

UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

INDEPENDENT AUDITOR'S 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, 2021 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, 2021.



Grant Thornton Anjum Rahman

Chartered Accountants
Islamabad
September 25, 2021.

INDEPENDENT AUDITOR'S REPORT

To the members of Shifa International Hospitals Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Shifa International Hospitals Limited** (the Company), which comprise the unconsolidated statement of financial position as at June 30, 2021 and the unconsolidated statement of profit or loss, 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 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, 2021 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 Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current year. This matter was 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 this matter.

Following is the Key audit matter:

Key audit matter	How the matter was addressed in our audit
<p>Revenue from contract with customers:</p> <p>(Refer to note 26 to the unconsolidated financial statements)</p> <p>The Company principally generates revenue from providing of inpatient and outpatient services and supply of medicines. We identified revenue recognition as a key audit matter because it is one of key performance indicator which gives rise to an inherent risk of misstatement.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Company's processes and related internal controls for revenue recognition and tested the design, implementation and operating effectiveness of those controls; • Performed test of details of sampled revenue by inspecting the underlying supporting documents including medical record bills, sales report and bank statements; • Performed cut off procedures to ensure revenue has been recorded in the correct period; • Evaluated and tested on sample basis the authority metrics (controls) over changes in charge master; • Verified on sample basis the trade debts through obtaining confirmations from debtors and performing other alternate procedures; and • Assessed the appropriateness of disclosures in the 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) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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



Grant Thornton Anjum Rahman

Chartered Accountants
Islamabad
September 25, 2021.

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

		2021	2020
	Note	(Rupees in '000')	
SHARE CAPITAL AND RESERVES			
Authorized share capital			
100,000,000 (2020: 100,000,000) ordinary shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid up capital	4	619,749	619,749
Capital reserves			
Share premium	5	2,751,283	2,751,283
Surplus on revaluation of property, plant and equipment	6	792,396	760,346
Revenue reserves			
Unappropriated profit		4,325,259	3,636,170
		8,488,687	7,767,548
NON - CURRENT LIABILITIES			
Long term financing - secured	7	2,360,408	3,141,102
Deferred taxation	8	350,314	438,995
Lease liabilities	9	607,038	382,454
		3,317,760	3,962,551
CURRENT LIABILITIES			
Trade and other payables	10	3,251,095	2,984,085
Unclaimed dividend		35,158	36,665
Markup accrued	11	16,913	34,784
Current portion of long term financing - secured	7	1,405,722	290,556
Current portion of lease liabilities	9	177,633	183,064
		4,886,521	3,529,154
		16,692,968	15,259,253
CONTINGENCIES AND COMMITMENTS	12		

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


CHIEF EXECUTIVE


DIRECTOR

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

		2021	2020
	Note	(Rupees in '000')	
NON - CURRENT ASSETS			
Property, plant and equipment	13	6,791,843	6,991,936
Intangible assets	14	31,343	57,414
Long term investments - at cost	15	3,178,758	2,933,524
Long term deposits	16	96,260	111,740
		10,098,204	10,094,614
CURRENT ASSETS			
Stores, spare parts and loose tools	17	165,312	151,312
Stock-in-trade	18	658,280	646,353
Trade debts	19	859,157	511,624
Loans and advances	20	337,659	390,186
Deposits, prepayments and other receivables	21	72,095	93,656
Markup accrued		677	253
Other financial assets	22	622,464	3,000
Tax refunds due from the government (net of provision)	23	471,366	478,225
Cash and bank balances	24	2,809,697	2,395,052
		5,996,707	4,669,661
Non - current assets held for sale	25	598,057	494,978
		16,692,968	15,259,253



CHIEF FINANCIAL OFFICER

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2021

		2021	2020
	Note	(Rupees in '000')	
Net revenue	26	14,219,718	12,151,762
Other income	27	107,479	637,219
Operating costs	28	(12,899,400)	(11,480,652)
Finance costs	29	(360,375)	(478,598)
Expected credit losses	21.2 & 39.1.3	(103,529)	(32,278)
Profit before taxation		963,893	797,453
Provision for taxation	30	(263,969)	(292,262)
Profit after taxation		699,924	505,191
Earnings per share - basic and diluted - (Rupees)	31	11.29	8.18

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



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2021

	2021	2020
	(Rupees in '000')	
Profit after taxation	699,924	505,191
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	(45,924)	(22,542)
Deferred tax relating to remeasurement of staff gratuity fund benefit plan	13,318	6,538
Loss on remeasurement of staff gratuity fund benefit plan (net of tax)	(32,606)	(16,004)
Surplus on revaluation of property, plant and equipment	53,821	9,710
Total comprehensive income for the year	721,139	498,897

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



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

	2021	2020
	(Rupees in '000')	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	963,893	797,453
Adjustments for:		
Depreciation / amortization on tangible assets	865,473	791,810
Amortization on intangible assets	26,071	26,297
Expected credit losses	103,529	32,278
Property, plant and equipment written off	977	5,273
Gain on disposal of tangible assets	(41,975)	(471,572)
Provision for compensated absences	46,378	46,706
Provision for bonus for employees	190,931	59,269
Provision for gratuity	143,917	123,824
Provision for slow moving stores	6,161	1,438
Liabilities written back	(478)	(8,113)
Gains on investments and bank deposits	(31,280)	(12,302)
Loss / (gain) on foreign currency translation	116,336	(113,740)
Finance costs	360,375	478,598
Operating cash flows before changes in working capital	2,750,308	1,757,219
Changes in working capital:		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(19,264)	(20,492)
Stock-in-trade	(11,927)	(149,595)
Trade debts	(411,280)	37,564
Loans and advances	57,527	22,617
Deposits, prepayments and other receivables	(18,221)	(32,630)
Increase / (decrease) in current liabilities:		
Trade and other payables	15,649	(469,230)
Cash generated from operations	2,362,792	1,145,453
Finance costs paid	(305,325)	(408,244)
Income tax paid	(332,473)	(296,459)
Payment to SIHL Employees' Gratuity Fund	(134,468)	(73,273)
Compensated absences paid	(40,845)	(46,072)
Net cash generated from operating activities	1,549,681	321,405

UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

	Note	2021 (Rupees in '000')	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment (PPE)		(518,537)	(812,256)
Addition to investment property		-	(58,432)
Outlay against long term investments		(245,234)	(403,466)
Investment in other financial assets - net		(596,666)	-
Proceeds from disposal of PPE and items classified as held for sale		231,424	106,028
Markup received		8,058	12,535
Decrease / (increase) in long term deposits		3,898	(24,529)
Net cash used in investing activities		(1,117,057)	(1,180,120)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of further share capital		-	1,779,628
Long term financing - repayments		(381,608)	(140,214)
Long term financing - proceeds		633,450	1,014,133
Deferred grant received		82,630	58,963
Lease liabilities - repayments		(234,608)	(194,137)
Dividend paid		(1,507)	(170,042)
Net cash generated from financing activities		98,357	2,348,331
Net increase in cash and cash equivalents		530,981	1,489,616
Cash and cash equivalents at beginning of the year		2,398,052	794,696
Effect of exchange rate changes on cash and cash equivalents		(116,336)	113,740
Cash and cash equivalents at end of the year	37	2,812,697	2,398,052

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



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2021

	Share capital	Share premium	Surplus on revaluation of property, plant and equipment	Un- appropriated profit	Total
(Rupees in '000')					
Balance as at July 01, 2019	545,379	1,046,025	772,019	3,283,636	5,647,059
Issue of further share capital	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 surplus on 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
Balance as at July 01, 2020	619,749	2,751,283	760,346	3,636,170	7,767,548
Total comprehensive income for the year					
Profit after taxation	-	-	-	699,924	699,924
Other comprehensive income - net of tax	-	-	53,821	(32,606)	21,215
	-	-	53,821	667,318	721,139
Realization of revaluation surplus on disposal of assets	-	-	(12,541)	12,541	-
Transfer of revaluation surplus on property, plant and equipment in respect of incremental depreciation / amortization	-	-	(9,230)	9,230	-
Distribution to owners					
Dividend 2020: Nil	-	-	-	-	-
Balance as at June 30, 2021	619,749	2,751,283	792,396	4,325,259	8,488,687

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



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

1 STATUS AND NATURE OF BUSINESS

1.1 Shifa International Hospitals Limited (the Company/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 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.

1.3 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
 Shifa Pharmacy, PIA Rawalpindi Airport
 Shifa Pharmacy, WAPDA, Mangla
 Shifa Pharmacy, WAPDA, Faisalabad
 F-11 Medical Center, Savoy Arcade, F-11 Markaz Islamabad

Percentage share in total revenue given in note 26.	2021	2020
H - 8/4, Islamabad	96%	96%
Faisalabad	3%	3%
G -10/4, Islamabad	1%	1%
	100%	100%

2 BASIS OF PREPARATION

2.1 Statement of compliance

These unconsolidated 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 (IFRS 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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

Where the 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 unconsolidated financial statements have been prepared under the historical cost convention, except for certain items as disclosed in relevant accounting policies.

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.

2.3 Functional and presentation currency

These unconsolidated 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 unconsolidated 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 prospectively.

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 as follows.

- i) Estimate of fair value of financial liabilities at initial recognition - notes 3.3 and 7
- ii) Provision for taxation - notes 3.4, 8 and 30
- iii) Right of use asset and corresponding lease liability - notes 3.5, 9 and 13
- iv) Employee benefits - notes 3.7, 10.3 and 10.4
- v) Provisions and contingencies - notes 3.8, 3.9 and 12
- vi) Estimate of useful life of property, plant and equipment - notes 3.10 and 13
- vii) Estimate of useful life of intangible assets - notes 3.11 and 14
- viii) Impairment of non-financial assets - note 3.12
- ix) Estimate of recoverable amount of investment in subsidiaries and associated companies - notes 3.13 and 15
- x) Expected credit loss allowance - notes 3.14.2, 21.2 and 39.1.3
- xi) Provision for slow moving spares - notes 3.15, 3.16, 13.8.2 and 17

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

2.5 CHANGES IN ACCOUNTING STANDARDS, INTERPRETATIONS AND PRONOUNCEMENTS

2.5.1 Standards, amendments to published standards and interpretations that are effective during the current year:

Certain standards, amendments and interpretations to IFRS are effective during the year but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these unconsolidated financial statements.

2.5.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

		Effective date (annual periods beginning on or after)
IAS 1	Presentation of financial statements (Amendments)	January 1, 2023
IAS 8	Accounting policies, changes in accounting estimates and errors (Amendments)	January 1, 2023
IAS 12	Income Taxes (Amendments)	January 1, 2023
IAS 16	Property, Plant and Equipment (Amendments)	January 1, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IFRS 3	Business Combinations (Amendments)	January 1, 2022
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 1, 2021
IFRS 9	Financial Instruments (Amendments)	January 1, 2021
IFRS 16	Leases (Amendments)	January 1, 2021

The management anticipates that adoption of above standards, amendments and interpretations in future periods, will have no material impact on the unconsolidated financial statements other than in presentation / disclosures.

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

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Share capital and dividend

Dividend is recognized as a liability in the period in which it is declared. Movement in reserves is recognized in the year in which it is approved.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

3.2 Financing and finance cost

Financing are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, financing are stated at amortized cost with any difference between cost and redemption value being recognised in the unconsolidated statement of profit or loss over the period of the financing on an effective interest basis. Financing costs are recognised as an expense in the period in which these are incurred.

3.3 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 finance cost are recognized and finance cost are reported net of grant in - note 29.

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.

3.4 Taxation

Taxation for the year comprises current and deferred tax. Taxation is recognized in the unconsolidated statement of profit or loss except to the extent that it relates to items recognized directly in unconsolidated statement of changes 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 temporary differences arising from differences between the carrying amount of assets and liabilities in the unconsolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realized.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

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 taxable 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.

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.

3.5 Leases

3.5.1 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 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.

The Company has not elected to recognise 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.

3.5.2 Lease liability

The lease liability is initially measured at the present value of the future 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.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

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When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3.6 Trade and other payable

Liabilities for trade and other payables are carried at amortised cost, which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.7 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 unconsolidated statement of profit or loss. The most recent valuation was carried out as at June 30, 2021 using the "Projected Unit Credit Method". The actuarial gains or losses at each evaluation date are charged to other comprehensive income. The results of actuarial valuation are summarized in note 10.4 of these unconsolidated financial statements.

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

Calculation of gratuity asset 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 and determined by actuary.

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.

3.8 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.

3.9 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

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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.

3.10 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.

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

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

3.11 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 unconsolidated 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.

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

3.12 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 unconsolidated 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 unconsolidated statement of profit or loss.

3.13 Investments

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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3.13.1 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 unconsolidated 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 unconsolidated statement of profit or loss.

The profits or losses of subsidiaries are carried forward in their financial statements and are not dealt within these unconsolidated 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.

