium	Surplus on revaluation of property, plant and equipment	Un-appropriated profit	Total
		(Rupees in '000')				
Balance as at July 01, 2018		545,379	1,046,025	723,310	2,748,139	5,062,853
Issue of further share capital	5 & 6	-	-	-	-	-
Total comprehensive income for the year						
Profit after taxation		-	-	-	777,334	777,334
Other comprehensive income - net of tax		-	-	57,739	(5,446)	52,293
		-	-	57,739	771,888	829,627
Realization of revaluation surplus on disposal of assets		-	-	-	-	-
Transfer of revaluation of property, plant and equipment in respect of incremental depreciation/ amortization		-	-	(9,030)	9,030	-
Distribution to owners						
Dividend 2018: Rs. 4.5 per share		-	-	-	(245,421)	(245,421)
Balance as at June 30, 2019		**545,379**	**1,046,025**	**772,019**	**3,283,636**	**5,647,059**
Balance as at July 01, 2019		**545,379**	**1,046,025**	**772,019**	**3,283,636**	**5,647,059**
Issue of further share capital	5 & 6	**74,370**	**1,705,258**	**-**	**-**	**1,779,628**
Total comprehensive income for the year						
Profit after taxation		**-**	**-**	**-**	**505,191**	**505,191**
Other comprehensive income - net of tax		**-**	**-**	**9,710**	**(16,004)**	**(6,294)**
		-	**-**	**9,710**	**489,187**	**498,897**
Realization of revaluation surplus on disposal of assets		**-**	**-**	**(12,963)**	**12,963**	**-**
Transfer of revaluation of property, plant and equipment in respect of incremental depreciation/ amortization		**-**	**-**	**(8,420)**	**8,420**	**-**
Distribution to owners						
Dividend 2019: Rs. 2.55 per share		**-**	**-**	**-**	**(158,036)**	**(158,036)**
Balance as at June 30, 2020		**619,749**	**2,751,283**	**760,346**	**3,636,170**	**7,767,548**

The annexed notes 1 to 47 form an integral part of these unconsolidated financial statements.

CHAIRMAN

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

1 STATUS AND NATURE OF BUSINESS

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

1.2 The principal activity of the Company is to establish and run medical centers and hospitals in Pakistan. The Company has established its first hospital in 1993 in H-8/4 Islamabad, second hospital in 2011 in Faisalabad and another in 2014 in G-10/4 Islamabad. The Company is also running medical centers, pharmacies and Lab collection points in different cities of Pakistan. A multidisciplinary hospital namely 'Shifa Pan African Hospitals Limited (SPAH)' in Dar Es Salaam, Tanzania is being established under a memorandum of understanding (MOU) between the Company and Fatima Properties Limited (a company incorporated under Tanzania laws). The Company is committed to contribute equity through its foreign subsidiary after getting regulatory approvals from relevant authorities in Pakistan.

1.3 In these unconsolidated financial statements, being the separate financial statements of the Company, investment in subsidiaries and associates are stated at cost rather than on the basis of reporting results of the investee. Consolidated financial statements are prepared separately.

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

H-8 Hospital, Pitras Bukhari Road, Sector H-8/4, Islamabad
Faisalabad Hospital, Main Jaranwala Road, Faisalabad
G-10/4 Hospital, G-10 Markaz, Islamabad
Shifa Pharmacy, Opposite OPF College, F-8 Markaz Islamabad
Shifa Pharmacy, Saidpur Road, Rawalpindi
Shifa Pharmacy, Blue Area, Islamabad
Shifa Pharmacy, Gulburg Greens, Islamabad
Shifa Pharmacy, Trauma Center, Islamabad International Airport
Shifa Pharmacy Iskandarabad, Mianwali
Shifa Pharmacy, National Radio Telecommunication Corporation, Haripur
F-11 Medical Center, Savoy Arcade, F-11 Markaz Islamabad

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

2.4.1 Property, plant and equipment

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

2.4.2 Investment property

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

2.4.3 Intangible assets

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

2.4.4 Expected credit losses (ECLs)

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of actual default in the future.

2.4.5 Stock in trade and stores, spares and loose tools

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

2.4.6 Employee benefits

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

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

2.4.7 Compensated absences

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

2.4.8 Taxation

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

2.4.9 Contingencies

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

2.5 New accounting standards, interpretations and amendments

2.5.1 There are new and amended standards and interpretations that are mandatory for accounting periods beginning 1 July 2019 other than disclosed in note 4, are considered not to be relevant or do not have significant effect on the unconsolidated financial statements.

2.5.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

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

		Effective date (annual periods beginning on or after)
IFRS 3	Definition of a Business (Amendments)	January 1, 2020
IFRS 9 & 7/ IAS 39	Interest rate benchmark reform (Amendments)	January 1, 2020
IFRS 16	Practical relief for lessees in accounting for rent concessions	June 1, 2020
IAS 1/IAS 8	Definition of Material (Amendment)	January 1, 2020
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
IAS 16	Proceeds before Intended Use (Amendments)	January 1, 2022

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IFRS 7 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above improvements to standards are not likely to have material impact on Company's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

Property, plant and equipment except freehold and leasehold lands and capital work-in-progress are stated at cost less accumulated depreciation 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 amortization 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 expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific items of property, plant and equipment when available for intended use.

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

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

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

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

3.2 Investment property

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

Investment property is derecognized at the time of disposal which is achieved through sale and leaseback arrangements. Gain or losses arising from disposal of investment is recognized in profit or loss which is determined as difference between net disposal proceeds and the carrying value.

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

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

3.3 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 exists then the assets recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognized if the carrying amount exceeds its estimated recoverable amount.

3.4 Leases

3.4.1 Right of use assets

The Company recognizes right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Company has not elected to recognize right-of-use assets and lease liabilities for short-term leases of properties that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined as those of similar assets or the lease term as specified in contract. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3.4.2 Lease liability

The lease liability is initially measured at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate. Lease payments in the measurement of the lease liability comprise the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

After the commencement date, lessee shall measure the lease liability by:

a) - Increase the carrying amount to reflect the interest on the lease liability;

b) - Reducing the carrying amount to reflect the lease payments made; and

c) - remeasure the carrying amount to reflect any reassessment or lease modification or to reflect the revised in - substance fixed lease payments.

3.5 Asset held under Ijarah financing

Assets held under Ijarah financing are accounted for using the guidelines of Islamic Financial Accounting Standard-2 (IFAS 2), "Ijarah". The assets are not recognized on the statement of financial position and payments made under Ijarah financing are recognized in the statement of profit or loss on a straight line basis over the term of the Ijarah.

3.6 Impairment of non - financial assets

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

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

3.7 Investments

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

3.7.1 Investment in subsidiaries

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

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

3.7.2 Investment in associates

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

3.7.3 Other investments

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

3.8 Financial instruments

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

i. Financial assets

Classification

Financial assets are classified in following three categories:

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

b. fair value through other comprehensive income

c. fair value through profit or loss.

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

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

Recognition and derecognition

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

Measurement

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

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

Debt instruments

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

a. Amortized cost

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

b. Fair value through other comprehensive income (FVTOCI)

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

c. Fair value through profit and loss (FVTPL)

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

De-recognition

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

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

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

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

Impairment

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

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

- Trade receivables
- Deposits and other receivables
- Short term investments

ii. General approach for trade receivables, deposits and other receivables and short term investment

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

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

a. Significant increase in credit risk

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

The following indicators are considered while assessing credit risk

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

b. Definition of default

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

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

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

c. Credit - impaired financial assets

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

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

Simplified approach for trade receivable

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

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

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

Recognition of loss allowance

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

Write-off

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

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

iii. Financial liabilities

Classification, initial recognition and subsequent measurement

The Company classifies its financial liabilities in the following categories:

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

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

a) Fair value through profit or loss

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

b) Amortized cost

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

De-recognition of financial liabilities

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

iv. Off-setting financial assets and financial liabilities

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

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

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

3.10 Stores, spare parts and loose tools

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

3.11 Stock-in-trade

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

3.12 Cash and cash equivalents

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

3.13 Employee benefits

Defined benefit plan

The Company operates approved funded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined in the scheme. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation and is charged to the statement of profit or loss. The most recent valuation was carried out as at June 30, 2020 using the "Projected Unit Credit Method". The actuarial gains or losses at each valuation date are charged to other comprehensive income. The results of actuarial valuation are summarized in note 11.4 of these financial statements.

The amount recognized in the statement of financial position represents the present value of defined benefit obligations as reduced by the fair value of plan assets.

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

Compensated absences

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

3.14 Provisions

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

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

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

3.16 Foreign currencies

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

3.17 Revenue recognition

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

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

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

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

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

Scrap sales and miscellaneous receipts are recognized on realized amounts.

3.18 Borrowings

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

3.19 Borrowing costs

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

3.20 Earnings per share

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

3.21 Dividend

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

3.22 Non - current assets held for sale

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

3.23 Government grants

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain past or future conditions related to the entity's operating activities - e.g. a government subsidy.

Government grants are recognized at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Company will be able to comply with the conditions associated with the grants.

Grants that compensate the Company for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized and reported net of grant.

A loan is initially recognized and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below-market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is the government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant.

3.24 Fair value measurement

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

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

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

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

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

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

4 CHANGE IN ACCOUNTING POLICY

IFRS 16 "Leases" replaced IAS 17 "Leases", the former lease accounting standard became effective on July 01, 2019. Under the new lease standard, assets leased by the Company are being recognized on the statement of financial position of the Company with a corresponding liability. As a rule, lease expenses are no longer recorded in the statement of profit or loss from July 01, 2019. Instead, depreciation and interest expenses are recorded stemming from the newly recognized lease assets and lease liabilities. In addition, leasing expenses are no longer presented as operating cash outflows in the statement of cash flows, but instead are included as part of the financing cash outflow. Interest expenses from the newly recognized lease liability are presented in the cash flow from operating activities.

The Company adopted IFRS 16 from July 01, 2019 using the modified retrospective approach. This means that comparatives are not restated. The weighted-average incremental rate applied to lease liabilities recognized on July 1, 2019 was 13.75 % per annum. The Company, as a lessee, recognizes a right of use asset and a lease liability on the lease commencement date. Upon initial recognition, the right of use asset is measured at the amount equal to initially measured lease liability adjusted for lease prepayments, initial direct cost, lease incentives and the discounted estimated asset retirement obligation. Subsequently, the right of use asset is measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter of estimated useful lives of the right of use assets or the lease term.

The lease liability was measured upon initial recognition at the present value of the future lease payments over the lease term, discounted with the specific incremental borrowing rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

IFRS 16 requires the Company to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Company has extension options which the Company is reasonably certain to exercise and the periods for which the Company has termination options for which the Company is reasonably certain not to exercise those termination options. The Company has not elected to recognize right-of-use assets and lease liabilities for short-term leases of properties that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease liabilities and right of use assets recognized are as follows:

	June 30, 2019	Impact of IFRS 16	July 01, 2019
	(Rupees in '000')		
ASSETS			
NON - CURRENT ASSETS			
Right to use assets	-	418,714	418,714
LIABILITIES			
NON - CURRENT LIABILITIES			
Lease liabilities	-	312,883	312,883
CURRENT LIABILITIES			
Current portion of lease liabilities	-	105,831	105,831
	-	418,714	418,714

	(Rupees in '000')
Lease liabilities	
Operating lease commitments as at June 30, 2019	705,795
Discounting effect using incremental borrowing rate	(287,081)
Lease liabilities recognized on statement of financial position as at July 1, 2019	418,714
Lease liabilities presented as:	
Non-current financial liabilities	312,883
Current portion of non-current liabilities	105,831
	418,714
Right of use assets	
Present value of lease liability	418,714
Right of use assets recognized on statement of financial position as at July 1, 2019	418,714
Right of use assets presented as:	
Property, plant and equipment	418,714

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2020	2019		2020	2019
Number			(Rupees in '000')	
54,537,900	54,537,900	Opening balance: Ordinary shares of Rs. 10 each fully paid in cash	**545,379**	545,379
7,436,986	-	Addition: Further issue of ordinary shares of Rs. 10 each against cash consideration	**74,370**	-
61,974,886	54,537,900	Closing balance: Ordinary shares of Rs. 10 each fully paid in cash	**619,749**	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 During the year ended, 7,436,986 ordinary shares of the Company were issued to International Finance Corporation (IFC) other than right under section 83(1)(b) of the Companies Act, 2017. These shares were issued to IFC at a price of Rs. 239.29 per share including a premium of Rs. 229.29 per share. IFC shall have the right to nominate one director at the board of directors of the Company as long as IFC holds ordinary shares representing 5% of total issued share capital of the Company. Further, the Company if intends to amend or repeal the memorandum and articles, effects the rights of IFC on its shares issuance of preference shares ranking seniors to the equity securities held by IFC, incur any financial debt to any shareholder, change the nature of the business of the Company etc. shall seek consent of IFC.

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

6 SHARE PREMIUM

	2020	2019	Premium per share	2020	2019
	Number of shares		(Rupees)	(Rupees in '000')	
Ordinary shares issued:					
Public offer in the year 1994	**8,000,000**	8,000,000	5	**40,000**	40,000
Right shares in the year 2016	**4,024,100**	4,024,100	250	**1,006,025**	1,006,025
IFC in the year 2019-20 (other than right)	**7,436,986**	-	229.29	**1,705,258**	-
	19,461,086	12,024,100		**2,751,283**	1,046,025

7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2020	2019
Balance at beginning of the year	**772,019**	723,310
Revaluation surplus during the year	**9,710**	57,739
Realization of revaluation surplus on disposal of assets	**(12,963)**	-
Transfer of revaluation of property, plant and equipment in respect of depreciation/ amortization	**(8,420)**	(9,030)
Balance at end of the year	**760,346**	772,019

7.1 Surplus on revaluation of property, plant and equipment in respect of leasehold and freehold lands is not available for distribution of dividend to the shareholders of the Company.

8 LONG TERM FINANCING - SECURED

	Note	2020	2019
		(Rupees in '000')	
From banking companies:			
Syndicated Islamic finance facility	8.2	**1,995,778**	1,994,691
Diminishing Musharakah facility - 1	8.3	**435,234**	504,085
Diminishing Musharakah facility - 2	8.4	**500,000**	-
State Bank of Pakistan (SBP) - refinance scheme	8.5	**447,453**	-
Deferred income- Government grant	8.5	**53,193**	-
		500,646	-
		3,431,658	2,498,776
Less: Current portion		**290,556**	165,746
		3,141,102	2,333,030

8.1 The Company has fully availed all the above facilities, except Diminishing Musharakah Facilities from Al-Baraka Bank (Pakistan) Limited of Rs. 50.8 million, First Habib Modaraba of Rs. 49.9 million and SBP refinance scheme for CAPEX of Rs. 200 million.

8.2 This represents syndicated Islamic finance facility, arranged and lead by Meezan Bank Limited, obtained on markup basis at 3 months KIBOR plus 0.85% (2019: 3 months KIBOR plus 0.85%) per annum, repayable in 14 equal quarterly installments. The Company has availed loan facility upto the total sanctioned limit of Rs. 2,000 million which shall be repaid by August 22, 2024 instead of November 22, 2023 due to acceptance of deferment of principal payment option of loan under SBP circular # 13 dated March 26, 2020 in the wake of Covid-19 outbreak. The financing is secured by ranking charge upgraded into first pari passu charge of Rs. 2,667 million on all present and future Company's movable fixed assets and land/building located at H-8/4, Islamabad. Meezan Bank Limited has the custody of original ownership documents of the Company's land located at sector H-8/4 Islamabad. According to the terms of deferment, the Company is prohibited to pay dividend on its ordinary shares till May 22, 2021.

8.3 This represents a long term Islamic finance facility obtained from Al Baraka Bank (Pakistan) Limited of Rs. 499.4 million. Principal amount is repayable in 36 equal monthly installments carrying markup at 3 months KIBOR plus 0.80% (2019: 3 months KIBOR plus 0.80%) per annum. The financing is secured by first exclusive charge of Rs. 781.3 million against equipment/ machinery. In the wake of Covid-19 outbreak, the bank under SBP circular # 13 dated March 26, 2020 has deferred the principal payment till April 15, 2021, originally it was payable by May, 2020. This also includes a long term Islamic finance facility obtained under the Diminishing Musharakah basis from First Habib Modaraba of Rs. 20.3 million. Principal amount is repayable in 60 equal monthly installments carrying markup at 3 months KIBOR plus 0.70% (2019: 3 months KIBOR plus 0.70%) per annum.

8.4 This represents a long term Islamic finance facility obtained from Meezan Bank Limited of Rs. 500 million. Principal amount shall be repaid by October 01, 2024 in 12 equal quarterly installments carrying markup at 3 months KIBOR plus 0.85% (2019: Nil) per annum.The financing is secured by first pari passu charge on all present and future fixed assets of the Company.

8.5 This represents long term finance facility aggregating to Rs. 500 million obtained from United Bank Limited under the State Bank of Pakistan's (SBP) temporary refinance scheme for payment of wages and salaries to the workers and employees of business concerns to support payment of salaries and wages under economic challenges due to COVID-19. The Company has availed the financing in three tranches on April 2020, May 2020 and June 2020 at a subsidized markup rate of 0.85% per annum. The financing is repayable in 08 equal quarterly installments starting from January 2021 and shall be fully settled by October 31, 2022. The facility is secured by first pari passu charge of Rs. 667 million over fixed assets (excluding land and building) of the Company. According to the terms of the financing, the Company is prohibited to lay-off the employees for at least three months from April 2020 to June 2020 of receiving the grant. Since the financing under SBP refinance scheme carries the markup rate below the market rate, the loan has been recognized at present value along with the recognition of government grant as detailed below:

		Note	2020	2019
			Rupees in '000'	
	Balance at beginning of the year		**-**	-
	Received during the year		**58,937**	-
	Amortization during the year		**(5,744)**	-
	Balance at end of the year		**53,193**	-
9	**DEFERRED TAXATION**			
	Deferred tax liability	9.1	**543,986**	494,137
	Deferred tax asset	9.2	**(104,991)**	(109,822)
	Net deferred tax liability		**438,995**	384,315
9.1	**Deferred tax liability on taxable temporary differences:**			
	Accelerated depreciation/amortization allowance		**534,882**	494,137
	Right of use assets net of lease liabilities		**9,104**	-
			543,986	494,137
9.2	**Deferred tax asset on deductible temporary differences:**			
	Specific provisions		**(48,087)**	(63,926)
	Retirement benefit obligation		**(56,904)**	(45,896)
			(104,991)	(109,822)

9.3 Movement in deferred taxation

Deferred tax liabilities/ (assets)	**Opening balance**	**Statement of profit or loss**	**Other comprehensive Income**	**Closing balance**
June 30, 2020	**(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	**494,137**	**40,745**	**-**	**534,882**
Right of use assets net of lease liabilities	**-**	**9,104**	**-**	**9,104**
Effect of deductible temporary differences				
Specific provisions	**(63,926)**	**15,839**	**-**	**(48,087)**
Retirement benefit obligation	**(45,896)**	**(4,470)**	**(6,538)**	**(56,904)**
	384,315	**61,218**	**(6,538)**	**438,995**

Deferred tax liabilities/ (assets)	Opening balance	Statement of profit or loss	Other comprehensive Income	Closing balance
June 30, 2019		(Rupees in '000')		
The balance of deferred tax is in respect of the following temporary differences:				
Effect of taxable temporary differences				
Accelerated depreciation/ amortization allowance	463,275	30,862	-	494,137
Right of use assets net of lease liabilities	-	-	-	-
Effect of deductible temporary differences				
Specific provisions	(44,418)	(19,508)	-	(63,926)
Retirement benefit obligation	(43,671)	-	(2,225)	(45,896)
	375,186	11,354	(2,225)	384,315

9.4 Deferred tax assets and liabilities on temporary differences are measured at the rate of 29% (2019: 29%).

10 LEASE LIABILITIES	2020	2019
	(Rupees in '000')	
As at July 01, 2019	**418,714**	-
Additions during the year	**274,965**	-
Interest expense	**65,976**	-
Payment during the year	**(194,137)**	-
As at June 30, 2020	**565,518**	-
Less: Current portion	**183,064**	-
	382,454	-

10.1 Lease liabilities are payable as follows:

	Minimum lease payments	Interest	Present value of minimum lease payments
	Rupees in '000'		
Less than one year	**249,342**	**66,278**	**183,064**
Between one and five years	**352,330**	**151,711**	**200,619**
More than five years	**338,078**	**156,243**	**181,835**
	939,750	**374,232**	**565,518**

10.2 Rental contracts are made for a fixed period subject to renewal upon mutual consent of Company and lessor. Wherever practicable, the Company seeks to include extension option to provide operational flexibility. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Management exercises significant judgement in determining whether these extensions are reasonably certain to be exercised. The Company's obligation under lease arrangements for generators is secured by the lessor's title to leased assets.

11 **TRADE AND OTHER PAYABLES**	**Note**	**2020**	2019
		(Rupees in '000')	
Creditors		**1,457,994**	1,521,458
Accrued liabilities		**416,118**	686,212
Advances from customers		**277,537**	283,479
Medical consultants' charges		**371,724**	452,127
Payable to related parties - unsecured	11.1	**39,446**	35,863
Security deposits	11.2	**79,576**	80,226
Compensated absences	11.3	**108,324**	107,690
Retention money		**37,145**	38,249
Payable to Shifa International Hospitals Limited (SIHL) Employees' Gratuity Fund	11.4	**196,221**	123,128
		2,984,085	3,328,432

11.1 This represent payables to Tameer-e-Millat Foundation and Shifa Tameer-e-Millat University. Maximum amount due at the end of any month during the year was Rs. 11,978 thousand (2019: Rs. 11,789 thousand) and Rs. 37,944 thousand (2019: Rs. 24,074 thousand) respectively. Detail of balances of each related party is as under:

	2020	2019
	(Rupees in '000')	
Tameer -e- Millat Foundation	**11,978**	11,789
Shifa Tameer -e- Millat University	**27,468**	24,074
	39,446	35,863

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

11.3 **Compensated absences**	**2020**	2019
	(Rupees in '000')	
Balance at beginning of the year	**107,690**	100,009
Provision made for the year	**46,706**	44,674
	154,396	144,683
Payments made during the year	**(46,072)**	(36,993)
Balance at the end of year	**108,324**	107,690

			2020	2019
			(Rupees in '000')	
11.4	**Amounts recognized in the statement of financial position are as follows:**			
	Present value of defined benefit obligation	11.4.1	**667,697**	579,986
	Fair value of plan assets	11.4.2	**(471,476)**	(456,858)
			196,221	123,128
11.4.1	**Movement in present value of funded obligation is as follows:**			
	Present value of defined benefit obligation at beginning of the year		**579,986**	497,634
	Interest cost		**76,141**	42,155
	Current service cost		**111,683**	107,338
	Benefits paid		**(88,739)**	(56,554)
	Benefits payable		**(2,598)**	(1,927)
	Non refundable loan to employees adjustable against gratuity		**-**	(2,175)
	Remeasurement gain on defined benefit obligation		**(8,776)**	(6,485)
	Present value of defined benefit obligation at year end		**667,697**	579,986
11.4.2	**Movement in the fair value of plan assets is as follows:**			
	Fair value of plan assets at beginning of the year		**456,858**	410,621
	Expected return on plan assets		**64,000**	38,142
	Contributions		**73,273**	82,907
	Benefits paid		**(88,739)**	(56,554)
	Benefits payable		**(2,598)**	(1,927)
	Non refundable loan to employees adjustable against gratuity		**-**	(2,175)
	Remeasurement loss on plan assets		**(31,318)**	(14,156)
	Fair value of plan assets at year end		**471,476**	456,858
11.4.3	**Charge for the year is as follows:**			
	Current service cost		**111,683**	107,338
	Interest cost		**76,141**	42,155
	Expected return on plan assets		**(64,000)**	(38,142)
			123,824	111,351

		2020	2019
		(Rupees in '000')	
11.4.4	**Remeasurements recognized in other comprehensive income (OCI) during the year:**		
	Remeasurement income on defined benefit obligation	**(8,776)**	(6,485)
	Remeasurement loss on plan assets	**31,318**	14,156
	Remeasurement loss recognized in OCI	**22,542**	7,671
11.4.5	**Movement in liability recognized in statement of financial position:**		
	Balance at beginning of the year	**123,128**	87,013
	Cost for the year	**123,824**	111,351
	Remeasurement recognized in OCI during the year	**22,542**	7,671
	Contributions during the year	**(73,273)**	(82,907)
	Balance at end of year	**196,221**	123,128
11.4.6	**Plan assets comprise of:**		
	Accrued mark up	**5,921**	8,703
	Term deposit receipts	**377,738**	361,000
	Ordinary shares	**17,951**	16,907
	Cash and bank balances	**72,464**	72,175
	Payable to outgoing members	**(2,598)**	(1,927)
		471,476	456,858

11.4.7	**The principal actuarial assumptions used in the actuarial valuation are as follows:**		
		2020	**2019**
	Discount rate used for interest cost in profit or loss	**14.25%**	9.00%
	Discount rate used for year end obligation	**8.50%**	14.25%
	Expected rate of salary growth		
	- Salary increase FY 2020 onward	**-**	8.00%
	- Salary increase FY 2021 onward	**6.00%**	13.25%
	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

11.4.8 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 significant actuarial assumptions by one percent.

	2020		2019	
	Defined benefit obligation		Defined benefit obligation	
	Effect of 1% increase	**Effect of 1% decrease**	Effect of 1% increase	Effect of 1% decrease
	(Rupees in '000')		(Rupees in '000')	
Discount rate	**619,487**	**723,401**	540,462	625,396
Future salary increase	**724,022**	**618,072**	625,973	539,282

11.4.9 The average duration of the defined benefit obligation as at June 30, 2020 is 8 years (2019: 7 years).

11.4.10 Risk associated with the scheme

Final salary risk

The risk that the final salary at the time of cessation of service is greater than what is assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Demographic risks

a) Mortality risk

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

b) Withdrawal risk

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

Investment risk

The risk of the investment under performing and being not sufficient to meet the liabilities.

12 MARKUP ACCRUED	**2020**	2019
	(Rupees in '000')	
Long term financing - secured	**34,750**	29,502
Running finance - secured	**34**	904
	34,784	30,406

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 Claims aggregating to Rs. 3 million (2019: Rs. 3 million) are lodged in Peshawar and Islamabad High Courts by patients and their heirs against the Company for alleged negligence on part of the consultants/doctors. The management of the Company is contesting these claims and believes that the contention of the claimants will not be successful and no material liability is likely to arise.

13.1.2 The penalty of Rs. 20 million (2019: Rs. 20 million) 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 Guarantees aggregating to Rs. 33.9 million (2019: Rs. 35.9 million) issued by banks in favor of Sui Northern Gas Pipelines Limited (SNGPL) and Oil and Gas Development Company Limited (OGDCL) on behalf of the Company in its ordinary course of business.

13.1.4 Contingencies related to income tax and sales tax are as follows:

13.1.4.1 The tax authorities amended the assessments for tax years 2012, 2013, 2014 and 2015 under section 122(5A) of Income Tax Ordinance, 2001 (the Ordinance) and raised tax demands of Rs. 50.4 million, Rs. 133.3 million, Rs. 85.5 million and Rs. 26.1 million respectively. Being aggrieved the Company agitated the assessments in appeals before the Commissioner Inland Revenue (Appeals) [CIR(A)] who in respect of tax years 2012 to 2014 partly confirmed the assessments and partly allowed relief to the Company while confirmed the assessment for tax year 2015. The Company being aggrieved filed appeals against the appellate orders before the Appellate Tribunal Inland Revenue [ATIR] where appeals for tax year 2012 to 2015 are pending for adjudication. For tax year 2016 ATIR set aside the assessment for denovo consideration. On reassessment AdCIR has completed the assessment under section 124/122(5A) and raised a demand of Rs. 85.4 million as on June 30, 2020 as against the original tax demand of Rs. 566.2 million. Being not satisfied with the order of AdCIR, the Company has filed an appeal before CIR(A) on July 21, 2020, which is a pending adjudication. No provision has been recorded in respect of above matters as the management is hopeful for favorable outcome.

13.1.4.2 The tax authorities levied tax of Rs. 178.4 million, Rs. 27.4 million and Rs. 29.2 million under section 161/205 of the Ordinance for tax year 2014, 2013 and 2012 respectively on account of alleged non deduction of tax on payments. Being aggrieved the Company agitated the assessments in appeals before the CIR(A) who in respect of tax year 2012 has deleted the assessment vide order dated July 09, 2020, while set aside the assessment for tax year 2013 on October 02, 2019 and confirmed the assessment for tax year 2014 through his order dated April 30, 2018. The Company being aggrieved filed appeals against the appellate orders for tax year 2013 and 2014 before ATIR where appeal for tax year 2013 is pending adjudication while ATIR has set aside the assessment for tax year 2014 for denovo consideration, hence no demand is outstanding as of today. The Company is confident for a favorable outcome and therefore, no provision in respect of above matters has been recorded in these unconsolidated financial statements.

13.1.4.3 The tax authorities amended the assessments for tax years 2012, 2013 and from 2015 to 2017 u/s 122(5) of the Ordinance and raised aggregate tax demand of Rs. 1,350.9 million. Being aggrieved the Company agitated the assessments in appeals before the CIR(A) who annulled all the assessment orders and hence demand stand deleted. Being dissatisfied with order of the CIR(A), the tax department has filed appeal before ATIR on November 15, 2018, which is pending adjudication. No provision has been recorded in respect of above as the management is hopeful for favorable outcome.

13.1.4.4 The Assistant Commissioner Inland Revenue (ACIR) has amended the Company's assessment for tax year 2014 and 2015 u/s 221 of the Ordinance which has resulted an aggregate tax demand of Rs. 11.8 million. Being aggrieved, the Company has filed appeals before CIR (A) who remanded back the said assessments to ACIR on November 30, 2017. The Company as well as the tax department have filed cross appeals against the CIR(A) order before the ATIR, which are pending adjudication. The Company is confident for a favorable outcome and therefore, no provision in respect of this matter has been recorded in these unconsolidated financial statements.

13.1.4.5 The tax authorities amended the assessment for tax years 2014 u/s 177 of the Ordinance on June 29, 2019 and raised a tax demand of Rs. 1,143.8 million. Being aggrieved the Company agitated the assessment in appeal on July 22, 2019 before the CIR (A) who annulled the assessment order on October 02, 2019 and hence tax demand stand deleted as of today. The tax department has filed an appeal before ATIR, against the decision of CIR(A). The Company is confident for a favorable outcome and therefore, no provision in respect of this matter has been recorded in these unconsolidated financial statements.

13.1.4.6 The tax authorities raised a sales tax demand of Rs. 1.6 million and Rs. 57.4 million under section 33 and 34 of the Sales Tax Act, 1990 on account of alleged nonpayment of sales tax for tax year 2016 and 2018 respectively. Being aggrieved the Company agitated the assessment in appeal before CIR(A) which is a pending adjudication. The company is confident for a favorable outcome in respect of the above matters. Therefore, no provision in respect of this matter has been recorded in these unconsolidated financial statements.

		2020	2019
13.2	**Commitments**	**(Rupees in '000')**	
13.2.1	Capital expenditure contracted	**45,662**	148,203
13.2.2	Letters of credit	**11,047**	-

14. PROPERTY, PLANT AND EQUIPMENT

	Owned assets												Right of use assets		
Particulars	Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Leasehold Improvements	Biomedical equipment	Air conditioning equipment and machinery	Electrical and other equipment	Furniture and fittings	Construction equipment	Computer installations	Vehicles	Capital work-in-progress (note 14.7)	Office premises	Electrical and other equipment	Total
	(Rupees in 000)															
Cost/Revalued amount																
Balance as at July 01, 2018	1,027,327	965,742	-	2,273,266	35,295	3,099,603	299,776	599,846	186,478	2,401	360,533	113,989	325,954	-	-	9,290,210
Additions	43,453	-	-	-	5,314	306,334	155,396	56,410	14,454	394	87,016	10,738	928,879	-	-	1,608,388
Revaluation	47,445	10,294	-	-	-	-	-	-	-	-	-	-	-	-	-	57,739
Disposals	-	-	-	-	-	(15)	(87)	-	(12)	-	(43)	(12,392)	-	-	-	(12,549)
Write offs	-	-	-	-	-	(16,586)	(528)	(1,089)	(93)	-	(2,822)	-	-	-	-	(21,118)
Transfers	-	-	-	278,843	4,564	346	-	-	-	-	254	-	(284,007)	-	-	-
Reclassified as held for sale (note 27)	-	(256,692)	-	-	-	-	-	-	-	-	-	-	(60,225)	-	-	(316,917)
Balance as at June 30, 2019	1,118,225	719,344	-	2,552,109	45,173	3,389,682	454,557	655,167	200,827	2,795	444,938	112,335	910,601	-	-	10,605,753
Balance as at July 01, 2019	**1,118,225**	**719,344**	**-**	**2,552,109**	**45,173**	**3,389,682**	**454,557**	**655,167**	**200,827**	**2,795**	**444,938**	**112,335**	**910,601**	**-**	**-**	**10,605,753**
Effect of change in accounting policy due to adoption of IFRS 16 - Note (4 & 10)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**418,714**	**-**	**418,714**
Adjusted balance as at July 01, 2019	**1,118,225**	**719,344**	**-**	**2,552,109**	**45,173**	**3,389,682**	**454,557**	**655,167**	**200,827**	**2,795**	**444,938**	**112,335**	**910,601**	**418,714**	**-**	**11,024,467**
Additions	**-**	**183,933**	**-**	**-**	**-**	**215,731**	**21,592**	**42,375**	**16,279**	**51**	**92,359**	**13,688**	**159,161**	**284,432**	**57,000**	**1,086,601**
Revaluation	**3,600**	**6,110**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**9,710**
Disposals	**(90,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(820)**	**(6,577)**	**-**	**-**	**-**	**(97,397)**
Write offs	**-**	**-**	**-**	**-**	**-**	**(19,083)**	**(297)**	**(5,078)**	**(395)**	**(58)**	**(1,629)**	**-**	**-**	**-**	**-**	**(26,540)**
Transfers	**3,753**	**5,314**	**58,898**	**63,962**	**16,437**	**595,467**	**-**	**-**	**-**	**-**	**-**	**-**	**(743,831)**	**-**	**-**	**-**
Reclassified as held for sale (note 27)	**(494,978)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(494,978)**
Balance as at June 30, 2020	**540,600**	**914,701**	**58,898**	**2,616,071**	**61,610**	**4,181,797**	**475,852**	**692,464**	**216,711**	**2,788**	**534,848**	**119,446**	**325,931**	**703,146**	**57,000**	**11,501,863**

	Owned assets													Right of use assets		
Particulars	Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Leasehold Improvements	Biomedical equipment	Air conditioning equipment and machinery	Electrical and other equipment	Furniture and fittings	Construction equipment	Computer installations	Vehicles	Capital work-in-progress (note 14.7)	Office premises	Electrical and other equipment	Total
	(Rupees in 000)															
Depreciation/amortization																
Balance as at July 01, 2018	-	69,000	-	565,655	11,010	1,646,351	170,539	348,541	92,219	1,195	262,840	93,978	-	-	-	3,261,328
Charge for the year	-	18,708	-	70,307	7,591	261,826	36,661	62,216	16,165	213	55,050	8,857	-	-	-	537,594
On disposals	-	-	-	-	-	(2)	(12)	-	(7)	-	(43)	(11,404)	-	-	-	(11,468)
On write offs	-	-	-	-	-	(13,659)	(494)	(887)	(65)	-	(2,816)	-	-	-	-	(17,921)
Reclassified as held for sale	-	(9,596)	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,596)
Balance at June 30, 2019	-	78,112	-	635,962	18,601	1,894,516	206,694	409,870	108,312	1,408	315,031	91,431	-	-	-	3,759,937
Balance as at July 01, 2019	-	**78,112**	-	**635,962**	**18,601**	**1,894,516**	**206,694**	**409,870**	**108,312**	**1,408**	**315,031**	**91,431**	-	-	-	**3,759,937**
Charge for the year	-	**10,893**	**982**	**75,537**	**9,371**	**299,740**	**46,978**	**60,823**	**17,153**	**248**	**62,587**	**8,007**		**173,516**	**11,084**	**776,919**
On disposals	-	-	-	-	-	-	-	-	-	-	**(729)**	**(4,933)**	-	-	-	**(5,662)**
On write offs	-	-	-	-	-	**(14,591)**	**(297)**	**(4,468)**	**(387)**	**(17)**	**(1,507)**	-	-	-	-	**(21,267)**
Balance as at June 30, 2020	-	**89,005**	**982**	**711,499**	**27,972**	**2,179,665**	**253,375**	**466,225**	**125,078**	**1,639**	**375,382**	**94,505**	-	**173,516**	**11,084**	**4,509,927**
Carrying value as at June 30, 2019	1,118,225	641,232	-	1,916,147	26,572	1,495,166	247,863	245,297	92,515	1,387	129,907	20,904	910,601	-	-	6,845,816
Carrying value as at June 30, 2020	**540,600**	**825,696**	**57,916**	**1,904,572**	**33,638**	**2,002,132**	**222,477**	**226,239**	**91,633**	**1,149**	**159,466**	**24,941**	**325,931**	**529,630**	**45,916**	**6,991,936**
Annual rate of depreciation %	-	1.34-3.03	2.5-10	2.5-10	20	10	10-15	10-15	10	10-20	25	20	-	-	33.3	

14.1 The Company had its leasehold land revalued in 1999, 2004, 2009, 2014, 2018, 2019 and 2020 while freehold lands in 2009, 2014, 2018, 2019 and 2020 by independent valuer, using fair market value basis. These revaluations resulted in net surplus of Rs. 180,873 thousand, Rs. 63,891 thousand, Rs. 392,360 thousand, Rs. 184,284 thousand, Rs. 5,541 thousand, Rs. 57,739 thousand and Rs. 9,710 thousand respectively which included in carrying values of respective assets.

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

	Cost	Accumulated amortization	Carrying value
Leasehold land		(Rupees in '000')	
June 30, 2020	**197,646**	**4,318**	**193,328**
June 30, 2019	8,399	2,574	5,825
Freehold land			
June 30, 2020	**422,843**	**-**	**422,843**
June 30, 2019	981,581	-	981,581

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

Location	Nature	Area (Kanal)
Shifa Housing Society, Islamabad Expressway	Freehold land	27.0
Islamabad Motorway	Freehold land	100.0
H-8/4, Islamabad	Leasehold land*	87.8

*The covered area includes multi-storey buildings.

14.3 Property, plant and equipment include items with aggregate cost of Rs. 1,676,452 thousand (2019: Rs. 1,334,799 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. 5,877.25 million (2019: Rs. 4,634.25 million) in favor of banking companies under various financing arrangements as disclosed in Note 8.

14.5 The forced sale values (FSV) of the revalued leasehold and freehold lands have been assessed at Rs. 660,556 thousand and Rs. 432,480 thousand respectively.

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

Asset particulars	Cost	Carrying value	Sale proceeds	Purchaser	Mode of disposal
	(Rupees in '000')				
Islamabad Motorway Land	67,500	67,500	72,500	Various third parties through Soft sys (Private) Limited	Negotiation
Murree Expressway Land	22,500	22,500	30,500	Muhammad Mansoor (Third party)	Negotiation
Honda Civic	2,560	768	556	Aziz Ahmed Jan (Ex-COO of Company)	As per Company policy
	92,560	**90,768**	**103,556**		
Other assets having carrying value less than Rs. 500,000	**4,837**	**968**	**2,472**		
2020	**97,397**	**91,736**	**106,028**		
2019	12,549	1,082	5,135		

		Note	**2020**	2019
14.7	**Capital work-in-progress**		**(Rupees in '000')**	
	Construction work-in-progress	14.7.1	**41,816**	98,885
	Stores held for capital expenditure	14.7.2	**1,870**	2,491
	Installation of equipment in progress		**282,245**	809,225
			325,931	910,601

14.7.1 Construction work-in-progress

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

	Note	**2020**	2019
		(Rupees in '000')	
Shifa guest house		**-**	58,720
Other constructions		**41,816**	40,165
		41,816	98,885

14.7.2 Stores held for capital expenditure

	Note	**2020**	2019
Stores held for capital expenditure		**4,521**	4,521
Less: provision for slow moving items	14.7.2.1	**2,651**	2,030
		1,870	2,491

		Note	2020	2019
			(Rupees in '000')	
14.7.2.1	Balance at beginning of the year		**2,030**	1,513
	Charged during the year		**621**	517
	Balance at end of the year		**2,651**	2,030

15 INVESTMENT PROPERTY

	Note	2020	2019
Cost		**-**	1,661,985
Accumulated amortization		**-**	(19,900)
Carrying value		**-**	1,642,085
Opening carrying value		**1,642,085**	1,401,837
Addition during the year		**58,432**	255,173
Amortization charge for the year	30	**(14,891)**	(14,925)
Disposal during the year - net		**(1,685,626)**	-
Closing carrying value		-	1,642,085

15.1 Company's investment property comprised of a leasehold land with a multi-storey building thereon located at sector H-8, Islamabad. During the current year the said property was sold to Company's subsidiary "Shifa Neuro Sciences Institute Islamabad (Private) Limited" at a market value of Rs. 1.69 billion against the consideration of 169,000,000 ordinary shares of the subsidiary at a value of Rs. 10 each. The Company has also paid taxes aggregating to Rs. 94.786 million on behalf of the Subsidiary for transferring the lease of the said land in its favor. Subsequent to above sale, the Property has been re-acquired by the Company under an operating lease and the Company's liability towards the Subsidiary on account of advance rent and the security under the said lease arrangement is adjusted to the extent of above taxes paid by the Company.