3.13.2 Investment in associate

Investments in associate 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 unconsolidated 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 unconsolidated statement of profit or loss. The profits and losses of associate are carried forward in the financial statements and are not dealt within these unconsolidated financial statements except to the extent of dividend declared by the associate. Gains and losses on disposal of investments are included in the unconsolidated statement of profit or loss.

3.14 Financial assets

Initial measurement

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The Company classifies its financial assets into following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- Amortized cost.

Subsequent measurement

i) Debt instrument at FVOCI

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the unconsolidated statement of profit or loss. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the unconsolidated statement of profit or loss.

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ii) Equity instrument at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in the unconsolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the unconsolidated statement of profit or loss.

iii) Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest/markup or dividend income, are recognized in unconsolidated statement of profit or loss.

iv) Financial asset at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the unconsolidated statement of profit or loss.

3.14.1 Other financial assets

Investment in Units of Mutual Funds are classified at fair value through profit or loss and is initially measured at fair value and subsequently is measured at fair value determined using the net assets value of the funds at each reporting date. Net gains and losses are recognized in the unconsolidated statement of profit or loss.

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 unconsolidated statement of profit or loss.

3.14.2 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial asset carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company applies the simplified approach for trade debts which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Company recognises life time ECL for trade debts, using the simplified approach. The expected credit losses on trade debts are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Life time expected credit losses against other receivables is also recognized due to significant increase in credit risk since initial recognition.

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 as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date reduced by security deposit held.

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The Company recognizes an impairment loss in the profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

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

3.14.3 Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3.14.4 Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the unconsolidated statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the unconsolidated statement of profit or loss. Any gain or loss on de-recognition is also recognized in the unconsolidated statement of profit or loss.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

3.14.5 Off-setting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the unconsolidated 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.

3.15 Stores, spare parts and loose tools

These are valued at cost, determined on moving average cost basis or net realizable value, whichever is lower. 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. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding affect on the provision.

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3.16 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.

The Company reviews the carrying amount of stock in trade on a regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stock in trade with a corresponding affect on the provision.

3.17 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.

3.18 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.

3.19 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 unconsolidated statement of profit or loss.

3.20 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 unconsolidated statement of profit or loss for the year.

3.21 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.

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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 unconsolidated 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.

3.22 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 Company's 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.

3.23 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.

3.24 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.

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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.

4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Ordinary shares of Rs.10 each fully paid in cash.

	2021	2020		2021	2020
	Number			(Rupees in '000')	
	61,974,886	54,537,900	Opening balance	619,749	545,379
	-	7,436,986	Shares issued	-	74,370
	61,974,886	61,974,886	Closing balance	619,749	619,749

4.1 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.

4.2 7,436,986 (2020: 7,436,986) ordinary shares representing 12% (2020: 12%) shareholding in the Company are owned by International Finance Corporation (IFC). IFC has 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.

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

5 SHARE PREMIUM

This represents premium of Rs. 5, Rs. 250 and Rs. 229.29 per share received on issue of 8,000,000, 4,024,100 and 7,436,986 ordinary shares of Rs. 10 each in the year 1994, 2016 and 2020 respectively. This reserve cannot be utilized except for the purposes mentioned under section 81 of the Companies Act, 2017.

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		2021	2020
6	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	(Rupees in '000')	
	Balance at beginning of the year	760,346	772,019
	Revaluation surplus during the year	53,821	9,710
	Realization of revaluation surplus on disposal of assets	(12,541)	(12,963)
	Transferred to unappropriated profits in respect of incremental depreciation / amortization charged during the year	(9,230)	(8,420)
	Balance at end of the year	792,396	760,346

- 6.1** 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 in accordance with section 241 of the Companies Act, 2017.

		2021	2020	
7	LONG TERM FINANCING - SECURED	Note	(Rupees in '000')	
	From banking companies:			
	Syndicated Islamic Finance Facility	7.2	1,854,086	1,995,778
	Diminishing Musharakah Facility - 1	7.3	434,274	435,234
	Diminishing Musharakah Facility - 2	7.4	500,000	500,000
	Islamic Refinance Facility to Combat COVID -19 (IRFCC)	7.5	127,789	-
	Deferred income - Government grant		25,526	-
			153,315	-
	State Bank of Pakistan (SBP) - refinance scheme	7.6	780,354	447,453
	Deferred income - Government grant		44,101	53,193
			824,455	500,646
			3,766,130	3,431,658
	Less: Current portion		1,405,722	290,556
			2,360,408	3,141,102

- 7.1** The Company has fully availed all the above facilities, except those disclosed in note 33.

- 7.2** This represents syndicated Islamic finance facility, arranged and lead by Meezan Bank Limited, obtained on markup basis at 3 months KIBOR plus 0.85% (2020: 3 months KIBOR plus 0.85%) per annum, repayable in 14 equal quarterly installments. The Company has availed the loan facility upto the total sanctioned limit of Rs. 2,000 million which shall be repaid by August 22, 2024. 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. During the last year the Company has availed one year deferment in repayment of principal under SBP circular # 13 dated March 26, 2020 in view of Covid 19 outbreak, according to which the Company was prohibited to pay dividend on its ordinary shares till May 22, 2021.

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- 7.3** This represents a long term Islamic finance facility obtained from Al Baraka Bank (Pakistan) Limited of Rs. 442.9 million (2020: Rs. 499.4 million). Principal amount is repayable in 36 equal monthly installments carrying markup at 3 months KIBOR plus 0.80% (June 2020: 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. 37.6 million (2020: Rs. 20.3 million). Principal amount is repayable in 60 equal monthly installments carrying markup at 3 months KIBOR plus 0.70% (2020: 3 months KIBOR plus 0.70%) per annum.
- 7.4** 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% (2020: 3 months KIBOR plus 0.85%) per annum. The financing is secured by first pari passu charge of Rs. 667 million on all present and future fixed assets of the Company.
- 7.5** This represents a long term Islamic finance facility obtained from Meezan Bank Limited of Rs. 153.3 million (2020: Nil) for the purpose of import / purchase of medical equipment / machinery to combat COVID -19 under State Bank of Pakistan IRFCC scheme. Principal amount shall be repaid by December 29, 2025 in 18 equal quarterly installments with no markup. The financing is secured by first pari passu hypothecation charge of Rs. 267 million on all present and future fixed assets of the Company (excluding land and building). Since the financing under SBP refinance scheme carries no markup, the loan has been recognized at present value using effective interest rate of 3 months KIBOR plus 0.85% along with the recognition of government grant.

	2021	2020
	(Rupees in '000')	
Balance at beginning of the year	-	-
Received during the year	29,847	-
Amortization during the year	(4,321)	-
Balance at end of the year	25,526	-

- 7.6** This represents long term finance facility aggregating to Rs. 1,012.2 million (2020: 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 six tranches from April 2020 to September 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 January 31, 2023. The facility is secured by first pari passu charge of Rs.1,600.3 million over fixed assets (excluding land and building) of the Company. According to the terms of the financing, the Company was prohibited to lay-off the employees for at least six months from April 2020 to September 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 using effective interest rate of 3 month KIBOR plus 0.85% along with the recognition of government grant.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

		2021	2020		
Note		(Rupees in '000')			
	Balance at beginning of the year	53,193	-		
	Received during the year	52,783	58,937		
	Amortization during the year	(61,875)	(5,744)		
	Balance at end of the year	44,101	53,193		
8	DEFERRED TAXATION				
	Deferred tax liability	8.1	504,648	543,986	
	Deferred tax asset	8.2	(154,334)	(104,991)	
	Net deferred tax liability		350,314	438,995	
8.1	Deferred tax liability on taxable temporary differences:				
	Accelerated depreciation / amortization allowance		504,648	534,882	
	Right of use assets net of lease liabilities		-	9,104	
			504,648	543,986	
8.2	Deferred tax asset on deductible temporary differences:				
	Right of use assets net of lease liabilities		(13,428)	-	
	Specific provisions		(67,944)	(48,087)	
	Retirement benefit obligation		(72,962)	(56,904)	
			(154,334)	(104,991)	
8.3	Movement in deferred taxation	Opening balance	Statement of profit or loss	Other comprehensive Income	Closing balance
	Deferred tax liabilities / (assets)	(Rupees in '000')			
	2021				
	The balance of deferred tax is in respect of following temporary differences:				
	Effect of taxable temporary differences				
	Accelerated depreciation / amortization allowance	534,882	(30,234)	-	504,648
	Right of use assets net of lease liabilities	9,104	(22,532)	-	(13,428)
	Effect of deductible temporary differences				
	Specific provisions	(48,087)	(19,857)	-	(67,944)
	Retirement benefit obligation	(56,904)	(2,740)	(13,318)	(72,962)
		438,995	(75,363)	(13,318)	350,314

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

Movement in deferred taxation	Opening balance	Statement of profit or loss	Other comprehensive Income	Closing balance
Deferred tax liabilities / (assets)	(Rupees in '000')			
2020				
The balance of deferred tax is in respect of 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

8.4 Deferred tax assets and liabilities on temporary differences are measured at the rate of 29% (2020: 29%).

	2021	2020
9 LEASE LIABILITIES	(Rupees in '000')	
Balance at beginning of the year	565,518	418,714
Modification / addition during the year	380,841	274,965
Interest expense	72,920	65,976
Payment during the year	(234,608)	(194,137)
Balance at end of the year	784,671	565,518
Less: Current portion	177,633	183,064
	607,038	382,454

9.1 Lease liabilities are payable as follows:

	Minimum lease payments	Interest	Present value of minimum lease payments
2021	(Rupees in '000')		
Less than one year	284,989	107,356	177,633
Between one to five years	622,811	176,481	446,330
More than five years	293,587	132,879	160,708
	1,201,387	416,716	784,671
2020			
Less than one year	249,342	66,278	183,064
Between one to five years	352,330	151,711	200,619
More than five years	338,078	156,243	181,835
	939,750	374,232	565,518

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

9.2 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.

9.3 The year-end balance of lease liabilities include a balance of Rs. 397.946 million (2020: Rs. 165.039 million) in respect of building obtained under a lease arrangement from Shifa Neuro Sciences Institute Islamabad (Private) Limited for a total period of six years. Related amounts include lease modification of Rs.268.870 million (2020: Rs. Nil) interest expense of Rs.29.749 million (2020: Rs.13.965 million) and lease payments of Rs. 64.719 million (2020: Rs. 18.266 million).

			2021	2020
10	TRADE AND OTHER PAYABLES	Note	(Rupees in '000')	
	Creditors	10.1	1,523,919	1,497,440
	Accrued liabilities		473,803	398,276
	Advances from customers		272,842	277,537
	Medical consultants' charges		493,854	389,566
	Security deposits	10.2	112,835	112,391
	Compensated absences	10.3	113,857	108,324
	Retention money		8,391	4,330
	Payable to Shifa International Hospitals Limited (SIHL) Employees' Gratuity Fund	10.4	251,594	196,221
			3,251,095	2,984,085
10.1	This include payable to related parties (unsecured) as detailed below:			
	Tameer -e- Millat Foundation (TMF)		13,073	11,978
	Shifa Tameer -e- Millat University (STMU)		5,041	27,468
	Shifa Development Services (Private) Limited (SDSPL)		44,607	-
			62,721	39,446

Maximum amount due from TMF, STMU and SDSPL at the end of any month during the year was Rs. 23,249 thousand (2020: Rs. 11,978 thousand), Rs. 39,744 thousand (2020: Rs. 37,944 thousand) and Rs. 44,607 thousand (2020: Nil) respectively.