16 INTANGIBLE ASSETS

		Note	2020	2019
			(Rupees in '000')	
	Cost	16.1	**105,185**	105,185
	Accumulated amortization	16.1	**(47,771)**	(21,474)
	Net book value		**57,414**	83,711
16.1	Movement in cost and accumulated amortization is as follow:			
	Cost:			
	Balance at beginning of the year		**105,185**	39,132
	Addition during the year		**-**	66,053
	Balance at end of the year		**105,185**	105,185
	Accumulated amortization:			
	Balance at beginning of the year		**21,474**	5,655
	Charge during the year		**26,297**	15,819
	Balance at end of the year		**47,771**	21,474
	Net book value		**57,414**	83,711

16.2 Value of intangibles include cost of Oracle Financials software and other softwares. Amortization of intangibles has been recorded at a rate of 25 % (2019: 25%) per annum.

17	**LONG TERM INVESTMENTS - AT COST**	**Note**	**2020**	2019
			(Rupees in '000')	
	In subsidiary companies (unquoted):			
	Shifa Development Services (Private) Limited (SDSPL)	17.2	**9,966**	9,966
	Shifa Neuro Sciences Institute Islamabad (Private) Limited (SNS)	17.3	**1,697,521**	7,509
	Shifa National Hospital Faisalabad (Private) Limited (SNH Faisalabad)	17.4	**225,268**	8,161
	Shifa Medical Centre Islamabad (Private) Limited (SMC Islamabad)	17.5	**947,488**	39,752
	Shifa International DWC - LLC (SIDL)	17.6	**23,280**	-
	In associated company (unquoted):			
	Shifa Care (Private) Limited (SCPL)	17.7	**30,001**	14,445
			2,933,524	79,833

17.1 The breakup values of these investments are given below:

	2020	2019
	Rupees/Share	
Shifa Development Services (Private) Limited (SDSPL)	**3.89**	1.91
Shifa Neuro Sciences Institute Islamabad (Private) Limited (SNS)	**10.07**	(75,575)
Shifa National Hospital Faisalabad (Private) Limited (SNH Faisalabad)	**(1.02)**	(82,092)
Shifa Medical Centre Islamabad (Private) Limited (SMC Islamabad)	**9.80**	(73,015)
Shifa International DWC - LLC (SIDL)	**22.78**	-
Shifa Care (Private) Limited (SCPL)	**7.48**	(143,039)

17.2 This represents investment in 1,650,000 (2019: 1,650,000) fully paid ordinary shares of Rs. 10 each of SDSPL. The above investment in ordinary shares represents 55% (2019: 55%) shareholding in SDSPL held by the Company.

17.3 This represents investment in 169,752,100 (2019: 100) fully paid ordinary shares of Rs. 10 each of SNS. The above investment in ordinary shares represents 100% (2019: 100%) shareholding in SNS held by the Company.

17.4 This represent investment in 3,791,442 (2019: 100) fully paid ordinary shares of Rs. 10 each of SNH Faisalabad and share deposit money of Rs. 187.4 million (2019: Rs. 8.2 million) against which 18.7 million (2019: 0.8 million) ordinary shares of SNH Faisalabad have been issued after the current year end. As of current reporting date the Company held 100% (2019: 100%) shareholding in SNH Faisalabad.

17.5 This represents investment in 94,748,837 (2019: 100) ordinary shares of Rs. 10 each of SMC Islamabad. The above investment in ordinary shares represents 56% (2019: 100%) shareholding in SMC Islamabad held by the Company.

17.6 This represents investment in 555,000 (2019: Nil) ordinary shares of AED 1 each of newly incorporated SIDL in Dubai having a registered office located at Business Center Logistics City, Dubai Aviation City, P.O Box 390667, United Arab Emirates. The above investment in ordinary shares represents 100% (2019: Nil) shareholding held by the Company.

17.7 This represents investment in 3,000,050 (2019: 50) fully paid ordinary shares of Rs. 10 each of SCPL. The above investment in ordinary shares represents 50% (2019: 50%) shareholding in SCPL held by the Company. Summary of results of SCPL are as under:

	Note	2020	2019
		Rupees in '000'	
Summarized statement of financial position			
Current assets		**2,522**	1
Non–current assets		**42,729**	21,788
Current liabilities		**(307)**	(50)
Net assets		**44,944**	21,739
Reconciliation to carrying amounts:			
Opening net assets		**21,739**	-
Total comprehensive loss for the year		**(7,904)**	(7,152)
Equity		**31,109**	28,891
Closing net assets		**44,944**	21,739
Company's share in carrying value of net assets		**22,472**	10,870
Company's share in total comprehensive income		**(3,952)**	(3,576)
Summarized statement of profit or loss			
Revenue for the year – Gross		**-**	-
Loss for the year		**(7,904)**	(7,152)
Other comprehensive loss for the year		**-**	-
Total comprehensive loss for the year		**(7,904)**	(7,152)

18 LONG TERM DEPOSITS

	Note	2020	2019
Ijarah key money deposits	18.1	**18,502**	19,734
Less: current portion of Ijarah key money deposits	23	**2,596**	2,439
		15,906	17,295
Security deposits	18.2	**95,834**	69,916
		111,740	87,211

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

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

		Note	2020	2019
19	**STORES, SPARE PARTS AND LOOSE TOOLS**		**(Rupees in '000')**	
	Stores		**150,642**	123,620
	Spare parts		**18,684**	24,294
	Loose tools		**590**	1,510
			169,916	149,424
	Less: provision for slow moving items	19.1	**18,604**	17,787
			151,312	131,637
19.1	Balance at beginning of the year		**17,787**	17,305
	Charged during the year		**817**	482
	Balance at end of the year		**18,604**	17,787

20 STOCK-IN-TRADE

This represent medicines being carried at moving average cost.

		Note	2020	2019
21	**TRADE DEBTS**		**(Rupees in '000')**	
	Related party - Shifa Foundation	21.1	**17,875**	28,647
	Related party - SIHT	21.1	**25,783**	-
	Others		**597,551**	652,473
			641,209	681,120
	Less: allowance for expected credit losses	40.1.3	**129,585**	97,307
	Less: bad debts written off		**-**	2,347
			511,624	581,466

21.1 Maximum amount due from Shifa Foundation and Shifa Integrated Health Technology (Private) Limited (SIHT) at the end of any month during the year was Rs. 52,502 thousand (2019: Rs. 44,238 thousand) and Rs. 25,783 thousand (2019: Nil) respectively.

		Note	2020	2019
22	**LOANS AND ADVANCES**		**(Rupees in '000')**	
	Considered good - secured			
	Executives	22.1	**2,726**	3,617
	Other employees		**19,517**	15,558
			22,243	19,175
	Consultants - unsecured		**1,571**	1,066
	Suppliers/contractors - unsecured		**366,372**	392,562
			390,186	412,803

		2020	2019
		Rupees in '000'	
22.1	Reconciliation of carrying amount of advances given to executives:		
	Balance at beginning of the year	**3,617**	7,617
	Disbursements during the year	**11,053**	25,584
		14,670	33,201
	Less: Repayments during the year	**11,944**	29,584
	Balance at end of the year	**2,726**	3,617

22.1.1 The above advances were given in accordance with the Company's service rules. The maximum amount due from executives at the end of any month during the year was Rs. 3,383 thousand (2019: Rs. 4,259 thousand).

23	**DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**	**Note**	**2020**	2019
			(Rupees in '000')	
	Current portion of Ijarah key money deposits	18	**2,596**	2,439
	Other deposits		**60**	60
	Short term prepayments		**22,762**	7,734
	Other receivables	23.1	**85,865**	68,420
			111,283	78,653
	Less: allowance for expected credit losses	23.2	**17,627**	17,627
			93,656	61,026

23.1 This include Rs. 14,285 thousand (2019: Rs. 1,984 thousand), Rs. 37,740 thousand (2019: Rs. 36,008 thousand) and Rs. 10,809 thousand (2019: Rs. Nil) due from Shifa Development Services (Private) Limited, Shifa Pan African Hospitals Limited and Shifa International DWC LLC, respectively. Maximum amount due at the end of any month during the year from Shifa Development Services (Private) Limited was Rs. 47,792 thousand (2019: Rs. 1,984 thousand) while the referred amounts of Shifa Pan Africa Hospital and Shifa International DWC LLC represent maximum balances.

		2020	2019
23.2	**Allowance for expected credit loss**	**(Rupees in '000')**	
	Balance of the beginning of year	17,627	-
	Charge during the year	-	17,627
	Balance at the end of year	17,627	17,627

24 INVESTMENT - AT AMORTIZED COST

This represents term deposit receipt (TDR) having face value of Rs. 3 million with three months maturity. Profit payable on monthly basis at the rate ranging from 6.00% to 12.60% per annum.

25	TAX REFUNDS DUE FROM THE GOVERNMENT (NET OF PROVISION)	Note	2020	2019
			(Rupees in '000')	
	Balance at the beginning of the year		**412,810**	348,461
	Income tax paid/deducted at source during the year		**296,459**	348,798
			709,269	697,259
	Provision for taxation for the year	32	**(231,044)**	(284,449)
	Balance at the end of the year		**478,225**	412,810
26	**CASH AND BANK BALANCES**			
	Cash at banks in:			
	Current accounts:			
	Local currency		**223,305**	148,646
	Foreign currency		**1,893,210**	1,159
			2,116,515	149,805
	Saving accounts:			
	Local currency		**277,388**	641,727
	Foreign currency		**168**	164
		26.1	**277,556**	641,891
		26.2	**2,394,071**	791,696
	Cash in hand		**981**	-
			2,395,052	791,696

26.1 These carry effective profit rates ranging from 2.35% - 9.51% and 0.10% (2019: 2.25% - 6.88% and 0.1%) per annum in respect of local and foreign currency accounts respectively.

26.2 Balances with banks includes Rs. 79,576 thousand (2019: Rs. 80,226 thousand) in respect of security deposits (Note 11.2).

27	NON - CURRENT ASSETS HELD FOR SALE	Note	2020	2019
			(Rupees in '000')	
	Balance at beginning of the year		**307,321**	-
	Addition during the year	27.1	**494,978**	307,321
	Disposed off during the year	27.2	**(307,321)**	-
	Balance at end of the year		**494,978**	307,321

27.1 This represent the carrying values of Rs. 104.4 million and Rs. 390.6 million of lands located at Faisalabad and Islamabad Motorways with the area measuring 48.2 kanals and 173.6 Kanals respectively. The revaluation surplus reflected in note 7 to the financial statements include Rs. 1.6 million and Rs. 7.9 million respectively in respect of above lands. As of current reporting date the forced sale values of the said lands were assessed to be Rs. 91.2 million and Rs. 313.9 million respectively. The management of the Company is pursuing the sale of the remaining lands and expects the same shall be disposed-off during the next financial year.

27.2 During the current year the Company has sold its land measuring 5.5 kanals located at sector F-11 Islamabad to its subsidiary "Shifa Medical Centre Islamabad (Private) Limited" at a market value of Rs. 760.2 million (including capital work in progress) in consideration of 76,022,500 ordinary shares of the subsidiary of Rs. 10 each as approved in 32nd Annual General Meeting of the Company.

			2020	2019
28	**NET REVENUE**	**Note**	**(Rupees in '000')**	
	Inpatients		**4,824,613**	4,832,932
	Outpatients		**2,846,938**	2,645,242
	Pharmacy	28.1	**4,294,236**	4,048,938
	Other services	28.2	**320,349**	339,302
			12,286,136	11,866,414
	Less: discount		**119,154**	112,021
	Less: Sales tax		**15,220**	-
	Net revenue		**12,151,762**	11,754,393

28.1 This includes revenue of Rs. 500,068 thousand (2019: Rs. 426,358 thousand) from external pharmacy outlets.

28.2 This represent Rs. 298,888 thousand (2019: Rs. 314, 972 thousand) and Rs. 21,461 thousand (2019: Rs. 24,244 thousand) against Cafeteria sales and operating leases to related parties respectively.

			2020	2019
29	**OTHER INCOME**	**Note**	**(Rupees in '000')**	
	Income from financial assets:			
	Profit on investments and bank deposits		**12,302**	6,161
	Income from other than financial assets:			
	Gain on disposal of tangible assets	14.6, 15 & 27	**471,572**	4,053
	Gain on disposal of shares in subsidiary (SDSPL)		**-**	2,201
	Gain / (loss) on foreign currency translation		**113,740**	(813)
	Liabilities written back		**8,113**	1,102
	Sale of scrap		**14,595**	6,858
	Miscellaneous		**16,897**	24,728
			637,219	44,290

30	OPERATING COSTS	Note	2020	2019
			(Rupees in '000')	
	Salaries, wages and benefits	30.1	**4,647,038**	4,550,186
	Utilities		**538,578**	417,351
	Supplies consumed		**1,262,992**	1,127,757
	Medicines consumed		**3,168,954**	2,961,556
	Communication		**38,140**	30,985
	Travelling and conveyance		**23,316**	26,455
	Printing and stationery		**98,978**	82,620
	Repairs and maintenance		**489,401**	401,269
	Auditors' remuneration	30.2	**4,202**	3,025
	Legal and professional		**20,706**	13,377
	Rent		**13,976**	138,408
	Rates and taxes		**18,569**	18,424
	Advertising and sales promotion		**40,843**	43,053
	Fee, subscription and membership		**77,643**	44,641
	Vehicle and equipment rentals	30.3	**26,894**	26,769
	Cleaning and washing		**121,289**	119,544
	Insurance		**13,921**	10,421
	Property, plant and equipment written off	30.4	**5,273**	3,198
	Provision for slow moving stores		**1,438**	999
	Depreciation/amortization on tangible assets	14 & 15	**791,810**	552,519
	Amortization on intangible assets	16	**26,297**	15,819
	Donation	30.5	**8,000**	15,000
	Miscellaneous		**42,394**	38,936
			11,480,652	10,642,312

30.1 This include employee retirement benefits (gratuity) of Rs. 123,824 thousand (2019: Rs. 111,351 thousand), expense for compensated absences of Rs. 46,706 thousand (2019: Rs. 44,674 thousand) and bonus to employees of Rs. 59,269 thousand (2019: Rs. 107,674 thousand).

30.2	Auditors' remuneration	2020	2019
		(Rupees in '000')	
	Annual audit fee	**1,790**	1,500
	Half yearly review fee	**904**	700
	Statutory certifications	**1,508**	825
		4,202	3,025

30.2.1 The above fee is inclusive of sales tax amounting to Rs. 636 thousand.

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

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

	2020	2019
	(Rupees in '000')	
Within one year	**9,272**	27,860
After one year but not more than five years	**12,491**	19,608
Total ujrah payments	**21,763**	47,468

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

30.5 Donation

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

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

31 FINANCE COSTS	Note	2020	2019
		(Rupees in '000')	
Mark-up on:			
Long term financing - secured	31.1	**384,102**	61,519
Running finance and murabaha facilities		**1,291**	10,109
Interest on lease liabilities		**65,976**	-
Credit card payment collection charges		**21,175**	20,365
Bank charges and commission		**6,054**	3,094
		478,598	95,087

31.1 The borrowing costs of Rs. 7,951 thousand (2019: Rs. 134,934 thousand) capitalized as a cost of tangible assets.

32 PROVISION FOR TAXATION	Note	2020	2019
		(Rupees in '000')	
Current			
- for the year	32.1	**229,025**	284,449
- prior year		**2,019**	-
	25	**231,044**	284,449
Deferred		**61,218**	11,354
		292,262	295,803

32.1 This represents the impact of minimum tax and capital gain tax on sale of lands/building.

	2020	2019
	(Rupees in '000')	
32.2 Reconciliation of tax charge for the year		
Profit before taxation	**797,453**	1,073,137
Provision for taxation	**292,262**	295,803
	(Percentage)	
Effective tax rate	**36.65%**	27.56%
Reconciliation of effective tax rate		
Applicable tax rate	**29.00%**	29.00%
Super tax	**0.00%**	2.00%
Total	**29.00%**	31.00%
Add: Net tax effect of amounts taxed at lower rates/others	**35.13%**	18.04%
Less: Net tax effect of amounts that are deductible for tax purposes/others	**27.48%**	21.48%
Average effective tax rate charged on income	**36.65%**	27.56%

33 EARNINGS PER SHARE - BASIC AND DILUTED	Note	2020	2019
		(Rupees in '000')	
Profit after taxation for the year		**505,191**	777,334
		(Numbers in '000')	
Weighted average number of ordinary shares in issue during the year	33.1	**61,752**	54,538
		(Rupees)	
Earnings per share - basic and diluted		**8.18**	14.25

33.1 Weighted average number of ordinary shares	(Numbers in "000')	
Issued ordinary shares at July 01, 2019	**54,538**	54,538
Shares issued to IFC - other than right	**7,214**	-
Issued ordinary shares at June 30, 2020	**61,752**	54,538

Weighted average number of shares has been calculated on the basis of time factor of shares outstanding during the year.

34 CAPACITY UTILIZATION

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

	2020	2019	2020	2019	2020	2019
	Available bed days		Occupied bed days		Occupancy ratio	
SIHL H-8/4 Islamabad	**179,842**	175,734	**105,629**	118,808	**58.73%**	67.61%
SIHL Faisalabad	**18,538**	13,505	**5,247**	5,724	**28.30%**	42.38%

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

35 UNAVAILED CREDIT FACILITIES

	2020	2019
	(Rupees in '000')	
Unavailed credit facilities at year end are as under:		
Running/Murabaha financing	**500,000**	796,900
Letter of credit	**400,000**	147,700
Diminishing Musharakah	**100,763**	672,125
Ijarah financing	**71,736**	65,577
Letter of guarantee	**16,100**	-
SBP refinance scheme (Capex)	**200,000**	-
	1,288,599	1,682,302

36 NUMBER OF EMPLOYEES

The Company had 4,787 employees (2019: 4,865) at the year end and average number of employees during the year were 4,817 (2019: 4,801).

37 RELATED PARTIES TRANSACTIONS

The related parties comprise of subsidiaries, associates, directors, major shareholders, key management personnel, SIHL Employees' Gratuity Fund and the entities over which directors are able to exercise influence.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers its chief executive officer, chief financial officer, company secretary, non-executive directors and departmental heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment/entitlement.

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	2020 (Rupees in '000')	2019 (Rupees in '000')
Shifa Foundation:			
Revenue from services earned by the Company	37.1	**144,556**	151,487
Revenue from rent earned by the Company		**33**	44
Expenses paid by and reimbursed to the Company		**8,268**	877
Other services provided to the Company		**16,076**	21,083
Tameer-e-Millat Foundation:			
Revenue from rent earned by the Company		**311**	311
Supplies provided to the Company	37.2	**35,780**	28,473
Other services provided to the Company	37.3	**18,946**	17,259
Rental services received by the Company		**8,490**	4,725
Shifa Tameer-e-Millat University:			
Revenue from services earned by the Company	37.1	**33,791**	47,615
Revenue from rent earned by the Company		**9,648**	12,911
Other services provided to the Company	37.3	**68,283**	69,518
Expenses paid by and reimbursed to the Company		**12,239**	11,753
Donation paid by the Company		**8,000**	15,000
Shifa Integrated Health Technology (Private) Limited:			
Revenue from services earned by the Company		**51,858**	-
Expenses paid by and reimbursed to the Company		**739**	-
Other services provided to the Company		**11,672**	
Shifa Development Services (Private) Limited:			
Expenses paid by and reimbursed to the Company		**1,207**	2,515
Pre - construction and supervisory services provided to the Company		**49,350**	-
Shifa International DWC LLC Limited:			
Patient referral services provided to the Company		**2,579**	-

	Note	2020	2019
		(Rupees in '000')	
Shifa Care (Private) Limited:			
Revenue from rent earned by the Company		**3,960**	-
Expenses paid by and reimbursed to the Company		**3,356**	-
SIHL Employees' Gratuity Fund:			
Payments made by the Company during the year	37.4	**73,273**	82,907
Remuneration including benefits and perquisites of key management personnel		**313,449**	311,226

37.1 Revenue earned from related parties includes medical, surgical, clinical and lab services rendered to referred inpatients and outpatients, sale of medicines and provision of cafeteria services. These transactions are executed on terms agreed between the parties.

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

37.3 This represents services of nursing education/training, employees' children education and consultancy services. These transactions are based on terms agreed between the parties.

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

37.5 Names of related parties 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 (RP)	Basis of relationship	Percentage of	
		Company's shareholding in RP	RP's shareholding in the Company
Shifa Foundation	CD*	N/A**	0.92%
Tameer-e-Millat Foundation	CD	N/A	12.57%
SIHL Employees' Gratuity Fund	Benefit Plan	N/A	0.12%
Shifa Tameer-e-Millat University	CD	N/A	0.02%
Shifa Development Services (Private) Limited	Subsidiary & CD	55%	Nil
Shifa Neuro Sciences Institute Islamabad (Private) Limited	Subsidiary & CD	100%	Nil

Name of related party (RP)	Basis of relationship	Percentage of	
		Company's shareholding in RP	RP's shareholding in the Company
Shifa National Hospital Faisalabad (Private) Limited	Subsidiary & CD	100%	Nil
Shifa Medical Centre Islamabad (Private) Limited	Subsidiary & CD	56%	Nil
Shifa CARE (Private) Limited	Associate & CD	50%	Nil
Shifa International DWC LLC	Subsidiary & CD	100%	Nil
Shifa Integrated Health Technology (Private) Limited	CD	Nil	Nil
International Finance Corporation (IFC)	Associate	Nil	12%

*CD stands for common directorship.