10.2 This include security deposits retained from employees Rs. 33,219 thousand (2020: Rs. 32,815 thousand) which is held in separate bank account and obtained from customers Rs. 79,616 thousand (2020: Rs. 79,576 thousand) which is utilizable for the purpose of the business in accordance with agreements with customers.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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			2021	2020
10.3	Compensated absences	Note	(Rupees in '000')	
	Balance at beginning of the year		108,324	107,690
	Provision made for the year		46,378	46,706
			154,702	154,396
	Payments made during the year		(40,845)	(46,072)
	Balance at end of the year		113,857	108,324
10.4	The amounts recognized in the unconsolidated statement of financial position are as follows:			
	Present value of defined benefit obligation	10.4.1	798,687	667,697
	Fair value of plan assets	10.4.2	(547,093)	(471,476)
			251,594	196,221
10.4.1	Movement in the present value of defined benefit obligation is as follows:			
	Balance at beginning of the year		667,697	579,986
	Interest cost		53,470	76,141
	Current service cost		128,179	111,683
	Past service cost		4,852	-
	Benefits paid		(77,096)	(88,739)
	Benefits payable		(1,840)	(2,598)
	Remeasurement loss / (gain) on defined benefit obligation		23,425	(8,776)
	Balance at end of the year		798,687	667,697
10.4.2	Movement in the fair value of plan assets is as follows:			
	Balance at beginning of the year		471,476	456,858
	Expected return on plan assets		42,584	64,000
	Contributions		134,468	73,273
	Benefits paid		(77,096)	(88,739)
	Benefits payable		(1,840)	(2,598)
	Remeasurement loss on plan assets		(22,499)	(31,318)
	Balance at end of the year		547,093	471,476

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

	2021	2020
10.4.3 Charge for the year is as follows:	(Rupees in '000')	
Current service cost	128,179	111,683
Interest cost	53,470	76,141
Past service cost	4,852	-
Expected return on plan assets	(42,584)	(64,000)
	143,917	123,824
10.4.4 Remeasurements recognized in other comprehensive income (OCI) is as follows:		
Remeasurement loss / (income) on obligation	23,425	(8,776)
Remeasurement loss on plan assets	22,499	31,318
Remeasurement loss recognized in OCI	45,924	22,542
10.4.5 Movement in liability recognized in unconsolidated statement of financial position:		
Balance at beginning of the year	196,221	123,128
Charge for the year	143,917	123,824
Total amount of remeasurement recognized in OCI during the year	45,924	22,542
Contributions during the year	(134,468)	(73,273)
Balance at end of the year	251,594	196,221
10.4.6 Plan assets comprise of:		
Term deposit receipts	388,947	383,659
Ordinary shares of SIHL	16,858	17,951
Cash and bank balances	143,128	72,464
Payable to outgoing members	(1,840)	(2,598)
	547,093	471,476

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

	2021	2020
10.4.7 Principal actuarial assumptions used in the actuarial valuation are as follows:		
Discount rate used for interest cost in profit or loss	8.50%	14.25%
Discount rate used for year end obligation	10.00%	8.50%
Expected rate of salary growth		
Salary increase FY 2021	N/A	6.00%
Salary increase FY 2022	7.00%	7.50%
Salary increase FY 2023 onward	9.00%	7.50%
Mortality rate	SLIC 2001-2005 set back 1 year	SLIC 2001-2005 set back 1 year
Withdrawal rates	Age based	Age based
Retirement assumption	Age 60	Age 60

10.4.8 Sensitivity analysis

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

	2021		2020	
	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')			
Discount rate	741,390	864,740	619,487	723,401
Future salary increase	865,362	739,826	724,022	618,072

10.4.9 The average duration of the defined benefit obligation as at June 30, 2021 is 8 years (2020: 8 years).

10.4.10 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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

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.

		2021	2020
11	MARKUP ACCRUED	(Rupees in '000')	
	Long term financing - secured	16,913	34,750
	Running finance - secured	-	34
		16,913	34,784

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

- 12.1.1** Claims aggregating to Rs. 3 million (2020: 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 etc. 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.
- 12.1.2** The penalty of Rs. 20 million (2020: 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.
- 12.1.3** The guarantees issued by banks in favor of Sui Northern Gas Pipelines Limited (SNGPL), Oil and Gas Development Company Limited (OGDCL) and Pakistan Telecommunication Company Limited (PTCL) of Rs. 43.35 million (2020: Rs. 33.9 million) on behalf of the Company in its ordinary course of business.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

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

- 12.1.4.1** Tax authorities has 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 assessments under section 124/122(5A) for tax years 2012, 2013 and 2016 and raised a demand of Rs. 6.4 million, 97 million and Rs. 85.4 million as on June 30, 2021 as against the original tax demand of Rs. 50.4 million, Rs. 133.3 million and Rs. 566.2 million for the said years. Being not satisfied with the order of AdCIR, the Company has filed an appeal before CIR(A) on July 13, 2021 for tax years 2012 and 2013 and on July 21, 2020 for tax year 2016 which are pending adjudications. No provision has been recorded in respect of above matters as the management is hopeful for favorable outcome.
- 12.1.4.2** 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.
- 12.1.4.3** 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.
- 12.1.4.4** 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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

12.1.4.5 Tax authorities amended the assessment for tax year 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.

12.1.4.6 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 non-payment of sales tax for tax years 2016 and 2018 respectively. Being aggrieved the Company agitated the assessments in appeal before CIR(A). For tax years 2016 and 2018, CIR(A) confirmed the judgements of DCIR through orders dated September 24, 2020 and October 15, 2020. Being aggrieved Company has filed appeals before ATIR who partially confirmed the assessments and partly allowed relief to the Company. For tax years 2016, 2017, 2019 and 2020, tax authorities raised a sales tax demand of Rs. 44.4 million, Rs. 56.2 million, Rs. 55.9 million and Rs. 11.3 million through orders dated May 24, 2021 and June 06, 2021. Being aggrieved, Company filed appeals before CIR(A) on June 10, 2021 and June 22, 2021 which are pending adjudications. 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.

		2021	2020
12.2	Commitments	(Rupees in '000')	
12.2.1	Capital expenditure contracted	45,109	45,662
12.2.2	Letters of credit	79,116	11,047

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

13. PROPERTY, PLANT AND EQUIPMENT

Particulars	Owned assets										Right of use assets			Total		
	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 13.8)		Office premises	Electrical and other equipment
(Rupees in 000)																
Cost/Revalued amount																
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 25)	(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
Balance as at July 01, 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
Additions	-	-	-	-	-	59,820	28,867	24,963	11,548	-	30,469	8,701	353,273	392,422	-	910,063
Revaluation	12,815	41,006	-	-	-	-	-	(4,400)	-	-	(419)	(9,741)	-	-	-	53,821
Disposals	-	-	-	-	-	-	-	-	-	-	(2,773)	-	-	-	-	(14,560)
Write offs	-	-	-	-	-	(3,535)	(7)	(3,511)	(182)	-	(2,773)	-	-	-	-	(10,008)
Transfers	-	-	-	-	-	255,719	-	11,534	212	-	547	2,000	(270,012)	-	-	-
Transfers to SDSP	-	-	-	-	-	-	-	-	(5,000)	-	-	-	-	-	-	(5,000)
Reclassified as held for sale (note 25)	(292,072)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(292,072)
Balance as at June 30, 2021	261,343	955,707	58,898	2,616,071	61,610	4,493,801	504,712	721,050	223,289	2,788	562,672	120,406	409,192	1,095,568	57,000	12,144,107
Depreciation/amortization																
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 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
Balance as at July 01, 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
Charge for the year	-	12,018	2,945	75,854	12,322	330,331	49,920	58,434	17,452	250	67,758	8,589	-	210,600	19,000	865,473
On disposals	-	-	-	-	-	-	-	(4,400)	-	-	(419)	(9,286)	-	-	-	(14,105)
On write offs	-	-	-	-	-	(2,892)	(3)	(3,211)	(158)	-	(2,767)	-	-	-	-	(9,031)
Balance as at June 30, 2021	-	101,023	3,927	787,353	40,294	2,507,104	303,292	517,048	142,372	1,889	439,954	93,808	-	384,116	30,084	5,352,264
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
Carrying value as at June 30, 2021	261,343	854,684	54,971	1,828,718	21,316	1,986,697	201,420	204,002	80,917	899	122,718	26,598	409,192	711,452	26,916	6,791,843
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

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For the year ended June 30, 2021

13.1 The Company had its leasehold land revalued in 1999, 2004, 2009, 2014, 2018, 2019, 2020 and 2021 while freehold lands in 2009, 2014, 2018, 2019, 2020 and 2021 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, Rs. 9,710 thousand and Rs. 53,821 thousand respectively.

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

	Cost	Accumulated amortization	Carrying value
Freehold land	(Rupees in '000')		
2021	234,928	-	234,928
2020	422,843	-	422,843
Leasehold land			
2021	197,646	7,187	190,459
2020	197,646	4,318	193,328

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

		2021	2020
Location	Nature	Area (Kanal)	
Shifa Cooperative Housing Society, Islamabad Expressway	Freehold land	2	27
Motorway, Mouza Noon, Islamabad.	Freehold land	100	100
H-8/4, Islamabad *	Leasehold land	87.8	87.8

*The covered area includes multi-storey buildings.

13.4 Property, plant and equipment include items with aggregate cost of Rs. 2,055,773 thousand (2020: Rs. 1,676,452 thousand) representing fully depreciated assets that are still in use of the Company.

13.5 Property, plant and equipment of the Company are encumbered under an aggregate charge of Rs. 6,810.59 million (2020: Rs. 5,877.25 million) in favor of banking companies under various financing arrangements as disclosed in note 7.

13.6 The forced sale values (FSV) of the revalued leasehold and freehold lands have been assessed at Rs. 683,747 thousand and Rs. 209,074 thousand respectively.

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For the year ended June 30, 2021

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

Asset particulars	Note	Cost / Carrying value	Carrying value	Sale proceeds	Gain on disposal	Purchaser	Mode of Disposal
(Rupees in '000')							
Islamabad Motorway Land	25.2	163,125	163,125	173,500	10,375	Various third parties through Softsys (Private) Limited	Negotiation
Shifa Cooperative Housing Society	25.2	25,869	25,869	49,500	23,631	Various third parties	Negotiation
		188,994	188,994	223,000	34,006		
Other assets having carrying value less than Rs. 500,000	13	14,560	455	8,424	7,969		
2021		203,554	189,449	231,424	41,975		
2020		474,289	394,681	861,877	467,196		

			2021	2020
13.8	Capital work-in-progress	Note	(Rupees in '000')	
	Construction work-in-progress	13.8.1	135,776	41,816
	Stores held for capital expenditure	13.8.2	976	1,870
	Installation of equipment in progress		272,440	282,245
			409,192	325,931

13.8.1 This represents design and build works being performed by Shifa Development Services (Private) Limited under two separate agreements with the Company.

			2021	2020
13.8.2	Stores held for capital expenditure	Note	(Rupees in '000')	
	Stores held for capital expenditure		4,524	4,521
	Less: provision for slow moving items	13.8.2.1	3,548	2,651
			976	1,870
13.8.2.1	Balance at beginning of the year		2,651	2,030
	Charged during the year		897	621
	Balance at end of the year		3,548	2,651

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For the year ended June 30, 2021

			2021	2020
14	INTANGIBLE ASSETS	Note	(Rupees in '000')	
	Cost		105,185	105,185
	Addition / deletion		-	-
	Accumulated amortization	14.1	(73,842)	(47,771)
	Net book value		31,343	57,414
14.1	Movement in accumulated amortization is as follow:			
	Accumulated amortization:			
	Balance at beginning of the year		47,771	21,474
	Charge during the year		26,071	26,297
	Balance at end of the year		73,842	47,771
14.2	Value of intangibles include cost of Oracle Financials software and other softwares. Amortization of intangibles has been recorded at rate of 25 % (2020: 25%) per annum.			
14.3	Intangible assets include item with aggregate cost of Rs. 10,810 thousand (2020: Rs. Nil) representing fully amortized asset that is still in use of the Company.			
			2021	2020
15	LONG TERM INVESTMENTS - AT COST	Note	(Rupees in '000')	
	In subsidiary companies (unquoted):			
	Shifa Development Services (Private) Limited (SDSPL)	15.2	9,966	9,966
	Shifa Neuro Sciences Institute Islamabad (Private) Limited (SNS)	15.3	1,697,521	1,697,521
	Shifa National Hospital Faisalabad (Private) Limited (SNH Faisalabad)	15.4	455,502	225,268
	Shifa Medical Centre Islamabad (Private) Limited (SMC Islamabad)	15.5	947,488	947,488
	Shifa International DWC-LLC (SIDL)	15.6	23,280	23,280
	In associated company (unquoted):			
	Shifa Care (Private) Limited (SCPL)	15.7	45,001	30,001
			3,178,758	2,933,524

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For the year ended June 30, 2021

15.1 The breakup values of these investments are given below:

	2021	2020
	Rupees / Share	
Shifa Development Services (Private) Limited (SDSPL)	20.93	3.89
Shifa Neuro Sciences Institute Islamabad (Private) Limited (SNS)	10.15	10.07
Shifa National Hospital Faisalabad (Private) Limited (SNH Faisalabad)	12.03	(1.02)
Shifa Medical Centre Islamabad (Private) Limited (SMC Islamabad)	10.05	9.80
Shifa International DWC-LLC (SIDL)	5.19	22.78
Shifa Care (Private) Limited (SCPL)	7.99	7.48

15.2 This represents investment in 1,650,000 (2020: 1,650,000) fully paid ordinary shares of Rs. 10 each of SDSPL. The above investment in ordinary shares represents 55% (2020: 55%) shareholding in SDSPL held by the Company.

15.3 This represents investment in 169,752,100 (2020: 169,752,100) fully paid ordinary shares of Rs. 10 each of SNS. The above investment in ordinary shares represents 100% (2020: 100%) shareholding in SNS held by the Company.

15.4 This represent investment in 45,550,200 (2020: 3,791,442 and 18,735,330 against share deposit money) fully paid ordinary shares of Rs. 10 each of SNH Faisalabad. The above investment in ordinary shares represents 60% (2020: 100%) shareholding in SNH Faisalabad held by the Company.

15.5 This represents investment in 94,748,837 (2020: 94,748,837) ordinary shares of Rs. 10 each of SMC Islamabad. The above investment in ordinary shares represents 56% (2020: 56%) shareholding in SMC Islamabad held by the Company.

15.6 This represents investment in 555,000 (2020: 555,000) ordinary shares of AED 1 each of 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% (2020: 100%) shareholding held by the Company.

15.7 This represents investment in 4,500,050 (2020: 3,000,050) fully paid ordinary shares of Rs. 10 each of SCPL. The above investment in ordinary shares represents 50% (2020: 50%) shareholding in SCPL held by the Company. Summary of results of SCPL are as under:

	2021	2020
Summarized statement of financial position	(Rupees in '000')	
Current assets	24,767	2,522
Non-current assets	49,641	42,729
Current liabilities	(2,485)	(307)
Net assets	71,923	44,944

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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	2021	2020
Reconciliation to carrying amounts:	(Rupees in '000')	
Opening net assets	44,944	21,739
Total comprehensive loss for the year	(3,021)	(7,904)
Equity	30,000	31,109
Closing net assets	71,923	44,944
Company's share in carrying value of net assets	35,962	22,472
Company's share in total comprehensive income	(1,511)	(3,952)
Summarized statement of profit or loss		
Revenue for the year – Gross	-	-
Loss for the year	(3,021)	(7,904)
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	(3,021)	(7,904)

15.7.1 The above information is based on audited financial statements of SCPL.

		2021	2020
16	LONG TERM DEPOSITS	Note	(Rupees in '000')
	Ijarah key money deposits	16.1	15,906
	Less: current portion of Ijarah key money deposits	21	15,906
			-
	Security deposits	16.2	96,260
			96,260

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

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

		2021	2020
17	STORES, SPARE PARTS AND LOOSE TOOLS	Note	(Rupees in '000')
	Stores		153,955
	Spare parts		33,893
	Loose tools		1,332
			189,180
	Less: provision for slow moving items	17.1	23,868
			165,312
17.1	Balance at beginning of the year		18,604
	Charged during the year		5,264
	Balance at end of the year		23,868

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

18 STOCK-IN-TRADE

This represents medicines being carried at moving average cost.

		2021	2020
19	TRADE DEBTS	Note	(Rupees in '000')
	Related party - Shifa Foundation	19.1	17,139
	Related party - SIHT	19.1	24,335
	Others		970,694
			1,012,168
	Less: allowance for expected credit losses	39.1.3	153,011
			859,157

- 19.1** 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. 21,265 thousand (2020: Rs. 52,502 thousand) and Rs. 70,322 thousand (2020: Rs. 25,783 thousand) respectively.

		2021	2020
20	LOANS AND ADVANCES	Note	(Rupees in '000')
	Considered good - secured		
	Executives	20.1	3,291
	Other employees		14,522
			17,813
	Consultants - unsecured		2,825
	Suppliers / contractors - unsecured		317,021
			337,659
20.1	Reconciliation of carrying amount of advances given to executives:		
	Balance at beginning of the year		2,726
	Disbursements during the year		19,341
			22,067
	Less: Repayments during the year		18,776
	Balance at end of the year		3,291

- 20.1.1** 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. 5,743 thousand (2020: Rs. 3,383 thousand).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

			2021	2020
21	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	(Rupees in '000')	
	Current portion of Ijarah key money deposits	16	15,906	2,596
	Short term prepayments		26,501	22,762
	Other receivables	21.1	87,097	85,925
			129,504	111,283
	Less: allowance for expected credit losses against other receivables	21.2	57,409	17,627
			72,095	93,656

- 21.1** This include Rs. Nil (2020: Rs. 14,285 thousand), Rs. 39,782 thousand (2020: Rs. 37,740 thousand) and Rs. 26,656 thousand (2020: Rs. 10,809 thousand) due from Shifa Development Services (Private) Limited (SDSPL), Shifa Pan African Hospitals Limited (SPAH) and Shifa International DWC LLC (SIDL), respectively. Maximum amount due at the end of any month during the year from SDSPL was Rs. Nil (2020: Rs. 47,792 thousand) while the referred amounts of SPAH and SIDL represent maximum balances.

			2021	2020
21.2	Allowance for expected credit losses against other receivables	Note	(Rupees in '000')	
	Balance at beginning of the year		17,627	17,627
	Charge during the year	21.2.1	39,782	-
	Balance at end of the year		57,409	17,627

- 21.2.1** Due to certain factors including but not limited to Covid-19 pandemic, death of two out of three partners of Fatma properties (project sponsor of Shifa Pan African Hospitals Limited (SPAH), Dar Es Salaam, Tanzania) and resultantly lack of interest of rest of potential investors etc, both sponsors have agreed to find alternate options to provide investment from other investors for the hospital project. In the meantime, the Company deems it prudent to provide for the expenditure incurred so far till the final agreement will reach.

			2021	2020
22	OTHER FINANCIAL ASSETS	Note	(Rupees in '000')	
	Investment in Term Deposit Receipt - at amortized cost	22.1	3,000	3,000
	Investment in Mutual Fund - at fair value through profit or loss	22.2	619,464	-
			622,464	3,000

- 22.1** This represents term deposit receipt (TDR) having face value of Rs. 3 million with three months maturity. Profit payable on monthly basis at the rate ranging from 5% to 6.60% per annum (2020: 6.00% to 12.60% per annum).

- 22.2** This represents investment in 6,157,748.3 (2020: Nil) units of UBL Al-Ameen Islamic Cash Fund. Fair value of the investment was determined using quoted repurchase price as at June 30, 2021.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

		2021	2020
23	TAX REFUNDS DUE FROM THE GOVERNMENT (NET OF PROVISION)	Note	(Rupees in '000')
	Balance at the beginning of the year		478,225
	Income tax paid / deducted at source during the year		332,473
			810,698
	Provision for taxation for the year	30	(339,332)
	Balance at the end of the year		471,366
24	CASH AND BANK BALANCES		
	Cash at banks in:		
	Current accounts		
	Local currency		320,672
	Foreign currency		1,663,510
			1,984,182
	Saving accounts:		
	Local currency		817,221
	Foreign currency		157
		24.1	817,378
		24.2	2,801,560
	Cash in hand		8,137
			2,809,697

24.1 These carry effective profit rates ranging from 0.51% - 6.30% and 0.01% (2020: 2.35% - 9.51% and 0.10%) per annum in respect of local and foreign currency accounts respectively.

24.2 Balances with banks includes Rs. 112,835 thousand (2020: Rs. 112,391 thousand) in respect of security deposits (Note 10.2).

		2021	2020
25	NON - CURRENT ASSETS HELD FOR SALE	Note	(Rupees in '000')
	Balance at beginning of the year		494,978
	Addition during the year	25.1	292,072
	Disposed off during the year	25.2	(188,993)
	Balance at end of the year	25.3	598,057

25.1 This represents the carrying value of Rs. 292.07 million of Shifa Cooperative Housing Society land located at Islamabad Expressway measuring 25 kanals (2020: 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).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

25.2 During the year the Company has sold its land measuring 72.5 kanals located at Islamabad Motorway and two plots located at Shifa Cooperative Housing Society, Islamabad Expressway (2020: 6.7 kanals located at sector F-11 Islamabad) at a market value of Rs. 173.5 million and Rs. 49.5 million respectively (2020: at a market value of Rs. 760.2 million in consideration of 76,022,500 ordinary shares of subsidiary).

25.3 Details of freehold lands held for sale at year end are given below:

Location of lands	Note	Area in Kanals
Motorway, Mouza Noon, Islamabad.		101.1
Motorway, chak # 4, Jeem Bay, Tehseel saddar, Faisalabad.	25.3.1	48.2
Shifa Cooperative Housing Society, Islamabad		23.0

25.3.1 Board of directors of SIHL has decided to transfer this land to Shifa National Hospital Faisalabad (Private) Limited.

		2021	2020
26	NET REVENUE	Note	(Rupees in '000')
	Inpatients		5,390,908
	Outpatients		4,824,613
	Pharmacy	26.1	3,366,662
	Other services	26.2	2,846,938
			4,294,236
			320,349
			14,371,774
	Less: discount		12,286,136
	Less: Sales tax		128,866
	Net revenue		23,190
			14,219,718
			12,151,762

26.1 This includes revenue of Rs. 690,806 thousand (2020: Rs. 500,068 thousand) from external pharmacy outlets.

26.2 This represents Rs. 301,369 thousand (2020: Rs. 298,888 thousand), Rs. 15,297 thousand (2020: Rs. 21,461 thousand) and Rs. 26,089 thousand (2020: Nil) against cafeteria sales, operating leases to related parties / other parties and corporate services to subsidiaries / associate respectively.

26.3 The net revenue is excluding physician share of Rs. 1,302,168 thousand (2020: 1,029,891 thousand).

		2021	2020
27	OTHER INCOME	Note	(Rupees in '000')
	Income from financial assets:		
	Profit on bank deposits		8,482
	Dividend income from mutual fund - investments at fair value through profit or loss		12,302
	Un-realized gain on investments at fair value through profit or loss		22,225
			-
			573
			-
			31,280
			12,302

For the year ended June 30, 2021

28.1 This include employee retirement benefits (gratuity) of Rs. 143,917 thousand (2020: Rs. 123,824 thousand), expense for compensated absences of Rs. 46,378 thousand (2020: Rs. 46,706 thousand) and bonus to employees of Rs. 190,931 thousand (2020: Rs. 59,269 thousand).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

	2021	2020
28.2 Auditors' remuneration	(Rupees in '000')	
Annual audit fee	1,973	1,790
Half yearly review fee	1,048	904
Statutory certifications	840	1,508
	3,861	4,202

28.2.1 The above fee is inclusive of sales tax amounting to Rs. 526 thousand (2020: Rs. 636 thousand).

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

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

	2021	2020
	(Rupees in '000')	
Within one year	12,447	9,272
After one year but not more than five years	-	12,491
Total ujarah payments	12,447	21,763

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

28.5 Donation

This represented 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

28.6 This include amortization on investment property amounting to Rs. Nil (2020: Rs.14,925 thousand) disposed off during the last year.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

			2021	2020
29	FINANCE COSTS	Note	(Rupees in '000')	
	Mark-up on:			
	Long term loans - secured		255,567	384,102
	Running finance and murabaha facilities		-	1,291
	Lease liabilities		72,920	65,976
	Credit card payment collection charges		30,698	21,175
	Bank charges and commission		1,190	6,054
			360,375	478,598
30	PROVISION FOR TAXATION			
	Current			
	- for the year		339,332	229,025
	- prior year		-	2,019
		23	339,332	231,044
	Deferred		(75,363)	61,218
			263,969	292,262
30.1	Reconciliation of tax charge for the year			
	Profit before taxation		963,893	797,453
	Provision for taxation		263,969	292,262
				(Percentage)
	Effective tax rate		27.39%	36.65%
	Reconciliation of effective tax rate			
	Applicable tax rate		29.00%	29.00%
	Add: Net tax effects of amounts that are inadmissible for tax purposes/others		37.83%	35.13%
	Less: Net tax effect of amounts that are deductible for tax purposes/others		39.44%	27.48%
	Average effective tax rate charged on income		27.39%	36.65%

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

			2021	2020
31	EARNINGS PER SHARE - BASIC AND DILUTED	Note	(Rupees in '000')	
	Profit after taxation for the year		699,924	505,191
			(Numbers in '000')	
	Weighted average number of ordinary shares in issue during the year	31.1	61,975	61,752
			(Rupees)	
	Earnings per share - basic and diluted		11.29	8.18

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

32	CAPACITY UTILIZATION						
	The actual inpatient available bed days, occupied bed days and room occupancy ratio of SIHL are given below:						
		2021	2020	2021	2020	2021	2020
		Available bed days		Occupied bed days		Occupancy Ratio	
	SIHL H-8/4 Islamabad	184,023	179,842	102,702	105,629	55.81%	58.73%
	SIHL Faisalabad	28,105	18,538	6,498	5,247	23.12%	28.30%

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

		2021	2020
33	UNAVAILED CREDIT FACILITIES	(Rupees in '000')	
	Unavailed credit facilities at year end are as under:		
	Running / Murabaha financing	-	500,000
	Letter of credit	100,000	400,000
	Diminishing Musharakah	51,962	100,763
	Ijarah financing	51,709	71,736
	Running Musharkah	500,000	-
	Letter of gurantee	23,666	16,100
	SBP refinance scheme (Capex)	252,356	200,000
		979,693	1,288,599

34	NUMBER OF EMPLOYEES	
	The Company had 5,047 employees (2020: 4,787) at the year end and average number of employees during the year were 4,915 (2020: 4,817).	

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

35 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, 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.