**N/A stands for not applicable.

38 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	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	(Rupees in '000')							
Managerial remuneration	**45,352**	43,734	**22,183**	25,336	**7,855**	9,730	**229,414**	189,974
Rent and utilities	**6,205**	6,205	**2,474**	4,654	**1,567**	1,267	**32,676**	33,419
Bonus and incentives	**2,090**	2,090	**3,251**	2,344	**307**	307	**9,788**	8,963
Gratuity	**-**	-	**-**	-	**-**	-	**15,497**	10,428
Medical insurance	**-**	-	**64**	121	**61**	60	**1,837**	1,970
Leave encashment	**-**	-	**-**	-	**-**	-	**5,953**	3,284
	53,647	52,029	**27,972**	32,455	**9,790**	11,364	**295,165**	248,038
Number of persons	**1**	1	**1**	2	**8**	6	**38**	34

From 01 July 2019 to 06 August 2019, there were 2 executive directors (including CEO) and 7 non-executive directors. From 7 August 2019 to 30 June 2020, the Company had 2 executive directors and 8 non - executive directors.

38.1 In addition to above, the chief executive is provided with a Company maintained car, while one other director and twenty four executives availed car facility.

38.2 Managerial remuneration includes Rs. 2,700 thousand (2019: Rs. 4,441 thousand) paid to directors in respect of meeting attending fee.

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

39 CASH AND CASH EQUIVALENTS

	Note	2020	2019
		(Rupees in '000')	
Investment - at amortized cost	24	**3,000**	3,000
Cash and bank balances	26	**2,395,052**	791,696
		2,398,052	794,696

40 FINANCIAL RISK MANAGEMENT

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

Credit risk

Liquidity risk

Market risk

Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze 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 standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee 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.

40.1 Credit risk

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

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

40.1.1 Counterparties

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

Trade debts

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

Cash and investments

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counterparties that have a high credit ratings and therefore management does not expect any counterparty to fail to meet its obligations.

40.1.2 Exposure to credit risk

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

	2020	2019
	(Rupees in '000')	
Long term deposits	**95,834**	69,916
Trade debts	**511,624**	581,466
Other receivables	**85,925**	68,480
Markup accrued	**253**	486
Investment - at amortized cost	**3,000**	3,000
Bank balances	**2,394,071**	791,696
	3,090,707	1,515,044

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

	2020	2019
	(Rupees in '000')	
Government companies	**324,556**	335,542
Private companies	**150,204**	222,706
Individuals	**122,791**	91,878
Related parties	**43,658**	28,647
Others	**-**	2,347
	641,209	681,120

40.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	2020		2019	
	Gross debts	**Allowance for ECL**	Gross debts	Allowance for ECL
		(Rupees in '000')		
Not past due	**166,662**	**12,564**	287,376	19,978
1 - 4 months	**262,290**	**38,044**	256,981	28,034
5 - 7 months	**65,209**	**10,491**	21,664	4,719
8 - 12 months	**37,111**	**10,824**	46,952	10,161
13 - 18 months	**20,842**	**10,687**	15,054	7,905
19 - 23 months	**89,095**	**46,975**	53,093	26,510
	641,209	**129,585**	681,120	97,307

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

	Note	2020	2019
		(Rupees in '000')	
Balance at beginning of year		**97,307**	111,507
Expected credit losses / (reversal)		**32,278**	(11,853)
Less: bad debts written off		**-**	2,347
Balance at end of year	21	**129,585**	97,307

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

The ageing of Shifa Foundation and Shifa Integrated Health Technology (Private) Limited (SIHT) at the reporting date was:

	2020		2019	
	Gross debts	Allowance for ECL	Gross debts	Allowance for ECL
	(Rupees in '000')			
Shifa Foundation				
1 - 4 months	**17,875**	**-**	28,647	-
SIHT				
1 - 4 months	**25,783**	**-**	-	-

40.1.5 Cash is held only with reputable banks with high quality external credit rating assessed by external rating agencies. Following are the credit ratings of banks with which balances are held or credit lines available:

Bank	Rating Agency	Rating Short term	Rating Long term
Habib Bank Limited	JCR - VIS	A1+	AAA
Al Baraka Bank (Pakistan) Limited	JCR - VIS	A1	A
Meezan Bank Limited	VIS	A1+	AA+
United Bank Limited	JCR	A1+	AAA
MCB Bank Limited	PACRA	A1+	AAA
Dubai Islamic Bank	VIS	A1+	AA
Bank of Punjab	PACRA	A1+	AA-
Askari Bank Limited	PACRA	A1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Al Habib Limited	PACRA	A1+	AA+
Silk Bank Limited	JCR -VIS	A2	A-

40.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. For this purpose, the Company has credit facilities as mentioned in notes 8 and 35 to the 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')			
2020						
Long term financing- secured	**3,431,658**	**1,439**	**289,117**	**1,090,410**	**2,050,692**	**-**
Trade and other payables	**2,393,605**	**2,393,605**	**-**	**-**	**-**	**-**
Unclaimed dividend	**36,665**	**36,665**	**-**	**-**	**-**	**-**
Mark up accrued	**34,784**	**34,784**	**-**	**-**	**-**	**-**
	5,896,712	**2,466,493**	**289,117**	**1,090,410**	**2,050,692**	**-**
2019						
Long term financing- secured	2,498,776	82,046	83,700	745,872	1,587,158	-
Trade and other payables	2,814,136	2,814,136	-	-	-	-
Unclaimed dividend	48,671	48,671	-	-	-	-
Mark up accrued	30,406	30,406	-	-	-	-
	5,391,989	2,975,259	83,700	745,872	1,587,158	-

40.3 Market risk

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

40.3.1 Foreign currency risk

Exposure to foreign currency risk

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

	2020 (Amount in '000')			2019 (Amount in '000')		
	Euro	USD	AED	Euro	USD	AED
Bank balances	-	11,264.76	24.86	-	1.01	26.15
Letter of credit	(58.50)	-	-	-	-	-
	(58.50)	11,264.76	24.86	-	1.01	26.15

	2020 (Rupees in '000')			2019 (Rupees in '000')		
Bank balances	-	1,892,241	1,137	-	164	1,159
Letter of credit	(11,047)	-	-	-	-	-
	(11,047)	1,892,241	1,137	-	164	1,159

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2020	2019	2020	2019
	(Rupees)		(Rupees)	
USD 1 - Buying	158.07	136.11	167.98	162.90
USD 1 - Selling	158.45	136.40	168.35	163.20
AED 1 - Buying	43.03	37.05	45.73	44.35
AED 1 - Selling	43.13	37.13	45.83	44.45
Euro 1 - Buying	174.85	155.16	188.43	185.20
Euro 1 - Selling	175.26	155.49	188.84	185.62

Foreign currency sensitivity analysis

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

	Change in Foreign Exchange Rates	Effect on Profit	Effect on Equity
	%	(Rupees in '000')	
2020			
Foreign currencies	+10%	188,233	188,233
Foreign currencies	-10%	(188,233)	(188,233)
2019			
Foreign currencies	+10%	132	132
Foreign currencies	-10%	(132)	(132)

40.3.2 Markup rate risk

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

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

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

Profile

At the reporting date the markup rate profile of the Company’s markup-bearing financial instruments are:

	Note	**2020**	2019
		(Rupees in '000')	
Financial assets			
Investment - at amortized cost	24	**3,000**	3,000
Bank balances	26	**277,556**	641,891
		280,556	644,891
Financial liabilities			
Long term financing - secured	8	**(3,431,658)**	(2,498,776)
		(3,151,102)	(1,853,885)

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, 2020 would decrease/increase by Rs. 14,536 thousand (2019: decrease/increase by Rs. 2,819 thousand). This is mainly attributable to the Company’s exposure to markup rates on its variable rate borrowings.

40.4 Financial instrument by category

June 30, 2020	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
	Rupees in '000'			
Financial assets				
Maturing upto one year				
Trade debts	511,624	-	-	511,624
Other receivables	85,925	-	-	85,925
Markup accrued	253	-	-	253
Investment - at amortized cost	3,000	-	-	3,000
Cash and bank balances	2,395,052	-	-	2,395,052
Maturing after one year				
Long term deposits	95,834	-	-	95,834
	3,091,688	-	-	3,091,688

June 30, 2020	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
	Rupees in '000'			
Financial liabilities				
Maturing upto one year				
Trade and other payables	2,393,605	-	-	2,393,605
Unclaimed dividend	36,665	-	-	36,665
Markup accrued	34,784	-	-	34,784
Current portion of long term financing - secured	290,556	-	-	290,556
Maturing after one year				
Long term financing - secured	3,141,102	-	-	3,141,102
	5,896,712	-	-	5,896,712

June 30, 2019	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Financial assets				
Maturing upto one year				
Trade debts	581,466	-	-	581,466
Other receivables	68,480	-	-	68,480
Markup accrued	486	-	-	486
Investment - at amortized cost	3,000	-	-	3,000
Cash and bank balances	791,696	-	-	791,696
Maturing after one year				
Long term deposits	69,916	-	-	69,916
	1,515,044	-	-	1,515,044
Financial liabilities				
Maturing upto one year				
Trade and other payables	2,814,136	-	-	2,814,136
Unclaimed dividend	48,671	-	-	48,671
Markup accrued	30,406	-	-	30,406
Current portion of long term financing - secured	165,746	-	-	165,746
Maturing after one year				
Long term financing - secured	2,333,030	-	-	2,333,030
	5,391,989	-	-	5,391,989

40.5 Fair value of financial instruments

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

41 FAIR VALUE HIERARCHY

Lands owned by the Company are valued by independent valuers to determine their fair values as at June 30, 2020. The fair value of lands subject to revaluation model fall under level 2 of fair value hierarchy.

42 CAPITAL MANAGEMENT

The objective of the Company when managing capital is to safeguard its 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 businesses. The Company intends to manage its capital structure by monitoring return on capital, as well as the level of dividends to ordinary shareholders.

43 DISCLOSURE REQUIREMENTS FOR ALL SHARES ISLAMIC INDEX

Description	Explanation	Rupees in '000'
Bank balances as at June 30, 2020	Placed under interest	89,278
	Placed under sharia permissible arrangement	188,278
		277,556
Return on bank deposit for the year ended June 30, 2020	Placed under interest	3,222
	Placed under sharia permissible arrangement	8,702
		11,924
Interest income on investment for the year ended June 30, 2020	Placed under interest	378
	Placed under sharia permissible arrangement	-
		378
Segment revenue	Disclosed in note 28	
Exchange gain		113,740
Finance cost paid		408,244
Relationship with bank having Islamic windows	Meezan Bank Limited	
	Al-Baraka Bank (Pakistan) Limited	
	Faysal Bank Limited	
	Bank Alfalah Limited	
	Bank of Punjab	
	Askari Bank Limited	
	Dubai Islamic Bank	
Loss on employee loans during the year		-
Loans obtained as per Islamic mode		2,931,012
Mark up paid on Islamic mode of financing		406,082
Interest paid on any conventional loan		2,162

44 OPERATING SEGMENTS

The financial statements have been prepared on the basis of single reportable segment. All revenue of the Company is earned from customers located in Pakistan. All non-current assets of the Company at June 30, 2020 are located in Pakistan. There is no customer with more than 10% of total revenue of the Company for the year.

45 IMPACT OF COVID-19 (CORONA VIRUS)

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown, disruptions to various business and significant volatility in the Pakistan Stock Exchange (PSX). However, currently, the potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. Due to this pandemic there was a ban imposed by local administration of Islamabad to treat OPD patients in hospitals which has also reduced the numbers of diagnostics and other procedures, resultantly, the revenues and cash flows for last quarter of the current year were significantly decreased. The overall impact on decrease of revenues was approximately Rs. 1.37 billion in last quarter. Consequently, the Company availed the loan facility under refinance scheme for wages & salaries of State Bank of Pakistan (SBP) and the deferment of existing loans repayment commitments under regulatory relief of SBP that enabled the Company to consolidate its liquidity position. Fortunately, after the quarter ended June 30, 2020, a significant increase in outpatient/inpatient numbers, diagnostics & surgeries etc. is evident which has positively impacted the financial and operational condition of the Company. Based on above trend the management of the Company expects to regain the past level of operations that will dilute the financial shocks of the pandemic. As of current reporting date and thereafter the Company's assessment has not indicated any adverse impact on carrying values of assets and liabilities of the Company.

The Company will continue to actively monitor the situation and may take actions that alter its business operations as may be required by authorities or that are in the best interests of our employees, customers, partners, suppliers and stockholders. Had there been no such Pandemic the EPS for current year would have been in close proximity to the EPS of the corresponding year.

46 DATE OF AUTHORIZATION FOR ISSUE

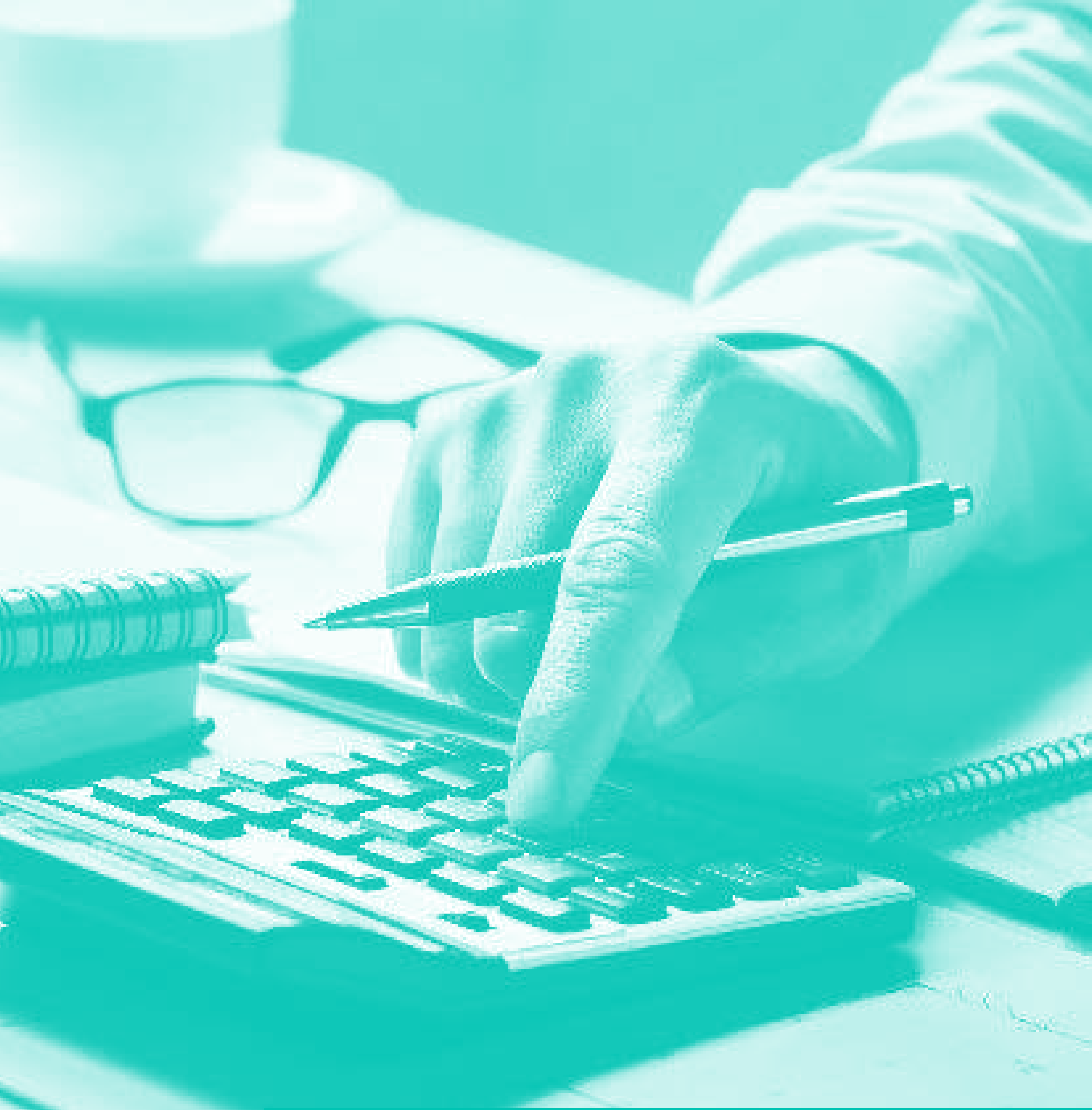
These unconsolidated financial statements were approved and authorized for issue by the board of directors of the Company on September 26, 2020.

47 GENERAL

- Figures have been rounded off to the nearest one thousand Pak Rupees unless otherwise stated.
- Comparative figures wherever necessary has been reclassified and rearranged for fair presentation.

CHAIRMAN	CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER

NOTES



CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

Grant Thronton Anjum Rahman
302 B, 3rd Floor Evacuee
Trust Complex,
Aga Khan Road F-5/1,
Islamabad, Pakistan
T: +92 51 2271906, 2274665
F: +92 51 2273874
www.gtpak.com

INDEPENDENT AUDITOR'S REPORT

To the members of Shifa International Hospitals Limited

Opinion

We have audited the annexed consolidated financial statements of **Shifa International Hospitals Limited** and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statement of profit or loss, the consolidated statement of 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, 2020, 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 Matter

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

Following is the key audit matter:

Key audit matters	How the matter was addressed in our audit
Adoption of IFRS 16 effective from 1 July 2019	
The Group has adopted the IFRS 16 'Leases' with effect from 01 July 2019. The new standard which has replaced the previous standard IAS 17 'Lease' specifies how an IFRS adopter will recognize, measure, present and disclose leases. The Group decided to apply the modified retrospective approach for the transition accounting. The application of the new standard gave rise to a right of use assets with a corresponding lease liabilities. The assessment of the impact of new standard is significant to our audit, as the balances recorded are material, the update of the accounting policy requires policy election and the implementation process to identify and process all relevant data associated with the leases require judgement. The measurement of the right-of-use assets and lease liabilities is based on assumptions such as discount rates and the lease terms including termination and renewal options. Hence, this is considered a key matter. The lease related disclosure included in Notes to the consolidated financial statements are as follows: • The transitional impact of IFRS 16 is disclosed in Note 04 to the financial statements; and • The lease related information has been disclosed in Notes 11 and 15 to the financial statements.	Our audit procedures in this area included the following: • Obtained an understanding and evaluated the Group's implementation process, including the review of the updated accounting policy and policy elections in accordance with IFRS 16; • We evaluated management assumptions, specifically the assumptions used to determine the discount rates, lease terms and measurement principles; • Tested the factual inputs and calculation of the right-of-use asset and lease liability calculated by the management for each material lease contract; • Performed substantive procedures on the consolidated statement of profit or loss and consolidated statement of financial position balances that were subject to the effect of IFRS 16; and • Assessed the modified retrospective application and adequacy of the Group's disclosures of the impact of the new standard in the consolidated financial statements.

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.