Related parties transactions / balances are given below:

		2021	2020
	Note	(Rupees in '000')	
Shifa Foundation:			
Opening balance - receivable		17,875	28,647
Revenue from services earned by the Company	35.1	12,607	144,556
Revenue from rent earned by the Company		600	600
Expenses paid and reimbursed to the Company		23	7,701
Other services provided to the Company		(3,424)	(16,076)
Revenue from COVID -19 clinical trial services	35.2	16,498	-
Receipts / adjustments		(27,040)	(147,553)
Closing balance - receivable		17,139	17,875
Tameer-e-Millat Foundation:			
Opening balance - payable		(11,978)	(11,789)
Revenue from rent earned by the Company		311	311
Supplies provided to the Company	35.3	(79,335)	(35,780)
Other services provided to the Company	35.4	(22,320)	(18,946)
Rental services received by the Company		(4,942)	(8,490)
Payments / adjustments		105,191	62,716
Closing balance - payable		(13,073)	(11,978)
Shifa Tameer-e-Millat University:			
Opening balance - payable		(27,468)	(24,074)
Revenue from services earned by the Company	35.1	11,294	33,791
Revenue from rent earned by the Company		2,907	9,648
Other services provided to the Company	35.4	(53,780)	(68,283)
Expenses paid by and reimbursed to the Company		2,968	12,239
Donation paid by the Company		-	(8,000)
Payments / adjustments		59,038	17,211
Closing balance - payable		(5,041)	(27,468)

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		2021	2020
	Note	(Rupees in '000')	
Shifa Integrated Health Technology (Private) Limited			
Opening balance - receivable		25,783	-
Revenue from services earned by the Company	35.1	351,638	51,858
Expenses paid by and reimbursed to the Company		4,850	739
Other services provided to the Company	35.4	(22,414)	(11,672)
Receipts / adjustments		(335,522)	(15,142)
Closing balance - receivable		24,335	25,783
Shifa Development Services (Private) Limited			
Opening Balance - receivable		14,285	1,984
Revenue from rent earned by the Company		820	-
Expenses paid by and reimbursed to the Company		190	1,207
Other services provided to the Company	35.4	(84,749)	(49,350)
Furniture and improvements sold by the Company		5,000	-
Payments / adjustments		19,847	60,444
Closing balance - (payable) / receivable		(44,607)	14,285
Shifa Medical Center Islamabad (Private) Limited			
Opening balance		-	-
Investment made by the Company in Nil (2020: 94,748,737) ordinary shares		-	(947,487)
Other services provided by the Company	35.4	10,229	-
Receipt / adjustments		(10,229)	947,487
Closing balance		-	-
Shifa National Hospital Faisalabad (Private) Limited			
Opening balance		-	-
Investment made by the Company in 23,023,428 (2020: 22,526,672) ordinary shares		(230,234)	(225,267)
Other services provided by the Company	35.4	10,229	-
Payments / adjustments		220,005	225,267
Closing balance		-	-
Shifa Neuro Sciences Institute Islamabad (Private) Limited			
Opening balance		-	-
Investment made by the Company in Nil (2020: 169,752,000) ordinary shares		-	(1,697,520)
Rent paid by the Company		(64,719)	-
Other services provided by the Company	35.4	4,795	-
Payments / adjustments		59,924	1,697,520
Closing balance		-	-

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		2021	2020
	Note	(Rupees in '000')	
Shifa International DWC-LLC			
Opening balance - receivable		10,809	-
Receipts / adjustments		26,204	13,388
Patient referral services provided to the Company		(10,357)	(2,579)
Closing balance - receivable		26,656	10,809
Shifa Care (Private) Limited			
Opening balance		-	-
Investment made by the Company in 1,500,000 (2020: 3,000,000) ordinary shares		(15,000)	(30,000)
Other services provided by the Company	35.4	836	-
Revenue from rent earned by the Company		-	3,960
Expenses paid by and reimbursed to the Company		50	3,356
Receipts / adjustments		14,114	22,684
Closing balance		-	-
SIHL Employees' Gratuity Fund			
Opening balance - payable		(196,221)	(123,128)
Provision / OCI charge		(189,841)	(146,366)
Payment made by the Company during the year	35.5	134,468	73,273
Closing balance - payable		(251,594)	(196,221)
Remuneration including benefits and perquisites of key management personnel	35.6	333,771	325,554

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

35.2 This represents the amount received from Shifa Foundation (SF) against provision of logistical support / supplies etc. for the clinical trial of Covid Vaccine (the Project). The Project is sponsored by National Institute of Health (NIH) and originally given to the Company which has contractual collaborative arrangement (the Arrangement) in place with SF whereby the Project was deemed assigned to SF and under the Arrangement Company was entitled for recovery against supplies / services provided.

35.3 This mainly includes cafeteria supplies, uniforms and dairy products etc. These transactions are executed on terms agreed between the parties.

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

- 35.5** Transactions with the Fund are carried out based on the terms of employment of employees and according to actuarial advice.
- 35.6** This includes employee retirement benefits (gratuity) amounting to Rs. 20,342 thousand (2020: Rs. 15,497 thousand).
- 35.7** Basis of relationship with 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:

Sr #	Name of related party (RP)	Basis of relationship	Percentage of	
			Company's shareholding in RP	RP's shareholding in the Company
1	Shifa Foundation	Common Directorship	N/A*	0.92%
2	Tameer-e-Millat Foundation	Common Directorship	N/A	12.57%
3	SIHL Employees' Gratuity Fund	Benefit Plan	N/A	0.12%
4	Shifa Tameer-e-Millat University	Common Directorship	N/A	0.02%
5	Shifa Development Services (Private) Limited	Subsidiary & Common Directorship	55%	Nil
6	Shifa Neuro Sciences Institute Islamabad (Private) Limited	Subsidiary & Common Directorship	100%	Nil
7	Shifa National Hospital Faisalabad (Private) Limited	Subsidiary & Common Directorship	60%	Nil
8	Shifa Medical Centre Islamabad (Private) Limited	Subsidiary & Common Directorship	56%	Nil
9	Shifa International DWC LLC	Subsidiary & Common Directorship	100%	Nil
10	Shifa CARE (Private) Limited	Associate & Common Directorship	50%	Nil
11	Shifa Integrated Health Technology (Private) Limited	Common Directorship	N/A	N/A
12	International Finance Corporation (IFC)	Associate	Nil	12%

*N/A stands for not applicable.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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36	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	
		2021	2020	2021	2020	2021	2020	2021	2020
		(Rupees in '000')							
	Managerial remuneration	45,240	45,352	24,405	22,183	8,800	7,855	182,837	180,544
	Rent and utilities	6,190	6,205	2,722	2,474	1,266	1,567	35,978	32,676
	Annual bonus	1,650	2,090	-	3,251	-	307	7,394	9,788
	Gratuity	-	-	-	-	-	-	20,342	15,497
	Medical insurance	76	-	76	64	293	61	1,805	1,837
	Leave encashment	-	-	4,335	-	-	-	6,338	5,953
		53,156	53,647	31,538	27,972	10,359	9,790	254,694	246,295
	Number of persons	1	1	1	1	8	8	33	38
36.1	In addition to above, the chief executive is provided with a Company maintained car, while one other director and twenty six executives availed car facility.								
36.2	Managerial remuneration includes Rs. 3,450 thousand (2020: Rs. 2,700 thousand) paid to directors in respect of meeting attending fee.								
36.3	Traveling expenses of directors for official purposes are reimbursed by the Company.								
37	CASH AND CASH EQUIVALENTS							2021	2020
								(Rupees in '000')	
	Investment in Term Deposit Receipt - at amortized cost							22	3,000
	Cash and bank balances							24	2,809,697
								2,812,697	2,398,052

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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38	RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES						
	2021						Total
	Long term financing	Liabilities Government Grant	Lease liabilities	Share capital	Equity Share premium	Unappropriated profit	
	(Rupees in '000')						
	3,378,465	53,193	565,518	619,749	2,751,283	3,636,170	11,004,378
Balance at beginning of the year							
Changes from financing cash flows							
Issue of share capital	-	-	-	-	-	-	-
Proceeds	633,450	-	-	-	-	-	633,450
Repayments	(381,608)	-	-	-	-	-	(381,608)
Repayments of lease liabilities	-	-	(234,608)	-	-	-	(234,608)
Dividend paid	-	-	-	-	-	(1,507)	(1,507)
Grant received	-	82,630	-	-	-	-	82,630
Total changes from financing cash flows	251,842	82,630	(234,608)	-	-	(1,507)	98,357
Other changes							
Liability related	66,196	-	453,761	-	-	-	519,957
Equity related							
Total comprehensive changes							
Other changes in appropriate profit	-	-	-	-	-	667,318	667,318
Changes in unclaimed dividend	-	-	-	-	-	21,771	21,771
Amortisation of government grant	-	(66,196)	-	-	-	1,507	1,507
Total of liability and equity related changes	-	(66,196)	-	-	-	-	(66,196)
Balance at end of the year	3,696,503	69,627	784,671	619,749	2,751,283	4,325,259	12,247,092
	2020						
Balance at beginning of the year	2,498,776	-	418,714	545,379	1,046,025	3,283,636	7,792,530
Changes from financing cash flows							
Issue of share capital	-	-	-	74,370	1,705,258	-	1,779,628
Proceeds	1,014,133	-	-	-	-	-	1,014,133
Repayments	(140,214)	-	-	-	-	-	(140,214)
Repayments of lease liabilities	-	-	(194,137)	-	-	-	(194,137)
Dividend paid	-	-	-	-	-	(170,042)	(170,042)
Grant received	-	58,963	-	-	-	-	58,963
Total changes from financing cash flows	873,919	58,963	(194,137)	74,370	1,705,258	(170,042)	2,348,331
Other changes							
Liability related	5,770	-	340,941	-	-	-	346,711
Equity related							
Total comprehensive changes							
Other changes in inappropriate profit	-	-	-	-	-	489,187	489,187
Changes in unclaimed dividend	-	-	-	-	-	21,383	21,383
Amortisation of government grant	-	(5,770)	-	-	-	12,006	12,006
Total of liability and equity related changes	-	(5,770)	-	-	-	-	(5,770)
Balance at end of the year	3,378,465	53,193	565,518	619,749	2,751,283	3,636,170	11,004,378

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39 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.

39.1 Credit risk

Credit risk represents the financial loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. The 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.

39.1.1 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:

	2021	2020
	(Rupees in '000')	
Deposits	96,260	95,834
Trade debts	859,157	511,624
Other receivables	29,688	68,298
Markup accrued	677	253
Other financial assets	622,464	3,000
Bank balances	2,801,560	2,375,247
	4,409,806	3,054,256

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

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39.1.2 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.

Bank balances 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.

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

	2021	2020
	(Rupees in '000')	
Government companies	632,053	324,556
Private companies	198,282	150,204
Individuals	140,359	122,791
Related parties	41,474	43,658
	1,012,168	641,209

39.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	2021		2020	
	Gross debts	Allowance for ECL	Gross debts	Allowance for ECL
	(Rupees in '000')			
Not past due	254,806	-	166,662	-
1 - 4 months	357,614	21,481	262,290	50,608
5 - 7 months	155,994	27,545	65,209	10,491
8 - 12 months	119,806	44,095	37,111	10,824
Above 12 months	123,948	59,890	109,937	57,662
	1,012,168	153,011	641,209	129,585

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

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		2021	2020
	Note	(Rupees in '000')	
Balance at beginning of the year		129,585	97,307
Add: Expected credit losses		63,747	32,278
Less: bad debts written off		40,321	-
Balance at end of the year	19	153,011	129,585

39.1.4 The Company believes that no impairment allowance is necessary in respect of markup accrued, deposits, other receivables and other financial assets as the recovery of such amounts is possible except in case of other receivables for which impairment loss has been recorded (Note 21.2.1).

The ageing of Shifa Foundation (SF), Shifa Integrated Health Technology (Private) Limited (SIHT) and Shifa Pan African Hospitals Limited (SPAH) at the reporting date was:

		2021		2020	
		Gross debts / Other receivables	Allowance for ECL	Gross debts / Other receivables	Allowance for ECL
	Note	(Rupees in '000')			
SF					
1 - 4 months	19	17,139	-	17,875	-
SIHT					
1 - 4 months	19	24,335	-	25,783	-
SPAH					
1 - 4 months		-	-	-	-
5 - 7 months	21.2	2,042	2,042	-	-
8 - 12 months	21.2	-	-	37,740	-
Above 12 months	21.2	37,740	37,740	-	-

39.1.5 Cash and investments are held only with reputable banks and their mutual funds 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:

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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

39.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to 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 7 and 33 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
2021	(Rupees in '000')					
Long term financing- secured	3,766,130	665,362	740,360	1,284,106	1,076,302	-
Trade and other payables	2,695,928	2,695,928	-	-	-	-
Unclaimed dividend	35,158	35,158	-	-	-	-
Mark up accrued	16,913	16,913	-	-	-	-
	6,514,129	3,413,361	740,360	1,284,106	1,076,302	-

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

	Carrying amount	Six months or less	Six to twelve months	One to two years	Two to five years	Above five years
2020	(Rupees in '000')					
Long term financing-secured	3,431,658	1,439	289,117	1,090,410	2,050,692	-
Trade and other payables	2,508,729	2,508,729	-	-	-	-
Unclaimed dividend	36,665	36,665	-	-	-	-
Mark up accrued	34,784	34,784	-	-	-	-
	6,011,836	2,581,617	289,117	1,090,410	2,050,692	-

Maturity analysis of lease liabilities is given in note 9.

39.3 Market risk

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

39.3.1 Foreign currency risk

Exposure to foreign currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and cash in foreign currency bank account. The Company's exposure to foreign currency risk is as follows:

	2021			2020		
	(Amount in '000')					
	Euro	USD	AED	Euro	USD	AED
Bank balances	-	10,587.93	-	-	11,264.76	24.86
Receivables	-	-	622.57	-	-	236.35
Letter of credit	(62.00)	(285.65)	-	(58.50)	-	-
	(62.00)	10,302.28	622.57	(58.50)	11,264.76	261.21
	(Rupees in '000')					
Bank balances	-	1,663,668	-	-	1,892,241	1,137
Receivables	-	-	26,656	-	-	10,809
Letter of credit	(11,622)	(44,988)	-	(11,047)	-	-
	(11,622)	1,618,680	26,656	(11,047)	1,892,241	11,946

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2021	2020	2021	2020
	(Rupees)			
USD 1 - Buying	160.10	158.07	157.13	167.98
USD 1 - Selling	160.47	158.45	157.49	168.35
AED 1 - Buying	43.59	43.03	42.82	45.73
AED 1 - Selling	43.69	43.13	42.91	45.83
Euro 1 - Buying	190.92	174.85	187.04	188.43
Euro 1 - Selling	191.34	175.26	187.45	188.84

Foreign currency sensitivity analysis

A 10 percent variation of PKR against 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')	
2021			
Foreign currencies	+10%	163,371	163,371
Foreign currencies	-10%	(163,371)	(163,371)
2020			
Foreign currencies	+10%	189,314	189,314
Foreign currencies	-10%	(189,314)	(189,314)

39.3.2 Markup rate risk

The markup rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term financing, short term investments and deposits with banks. At the reporting date the markup rate profile of the Company's markup-bearing financial instruments are:

		2021	2020
	Note	(Rupees in '000')	
Financial assets			
Investment - at amortized cost	22	3,000	3,000
Bank balances	24	817,378	258,732
		820,378	261,732

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		2021	2020
	Note	(Rupees in '000')	
Financial liabilities			
Long term financing - secured	7	(3,766,130)	(3,431,658)
		(2,945,752)	(3,169,926)

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, 2021 would decrease / increase by Rs. 10,348 thousand (2020: decrease / increase by Rs. 14,536 thousand). This is mainly attributable to the Company's exposure to markup rates on its variable rate borrowings.

39.3.3 Price risk

The Company's price risk arises from investments in units as disclosed in - note 22.2 which are designated at fair value through profit or loss, however, in accordance with the investment strategy the performance of units is actively monitored and they are managed on a fair value basis.

Price risk sensitivity analysis

A change of Rs. 1 in the value of investments at fair value through profit or loss would have increased or decreased profit or loss by Rs. 8,744 thousand (2020:Nil)

39.4 Financial instrument by category

	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
2021	(Rupees in '000')			
Financial assets				
Maturity upto one year				
Trade debts	859,157	-	-	859,157
Other receivables	29,688	-	-	29,688
Markup accrued	677	-	-	677
Other financial assets	3,000	619,464	-	622,464
Cash and bank balances	2,809,697	-	-	2,809,697
Maturing after one year				
Long term deposits	96,260	-	-	96,260
	3,798,479	619,464	-	4,417,943

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	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
2021	(Rupees in '000')			
Financial liabilities				
Maturing upto one year				
Trade and other payables	2,695,928	-	-	2,695,928
Unclaimed dividend	35,158	-	-	35,158
Markup accrued	16,913	-	-	16,913
Current portion of long term financing - secured	1,405,722	-	-	1,405,722
Current portion of lease liabilities	177,633	-	-	177,633
Maturing after one year				
Long term financing - secured	2,360,408	-	-	2,360,408
Lease liabilities	607,038	-	-	607,038
	7,298,800	-	-	7,298,800
2020				
Financial assets				
Maturity upto one year				
Trade debts	511,624	-	-	511,624
Other receivables	68,298	-	-	68,298
Markup accrued	253	-	-	253
Other financial assets	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
	3,074,061	-	-	3,074,061
Financial liabilities				
Maturing upto one year				
Trade and other payables	2,508,729	-	-	2,508,729
Unclaimed dividend	36,665	-	-	36,665
Markup accrued	34,784	-	-	34,784
Current portion of long term financing - secured	290,556	-	-	290,556
Current portion of lease liabilities	183,064	-	-	183,064
Maturing after one year				
Long term financing - secured	3,141,102	-	-	3,141,102
Lease liabilities	382,454	-	-	382,454
	6,577,354	-	-	6,577,354

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

39.5 Fair value

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Assets carried at amortized cost	(Rupees in '000')			
Long term deposits	96,260	96,260	95,834	95,834
Trade debts	859,157	859,157	511,624	511,624
Other receivables	29,688	29,688	68,298	68,298
Markup accrued	677	677	253	253
Other financial assets	3,000	3,000	3,000	3,000
Cash and bank balances	2,809,697	2,809,697	2,395,052	2,395,052
	3,798,479	3,798,479	3,074,061	3,074,061
Assets carried at fair value				
Other financial assets	619,464	619,464	-	-
Liabilities carried at amortized cost				
Long term financing - secured	2,360,408	2,360,408	3,141,102	3,141,102
Lease liabilities	607,038	607,038	382,454	382,454
Trade and other payables	2,695,928	2,695,928	2,508,729	2,508,729
Unclaimed dividend	35,158	35,158	36,665	36,665
Markup accrued	16,913	16,913	34,784	34,784
Current portion of long term financing - secured	1,405,722	1,405,722	290,556	290,556
Current portion of lease liabilities	177,633	177,633	183,064	183,064
	7,298,800	7,298,800	6,577,354	6,577,354

The basis for determining fair values is as follows:

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are short term in nature, fair value significantly approximates to carrying value.

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40 FAIR VALUE HIERARCHY

Other financial assets

Fair value of investment in mutual funds (Note 22.2) has been determined using quoted repurchase price at reporting date and categorized under level 1 of fair value hierarchy.

Fair value of land

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

There were no transfer amongst the levels during the year. Further, there were no changes in the valuation techniques during the year.

41 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to ensure the Company's ability not only to continue as a going concern but also to meet its requirements for expansion and enhancement of its business, maximize return of shareholders and optimize benefits for other stakeholders to maintain an optimal capital structure and to reduce the cost of capital.

In order to achieve the above objectives, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares through bonus or right issue or sell assets to reduce debts or raise debts, if required.

42 DISCLOSURE REQUIREMENTS FOR ALL SHARES ISLAMIC INDEX

		2021	2020
Description	Explanation	(Rupees in '000')	
Bank balances	Placed under interest	285,248	89,278
	Placed under sharia permissible arrangement	532,130	169,454
		817,378	258,732
Return on bank deposit for the year	Placed under interest	3,986	3,222
	Placed under sharia permissible arrangement	4,337	8,702
		8,323	11,924
Interest and dividend income on investment for the year	Placed under interest	159	378
	Placed under sharia permissible arrangement	22,225	-
		22,384	378
Segment revenue	Disclosed in note 26		
Exchange gain earned		-	113,740
Loans obtained as per Islamic mode		2,788,360	2,931,012
Mark up paid on Islamic mode of financing		305,325	406,082
Interest paid on any conventional loan		-	2,162

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Relationship with sharia compliant banks

The Company has obtained long term loans and has maintained bank balances and term deposits with sharia compliant banks as given below:

- Askari Bank Limited
- Al-Baraka Bank (Pakistan) Limited
- Habib Bank Limited
- Faysal Bank Limited
- Bank Alfalah Limited
- The Bank Of Punjab
- Meezan Bank Limited
- Dubai Islamic Bank

43 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, 2021 are located in Pakistan. There is no segment with more than 10% of total revenue of the Company for the year.

44 IMPACT OF COVID-19 (CORONA VIRUS)

A novel strain of coronavirus (COVID-19) classified as a pandemic by the World Health Organization on 11 March 2020 has impacted the countries globally including Pakistan. Due to this pandemic during last financial year the operations of the hospital were interrupted that resulted shortfalls against budgeted revenues and cash flows. 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. In addition to above the Company has implemented various measures that has enabled the Company to continue its operations without interruption during the current year and thereafter. Due to above the management of the Company believes that the pandemic has no adverse impact on Company's financial position and the results of operations during the current year except the matter referred in note 21.2.1. The management of the Company will continue to monitor the situation and will take all possible measures to overcome the effects of the pandemic.

45 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 25, 2021.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

46 NON-ADJUSTING EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors of the Company, in their meeting held on September 25, 2021, proposed bonus shares at the rate of 2% in proportion of one ordinary share for every fifty shares held (total 1,239,497 bonus shares having face value of Rs. 10 each) for approval of the members in Annual General Meeting to be held on October 28, 2021.

These unconsolidated financial statements do not reflect the proposed appropriation, which will be accounted for in the unconsolidated statement of changes in equity as appropriation from share premium in the year ending June 30, 2022.

47 GENERAL

- Figures have been rounded off to the nearest one thousand Pak Rupees unless otherwise stated.
- Immaterial reclassification has been made wherever necessary.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

This image shows a single sheet of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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 subsidiary (the Group), which comprise the consolidated statement of financial position as at June 30, 2021 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, 2021, 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 matter	How the matter was addressed in our audit
<p>Revenue from contract with customers:</p> <p>(Refer to note 27 to the consolidated financial statements)</p> <p>The Group principally generates revenue from providing of inpatient and outpatient services and supply of medicines. We identified revenue recognition as a key audit matter because it is one of key performance indicator which gives rise to an inherent risk of misstatement.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Group's processes and related internal controls for revenue recognition and tested the design, implementation and operating effectiveness of those controls; • Performed test of details of sampled revenue by inspecting the underlying supporting documents including medical record bills, sales report and bank statements; • Performed cut off procedures to ensure revenue has been recorded in the correct period; • Evaluated and tested on sample basis the authority metrics (controls) over changes in charge master; • Verified on sample basis the trade debts through obtaining confirmations from debtors and performing other alternate procedures; and • Assessed the appropriateness of disclosures in the 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.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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



Grant Thornton Anjum Rahman

Chartered Accountants

Islamabad

September 25, 2021.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

		2021	2020
	Note	(Rupees in '000')	
SHARE CAPITAL AND RESERVES			
Authorized share capital			
100,000,000 (2020: 100,000,000) ordinary shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid up capital	4	619,749	619,749
Capital reserves			
Share premium	5	2,751,283	2,751,283
Surplus on revaluation of property, plant and equipment	6	1,409,434	1,225,930
Revenue reserves			
Unappropriated profit		3,832,409	3,103,034
		8,612,875	7,699,996
NON - CONTROLLING INTEREST	7	1,119,806	948,384
NON - CURRENT LIABILITIES			
Long term financing - secured	8	2,360,408	3,141,102
Deferred taxation	9	331,599	438,995
Lease liabilities	10	265,587	263,493
		2,957,594	3,843,590
CURRENT LIABILITIES			
Trade and other payables	11	3,232,390	3,064,693
Unclaimed dividend		35,158	36,665
Markup accrued	12	16,913	34,784
Current portion of long term financing - secured	8	1,405,722	290,556
Current portion of lease liabilities	10	118,456	135,305
		4,808,639	3,562,003
		17,498,914	16,053,973
CONTINGENCIES AND COMMITMENTS	13		

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



CHIEF EXECUTIVE



DIRECTOR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

		2021	2020
	Note	(Rupees in '000')	
NON - CURRENT ASSETS			
Property, plant and equipment	14	10,225,908	9,890,149
Intangible assets	15	32,052	58,076
Long term investment	16	35,961	22,472
Long term deposits	17	74,007	77,288
		10,367,928	10,047,985
CURRENT ASSETS			
Stores, spare parts and loose tools	18	165,312	151,312
Stock-in-trade	19	658,280	646,353
Trade debts	20	904,040	605,899
Loans and advances	21	348,919	418,186
Deposits, prepayments and other receivables	22	47,857	79,269
Markup accrued		677	253
Other financial assets	23	1,102,202	607,137
Tax refunds due from the government (net of provision)	24	480,548	504,181
Cash and bank balances	25	2,929,472	2,602,798
		6,637,307	5,615,388
Non - current assets held for sale	26	493,679	390,600
		17,498,914	16,053,973



CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2021

		2021	2020
	Note	(Rupees in '000')	
Net revenue	27	14,223,673	12,259,488
Other income	28	171,924	188,128
Operating costs	29	(12,863,969)	(11,647,600)
Finance costs	30	(330,711)	(464,692)
Expected credit losses	22.2 & 40.1.3	(158,091)	(32,596)
Share of loss of an associate	16	(1,511)	(3,952)
Profit before taxation		1,041,315	298,776
Provision for taxation	31	(300,518)	(311,678)
Profit / (loss) after taxation		740,797	(12,902)
Attributable to:			
Equity holders of Shifa International Hospitals Limited		724,091	731
Non-controlling interest		16,706	(13,633)
		740,797	(12,902)
Earnings per share - basic and diluted - (Rupees)	32	11.68	0.01