A**uditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

Grant Thornton Anjum Rahman

Grant Thornton Anjum Rahman

Chartered Accountants

Islamabad

September 26, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

	Note	2020	2019
		(Rupees in '000')	
SHARE CAPITAL AND RESERVES			
Authorized share capital			
100,000,000 (2019: 100,000,000) ordinary shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid up capital	5	619,749	545,379
Capital reserves			
Share premium	6	2,751,283	1,046,025
Surplus on revaluation of property, plant and equipment	7	1,225,930	1,234,923
Revenue reserves			
Unappropriated profit		3,103,034	3,250,167
		7,699,996	6,076,494
NON - CONTROLLING INTEREST	8	948,384	2,593
NON - CURRENT LIABILITIES			
Long term financing - secured	9	3,141,102	2,333,030
Deferred taxation	10	438,995	384,315
Lease liabilities	11	263,493	-
		3,843,590	2,717,345
CURRENT LIABILITIES			
Trade and other payables	12	3,064,693	3,337,847
Unclaimed dividend		36,665	48,671
Markup accrued	13	34,784	30,406
Current portion of long term financing - secured	9	290,556	165,746
Current portion of lease liabilities	11	135,305	-
		3,562,003	3,582,670
		16,053,973	12,379,102
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

CHAIRMAN

CHIEF EXECUTIVE

	Note	2020	2019
		(Rupees in '000')	
NON - CURRENT ASSETS			
Property, plant and equipment	15	**9,900,149**	7,616,982
Investment property	16	**-**	1,642,085
Intangible assets	17	**58,076**	83,711
Long term investment	18	**22,472**	10,869
Long term deposits	19	**77,288**	87,211
		10,057,985	9,440,858
CURRENT ASSETS			
Stores, spare parts and loose tools	20	**151,312**	131,637
Stock-in-trade	21	**646,353**	496,758
Trade debts	22	**605,899**	584,846
Loans and advances	23	**418,186**	445,547
Deposits, prepayments and other receivables	24	**79,269**	59,124
Markup accrued		**253**	486
Other financial assets	25	**607,137**	3,000
Tax refunds due from the government (net of provision)	26	**494,181**	412,951
Cash and bank balances	27	**2,602,798**	803,895
		5,605,388	2,938,244
Non - current asset held for sale	28	**390,600**	-
		16,053,973	12,379,102

CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2020

	Note	2020	2019
		(Rupees in '000')	
Net revenue	29	12,259,488	11,773,269
Other income	30	188,128	42,513
Operating costs	31	(11,647,600)	(10,680,306)
Finance costs	32	(464,692)	(95,101)
Expected credit (losses)/reversal	24.2 & 41.1.3	(32,596)	11,473
Share of loss of an associate	18	(3,952)	(3,576)
Profit before taxation		298,776	1,048,272
Provision for taxation	33	(311,678)	(299,432)
(Loss)/profit after taxation		(12,902)	748,840
Attributable to:			
Equity holders of Shifa International Hospitals Limited		731	748,840
Non-controlling interest		(13,633)	-
		(12,902)	748,840
Earnings per share - basic and diluted - (Rupees)	34	0.01	13.73

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

CHAIRMAN

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2020

	2020	2019
	(Rupees in '000')	
(Loss)/profit after taxation	**(12,902)**	748,840
Other comprehensive income		
Items that will not be subsequently reclassified in statement of profit or loss		
Loss on remeasurement of staff gratuity fund benefit plan	**(22,542)**	(7,671)
Deferred tax relating to remeasurement of staff gratuity fund benefit plan	**6,538**	2,225
Loss on remeasurement of staff gratuity fund benefit plan (net of tax)	**(16,004)**	(5,446)
Foreign currency translation adjustment	**1,552**	-
Surplus on revaluation of property, plant and equipment	**13,562**	520,643
Total comprehensive (loss)/ income for the year	**(13,792)**	1,264,037
Attributable to:		
Equity holders of Shifa International Hospitals Limited	**(1,331)**	1,264,037
Non - controlling interest	**(12,461)**	-
	(13,792)	1,264,037

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

CHAIRMAN

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended June 30, 2020

	2020	2019
	(Rupees in '000')	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**298,776**	1,048,272
Adjustments for:		
Depreciation/amortization on tangible assets	**781,841**	552,818
Amortization on intangible assets	**26,423**	15,819
Expected credit losses/(reversal)	**32,596**	(11,473)
Property, plant and equipment written off	**5,273**	3,221
Gain on disposal of tangible assets	**(14,292)**	(4,416)
Provision for compensated absences	**46,706**	44,674
Provision for gratuity	**123,824**	111,351
Provision for slow moving stores	**1,438**	999
Share of loss of an associate	**3,952**	3,576
Liabilities written back	**(8,113)**	(1,102)
Profit on investments and bank deposits	**(16,602)**	(6,222)
(Gain) / loss on foreign currency translation	**(117,629)**	813
Finance costs	**464,692**	95,101
Operating cash flows before changes in working capital	**1,628,885**	1,853,431
Changes in working capital:		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	**(20,492)**	(12,512)
Stock-in-trade	**(149,595)**	(27,939)
Trade debts	**(53,649)**	97,813
Loans and advances	**27,361**	(26,327)
Deposits, prepayments and other receivables	**(20,145)**	(23,475)
(Decrease) / increase in current liabilities:		
Trade and other payables	**(338,766)**	373,605
Cash generated from operations	**1,073,599**	2,234,596
Finance costs paid	**(408,302)**	(85,820)
Income tax paid	**(331,690)**	(352,697)
Payment to SIHL Employees' Gratuity Fund	**(73,273)**	(82,907)
Compensated absences paid	**(46,072)**	(36,993)
Net cash generated from operating activities	**214,262**	1,676,179

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended June 30, 2020

	Note	2020	2019
		(Rupees in '000')	
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,316,503)**	(1,600,361)
Addition in investment property		**(58,432)**	(255,173)
Purchase of intangible assets		**(788)**	(66,053)
Sale proceeds of long term investment		**-**	10,355
Investment in other financial assets		**(151,253)**	-
Outlay against long term investment		**(15,555)**	(14,444)
Proceeds from disposal of property, plant and equipment		**106,028**	5,133
Markup received		**16,833**	5,736
Decrease / (increase) in long term deposits		**9,923**	(26,475)
Net cash used in investing activities		**(1,409,747)**	(1,941,282)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of further share capital - other than right		**1,779,628**	-
Non controlling interest		**961,493**	-
Long term financing - repayments		**(140,214)**	(186,985)
Long term financing - proceeds		**1,014,133**	1,010,643
Deferred Govt. grant		**58,963**	-
Lease liabilities - repayments		**(175,870)**	-
Dividend paid		**(170,042)**	(230,731)
Net cash generated from financing activities		**3,328,091**	592,927
Net increase in cash and cash equivalents		**2,132,606**	327,824
Cash and cash equivalents at beginning of the year		**806,895**	479,884
Effect of exchange rate changes on cash and cash equivalents		**119,181**	(813)
Cash and cash equivalents at end of the year	40	**3,058,682**	806,895

The annexed notes 1 to 48 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, 2020

	Note	Share capital	Share premium	Surplus on revaluation of property, plant and equipment	Un-appropriated profit	Non-controlling interest	Total
		(Rupees in '000')					
Balance as at July 01, 2018		545,379	1,046,025	723,310	2,735,402	-	5,050,116
Issue of further share capital	5 & 6	-	-	-	-	-	-
Total comprehensive income for the year							
Profit for the year		-	-	-	748,840	-	748,840
Other comprehensive income - net of tax		-	-	520,643	(5,446)	-	515,197
		-	-	520,643	743,394	-	1,264,037
Realization of revaluation surplus on disposal of assets		-	-	-	-	-	-
Transfer of revaluation of property, plant and equipment in respect of incremental depreciation/ amortization		-	-	(9,030)	9,030	-	-
Distribution to owners							
Dividend 2018: Rs. 4.5 per share		-	-	-	(245,421)	-	(245,421)
Changes in ownership interests							
Disposal of shares without change in control		-	-	-	7,762	2,593	10,355
Acquisition of shareholding by NCI without a change in control		-	-	-	-	-	-
Balance as at June 30, 2019		545,379	1,046,025	1,234,923	3,250,167	2,593	6,079,087
Balance as at July 01, 2019		**545,379**	**1,046,025**	**1,234,923**	**3,250,167**	**2,593**	**6,079,087**
Issue of further share capital	5 & 6	**74,370**	**1,705,258**	**-**	**-**	**-**	**1,779,628**
Total comprehensive income for the year							
Profit for the year		**-**	**-**	**-**	**731**	**(13,633)**	**(12,902)**
Other comprehensive income - net of tax		**-**	**-**	**12,390**	**(14,452)**	**1,172**	**(890)**
		-	**-**	**12,390**	**(13,721)**	**(12,461)**	**(13,792)**
Realization of revaluation surplus on disposal of assets		**-**	**-**	**(12,963)**	**12,963**	**-**	**-**
Transfer of revaluation of property, plant and equipment in respect of incremental depreciation/ amortization		**-**	**-**	**(8,420)**	**8,420**	**-**	**-**
NCI recognized during the year		**-**	**-**	**-**	**-**	**961,493**	**961,493**
Distribution to owners							
Dividend 2019: Rs. 2.55 per share		**-**	**-**	**-**	**(158,036)**	**-**	**(158,036)**
Changes in ownership interests							
Acquisition of shareholding by NCI without a change in control		**-**	**-**	**-**	**3,241**	**(3,241)**	**-**
Balance as at June 30, 2020		**619,749**	**2,751,283**	**1,225,930**	**3,103,034**	**948,384**	**8,648,380**

The annexed notes 1 to 48 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 SIHL") comprises of Shifa International Hospitals Limited (SIHL/parent company) and its subsidiaries mentioned below. SIHL was incorporated in Pakistan on September 29, 1987 as a private limited company under the repealed Companies Ordinance, 1984 and converted into a public limited company on October 12, 1989. The shares of the SIHL are quoted on Pakistan Stock Exchange Limited. The registered office of the SIHL is situated at Sector H-8/4, Islamabad.
The

1.2 Shifa Development Services (Private) Limited [formerly Shifa Consulting Services (Private) Limited], ("the SDSPL") was incorporated in Pakistan on December 18, 2014 under the repealed Companies Ordinance, 1984 as a private company limited. The SDSPL is the subsidiary of Shifa International Hospitals Limited (SIHL) with 55% ownership while the remaining 45% SDSPL's shareholding is owned by October Holding (Private) Limited. The registered office of the SDSPL is situated at Shifa International Hospitals Limited, Sector H-8/4, Islamabad.

1.3 Shifa Neuro Sciences Institute Islamabad (Private) Limited ("the SNS Islamabad") was incorporated in Pakistan on February 28, 2019 as a private limited company under the Companies Act, 2017. The registered office of the SNS Islamabad is situated at Sector H-8/4, Islamabad.

The principal activity of the SNS Islamabad is to setup center of excellence of neuroscience at H-8, Islamabad which will cater the need of all over Pakistan related to neurological diseases and disorders. The SNS Islamabad is the wholly owned subsidiary of Shifa International Hospitals Limited (SIHL).

1.4 Shifa National Hospital Faisalabad (Private) Limited ("the SNH Faisalabad") was incorporated in Pakistan on February 28, 2019 as a private limited company under the Companies Act, 2017. The registered office of the SNH Faisalabad is situated at Sector H-8/4, Islamabad.
The principal activity of the SNH Faisalabad is to setup a secondary / tertiary healthcare hospital at Faisalabad which will provide healthcare facilities to the people of Faisalabad as well as surrounding area. The SNH Faisalabad is the subsidiary of Shifa International Hospitals Limited. The SNH Faisalabad has recently acquired the land and the design phase activities of the hospital are being started.

1.5 Shifa Medical Center Islamabad (Private) Limited ("the SMC Islamabad") was incorporated in Pakistan on February 28, 2019 under the Companies Act, 2017 as a private company limited. The SMC Islamabad is 56% owned subsidiary of Shifa International Hospitals Limited (SIHL) while remaining 44% stake is held by Interloop Holdings (Private) Limited (the associate) and others respectively. SMC Islamabad has planned to setup an OPD, Day care surgeries and diagnostic services center at F-11 Islamabad which will provide healthcare facilities to people of F-11 as well as surrounding areas. The registered office of the SMC Islamabad is situated at Shifa International Hospitals Limited, Sector H-8/4, Islamabad.

1.6 Shifa International-DWC LLC ("the SIDL") was incorporated in United Arab Emirates on December 16, 2019 as limited liability company. The registered office of the SIDL is situated at Business Centre Logistic City, Dubai Aviation City, P.O Box 390667, Dubai, UAE. The SIDL is wholly owned subsidiary of Shifa International Hospitals Limited situated at Sector H-8/4, Islamabad, Pakistan.

1.7 Geographical locations of business units of SIHL are as follows:

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

Faisalabad Hospital, Main Jaranwala Road, Faisalabad
G-10/4 Hospital, G-10 Markaz, Islamabad
Shifa Pharmacy, Opposite OPF College, F-8 Markaz Islamabad
Shifa Pharmacy, Saidpur Road, Rawalpindi
Shifa Pharmacy, Blue Area, Islamabad
Shifa Pharmacy, Gulburg Greens, Islamabad
Shifa Pharmacy, Trauma Center, Islamabad International Airport
Shifa Pharmacy Iskandarabad, Mianwali
Shifa Pharmacy, National Radio Telecommunication Corporation, Haripur
F-11 Medical Center, Savoy Arcade, F-11 Markaz Islamabad

2 BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or IFASs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

2.4.1 Property, plant and equipment

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

2.4.2 Investment property

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

2.4.3 Intangible assets

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

2.4.4 Expected credit losses (ECLs)

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

2.4.5 Stock in trade and stores, spares and loose tools

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

2.4.6 Employee benefits

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.

2.4.7 Compensated absences

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

2.4.8 Taxation

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

2.4.9 Contingencies

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

2.5 New accounting standards, interpretations and amendments

2.5.1 There are new and amended standards and interpretations that are mandatory for accounting periods beginning 1 July 2019 other than disclosed in note 4, are considered not to be relevant or do not have significant effect on the consolidated financial statements.

2.5.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

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

		Effective date (annual periods beginning on or after)
IFRS 3	Definition of a Business (Amendments)	January 1, 2020
IFRS 9 & 7/ IAS 39	Interest rate benchmark reform (Amendments)	January 1, 2020
IFRS 16	Practical relief for lessees in accounting for rent concessions	June 1, 2020
IAS 1/IAS 8	Definition of Material (Amendment)	January 1, 2020
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
IAS 16	Proceeds before Intended Use (Amendments)	January 1, 2022

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The Groups may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, Groups should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IFRS 7 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above improvements to standards are not likely to have material impact on Group's consolidated financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

These consolidated financial statements include the financial statements of Shifa International Hospitals Limited and its subsidiaries, Shifa Development Services (Private) Limited, Shifa Neuro Sciences (Private) Limited, Shifa Medical Center Islamabad (Private) Limited, Shifa National Hospital Faisalabad (Private) Limited and Shifa International DWC LLC for the year ended June 30, 2020. The accounting policies used by the subsidiary companies 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 IFRS 9 either in consolidated statement of profit or loss or as a change to consolidated statement of 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.

Associates

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

Non controlling interest (NCI)

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

Loss of control

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

3.2 Property, plant and equipment

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

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

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

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

Depreciation/amortization is charged to the 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 classified as held for sale or derecognized, whichever is earlier.

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

3.3 Investment property

Investment property is held for long term capital appreciation/rental yields. The investment property of the Group comprised of land and building and was valued using the cost method i.e. at cost less any accumulated depreciation and impairment losses, if any.

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

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

Investment property is derecognized at the time of disposal which is achieved through sale and leaseback arrangements. Gain or losses arising from disposal of investment is recognized in consolidated statement of profit or loss which is determined as difference between net disposal proceeds and the carrying value.

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

3.4 Intangible assets

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

Amortization is charged to the 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 assets recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognized if the carrying amount exceeds its estimated recoverable amount.

3.5 Leases

3.5.1 Right of use assets

The Group recognizes right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Group has not elected to recognize right-of-use assets and lease liabilities for short-term leases of properties that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined as those of similar assets or the lease term as specified in contract. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3.5.2 Lease liability

The lease liability is initially measured at the present value of the remaining lease payments discounted using the Group’s incremental borrowing rate. Lease payments in the measurement of the lease liability comprise the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

After the commencement date, lessee shall measure the lease liability by:

a)- Increase the carrying amount to reflect the interest on the lease liability;

b)- Reducing the carrying amount to reflect the lease payments made; and

c)- remeasure the carrying amount to reflect any reassessment or lease modification or to reflect the revised in - substance fixed lease payments.

3.6 Asset held under Ijarah financing

Assets held under Ijarah financing are accounted for using the guidelines of Islamic Financial Accounting Standard-2 (IFAS 2), "Ijarah". The assets are not recognized on the Group's consolidated statement of financial position and payments made under Ijarah financing are recognized in the consolidated statement of profit or loss on a straight line basis over the term of the Ijarah.

3.7 Impairment of non - financial assets

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

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

3.8 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.

3.8.1 Other investments

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

3.9 Financial instruments

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

i. Financial assets

Classification

Financial assets are classified in following three categories:

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

b. fair value through other comprehensive income;

c. fair value through profit or loss.

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

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

Recognition and derecognition

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

Measurement

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

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

Debt instruments

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

a. Amortized cost

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

b. Fair value through other comprehensive income (FVTOCI)

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

c. Fair value through profit and loss (FVTPL)

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

De-recognition of financial assets

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

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

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

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

Impairment

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

Following are financial instruments that are subject to the ECL model:
- Trade receivables
- Deposits and other receivables
- Short term investments

ii. General approach for trade receivables, deposits and other receivables and short term investment

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

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

a. Significant increase in credit risk

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

The following indicators are considered while assessing credit risk

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

b. Definition of default

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

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

c. Credit - impaired financial assets

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

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

Simplified approach for trade receivable

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

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

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

Recognition of loss allowance

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

Write-off

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

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

iii. Financial liabilities

Classification, initial recognition and subsequent measurement

The Group classifies its financial liabilities in the following categories:

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

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

a) Fair value through profit or loss

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

b) Amortized cost

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

De-recognition of financial liabilities

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

iv. Off-setting financial assets and financial liabilities

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

3.10 Trade debts, loans, deposits, interest accrued and other receivables

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

3.11 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 SIHL reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence, if there is any change in usage pattern and physical form of related stores, spare parts and loose tools.

3.12 Stock-in-trade

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

3.13 Cash and cash equivalents

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

3.14 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 in the scheme. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation and is charged to the consolidated statement of profit or loss. The most recent valuation was carried out as at June 30, 2020 using the “Projected Unit Credit Method”. The actuarial gains or losses at each valuation date are charged to other comprehensive income. The results of actuarial valuation are summarized in note 12.4 of these consolidated financial statements.

The amount recognized in the statement of financial position represents the present value of defined benefit obligations as reduced by the fair value of plan assets.

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

Compensated absences

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

3.15 Provisions

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

3.16 Taxation

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

Current

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

Deferred

Deferred tax is accounted for using balance sheet 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.

Deferred tax asset of Rs. 31,562 thousand (June 2019: Rs. 9,170) on deductible temporary difference of Rs. 108,840 thousand (June 2019: Rs. 31,623) has not been recorded in respect of subsidiaries.

3.17 Foreign currencies

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

3.18 Revenue recognition

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

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

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

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

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

Scrap sales and miscellaneous receipts are recognized on realized amounts.

3.19 Borrowings

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

3.20 Borrowing costs

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

3.21 Earnings per share

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

3.22 Dividend

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

3.23 Non - current assets held for sale

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

3.24 Government grants

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain past or future conditions related to the entity's operating activities - e.g. a government subsidy.

Government grants are recognized at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Group will be able to comply with the conditions associated with the grants.

Grants that compensate the Group for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized and reported net of grant.

A loan is initially recognized and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below-market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is the government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant.

3.25 Fair value measurement

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

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

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

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

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

4 CHANGE IN ACCOUNTING POLICY

IFRS 16 "Leases" replaced IAS 17 "Leases", the former lease accounting standard became effective on July 01, 2019. Under the new lease standard, assets leased by the Group are being recognized on the consolidated statement of financial position of the Group with a corresponding liability. As a rule, lease expenses are no longer recorded in the consolidated statement of profit or loss from July 01, 2019. Instead, depreciation and interest expenses are recorded stemming from the newly recognized lease assets and lease liabilities. In addition, leasing expenses are no longer presented as operating cash outflows in the consolidated statement of cash flows, but instead are included as part of the financing cash outflow. Interest expenses from the newly recognized lease liability are presented in the cash flow from operating activities.

The Group adopted IFRS 16 from July 01, 2019 using the modified retrospective approach. This means that comparatives are not restated. The weighted-average incremental rate applied to lease liabilities recognized on July 1, 2019 was 13.75 % per annum. The Group, as a lessee, recognizes a right of use asset and a lease liability on the lease commencement date. Upon initial recognition, the right of use asset is measured at the amount equal to initially measured lease liability adjusted for lease prepayments, initial direct cost, lease incentives and the discounted estimated asset retirement obligation. Subsequently, the right of use asset is measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter of estimated useful lives of the right of use assets or the lease term.

The lease liability was measured upon initial recognition at the present value of the future lease payments over the lease term, discounted with the specific incremental borrowing rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

IFRS 16 requires the Group to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Group has extension options which the Group is reasonably certain to exercise and the periods for which the Group has termination options for which the Group is reasonably certain not to exercise those termination options. The Group has not elected to recognize right-of-use assets and lease liabilities for short-term leases of properties that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease liabilities and right of use assets recognized are as follows:

	June 30, 2019	Impact of IFRS 16	July 01, 2019
	(Rupees in '000')		
ASSETS			
NON - CURRENT ASSETS			
Right to use assets	-	418,714	418,714
LIABILITIES			
NON - CURRENT LIABILITIES			
Lease liabilities	-	312,883	312,883
CURRENT LIABILITIES			
Current portion of lease liabilities	-	105,831	105,831
	-	418,714	418,714

	(Rupees in '000')
Lease liabilities	
Operating lease commitments as at June 30, 2019	705,795
Discounting effect using incremental borrowing rate	(287,081)
Lease liabilities recognized on statement of financial position as at July 1, 2019	418,714
Lease liabilities presented as:	
Non-current financial liabilities	312,883
Current portion of non-current liabilities	105,831
	418,714
Right of use assets	
Present value of lease liability	418,714
Right of use assets recognized on statement of financial position as at July 1, 2019	418,714
Right of use assets presented as:	
Property, plant and equipment	418,714

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2020	2019		**2020**	2019
Number			**(Rupees in '000')**	
54,537,900	54,537,900	Opening balance: Ordinary shares of Rs. 10 each fully paid in cash	**545,379**	545,379
7,436,986	-	Addition: Further issue of ordinary shares of Rs. 10 each other than right	**74,370**	-
61,974,886	54,537,900	Closing balance: Ordinary shares of Rs. 10 each fully paid in cash	**619,749**	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 During the year ended, 7,436,986 ordinary shares of the SIHL were issued to International Finance Corporation (IFC) other than right under section 83(1)(b) of the Companies Act, 2017. These shares were issued to IFC at a price of Rs. 239.29 per share including a premium of Rs. 229.29 per share. IFC shall have the right to nominate one director at the board of directors of the SIHL as long as IFC holds ordinary shares representing 5% of total issued share capital of the SIHL. Further, the SIHL if intends to amend or repeal the memorandum and articles, effects the rights of IFC on its shares issuance of preference shares ranking seniors to the equity securities held by IFC, incur any financial debt to any shareholder, change the nature of the business of the SIHL etc. shall seek consent of IFC.