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



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2021

	2021	2020
	(Rupees in '000')	
Profit / (loss) after taxation	740,797	(12,902)
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	(45,924)	(22,542)
Deferred tax relating to remeasurement of staff gratuity fund benefit plan	13,318	6,538
Loss on remeasurement of staff gratuity fund benefit plan (net of tax)	(32,606)	(16,004)
Foreign currency translation adjustment	(804)	1,552
Surplus on revaluation of property, plant and equipment	298,914	13,562
Total comprehensive income / (loss) for the year	1,006,301	(13,792)
Attributable to:		
Equity holders of Shifa International Hospitals Limited	896,150	(1,331)
Non-controlling interest	110,151	(12,461)
	1,006,301	(13,792)

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



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

	2021	2020
	(Rupees in '000')	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,041,315	298,776
Adjustments for:		
Depreciation / amortization on tangible assets	840,804	781,841
Amortization on intangible assets	26,267	26,423
Expected credit losses	158,091	32,596
Property, plant and equipment written off	977	5,273
Gain on disposal of tangible assets	(41,975)	(14,292)
Provision for compensated absences	46,378	46,706
Provision for bonus for employees	190,931	59,269
Provision for gratuity	143,917	123,824
Provision for slow moving stores	6,161	1,438
Share of loss of an associate	1,511	3,952
Liabilities written back	(26,568)	(8,113)
Gains on investments and bank deposits	(71,226)	(16,602)
Loss / (gain) on foreign currency translation	120,044	(117,629)
Finance costs	330,711	464,692
Operating cash flows before changes in working capital	2,767,338	1,688,154
Changes in working capital:		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(19,264)	(20,492)
Stock-in-trade	(11,927)	(149,595)
Trade debts	(404,330)	(53,649)
Loans and advances	69,267	27,361
Deposits, prepayments and other receivables	(20,490)	(20,145)
Decrease in current liabilities:		
Trade and other payables	(57,568)	(398,035)
Cash generated from operations	2,323,026	1,073,599
Finance costs paid	(305,325)	(408,302)
Income tax paid	(370,962)	(341,690)
Payment to SIHL Employees' Gratuity Fund	(134,468)	(73,273)
Compensated absences paid	(40,845)	(46,072)
Net cash generated from operating activities	1,471,426	204,262

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

		2021	2020
	Note	(Rupees in '000')	
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment (PPE)		(1,060,173)	(1,306,503)
Addition to investment property		-	(58,432)
Purchase of intangible assets		(243)	(788)
Investment in associate		(15,000)	-
Investments in other financial assets - net		(858,868)	(151,253)
Outlay against long term investment		-	(15,555)
Proceeds from disposal of PPE and items classified as held for sale		231,424	106,028
Markup received		8,069	16,833
Decrease in long term deposits		3,281	9,923
Net cash used in investing activities		(1,691,510)	(1,399,747)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of further share capital		-	1,779,628
Non-controlling interest		78,000	961,493
Long term financing - repayments		(381,608)	(140,214)
Long term financing - proceeds		633,450	1,014,133
Deferred grant received		82,630	58,963
Lease liabilities - repayments		(169,895)	(175,870)
Dividend paid		(1,507)	(170,042)
Net cash generated from financing activities		241,070	3,328,091
Net increase in cash and cash equivalents		20,986	2,132,606
Cash and cash equivalents at beginning of the year		3,058,682	806,895
Effect of exchange rate changes on cash and cash equivalents		(120,848)	119,181
Cash and cash equivalents at end of the year	38	2,958,820	3,058,682

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



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2021

	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, 2019	545,379	1,046,025	1,234,923	3,250,167	2,593	6,079,087
Issue of further share capital	74,370	1,705,258	-	-	-	1,779,628
Total comprehensive income for the year						
Profit after taxation	-	-	-	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 surplus 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)
Change 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
Balance as at July 01, 2020	619,749	2,751,283	1,225,930	3,103,034	948,384	8,648,380
Total comprehensive income for the year						
Profit after taxation	-	-	-	724,091	16,706	740,797
Other comprehensive income - net of tax	-	-	205,469	(33,410)	93,445	265,504
	-	-	205,469	690,681	110,151	1,006,301
Realization of revaluation surplus on disposal of assets	-	-	(12,541)	12,541	-	-
Transfer of revaluation surplus of property, plant and equipment in respect of incremental depreciation / amortization	-	-	(9,424)	9,437	(13)	-
NCI recognized during the year	-	-	-	-	78,000	78,000
Distribution to owners						
Dividend 2020: Nil	-	-	-	-	-	-
Changes in ownership interests						
Acquisition of shareholding by NCI without a change in control	-	-	-	16,716	(16,716)	-
Balance as at June 30, 2021	619,749	2,751,283	1,409,434	3,832,409	1,119,806	9,732,681

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



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

1	STATUS AND NATURE OF BUSINESS
1.1	Shifa International Hospitals Limited ("the Group") comprises of Shifa International Hospitals Limited (SIHL / parent company) and its subsidiaries, Shifa Development Services (Private) Limited, Shifa Neuro Sciences Institute Islamabad (Private) Limited, Shifa National Hospital Faisalabad (Private) Limited, Shifa Medical Center Islamabad (Private) Limited and Shifa International-DWC LLC.
1.2	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 principal activity of SIHL is to establish and run medical centers and hospitals in Pakistan. The SIHL has established its first hospital in 1993 in H-8/4 Islamabad, second hospital in 2011 in Faisalabad and another in 2014 in G-10/4 Islamabad. The SIHL is also running medical centers and pharmacies in different cities of Pakistan.
1.3	Shifa Development Services (Private) Limited (SDSPL) was incorporated in Pakistan on December 18, 2014. The principal activity of SDSPL is to provide consulting services relating to healthcare facilities, medical staff, availability of human resource and hospital quality. The registered office of SDSPL is situated at SIHL, Sector H-8/4, Islamabad.
1.4	Shifa Neuro Sciences Institute Islamabad (Private) Limited (SNS Islamabad) was incorporated in Pakistan on February 28, 2019. 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 registered office of SNS Islamabad is situated at SIHL, Sector H-8/4, Islamabad.
1.5	Shifa National Hospital Faisalabad (Private) Limited (SNH Faisalabad) was incorporated in Pakistan on February 28, 2019. 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 areas. The registered office of the SNH Faisalabad is situated at SIHL, Sector H-8/4, Islamabad.
1.6	Shifa Medical Center Islamabad (Private) Limited (SMC Islamabad) was incorporated in Pakistan on February 28, 2019. 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 SIHL, Sector H-8/4, Islamabad.
1.7	Shifa International-DWC LLC (SIDL) was incorporated in United Arab Emirates on December 16, 2019 as limited liability company. The principal activity of the SIDL which it may perform under the license issued by Dubai Activation City Corporation are Marketing and project management services. The registered office of the SIDL is situated at Business Centre Logistic City, Dubai Aviation City, P.O Box 390667, Dubai, UAE.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

1.8 Geographical locations of business units of the 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
 Shifa Pharmacy, PIA Rawalpindi Airport
 Shifa Pharmacy, WAPDA, Mangla
 Shifa Pharmacy, WAPDA, Faisalabad
 F-11 Medical Center, Savoy Arcade, F-11 Markaz Islamabad

Percentage share in total revenue given in note 27.	2021	2020
H - 8/4, Islamabad	96%	96%
Faisalabad	3%	3%
G -10/4, Islamabad	1%	1%
	100%	100%

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 (IFRS 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, except for certain items as disclosed in relevant accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

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 prospectively.

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 as follows:

- i) Estimate of fair value of financial liabilities at initial recognition - notes 3.4 and 8
- ii) Provision for taxation - notes 3.5, 9 and 31
- iii) Right of use asset and corresponding lease liability - notes 3.6, 10 and 14
- iv) Employee benefits - notes 3.8, 11.3 and 11.4
- v) Provisions and contingencies - notes 3.9, 3.10 and 13
- vi) Estimate of useful life of property, plant and equipment - notes 3.11 and 14
- vii) Estimate of useful life of intangible assets - notes 3.12 and 15
- viii) Impairment of non-financial assets - notes 3.13
- ix) Estimate of recoverable amount of investment in associated company - notes 3.14 and 16
- x) Expected credit loss allowance - notes 3.15.2, 22.2 and 40.1.3
- xi) Provision for slow moving spares - notes 3.16, 3.17, 14.8.2 and 18

2.5 CHANGES IN ACCOUNTING STANDARDS, INTERPRETATIONS AND PRONOUNCEMENTS

2.5.1 Standards, amendments to published standards and interpretations that are effective during the current year:

Certain standards, amendments and interpretations to IFRS are effective during the year but are considered not to be relevant or to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

2.5.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

		Effective date (annual periods beginning on or after)
IAS 1	Presentation of financial statements (Amendments)	January 1, 2023
IAS 8	Accounting policies, changes in accounting estimates and errors (Amendments)	January 1, 2023
IAS 12	Income Taxes (Amendments)	January 1, 2023
IAS 16	Property, Plant and Equipment (Amendments)	January 1, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IFRS 3	Business Combinations (Amendments)	January 1, 2022
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 1, 2021
IFRS 9	Financial Instruments (Amendments)	January 1, 2021
IFRS 16	Leases (Amendments)	January 1, 2021

The management anticipates that adoption of above standards, amendments and interpretations in future periods, will have no material impact on the Consolidated financial statements other than in presentation / disclosures.

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

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, SDSPL 55% owned (2020: 55% owned), SNS Islamabad 100% owned (2020: 100% owned), SMC Islamabad 56% owned (2020: 56% owned), SNH Faisalabad 60% owned (2020: 100% owned) and SIDL 100% owned (2020: 100% owned).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

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

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.

Associate (equity accounted investee)

Entity in which the Group has significant influence directly or indirectly (through subsidiaries) but not control and which is neither subsidiary nor joint venture of the members of the Group is associate and is accounted for under the equity method of accounting (equity accounted investee). The investment is initially recognized at cost. The consolidated financial statements include the associate's 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 associate is recognized in the consolidated statement of profit or loss and consolidated statement of comprehensive income. Distributions received from associate 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.

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 Share capital and dividend

Dividend is recognized as a liability in the period in which it is declared. Movement in reserves is recognized in the year in which it is approved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

3.3 Financing and finance cost

Financing are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, financing are stated at amortized cost with any difference between cost and redemption value being recognised in the consolidated statement of profit or loss over the period of the financing on an effective interest basis. Financing costs are recognised as an expense in the period in which these are incurred.

3.4 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 finance cost are recognized and finance cost are reported net of grant in - note 30.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

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 taxable 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.

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.

Deferred tax asset of Rs. 41,563 thousand (2020: 31,562 thousand) on deductible temporary difference of Rs. 142,089 thousand (2020: 108,840 thousand) has not been recorded in respect of subsidiaries.

3.6 Leases

3.6.1 Right of use assets

The SIHL 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 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.

The SIHL has not elected to recognise 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 SIHL recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.6.2 Lease liability

The lease liability is initially measured at the present value of the future lease payments discounted using the SIHL'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the SIHL's estimate of the amount expected to be payable under a residual value guarantee, or if the SIHL changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3.7 Trade and other payable

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

3.8 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, 2021 using the "Projected Unit Credit Method". The actuarial gains or losses at each evaluation date are charged to other comprehensive income. The results of actuarial valuation are summarized in note 11.4 of these consolidated financial statements.

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

Calculation of gratuity asset 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 and determined by actuary.

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.

3.9 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.

3.10 Contingencies

A contingent liability is disclosed when the Group has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Group; or the Group has a present

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

The Group discloses 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.

3.11 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

3.12 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.

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

3.13 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.

3.14 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.

3.15 Financial assets

Initial measurement

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

The Group classifies its financial assets into following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- Amortized cost.

Subsequent measurement

i) Debt instrument at FVOCI

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the consolidated statement of profit or loss.

ii) Equity instrument at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the consolidated statement of profit or loss.

iii) Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in consolidated statement of profit or loss.

iv) Financial asset at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss.

3.15.1 Other financial assets

Investment in units of Mutual Funds are classified at fair value through profit or loss and is initially measured at fair value and subsequently is measured at fair value determined using the net assets value of the funds at each reporting date. Net gains and losses are recognized in the consolidated statement of profit or loss.

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.

3.15.2 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its financial asset carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the simplified approach for trade debts which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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The Group recognises life time ECL for trade debts, using the simplified approach. The expected credit losses on trade debts are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Life time expected credit losses against other receivables is also recognized due to significant increase in credit risk since initial recognition.

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 as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date reduced by security deposit held.

The Group recognizes an impairment 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.

The Gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

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

3.15.3 Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

3.15.4 Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statement of profit or loss. Any gain or loss on de-recognition is also recognized in the consolidated statement of profit or loss.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

3.15.5 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,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

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.