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

6 SHARE PREMIUM

	2020	2019	Premium per share	2020	2019
	Number of shares		(Rupees)	(Rupees in '000')	
Ordinary shares issued:					
Public offer in the year 1994	**8,000,000**	8,000,000	5	**40,000**	40,000
Right shares in the year 2016	**4,024,100**	4,024,100	250	**1,006,025**	1,006,025
IFC in the year 2019-20 (other than right)	**7,436,986**	-	229.29	**1,705,258**	-
	19,461,086	12,024,100		**2,751,283**	1,046,025

7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2020	2019
Balance at beginning of year	**1,234,923**	723,310
Revaluation surplus during the year	**13,562**	520,643
Transfer to non-controlling interest	**(1,172)**	-
Realization of revaluation surplus on disposal of assets	**(12,963)**	-
Transfer of revaluation of property, plant and equipment in respect of depreciation/ amortization	**(8,420)**	(9,030)
Balance at end of year	**1,225,930**	1,234,923

7.1 Surplus on revaluation of property, plant and equipment in respect of leasehold and freehold lands is not available for distribution of dividend to the shareholders of the Group.

8 NON - CONTROLLING INTEREST

8.1 Following is the summarized financial information of SDSPL, SNH Faisalabad and SMC Islamabad:

Summarized statement of financial position

	SDSPL		SNH Faisalabad		SMC Islamabad		Total	
NCI percentage	45%	45%	-	-	43.71%	-		
	2020	2019	2020	2019	2020	2019	2020	2019
	Rupees '000'							
Current assets	**113,422**	48,572	**75,513**	1	**765,184**	34,889	**954,119**	83,462
Non-current assets	**982**	936	**342,666**	-	**892,340**	-	**1,235,988**	936
Share deposit money*	**-**	-	**413,021**	8,160	**-**	39,752	**413,021**	47,912
Current liabilities	**111,432**	43,747	**9,034**	50	**7,151**	2,439	**127,617**	46,236
Non-current liabilities	**-**	-	**-**	-	**-**	-	**-**	-
Net assets	**2,972**	5,761	**(3,876)**	(8,209)	**1,650,373**	(7,302)	**1,649,469**	(9,750)
Accumulated NCI	**1,338**	2,593	**225,668**	-	**721,378**	-	**948,384**	2,593

* In SNH Faisalabad share deposit money includes Rs. 225,668 thousand deposited by equity partners other than SIHL against which 22.6 million ordinary shares of SNH Faisalabad have been issued after the current year end.

Summarized statement of comprehensive income

	SDSPL		SNH Faisalabad		SMC Islamabad		Total	
NCI percentage	45%	45%	-	-	43.71%	-		
	2020	2019	2020	2019	2020	2019	2020	2019
	Rupees '000'							
Net revenue	**104,886**	18,875	**-**	-	**-**	-	**104,886**	18,875
Loss for the year	**(2,789)**	(29)	**(33,580)**	(8,210)	**(28,318)**	(7,302)	**(64,687)**	(15,541)
Other comprehensive income	**-**	-	**-**	-	**2,680**	-	**2,680**	-
Total comprehensive loss	**(2,789)**	(29)	**(33,580)**	(8,210)	**(25,638)**	(7,302)	**(62,007)**	(15,541)
Loss attributable to NCI	**(1,255)**	-	-	-	**(12,378)**	-	**(13,633)**	-
Comprehensive income for the year attributable to NCI	**-**	**-**	**-**	**-**	**1,172**	**-**	**1,172**	-
Total comprehensive loss for the year attributable to NCI	**(1,255)**	**-**	**-**	**-**	**(11,206)**	**-**	**(12,461)**	-

9	LONG TERM FINANCING - SECURED	Note	2020	2019
			(Rupees in '000')	
	From banking companies:			
	Syndicated Islamic finance facility	9.2	**1,995,778**	1,994,691
	Diminishing Musharakah facility-1	9.3	**435,234**	504,085
	Diminishing Musharakah facility-2	9.4	**500,000**	-
	State Bank of Pakistan (SBP) - refinance scheme	9.5	**447,453**	-
	Deferred income- Government grant	9.5	**53,193**	-
			500,646	-
			3,431,658	2,498,776
	Less: Current portion		**290,556**	165,746
			3,141,102	2,333,030

9.1 The SIHL has fully availed all the above facilities, except Diminishing Musharakah Facilities from Al-Baraka Bank (Pakistan) Limited of Rs. 50.8 million, First Habib Modaraba of Rs. 49.9 million and SBP refinance scheme for CAPEX of Rs. 200 million.

9.2 This represents syndicated Islamic finance facility, arranged and lead by Meezan Bank Limited, obtained on markup basis at 3 months KIBOR plus 0.85% (2019: 3 months KIBOR plus 0.85%) per annum, repayable in 14 equal quarterly installments. The SIHL has availed loan facility upto the total sanctioned limit of Rs. 2,000 million which shall be repaid by August 22, 2024 instead of November 22, 2023 due to acceptance of deferment of principal payment option of loan under SBP circular # 13 dated March 26, 2020 in the wake of Covid-19 outbreak. The financing is secured by ranking charge upgraded into first pari passu charge of Rs. 2,667 million on all present and future SIHL's movable fixed assets and land/building located at H-8/4, Islamabad. Meezan Bank Limited has the custody of original ownership documents of the SIHL's land located at sector H-8/4 Islamabad. According to the terms of deferment, the SIHL is prohibited to pay dividend on its ordinary shares till May 22, 2021.

9.3 This represents a long term Islamic finance facility obtained from Al Baraka Bank (Pakistan) Limited of Rs. 499.4 million. Principal amount is repayable in 36 equal monthly installments carrying markup at 3 months KIBOR plus 0.80% (2019: 3 months KIBOR plus 0.80%) per annum. The financing is secured by first exclusive charge of Rs. 781.3 million against equipment/ machinery. In the wake of Covid-19 outbreak, the bank under SBP circular # 13 dated March 26, 2020 has deferred the principal payment till April 15, 2021, originally it was payable by May, 2020. This also includes a long term Islamic finance facility obtained under the Diminishing Musharakah basis from First Habib Modaraba of Rs. 20.3 million. Principal amount is repayable in 60 equal monthly installments carrying markup at 3 months KIBOR plus 0.70% (2019: 3 months KIBOR plus 0.70%) per annum.

9.4 This represents a long term Islamic finance facility obtained from Meezan Bank Limited of Rs. 500 million. Principal amount shall be repaid by October 01, 2024 in 12 equal quarterly installments carrying markup at 3 months KIBOR plus 0.85% (2019: Nil) per annum. The financing is secured by first pari passu charge on all present and future fixed assets of the SIHL.

9.5 This represents long term finance facility aggregating to Rs. 500 million obtained from United Bank Limited under the State Bank of Pakistan's (SBP) temporary refinance scheme for payment of wages and salaries to the workers and employees of business concerns to support payment of salaries and wages under economic challenges due to COVID-19. The SIHL has availed the financing in three tranches on April 2020, May 2020 and June 2020 at a subsidized markup rate of 0.85% per annum. The financing is repayable in 08 equal quarterly installments starting from January 2021 and shall be fully settled by October 31, 2022. The facility is secured by first pari passu charge of Rs. 667 million over fixed assets (excluding land and building) of the SIHL. According to the terms of the financing, the SIHL is prohibited to lay-off the employees for at least three months from April 2020 to June 2020 of receiving the grant. Since the financing under SBP refinance scheme carries the markup rate below the market rate, the loan has been recognized at present value along with the recognition of government grant as detailed below:

		Note	**2020**	2019
			Rupees in '000'	
	Balance at beginning of the year		**-**	-
	Received during the year		**58,937**	-
	Amortization during the year		**(5,744)**	-
	Balance at end of the year		**53,193**	**-**
10	**DEFERRED TAXATION**			
	Deferred tax liability	10.1	**543,986**	494,137
	Deferred tax asset	10.2	**(104,991)**	(109,822)
	Net deferred tax liability		**438,995**	384,315
10.1	**Deferred tax liability on taxable temporary differences:**			
	Accelerated depreciation/amortization allowance		**534,882**	494,137
	Right of use assets net of lease liabilities		**9,104**	-
			543,986	494,137
10.2	**Deferred tax asset on deductible temporary differences:**			
	Specific provisions		**(48,087)**	(63,926)
	Retirement benefit obligation		**(56,904)**	(45,896)
			(104,991)	(109,822)

10.3 Movement in deferred taxation

Deferred tax liabilities/(assets)	As at July 1, 2019	Statement of profit or loss	Other comprehensive Income	As at June 30, 2020
June 30, 2020	(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	494,137	40,745	-	534,882
Right of use assets net of lease liabilities	-	9,104	-	9,104
Effect of deductible temporary differences				
Specific provisions	(63,926)	15,839	-	(48,087)
Retirement benefit obligation	(45,896)	(4,470)	(6,538)	(56,904)
	384,315	61,218	(6,538)	438,995

Deferred tax liabilities/(assets)	As at July 1, 2018	Statement of profit or loss	Other Comprehensive income	As at June 30, 2019
June 30, 2019	(Rupees in '000')			
The balance of deferred tax is in respect of the following temporary differences:				
Effect of taxable temporary differences				
Accelerated depreciation/ amortization allowance	463,275	30,862	-	494,137
Right of use assets net of lease liabilities	-	-	-	-
Effect of deductible temporary differences				
Specific provisions	(44,418)	(19,508)	-	(63,926)
Retirement benefit obligation	(43,671)	-	(2,225)	(45,896)
	375,186	11,354	(2,225)	384,315

10.4 Deferred tax assets and liabilities on temporary differences are measured at the rate of 29% (2019: 29%).

11	LEASE LIABILITIES	2020	2019
		(Rupees in '000')	
	As at July 01, 2019	418,714	-
	Additions during the year	103,943	-
	Interest expense	52,011	-
	Payment during the year	(175,870)	-
	As at June 30, 2020	398,798	-
	Less: Current portion	135,305	-
		263,493	-

11.1 Lease liabilities are payable as follows:

	Minimum lease payments	Interest	Present value of minimum lease payments
	Rupees in '000'		
Less than one year	182,942	57,164	125,778
Between one and five years	221,964	130,780	91,184
More than five years	338,079	156,243	181,836
	742,985	344,187	398,798

11.2 Rental contracts are made for a fixed period subject to renewal upon mutual consent of SIHL and lessor. Wherever practicable, the SIHL seeks to include extension option to provide operational flexibility. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Management exercises significant judgement in determining whether these extensions are reasonably certain to be exercised. The SIHL's obligation under lease arrangements for generators is secured by the lessor's title to leased assets.

12	TRADE AND OTHER PAYABLES	Note	2020	2019
			(Rupees in '000')	
	Creditors		1,534,793	1,528,334
	Accrued liabilities		416,177	688,751
	Advances from customers		281,287	283,479
	Medical consultants' charges		371,724	452,127
	Payable to related parties - unsecured	12.1	39,446	35,863
	Security deposits	12.2	79,576	80,226
	Compensated absences	12.3	108,324	107,690
	Retention money		37,145	38,249
	Payable to Shifa International Hospitals Limited (SIHL) Employees' Gratuity Fund	12.4	196,221	123,128
			3,064,693	3,337,847

12.1 This represent payables to Tameer-e-Millat Foundation and Shifa Tameer-e-Millat University having common directorship with the SIHL. Maximum amount due at the end of any month during the year was Rs. 11,978 thousand (2019: 11,789 thousand) and Rs. 37,944 thousand (2019: 24,074 thousand) respectively. Detail of balances of each related party is as under:

	2020	2019
	(Rupees in '000')	
Tameer -e- Millat Foundation	**11,978**	11,789
Shifa Tameer -e- Millat University	**27,468**	24,074
	39,446	35,863

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

	Note	**2020**	2019
12.3 Compensated absences	**Note**	**(Rupees in '000')**	
Balance at beginning of the year		**107,690**	100,009
Provision made for the year		**46,706**	44,674
		154,396	144,683
Payments made during the year		**(46,072)**	(36,993)
Closing balance as at the year end		**108,324**	107,690
12.4 The amounts recognized in the statement of financial position are as follows:			
Present value of defined benefit obligation	12.4.1	**667,697**	579,986
Fair value of plan assets	12.4.2	**(471,476)**	(456,858)
		196,221	123,128
12.4.1 Movement in the present value of funded obligation is as follows:			
Present value of defined benefit obligation at beginning of the year		**579,986**	497,634
Interest cost		**76,141**	42,155
Current service cost		**111,683**	107,338
Benefits paid		**(88,739)**	(56,554)
Benefits payable		**(2,598)**	(1,927)
Non refundable loan to employees adjustable against gratuity		**-**	(2,175)
Remeasurement gain on defined benefit obligation		**(8,776)**	(6,485)
Present value of defined benefit obligation at year end		**667,697**	579,986

		2020	2019
		(Rupees in '000')	
12.4.2	**Movement in the fair value of plan assets is as follows:**		
	Fair value of plan assets at beginning of the year	**456,858**	410,621
	Expected return on plan assets	**64,000**	38,142
	Contributions	**73,273**	82,907
	Benefits paid	**(88,739)**	(56,554)
	Benefits payable	**(2,598)**	(1,927)
	Non refundable loan to employees adjustable against gratuity	**-**	(2,175)
	Remeasurement loss on plan assets	**(31,318)**	(14,156)
	Fair value of plan assets at year end	**471,476**	456,858
12.4.3	**Charge for the year is as follows:**		
	Current service cost	**111,683**	107,338
	Interest cost	**76,141**	42,155
	Expected return on plan assets	**(64,000)**	(38,142)
		123,824	111,351
12.4.4	**Remeasurements recognized in other comprehensive income (OCI) during the year**		
	Remeasurement income on obligation	**(8,776)**	(6,485)
	Remeasurement loss on plan assets	**31,318**	14,156
	Remeasurement loss recognized in OCI	**22,542**	7,671
12.4.5	**Movement in liability recognized in statement of financial position:**		
	Balance at beginning of year	**123,128**	87,013
	Cost for the year	**123,824**	111,351
	Total amount of remeasurement recognized in OCI during the year	**22,542**	7,671
	Contributions during the year	**(73,273)**	(82,907)
	Balance at end of year	**196,221**	123,128
12.4.6	**Plan assets comprise of:**		
	Accrued mark up	**5,921**	8,703
	Term deposit receipts	**377,738**	361,000
	Ordinary shares	**17,951**	16,907
	Cash and bank balances	**72,464**	72,175
	Payable to outgoing members	**(2,598)**	(1,927)
		471,476	456,858

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

	2020	2019
Discount rate used for interest cost in profit or loss	**14.25%**	9.00%
Discount rate used for year end obligation	**8.50%**	14.25%
Expected rate of salary growth		
Salary increase FY 2020 onward	**-**	8.00%
Salary increase FY 2021 onward	**6.00%**	13.25%
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

12.4.8 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.

	2020		2019	
	Defined benefit obligation		Defined benefit obligation	
	Effect of 1% increase	**Effect of 1% decrease**	Effect of 1% increase	Effect of 1% decrease
	(Rupees in '000')		(Rupees in '000')	
Discount rate	**619,487**	**723,401**	540,462	625,396
Future salary increase	**724,022**	**618,072**	625,973	539,282

12.4.9 The average duration of the defined benefit obligation as at June 30, 2020 is 8 years (2019: 7 years).

12.4.10 Risk associated with the scheme

Final salary risk

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Demographic Risks

a) Mortality risk

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

b) Withdrawal risk

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

Investment risk

The risk of the investment underperforming and being not sufficient to meet the liabilities.

		2020	2019
13	**MARKUP ACCRUED**	**(Rupees in '000')**	
	Long term financing - secured	**34,750**	29,502
	Running finance - secured	**34**	904
		34,784	30,406

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 Claims aggregating to Rs. 3 million (2019: Rs. 3 million) are lodged in Peshawar and Islamabad High Courts by patients and their heirs against the SIHL for alleged negligence on part of the consultants/doctors. The management of the SIHL is contesting these claims and believes that the contention of the claimants will not be successful and no material liability is likely to arise.

14.1.2 The penalty of Rs. 20 million (2019: Rs. 20 million) 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.

14.1.3 Guarantees aggregating to Rs. 33.9 million (2019: Rs. 35.9 million) issued by banks in favor of Sui Northern Gas Pipelines Limited (SNGPL) and Oil and Gas Development Company Limited (OGDCL) on behalf of the SIHL in its ordinary course of business.

14.1.4 Contingencies related to income tax are as follows:

14.1.4.1 The tax authorities amended the assessments for tax years 2012, 2013, 2014 and 2015 under section 122(5A) of Income Tax Ordinance, 2001 (the Ordinance) and raised tax demands of Rs. 50.4 million, Rs. 133.3 million, Rs. 85.5 million and Rs. 26.1 million respectively. Being aggrieved the SIHL agitated the assessments in appeals before the Commissioner Inland Revenue (Appeals) [CIR(A)] who in respect of tax years 2012 to 2014 partly confirmed the assessments and partly allowed relief to the SIHL while confirmed the assessment for tax year 2015. The SIHL being aggrieved filed appeals against the appellate orders before the Appellate Tribunal Inland Revenue [ATIR] where appeals for tax year 2012 to 2015 are pending for adjudication. For tax year 2016 ATIR set aside the assessment for denovo consideration. On reassessment AdCIR has completed the assessment under section 124/122(5A) and raised a demand of Rs. 85.4 million as on June 30, 2020 as against the original tax demand of Rs. 566.2 million. Being not satisfied with the order of AdCIR, the SIHL has filed an appeal before CIR(A) on July 21, 2020, which is a pending adjudication. No provision has been recorded in respect of above matters as the management is hopeful for favorable outcome.

14.1.4.2 The tax authorities levied tax of Rs. 178.4 million, Rs. 27.4 million and Rs. 29.2 million under section 161/205 of the Ordinance for tax year 2014, 2013 and 2012 respectively on account of alleged non deduction of tax on payments. Being aggrieved the SIHL agitated the assessments in appeals before the CIR(A) who in respect of tax year 2012 has deleted the assessment vide order dated July 09, 2020, while set aside the assessment for tax year 2013 on October 02, 2019 and confirmed the assessment for tax year 2014 through his order dated April 30, 2018. The SIHL being aggrieved filed appeals against the appellate orders for tax year 2013 and 2014 before ATIR where appeal for tax year 2013 is pending adjudication while ATIR has set aside the assessment for tax year 2014 for denovo consideration, hence no demand is outstanding as of today. The SIHL is confident for a favorable outcome and therefore, no provision in respect of above matters has been recorded in these consolidated financial statements.

14.1.4.3 The tax authorities amended the assessments for tax years 2012, 2013 and from 2015 to 2017 u/s 122(5) of the Ordinance and raised aggregate tax demand of Rs. 1,350.9 million. Being aggrieved the SIHL agitated the assessments in appeals before the CIR(A) who annulled all the assessment orders and hence demand stand deleted. Being dissatisfied with order of the CIR(A), the tax department has filed appeal before ATIR on November 15, 2018, which is pending adjudication. No provision has been recorded in respect of above as the management is hopeful for favorable outcome.

14.1.4.4 The Assistant Commissioner Inland Revenue (ACIR) has amended the SIHL's assessment for tax year 2014 and 2015 u/s 221 of the Ordinance which has resulted an aggregate tax demand of Rs. 11.8 million. Being aggrieved, the SIHL has filed appeals before CIR (A) who remanded back the said assessments to ACIR on November 30, 2017. The SIHL as well as the tax department have filed cross appeals against the CIR(A) order before the ATIR, which are pending adjudication. 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.

14.1.4.5 The tax authorities amended the assessment for tax years 2014 u/s 177 of the Ordinance on June 29, 2019 and raised a tax demand of Rs. 1,143.8 million. Being aggrieved the SIHL agitated the assessment in appeal on July 22, 2019 before the CIR (A) who annulled the assessment order on October 02, 2019 and hence tax demand stand deleted as of today. The tax department has filed an appeal before ATIR, against the decision of CIR(A). 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.

14.1.4.6 The tax authorities raised a sales tax demand of Rs. 1.6 million and Rs. 57.4 million under section 33 and 34 of the Sales Tax Act, 1990 on account of alleged nonpayment of sales tax for tax year 2016 and 2018 respectively. Being aggrieved the SIHL agitated the assessment in appeal before CIR(A) which is a pending adjudication. The SIHL is confident for a favorable outcome in respect of the above matters. Therefore, no provision in respect of this matter has been recorded in these consolidated financial statements.

14.1.4.7 Brief facts of the case are that the Deputy Commissioner Inland Revenue (DCIR) concluded an ex-party assessment vide Order-in-Original No. 43/102/2017 for tax year 2016 against the SDSPL under the Islamabad Capital Territory (Tax on Services) Ordinance 2001 (the Ordinance) and charged sales tax on the entire receipts of the SDSPL representing consulting income and created demand of Rs. 2.49 million along with penalty and default surcharge. Being aggrieved with the ex-party order, the SDSPL 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. 2.48 million to Rs. 2.34 million. However, the decision of Commissioner Inland Revenue (Appeals) was still pending. The SDSPL had already recorded provision in the consolidated financial statements against the demand created and there is no further exposure in this regard.

		2020	2019
14.2	**Commitments**	**(Rupees in '000')**	
14.2.1	Capital expenditure contracted	**45,662**	148,203
14.2.2	Letters of credit	**11,047**	-

15. PROPERTY, PLANT AND EQUIPMENT

Particulars	Owned assets													Right of use assets		
	Freehold land	Leasehold land	Building on freehold 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 15.7)	Office premises	Electrical and other equipment	Total
	(Rupees in '000')															
Cost/Revalued amount																
Balance as at July 01, 2018	1,027,327	965,742	-	2,273,266	35,295	3,099,603	299,800	599,972	187,662	2,401	361,247	113,521	325,954	-	-	9,291,790
Additions	43,453	-	-	-	5,314	306,334	155,396	56,410	14,454	394	87,312	10,738	928,879	-	-	1,608,684
Revaluation	47,445	473,198	-	-	-	-	-	-	-	-	-	-	-	-	-	520,643
Disposals	-	-	-	-	-	(15)	(87)	-	(12)	-	(43)	(11,872)	-	-	-	(12,029)
Write offs	-	-	-	-	-	(16,586)	(552)	(1,089)	(93)	-	(2,822)	-	-	-	-	(21,142)
Transfers	-	-	-	278,843	4,564	346	-	-	-	-	254	-	(284,007)	-	-	-
Balance as at June 30, 2019	1,118,225	1,438,940	-	2,552,109	45,173	3,389,682	454,557	655,293	202,011	2,795	445,948	112,387	970,826	-	-	11,387,946
Balance as at July 01, 2019	**1,118,225**	**1,438,940**	**-**	**2,552,109**	**45,173**	**3,389,682**	**454,557**	**655,293**	**202,011**	**2,795**	**445,948**	**112,387**	**970,826**	**-**	**-**	**11,387,946**
Effect of change in accounting policy due to adoption of IFRS 16 - Note (4 & 10)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**418,714**	**-**	**418,714**
Adjusted balance as at July 01, 2019	**1,118,225**	**1,438,940**	**-**	**2,552,109**	**45,173**	**3,389,682**	**454,557**	**655,293**	**202,011**	**2,795**	**445,948**	**112,387**	**970,826**	**418,714**	**-**	**11,806,660**
Additions	**342,447**	**295,886**	**-**	**-**	**-**	**215,731**	**21,592**	**42,375**	**16,279**	**51**	**92,701**	**13,688**	**268,998**	**53,076**	**57,000**	**1,419,824**
Revaluation	**3,600**	**9,962**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**13,562**
Transfer from investment property		**1,000,000**	**-**	**685,625**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,685,625**
Disposals	**(90,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(820)**	**(6,577)**	**-**	**-**	**-**	**(97,397)**
Write offs	**-**	**-**	**-**	**-**	**-**	**(19,083)**	**(297)**	**(5,078)**	**(395)**	**(58)**	**(1,629)**	**-**	**-**	**-**	**-**	**(26,540)**
Transfers	**3,753**	**5,314**	**58,898**	**63,962**	**16,437**	**595,467**	**-**	**-**	**-**	**-**	**-**	**-**	**(743,831)**	**-**	**-**	**-**
Reclassified as held for sale	**(390,600)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(390,600)**
Balance as at June 30, 2020	**987,425**	**2,750,102**	**58,898**	**3,301,696**	**61,610**	**4,181,797**	**475,852**	**692,590**	**217,895**	**2,788**	**536,200**	**119,498**	**495,993**	**471,790**	**57,000**	**14,411,134**

Particulars	Owned assets													Right of use assets		Total
	Freehold land	Leasehold land	Building on freehold 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 15.7)	Office premises	Electrical and other equipment	
	(Rupees in '000')															
Depreciation/amortization																
Balance as at July 01, 2018	-	69,000	-	565,655	11,010	1,646,351	170,548	348,578	92,744	1,195	263,359	93,887	-	-	-	3,262,327
Charge for the year	-	18,708	-	70,307	7,592	261,826	36,652	62,223	16,278	213	55,227	8,867	-	-	-	537,893
On disposals	-	-	-	-	-	(2)	(12)	-	(1)	-	(43)	(11,277)	-	-	-	(11,335)
On write offs	-	-	-	-	-	(13,659)	(494)	(887)	(65)	-	(2,816)	-	-	-	-	(17,921)
Reclassified as held for sale		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2019	-	87,708	-	635,962	18,602	1,894,516	206,694	409,914	108,956	1,408	315,727	91,477	-	-	-	3,770,964
Balance as at July 01, 2019	**-**	**87,708**	**-**	**635,962**	**18,602**	**1,894,516**	**206,694**	**409,914**	**108,956**	**1,408**	**315,727**	**91,477**	**-**	**-**	**-**	**3,770,964**
Charge for the period	**-**	**28,545**	**982**	**98,537**	**9,370**	**299,740**	**46,978**	**60,845**	**17,271**	**248**	**62,747**	**8,014**	**-**	**122,589**	**11,084**	**766,950**
On disposals	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(729)**	**(4,933)**	**-**	**-**	**-**	**(5,662)**
On write offs	**-**	**-**	**-**	**-**	**-**	**(14,591)**	**(297)**	**(4,468)**	**(387)**	**(17)**	**(1,507)**	**-**	**-**	**-**	**-**	**(21,267)**
Balance as at June 30, 2020	**-**	**116,253**	**982**	**734,499**	**27,972**	**2,179,665**	**253,375**	**466,291**	**125,840**	**1,639**	**376,238**	**94,558**	**-**	**122,589**	**11,084**	**4,510,985**
Carrying value as at June 30, 2019	1,118,225	1,351,232	-	1,916,147	26,571	1,495,166	247,863	245,379	93,055	1,387	130,221	20,910	970,826	-	-	7,616,982
Carrying value as at June 30, 2020	**987,425**	**2,633,849**	**57,916**	**2,567,197**	**33,638**	**2,002,132**	**222,477**	**226,299**	**92,055**	**1,149**	**159,962**	**24,940**	**495,993**	**349,201**	**45,916**	**9,900,149**
Annual rate of depreciation %	-	1.34-3.03	2.5-10	2.5-10	20	10	10-15	10-15	10	10-20	25	20	-	-	33.3	

15.1 The SIHL had its leasehold land revalued in 1999, 2004, 2009, 2014, 2018, 2019 and 2020 freehold land in 2009, 2014, 2018, 2019 and 2020 by independent valuers, using fair market value. These revaluations resulted in net surplus of Rs. 180,873 thousand, Rs. 63,891 thousand, Rs. 392,360 thousand, Rs. 184,284 thousand, Rs. 5,541 thousand, Rs. 520,643 thousand and Rs. 13,562 thousand respectively.

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

	Cost	Accumulated amortization	Carrying value
Leasehold land		**(Rupees in '000')**	
June 30, 2020	**1,419,851**	**92,992**	**1,326,859**
June 30, 2019	325,065	72,145	252,920
Freehold land			
June 30, 2020	**868,052**	**-**	**868,052**
June 30, 2019	981,581	-	981,581

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

Location	Nature	Area (Kanal)
Shifa Housing Society, Islamabad Expressway	Freehold land	27.0
Islamabad Motorway	Freehold land	100.0
Faisalabad motorway land	Freehold land	48.2
Faisalabad Sheikhupura road land	Freehold land	41.0
SMCI F-11 Hospital land	Leasehold land	5.5
Neuroscience Institute land	Leasehold land*	11.7
H-8/4, Islamabad	Leasehold land*	87.8

*The covered area includes multi-storey buildings.

15.3 Property, plant and equipment include items with aggregate cost of Rs. 1,676,452 thousand (June 2019: Rs. 1,334,799 thousand) representing fully depreciated assets that are still in use of the SIHL.

15.4 Property, plant and equipment of the SIHL are encumbered under an aggregate charge of Rs. 5,877.25 million (2019: 4,634.25 million) in favor of banking companies under various financing arrangements as disclosed in note 9.

15.5 The forced sale values (FSV) of the revalued leasehold and freehold lands have been assessed at Rs. 2,107,078 thousand and Rs. 1,020,307 thousand respectively.

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

Asset particulars	Cost	Carrying value	Sale proceeds	Purchaser	Mode of disposal
	(Rupees in '000')				
Islamabad Motorway Land	67,500	67,500	72,500	Various third parties through Soft sys (Private) Limited	Negotiation
Murree Expressway Land	22,500	22,500	30,500	Muhammad Mansoor (Third party)	Negotiation
Honda Civic	2,560	768	556	Aziz Ahmed Jan (Ex-COO of Company)	As per Company policy
	92,560	**90,768**	**103,556**		
Other assets having carrying value less than Rs. 500,000	**4,837**	**968**	**2,472**		
2020	**97,397**	**91,736**	**106,028**		
2019	12,029	694	5,110		

15.7 Capital work-in-progress

	Note	2020	2019
		(Rupees in '000')	
Construction work-in-progress	15.7.1	**211,878**	159,110
Stores held for capital expenditure	15.7.2	**1,870**	2,491
Installation of equipment in progress		**282,245**	809,225
		495,993	970,826

15.7.1 Construction work-in-progress

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

	2020	2019
	(Rupees in '000')	
F-11 hospital	**170,928**	60,226
Shifa guest house	**-**	58,720
Other constructions	**40,950**	40,164
	211,878	159,110

		Note	2020	2019
			(Rupees in '000')	
15.7.2	**Stores held for capital expenditure**			
	Stores held for capital expenditure		**4,521**	4,521
	Less: provision for slow moving items	15.7.2.1	**2,651**	2,030
			1,870	2,491
15.7.2.1	Balance at beginning of the year		**2,030**	1,513
	Charged during the year		**621**	517
	Balance at the end of the year		**2,651**	2,030

			2020	2019
16	**INVESTMENT PROPERTY**			
	Cost		**-**	1,661,985
	Accumulated amortization		**-**	(19,900)
	Net book value		**-**	1,642,085
	Opening carrying value		**1,642,085**	1,401,837
	Addition during the year		**58,432**	255,173
	Amortization charge for the year		**(14,891)**	(14,925)
	Disposal during the year - net		**(1,685,626)**	-
	Closing carrying value		**-**	1,642,085

16.1 During the year SIHL has sold its leased hold land with multi-storey building there on, located at sector H-8, Islamabad, to its wholly owned subsidiary " Shifa Neuro Sciences Institute Islamabad (Private) Limited (SNS Islamabad). The SNS Islamabad will setup Centre of excellence of neuroscience at this property.

		Note	2020	2019
17	**INTANGIBLE ASSETS**		(Rupees in '000')	
	Cost	17.1	**105,973**	105,185
	Accumulated amortization	17.1	**(47,897)**	(21,474)
	Net book value		**58,076**	83,711
17.1	Movement in cost and accumulated amortization is as follow:			
	Cost:			
	Balance at beginning of year		**105,185**	39,132
	Addition during the year		**788**	66,053
	Balance at end of year		**105,973**	105,185
	Accumulated amortization:			
	Balance at beginning of year		**21,474**	5,655
	Charge during the year		**26,423**	15,819
	Balance at end of year		**47,897**	21,474
	Net book value		**58,076**	83,711

17.2 Value of intangibles include cost of Oracle Financials software and other softwares. Amortization of intangibles has been recorded at rate of 25 % per annum.

18	LONG TERM INVESTMENT	Note	2020	2019
			(Rupees in '000')	
	In associated company - unquoted			
	Shifa Care (Private) Limited (SCPL)			
	Balance at beginning of the year		**10,869**	-
	Addition during the year		**15,555**	14,445
	Share in loss for the year		**(3,952)**	(3,576)
	Balance at end of the year	18.1	**22,472**	10,869

18.1 This represents investment in 3,000,050 (2019: 50) fully paid ordinary shares of Rs. 10 each of SCPL. The above investment in ordinary shares represents 50% (2019: 50%) shareholding in SCPL held by the SIHL. Summary of results of SCPL are as under:

	Note	2020	2019
		(Rupees in '000')	
Summarized statement of financial position			
Non-current assets		**42,729**	21,788
Current assets		**2,522**	1
Current liabilities		**(307)**	(50)
Net assets		**44,944**	21,739
Reconciliation to carrying amounts:			
Opening net assets		**21,739**	-
Total comprehensive loss for the year		**(7,904)**	(7,152)
Equity		**31,109**	28,891
Closing net assets		**44,944**	21,739
Group's share in carrying value of net assets		**22,472**	10,870
Group's share in total comprehensive income		**(3,952)**	(3,576)
Summarized statement of profit or loss			
Revenue for the year – Gross		**-**	-
Loss for the year		**(7,904)**	(7,152)
Other comprehensive loss for the year		**-**	-
Total comprehensive loss for the year		**(7,904)**	(7,152)

19	LONG TERM DEPOSITS	Note	2020	2019
	Ijarah key money deposits	19.1	**18,502**	19,734
	Less: current portion of Ijarah key money deposits	24	**2,596**	2,439
			15,906	17,295
	Security deposits	19.2	**61,382**	69,916
			77,288	87,211

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

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

		Note	2020	2019
20	**STORES, SPARE PARTS AND LOOSE TOOLS**	**Note**	**(Rupees in '000')**	
	Stores		**150,642**	123,620
	Spare parts		**18,684**	24,294
	Loose tools		**590**	1,510
			169,916	149,424
	Less: provision for slow moving items	20.1	**18,604**	17,787
			151,312	131,637
20.1	Balance at beginning of year		**17,787**	17,305
	Charged during the year		**817**	482
	Balance at end of year		**18,604**	17,787

21 **STOCK-IN-TRADE**

This represents medicines being carried at moving average cost.

		Note	2020	2019
22	**TRADE DEBTS**	**Note**	**(Rupees in '000')**	
	Considered good			
	Related party - Shifa Foundation	22.1	**17,875**	28,647
	Related party - SIHT	22.1	**25,783**	-
	Others		**692,254**	656,044
			735,912	684,691
	Less: allowance for expected credit loss	41.1.3	**130,013**	97,498
	Less: bad debts written off		**-**	2,347
			605,899	584,846

22.1 Maximum amount due from Shifa Foundation and Shifa Integrated Health Technology (Private) Limited (SIHT) at the end of any month during the year was Rs. 52,502 thousand (2019: Rs. 44,238 thousand) and Rs. 25,783 thousand (2019: nil) respectively.

		Note	2020	2019
23	**LOANS AND ADVANCES**	**Note**	**(Rupees in '000')**	
	Considered good - secured			
	Executives	23.1	**2,726**	3,617
	Other employees		**19,517**	18,141
			22,243	21,758
	Consultants - unsecured		**1,571**	1,066
	Suppliers/contractors - unsecured		**394,372**	422,723
			418,186	445,547

		2020	2019
		(Rupees in '000')	
23.1	Reconciliation of carrying amount of advances given to executives:		
	Balance at beginning of year	**3,617**	7,617
	Disbursements during the year	**11,053**	25,584
		14,670	33,201
	Less: Repayments during the year	**11,944**	29,584
	Balance at end of year	**2,726**	3,617

23.1.1 The above advances were given in accordance with the SIHL's service rules. The maximum amount due from executives at the end of any month during the year was Rs. 3,383 thousand (2019: Rs. 4,259 thousand).

		Note	2020	2019
24	**DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**	**Note**	**(Rupees in '000')**	
	Current portion of Ijarah key money deposits	19	**2,596**	2,439
	Other deposits		**60**	60
	Short term prepayments		**25,741**	7,734
	Other receivables	24.1	**69,064**	67,002
			97,461	77,235
	Less: allowance for expected credit losses	24.2	**18,192**	18,111
			79,269	59,124

24.1 This includes Rs. 47,389 thousand (2019: 36,008 thousand) due from Shifa Pan African Hospital Limited.

		Note	2020	2019
24.2	**Allowance for expected credit loss**	**Note**	**(Rupees in '000')**	
	Balance of the beginning of year		**18,111**	-
	Charge during the year		**81**	18,111
	Balance at the end of year		**18,192**	18,111
25	**OTHER FINANCIAL ASSETS**			
	Investment-at amortized cost	25.1	**455,884**	3,000
	Investment in mutual funds classified as fair value through profit or loss	25.2	**151,253**	-
			607,137	3,000

25.1 This represent T- Bills purchased on June 01, 2020 and matured on August 25, 2020 at a yield of 7.8% per annum (2019: nil) and a term deposit receipt (TDR) having face value of Rs. 3 million with three months maturity with profit payable on monthly basis at the rate ranging from 6.00% to 12.60% per annum.

25.2 This represent 1,495,644 units (2019: nil) of HBL Cash fund purchased during the year. Fair value of the investment was determined using quoted repurchase price as at June 30, 2020.

26	TAX REFUNDS DUE FROM THE GOVERNMENT (NET OF PROVISION)	Note	2020 (Rupees in '000')	2019 (Rupees in '000')
	Balance at the beginning of the year		**412,951**	348,332
	Income tax paid/deducted at source during the year		**331,690**	352,697
			744,641	701,029
	Provision for taxation for the year	33	**(250,460)**	(288,078)
	Balance at the end of the year		**494,181**	412,951

27	CASH AND BANK BALANCES	Note	2020	2019
	Cash at banks in:			
	Current accounts			
	Local currency		**402,450**	160,835
	Foreign currency		**1,893,210**	1,159
			2,295,660	161,994
	Saving accounts:			
	Local currency		**305,920**	641,727
	Foreign currency		**168**	164
		27.1	**306,088**	641,891
		27.2	**2,601,748**	803,885
	Cash in hand		**1,050**	10
			2,602,798	803,895

27.1 These carry effective profit rates ranging from 2.35% - 9.51% and 0.10% (2019: 2.25% - 6.88% and 0.1%) per annum in respect of local and foreign currency accounts respectively.

27.2 Balances with banks includes Rs. 79,576 thousand (2019: Rs. 80,226 thousand) in respect of security deposits (note 12.2).

28	NON-CURRENT ASSET HELD FOR SALE	2020 (Rupees in '000')	2019 (Rupees in '000')
	Balance at beginning of year	**-**	-
	Addition during the year	**390,600**	-
	Disposed off during the year	**-**	-
	Balance at end of year	**390,600**	-

28.1 This represent the carrying value of land located at Islamabad Motorway with the area measuring 173.6 Kanals. The revaluation surplus reflected in note 7 to the consolidated financial statements include Rs. 7.9 million in respect of above land. As of current reporting date the forced sale value of the said land was assessed to be Rs. 313.9 million. The management of the SIHL is pursuing the sale of the land and expects the same shall be disposed-off during the next financial year.

29	NET REVENUE	Note	2020 (Rupees in '000')	2019
	Inpatients		**4,824,613**	4,832,932
	Outpatients		**2,846,938**	2,645,242
	Pharmacy	29.1	**4,294,236**	4,048,938
	Other services	29.2	**428,075**	361,572
			12,393,862	11,888,684
	Less: discount		**119,154**	112,021
	Less: Sales tax		**15,220**	3,394
	Net revenue		**12,259,488**	11,773,269

29.1 This includes revenue of Rs. 500,068 thousand (2019: Rs. 426,358 thousand) from external pharmacy outlets.

29.2 This represent Rs. 298,888 thousand (2019: Rs. 314,972 thousand), Rs. 21,461 thousand (2019: Rs. 24,244 thousand) and Rs. 104,886 thousand (2019: Rs. 18,875 thousand) against Cafeteria sales, operating leases to related parties and revenue from construction services.