3.16 Stores, spare parts and loose tools

These are valued at cost, determined on moving average cost basis or net realizable value, whichever is lower. 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. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding affect on the provision.

3.17 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.

The SIHL reviews the carrying amount of stock in trade on a regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stock in trade with a corresponding affect on the provision.

3.18 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.

3.19 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.

3.20 Non - current assets held for sale

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3.21 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.

3.22 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.

3.23 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.

3.24 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 and weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares.

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:

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For the year ended June 30, 2021

- 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 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:

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.

4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Ordinary shares of Rs.10 each fully paid in cash.

2021		2020		2021		2020	
Number				(Rupees in '000')			
61,974,886	54,537,900	Opening balance		619,749	545,379		
-	7,436,986	Shares issued		-	74,370		
61,974,886	61,974,886	Closing balance		619,749	619,749		

4.1 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.

4.2 7,436,986 (2020: 7,436,986) ordinary shares representing 12% (2020: 12%) shareholding in the SIHL are owned by International Finance Corporation (IFC). IFC has 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

5 SHARE PREMIUM

This represents premium of Rs. 5, Rs. 250 and Rs. 229.29 per share received on issue of 8,000,000, 4,024,100 and 7,436,986 ordinary shares of Rs. 10 each in the year 1994, 2016 and 2020 respectively. This reserve cannot be utilized except for the purposes mentioned under section 81 of the Companies Act, 2017.

	2021	2020
6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	(Rupees in '000')	
Balance at beginning of the year	1,225,930	1,234,923
Revaluation surplus during the year	298,914	13,562
Transfer to non-controlling interest	(93,445)	(1,172)
Realization of revaluation surplus on disposal of assets	(12,541)	(12,963)
Transferred to unappropriated profits in respect of incremental depreciation / amortization charged during the year	(9,424)	(8,420)
Balance at end of the year	1,409,434	1,225,930

6.1 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 in accordance with section 241 of the Companies Act, 2017.

7 NON - CONTROLLING INTEREST

7.1 Following is the summarized financial information, before inter-company eliminations, of SDSPL, SNH Faisalabad and SMC Islamabad:

Summarized statement of financial position

NCI percentage	SDSPL		SNH Faisalabad		SMC Islamabad		Total	
	45%	45%	40%	-	44%	44%		
	2021	2020	2021	2020	2021	2020	2021	2020
	(Rupees in '000')							
Current assets	142,531	122,130	70,550	75,513	505,193	765,184	718,274	962,827
Non-current assets	10,498	982	843,030	342,666	1,194,831	892,340	2,048,359	1,235,988
Share deposit money	-	-	-	413,021	-	-	-	413,021
Current liabilities	79,595	109,285	320	9,034	8,020	7,151	87,935	125,470
Non-current liabilities	10,639	2,147	-	-	-	-	10,639	2,147
Net assets	62,795	11,680	913,260	(3,876)	1,692,004	1,650,373	2,668,059	1,658,177
Accumulated NCI	7,558	1,338	368,833	225,668	743,415	721,378	1,119,806	948,384
Summarized statement of comprehensive income								
Net revenue	16,641	104,886	-	-	-	-	16,641	104,886
Other income	-	-	1,153	-	38,783	-	39,936	-
Profit/(loss) for the year	13,824	(2,789)	(1,764)	(33,580)	25,603	(28,318)	37,663	(64,687)
Other comprehensive income	-	-	206,462	-	24,846	2,680	231,308	2,680
Total comprehensive income	13,824	(2,789)	204,698	(33,580)	50,449	(25,638)	268,971	(62,007)
Profit / (Loss) attributable to NCI	6,221	(1,255)	(706)	-	11,191	(12,378)	16,706	(13,633)
Comprehensive income for the year attributable to NCI	-	-	82,585	-	10,860	1,172	93,445	1,172
Total comprehensive income/ (loss) for the year attributable to NCI	6,221	(1,255)	81,879	-	22,051	(11,206)	110,151	(12,461)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

8	LONG TERM FINANCING - SECURED	Note	2021	2020
			(Rupees in '000')	
	From banking companies:			
	Syndicated Islamic Finance Facility	8.2	1,854,086	1,995,778
	Diminishing Musharakah Facility - 1	8.3	434,274	435,234
	Diminishing Musharakah Facility - 2	8.4	500,000	500,000
	Islamic Refinance facility to combat COVID -19 (IRFCC)	8.5	127,789	-
	Deferred income - Government grant		25,526	-
			153,315	-
	State Bank of Pakistan (SBP) - Refinance scheme	8.6	780,354	447,453
	Deferred income - Government grant		44,101	53,193
			824,455	500,646
			3,766,130	3,431,658
	Less: Current portion		1,405,722	290,556
			2,360,408	3,141,102

8.1 The SIHL has fully availed all the above facilities, except those disclosed in note 34.

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% (2020: 3 months KIBOR plus 0.85%) per annum, repayable in 14 equal quarterly installments. The SIHL has availed the loan facility upto the total sanctioned limit of Rs. 2,000 million which shall be repaid by August 22, 2024. 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. During the last year the SIHL has availed one year deferment in repayment of principal under SBP circular # 13 dated March 26, 2020 in view of Covid 19 outbreak, according to which the SIHL was 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. 442.9 million (2020: Rs. 499.4 million). Principal amount is repayable in 36 equal monthly installments carrying markup at 3 months KIBOR plus 0.80% (June 2020: 3 months KIBOR plus 0.80%) per annum. The financing is secured by first exclusive charge of Rs. 781.3 million against equipment / machinery of SIHL. 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. 37.6 million (2020: Rs. 20.3 million). Principal amount is repayable in 60 equal monthly installments carrying markup at 3 months KIBOR plus 0.70% (2020: 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% (2020: 3 months KIBOR plus 0.85%) per annum. The financing is secured by first pari passu charge of Rs. 667 million on all present and future fixed assets of SIHL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

- 8.5** This represents a long term Islamic finance facility obtained from Meezan Bank Limited of Rs. 153.3 million (2020: Nil) for the purpose of import / purchase of medical equipment / machinery to combat COVID -19 under State Bank of Pakistan IRFCC scheme. Principal amount shall be repaid by December 29, 2025 in 18 equal quarterly installments with no markup. The financing is secured by first pari passu hypothecation charge of Rs. 267 million on all present and future fixed assets of SIHL (excluding land and building). Since the financing under SBP refinance scheme carries no markup, the loan has been recognized at present value using effective interest rate of 3 month KIBOR plus 0.85% along with the recognition of government grant.

	2021	2020
	(Rupees in '000')	
Balance at beginning of the year	-	-
Received during the year	29,847	-
Amortization during the year	(4,321)	-
Balance at end of the year	25,526	-

- 8.6** This represents long term finance facility aggregating to Rs. 1,012.2 million (2020: 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 six tranches from April 2020 to September 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 January 31, 2023. The facility is secured by first pari passu charge of Rs.1,600.3 million over fixed assets (excluding land and building) of SIHL. According to the terms of the financing, the SIHL was prohibited to lay-off the employees for at least six months from April 2020 to September 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 using effective interest rate of 3 month KIBOR plus 0.85% along with the recognition of government grant.

		2021	2020
	Note	(Rupees in '000')	
Balance at beginning of the year		53,193	-
Received during the year		52,783	58,937
Amortization during the year		(61,875)	(5,744)
Balance at end of the year		44,101	53,193
9 DEFERRED TAXATION			
Deferred tax liability	9.1	504,777	543,986
Deferred tax asset	9.2	(173,178)	(104,991)
Net deferred tax liability		331,599	438,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2021	2020
9.1 Deferred tax liability on taxable temporary differences:	(Rupees in '000')	
Accelerated depreciation / amortization allowance	504,777	534,882
Right of use assets net of lease liabilities	-	9,104
	504,777	543,986
9.2 Deferred tax asset on deductible temporary differences:		
Right of use assets net of lease liabilities	(13,462)	-
Specific provisions	(83,981)	(48,087)
Retirement benefit obligation	(75,735)	(56,904)
	(173,178)	(104,991)

9.3 Movement in deferred taxation	Opening balance	Statement of profit or loss	Other comprehensive Income	Closing balance
Deferred tax liabilities / (assets)	(Rupees in '000')			
2021				
The balance of deferred tax is in respect of the following temporary differences:				
Effect of taxable temporary differences				
Accelerated depreciation / amortization allowance	534,882	(30,105)	-	504,777
Right of use assets net of lease liabilities	9,104	(22,566)	-	(13,462)
Effect of deductible temporary differences				
Specific provisions	(48,087)	(35,894)	-	(83,981)
Retirement benefit obligation	(56,904)	(5,513)	(13,318)	(75,735)
	438,995	(94,078)	(13,318)	331,599

2020				
The balance of deferred tax is in respect of the following temporary differences:				
Effect of taxable temporary differences				
Accelerated depreciation 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

9.4 Deferred tax assets and liabilities on temporary differences are measured at the rate of 29% (2020: 29%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

		2021	2020
10	LEASE LIABILITIES	(Rupees in '000')	
	Balance at beginning of the year	398,798	418,714
	Additions during the year	111,877	103,943
	Interest expense	43,263	52,011
	Payment during the year	(169,895)	(175,870)
	Balance at end of the year	384,043	398,798
	Less: Current portion	118,456	135,305
		265,587	263,493

10.1 Lease liabilities are payable as follows:

	Minimum lease payments	Interest	Present value of minimum lease payments
2021	(Rupees in '000')		
Less than one year	195,926	77,470	118,456
Between one to five years	226,575	127,395	99,180
More than five years	299,286	132,879	166,407
	721,787	337,744	384,043
2020			
Less than one year	192,469	57,164	135,305
Between one to five years	221,964	130,780	91,184
More than five years	328,552	156,243	172,309
	742,985	344,187	398,798

- 10.2** 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

			2021	2020
11	TRADE AND OTHER PAYABLES	Note	(Rupees in '000')	
	Creditors	11.1	1,497,739	1,574,239
	Accrued liabilities		480,777	416,177
	Advances from customers		272,842	281,287
	Medical consultants' charges		493,854	371,724
	Security deposits	11.2	112,342	112,391
	Compensated absences	11.3	113,857	108,324
	Retention money		9,385	4,330
	Payable to Shifa International Hospitals Limited (SIHL) Employees' Gratuity Fund	11.4	251,594	196,221
			3,232,390	3,064,693
11.1	This include payable to related parties (unsecured) as detailed below;			
	Tameer -e- Millat Foundation (TMF)		13,073	11,978
	Shifa Tameer -e- Millat University (STMU)		5,041	27,468
			18,114	39,446

Maximum amount due to TMF and STMU at the end of any month during the year was Rs. 23,249 thousand (2020: Rs. 11,978 thousand) and Rs. 39,744 thousand (2020: Rs. 37,944 thousand) respectively.

- 11.2** This include security deposits retained from employees Rs. 32,966 thousand (2020: Rs. 32,815 thousand) which are held in separate bank account and obtained from customers of Rs. 79,376 thousand (2020: Rs. 79,576 thousand) which are utilizable for the purpose of the business in accordance with agreements with customers.

			2021	2020
11.3	Compensated absences	Note	(Rupees in '000')	
	Balance at beginning of the year		108,324	107,690
	Provision made for the year		46,378	46,706
			154,702	154,396
	Payments made during the year		(40,845)	(46,072)
	Balance at end of the year		113,857	108,324
11.4	The amounts recognized in the consolidated statement of financial position are as follows:			
	Present value of defined benefit obligation	11.4.1	798,687	667,697
	Fair value of plan assets	11.4.2	(547,093)	(471,476)
			251,594	196,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

	Note	2021 (Rupees in '000')	2020
11.4.1 Movement in the present value of defined benefit obligation is as follows:			
Balance at beginning of the year		667,697	579,986
Interest cost		53,470	76,141
Current service cost		128,179	111,683
Past service cost		4,852	-
Benefits paid		(77,096)	(88,739)
Benefits payable		(1,840)	(2,598)
Remeasurement loss / (gain) on defined benefit obligation		23,425	(8,776)
Balance at end of the year		798,687	667,697
11.4.2 Movement in the fair value of plan assets is as follows:			
Balance at beginning of the year		471,476	456,858
Expected return on plan assets		42,584	64,000
Contributions		134,468	73,273
Benefits paid		(77,096)	(88,739)
Benefits payable		(1,840)	(2,598)
Remeasurement loss on plan assets		(22,499)	(31,318)
Balance at end of the year		547,093	471,476
11.4.3 Charge for the year is as follows:			
Current service cost		128,179	111,683
Interest cost		53,470	76,141
Past service cost		4,852	-
Expected return on plan assets		(42,584)	(64,000)
		143,917	123,824
11.4.4 Remeasurements recognized in consolidated other comprehensive income (OCI) is as follows:			
Remeasurement loss / (income) on obligation		23,425	(8,776)
Remeasurement loss on plan assets		22,499	31,318
Remeasurement loss recognized