30	OTHER INCOME	Note	2020 (Rupees in '000')	2019
	Income from financial assets:			
	Profit on investments and bank deposits		**16,602**	6,222
	Income from other than financial assets:			
	Gain on disposal of tangible assets	15.6	**14,292**	4,416
	Gain / (loss) on foreign currency translation		**117,629**	(813)
	Liabilities written back		**8,113**	1,102
	Sale of scrap		**14,595**	6,858
	Miscellaneous		**16,897**	24,728
			188,128	42,513

31	OPERATING COSTS	Note	2020	2019
			(Rupees in '000')	
	Salaries, wages and benefits	31.1	**4,699,117**	4,561,573
	Utilities		**538,853**	417,497
	Supplies consumed		**1,262,992**	1,127,757
	Medicines consumed		**3,168,954**	2,961,556
	Communication		**38,532**	31,129
	Travelling and conveyance		**25,957**	27,288
	Printing and stationery		**99,066**	82,722
	Repairs and maintenance		**489,414**	401,321
	Auditors' remuneration	31.2	**6,116**	3,325
	Legal and professional		**77,510**	37,159
	Rent		**14,712**	139,097
	Rates and taxes		**18,569**	18,424
	Advertising and sales promotion		**40,843**	43,053
	Fee, subscription and membership		**77,661**	44,647
	Vehicle and equipment rentals	31.3	**26,894**	26,769
	Cleaning and washing		**121,289**	119,544
	Project cost		**61,074**	-
	Insurance		**14,535**	10,421
	Property, plant and equipment written off	31.4	**5,273**	3,221
	Provision for slow moving stores		**1,438**	999
	Depreciation/amortization on tangible assets	15 & 16	**781,841**	552,818
	Amortization on intangible assets	17	**26,423**	15,819
	Donation	31.5	**8,000**	15,000
	Miscellaneous		**42,537**	39,167
			11,647,600	10,680,306

31.1 This includes employee retirement benefits (gratuity) of Rs. 123,824 thousand (2019: Rs. 111,351 thousand), expense for compensated absences of Rs. 46,706 thousand (2019: Rs. 44,674 thousand) and bonus to employees of Rs. 59,269 thousand (2019: Rs. 107,674 thousand).

31.2	Auditors' remuneration	2020	2019
		(Rupees in '000')	
	Annual audit fee	**2,040**	1,900
	Half yearly review fee	**970**	700
	Statutory certifications	**3,106**	725
		6,116	3,325

31.2.1 The above fee is inclusive of sales tax amounting to Rs. 904 thousand.

31.3 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:

	2020	2019
	(Rupees in '000')	
Within one year	**9,272**	27,860
After one year but not more than five years	**12,491**	19,608
Total ujrah payments	**21,763**	47,468

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

31.5 Donation

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

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

32 FINANCE COSTS	**Note**	**2020**	2019
		(Rupees in '000')	
Mark-up on:			
Long term financing - secured	32.1	**384,102**	61,519
Running finance and murabaha facilities		**1,291**	10,109
Interest on lease liabilities		**52,011**	-
Credit card payment collection charges		**21,175**	20,365
Bank charges and commission		**6,113**	3,108
		464,692	95,101

32.1 The borrowing costs of Rs. 7,951 thousand (2019: 134,923 thousand) capitalized as a cost of tangible assets.

33	PROVISION FOR TAXATION	Note	2020	2019
			(Rupees in '000')	
	Current			
	- for the period	33.1	**248,441**	288,078
	- prior year		**2,019**	-
		26	**250,460**	288,078
	Deferred		**61,218**	11,354
			311,678	299,432

33.1 This mainly include the impact of minimum tax and capital gain tax on sale of lands/ building of SIHL.

34	EARNINGS PER SHARE - BASIC AND DILUTED	Note	2020	2019
			(Rupees in '000')	
	Profit for the year attributable to equity holders of SIHL		**731**	748,840
			(Numbers in '000')	
	Weighted average number of ordinary shares in issue during the year	34.1	**61,752**	54,538
			(Rupees)	
	Earnings per share - basic and diluted		**0.01**	13.73

34.1	**Weighted average number of ordinary shares**	(Numbers in '000')	
	Issued ordinary shares at July 01, 2019	**54,538**	54,538
	Shares issued to IFC - other than right	**7,214**	-
	Issued ordinary shares at June 30, 2020	**61,752**	54,538

Weighted average number of shares has been calculated on the basis of time factor of shares outstanding during the year.

35 CAPACITY UTILIZATION

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

	2020	2019	2020	2019	2020	2019
	Available bed days		Occupied bed days		Occupancy Ratio	
SIHL H-8/4 Islamabad	**179,842**	175,734	**105,629**	118,808	**58.73%**	67.61%
SIHL Faisalabad	**18,538**	13,505	**5,247**	5,724	**28.30%**	42.38%

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

		2020	2019
36	**UNAVAILED CREDIT FACILITIES**	**(Rupees in '000')**	
	Unavailed credit facilities at year end are as under:		
	Running/Murabaha financing	**500,000**	796,900
	Letter of credit	**400,000**	147,700
	Diminishing Musharakah	**100,763**	672,125
	Ijarah financing	**71,736**	65,577
	Letter of guarantee	**16,400**	-
	SBP refinance scheme (Capex)	**200,000**	-
		1,288,899	1,682,302

37 NUMBER OF EMPLOYEES

The Group had 4,824 employees (2019: 4,877) at the year end and average number of employees during the year were 4,850 (2019: 4,813).

38 RELATED PARTIES TRANSACTIONS

The related parties comprise of associates, directors, major shareholders, key management personnel, SIHL Employees' Gratuity Fund and the entities over which directors are able to exercise influence.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Group considers its chief executive officers, chief financial officer, company secretary, non-executive directors and departmental heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment/entitlement.

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	2020	2019
		(Rupees in '000')	
Shifa Foundation:			
Revenue from services earned by the SIHL	38.1	**144,556**	151,487
Revenue from rent earned by the SIHL		**33**	44
Expenses paid by and reimbursed to the SIHL		**8,268**	877
Other services provided to the SIHL		**16,076**	21,083
Tameer-e-Millat Foundation:			
Revenue from rent earned by the SIHL		**311**	311
Supplies provided to the SIHL	38.2	**35,780**	28,473
Other services provided to the SIHL	38.3	**18,946**	17,259
Rental services received by the SIHL		**8,490**	4,725

	Note	2020	2019
		(Rupees in '000')	
Shifa Tameer-e-Millat University:			
Revenue from services earned by the SIHL	38.1	**33,791**	47,615
Revenue from rent earned by the SIHL		**9,648**	12,911
Other services provided to the SIHL	38.3	**68,283**	69,518
Expenses paid by and reimbursed to the SIHL		**12,239**	11,753
Donation paid by the SIHL		**8,000**	15,000
Shifa Integrated Health Technology (Private) Limited:			
Revenue from services earned by the SIHL		**51,858**	-
Expenses paid by and reimbursed to the SIHL		**739**	-
Other services provided to the SIHL		**11,672**	-
Shifa Care (Private) Limited			
Revenue from rent earned by the SIHL		**3,960**	-
Expenses paid by and reimbursed to the SIHL		**3,356**	-
SIHL Employees Gratuity Fund			
Payments made by the SIHL during the year	38.4	**73,273**	82,907
Remuneration including benefits and perquisites of key management personnel		**313,449**	311,226

38.1 Revenue earned from related parties includes medical, surgical, clinical and lab services rendered to referred inpatients and outpatients, sale of medicines and provision of cafeteria services. These transactions are executed on terms agreed between the parties.

38.2 The supplies mainly include uniforms and dairy products etc. These transactions are executed on terms agreed between the parties.

38.3 This represents services of nursing education/training, employees' children education and consultancy services. These transactions are based on terms agreed between the parties.

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

38.5 Names of related parties with whom the Group had entered into transactions or had agreements and/or arrangements in place during the financial year are as follow:

Name of related party (RP)	Basis of relationship	Percentage of SIHL's shareholding in RP	Percentage of RP's shareholding in the SIHL
Shifa Foundation	CD*	N/A**	0.92%
Tameer-e-Millat Foundation	CD	N/A	12.57%
SIHL Employees' Gratuity Fund	Benefit Plan	N/A	0.12%
Shifa Tameer-e-Millat University	CD	N/A	0.02%
Shifa CARE (Private) Limited	Associate & CD	50%	Nil
Shifa Integrated Health Technology (Private) Limited	CD	Nil	Nil
International Finance Corporation (IFC)	Associate	Nil	12%

*CD stands for common directorship.

**N/A stands for not applicable.

39 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Executive Directors		Non Executive Directors		Executives	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	(Rupees in '000')							
Managerial remuneration	**45,352**	43,734	**22,183**	25,336	**7,855**	9,730	**251,605**	194,990
Rent and utilities	**6,205**	6,205	**2,474**	4,654	**1,567**	1,267	**32,676**	33,419
Bonus and incentives	**2,090**	2,090	**3,251**	2,344	**307**	307	**9,788**	8,963
Gratuity	**-**	-	**-**	-	**-**	-	**15,497**	10,428
Medical insurance	**-**	-	**64**	121	**61**	60	**1,837**	1,970
Leave encashment	**-**	-	**-**	-	**-**	-	**5,953**	3,284
	53,647	52,029	**27,972**	32,455	**9,790**	11,364	**317,356**	253,054
Number of persons	**2**	2	**1**	2	**8**	7	**50**	36

39.1 In addition to above, the chief executive is provided with a SIHL maintained car, while one other director and twenty four executives availed car facility.

39.2 Managerial remuneration includes Rs. 2,700 thousand (2019: Rs. 4,441 thousand) paid to directors in respect of meeting attending fee.

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

40 CASH AND CASH EQUIVALENTS

	Note	2020	2019
		(Rupees in '000')	
Investment - at amortized cost	25	**455,884**	3,000
Cash and bank balances	27	**2,602,798**	803,895
		3,058,682	806,895

41 FINANCIAL RISK MANAGEMENT

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

Credit risk

Liquidity risk

Market risk

Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyze 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 standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee 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.

41.1 Credit risk

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

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

41.1.1 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 Group is providing medical and construction related services. Normally the services are rendered to the panel companies and customers 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 and makes allowance for ECLs against those balances considered doubtful of recovery.

Cash and investments

The Group limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counterparties that have a high credit ratings and therefore management does not expect any counterparty to fail to meet its obligations.

41.1.2 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:

	2020	2019
	(Rupees in '000')	
Long term deposits	61,382	69,916
Trade debts	605,899	584,846
Other receivables	69,124	67,062
Markup accrued	253	486
Other financial assets	607,137	3,000
Bank balances	2,601,748	803,885
	3,945,543	1,529,195

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

	2020	2019
	(Rupees in '000')	
Government companies	324,556	335,542
Private companies	244,907	226,277
Individuals	122,791	91,878
Related parties	43,658	28,647
Others	-	2,347
	735,912	684,691

41.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	2020		2019	
	Gross debts	Allowance for ECL	Gross debts	Allowance for ECL
	(Rupees in '000')		(Rupees in '000')	
Not past due	169,526	9,867	287,376	19,978
1 - 4 months	282,705	33,552	259,652	28,129
5 - 7 months	104,574	9,595	22,564	4,815
8 - 12 months	67,245	10,872	46,952	10,161
13 - 18 months	22,767	10,926	15,054	7,905
19 - 23 months	89,095	55,201	53,093	26,510
	735,912	130,013	684,691	97,498

	Note	2020	2019
		(Rupees in '000')	
Balance at beginning of year		**97,498**	111,728
Expected credit losses/(reversal)		**32,515**	(11,883)
Less: bad debts written off		**-**	2,347
Balance at end of year	22	**130,013**	97,498

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

The ageing of Shifa Foundation and Shifa Integrated Health Technology (Private) Limited (SIHT) at the reporting date was:

	2020		2019	
	Gross debts	Allowance for ECL	Gross debts	Allowance for ECL
	(Rupees in '000')			
Shifa Foundation				
1 - 4 months	**17,875**	**-**	28,647	-
SIHT				
1 - 4 months	**25,783**	**-**	-	-

41.1.5 Cash is held only with reputable banks with high quality external credit rating assessed by external rating agencies. Following are the credit ratings of banks with which balances are held or credit lines available:

Bank	Rating Agency	Rating: Short term	Rating: Long term
Habib Bank Limited	JCR - VIS	A1+	AAA
Al Baraka Bank (Pakistan) Limited	JCR - VIS	A1	A
Meezan Bank Limited	VIS	A1+	AA+
United Bank Limited	JCR	A1+	AAA
MCB Bank Limited	PACRA	A1+	AAA
Dubai Islamic Bank	VIS	A1+	AA
Bank of Punjab	PACRA	A1+	AA-
Askari Bank Limited	PACRA	A1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Al Habib Limited	PACRA	A1+	AA+
Silk Bank Limited	JCR - VIS	A2	A-

41.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For this purpose, the Group has credit facilities as mentioned in notes 9 and 36 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')			
2020						
Long term financing - secured	**3,431,658**	**1,439**	**289,117**	**1,090,410**	**2,050,692**	**-**
Trade and other payables	**2,441,716**	**2,441,716**	**-**	**-**	**-**	**-**
Unclaimed dividend	**36,665**	**36,665**	**-**	**-**	**-**	**-**
Mark up accrued	**34,784**	**34,784**	**-**	**-**	**-**	**-**
	5,944,823	**2,514,604**	**289,117**	**1,090,410**	**2,050,692**	**-**
2019						
Long term financing -secured	2,498,776	82,046	83,700	745,872	1,587,158	-
Trade and other payables	2,785,298	2,785,298	-	-	-	-
Unclaimed dividend	48,671	48,671	-	-	-	-
Mark up accrued	30,406	30,406	-	-	-	-
	5,363,151	2,946,421	83,700	745,872	1,587,158	-

41.3 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.

41.3.1 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 minimal. The Group’s exposure to foreign currency risk is as follows:

	2020 (Amount in '000')			2019 (Amount in '000')		
	Euro	**USD**	**AED**	Euro	USD	AED
Trade debts	**-**	**536.25**	**-**	-	-	-
Creditors	**-**	**(162.50)**	**-**	-	-	-
Bank balances	**-**	**11,264.76**	**24.86**	-	1.01	26.15
Letter of credit	**(58.50)**	**-**	**-**	-	-	-
	(58.50)	**11,638.51**	**24.86**	-	1.01	26.15

	2020 (Rupees in '000')			2019 (Rupees in '000')		
Trade debts	**-**	**90,079**	**-**	-	-	-
Creditors	**-**	**(27,357)**	**-**	-	-	-
Bank balances	**-**	**1,892,241**	**1,137**	-	164	1,159
Letter of credit	**(11,047)**	**-**	**-**	-	-	-
	(11,047)	**1,954,963**	**1,137**	-	164	1,159

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2020	2019	**2020**	2019
	(Rupees)		(Rupees)	
USD 1 - Buying	**158.07**	136.11	**167.98**	162.90
USD 1 - Selling	**158.45**	136.40	**168.35**	163.20
AED 1 - Buying	**43.03**	37.05	**45.73**	44.35
AED 1 - Selling	**43.13**	37.13	**45.83**	44.45
Euro 1 - Buying	**174.85**	155.16	**188.43**	185.20
Euro 1 - Selling	**175.26**	155.49	**188.84**	185.62

Foreign currency sensitivity analysis

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

	Change in Foreign Exchange Rates	Effect on Profit	Effect on Equity
	%	(Rupees in '000')	
2020			
Foreign currencies	**+10%**	**194,505**	**194,505**
Foreign currencies	**-10%**	**(194,505)**	**(194,505)**
2019			
Foreign currencies	+10%	132	132
Foreign currencies	-10%	(132)	(132)

41.3.2 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 profit and loss of a defined markup rate shift. For each simulation, the same markup rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major markup-bearing positions.

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

Profile

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

	Note	**2020**	2019
		(Rupees in '000')	
Financial assets			
Other financial assets	**25**	**607,137**	3,000
Bank balances	**27**	**306,088**	641,891
		913,225	644,891
Financial liabilities			
Long term financing - secured	**9**	**(3,431,658)**	(2,498,776)
		(2,518,433)	(1,853,885)

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 profit for the year ended June 30, 2020 would decrease/increase by Rs. 14,556 thousand (2019: decrease/increase by Rs. 2,819 thousand). This is mainly attributable to the Group's exposure to markup rates on its variable rate borrowings.

41.4 **Financial instrument by category**

June 30, 2020	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
		Rupees in '000'		
Financial assets				
Maturing upto one year				
Trade debts	605,899	-	-	605,899
Other receivables	69,124	-	-	69,124
Markup accrued	253	-	-	253
Other financial assets	607,137	-	-	607,137
Cash and bank balances	2,602,798	-	-	2,602,798
Maturing after one year				
Long term deposits	61,382	-	-	61,382
	3,946,593	-	-	3,946,593
Financial liabilities				
Maturing upto one year				
Trade and other payables	2,441,716	-	-	2,441,716
Unclaimed dividend	36,665	-	-	36,665
Markup accrued	34,784	-	-	34,784
Current portion of long term financing - secured	290,556	-	-	290,556
Maturing after one year				
Long term financing - secured	3,141,102	-	-	3,141,102
	5,944,823	-	-	5,944,823

June 30, 2019	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
	Rupees in '000'			
Financial assets				
Maturing upto one year				
Trade debts	584,846	-	-	584,846
Other receivables	67,062	-	-	67,062
Markup accrued	486	-	-	486
Other financial assets	3,000	-	-	3,000
Cash and bank balances	803,895	-	-	803,895
Maturing after one year				
Long term deposits	69,916	-	-	69,916
	1,529,205	-	-	1,529,205
Financial liabilities				
Maturing upto one year				
Trade and other payables	2,785,298	-	-	2,785,298
Unclaimed dividend	48,673	-	-	48,673
Markup accrued	30,406	-	-	30,406
Current portion of long term financing - secured	165,746	-	-	165,746
Maturing after one year				
Long term financing - secured	2,333,030	-	-	2,333,030
	5,363,153	-	-	5,363,153

41.5 Fair value of financial instruments

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

42 FAIR VALUE HIERARCHY

Lands owned by the Group are valued by independent valuers to determine their fair values as at June 30, 2020. The fair value of lands subject to revaluation model fall under level 2 of fair value hierarchy.

43 CAPITAL MANAGEMENT

The objective of the Group when managing capital is to safeguard its 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 businesses. The Group intends to manage its capital structure by monitoring return on capital, as well as the level of dividends to ordinary shareholders.

44 DISCLOSURE REQUIREMENTS FOR ALL SHARES ISLAMIC INDEX

Description	Explanation	Rupees in '000'
Bank balances as at June 30, 2020	Placed under interest	**117,810**
	Placed under sharia permissible arrangement	**188,278**
		306,088
Return on bank deposit for the year ended June 30, 2020	Placed under interest	**3,226**
	Placed under sharia permissible arrangement	**8,702**
		11,928
Interest income on investment for the year ended June 30, 2020	Placed under interest	**3,263**
	Placed under sharia permissible arrangement	**1,411**
		4,674
Segment revenue	Disclosed in note 29	
Exchange gain		**117,629**
Finance cost paid		**408,302**
Relationship with bank having Islamic windows	Meezan Bank Limited	
	Al-Baraka Bank (Pakistan) Limited	
	Faysal Bank Limited	
	Bank Alfalah Limited	
	Bank of Punjab	
	Askari Bank Limited	
	Dubai Islamic Bank	
Loss on employee loans during the year		-
Loans obtained as per Islamic mode		**2,931,012**
Mark up paid on Islamic mode of financing		**406,082**
Interest paid on any conventional loan		**2,220**

45 OPERATING SEGMENTS

The consolidated financial statements have been prepared on the basis of single reportable segment. All revenue of the SIHL is earned from customers located in Pakistan. All non-current assets of the Group at June 30, 2020 are located in Pakistan. There is no customer with more than 10% of total revenue of the Group for the year.

46 IMPACT OF COVID-19 (CORONA VIRUS)

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown, disruptions to various business and significant volatility in the Pakistan Stock Exchange (PSX). However, currently, the potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. Due to this pandemic there was a ban imposed by local administration of Islamabad to treat OPD patients in hospitals which has also reduced the numbers of diagnostics and other procedures in SIHL, resultantly, the revenues and cash flows for last quarter of the current year were significantly decreased. The overall impact on decrease of revenues in SIHL was approximately Rs. 1.37 billion in last quarter. Consequently, the SIHL availed the loan facility under refinance scheme for wages & salaries of State Bank of Pakistan (SBP) and the deferment of existing loans repayment commitments under regulatory relief of SBP that enabled the SIHL to consolidate its liquidity position. Fortunately, after the quarter ended June 30, 2020, a significant increase in outpatient/inpatient numbers, diagnostics & surgeries etc. is evident which has positively impacted the financial and operational condition of the SIHL. Based on above trend the management of the SIHL expects to regain the past level of operations that will dilute the financial shocks of the pandemic.

Almost all of the subsidiaries of SIHL are in the startup phase and as of current reporting date and thereafter the Group's assessment has not indicated any adverse impact on carrying values of assets and liabilities of the Group and the management believes that the going concern assumption of the Group remains valid.

The Group will continue to actively monitor the situation and may take actions that alter its business operations as may be required by authorities or that are in the best interests of our employees, customers, partners, suppliers and stockholders.

47 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were approved and authorized for issue by the board of directors of the SIHL on September 26, 2020.

48 GENERAL

- Figures have been rounded off to the nearest one thousand Pak Rupees unless otherwise stated.
- Comparative figures wherever necessary has been reclassified and rearranged for fair presentation.

CHAIRMAN	CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER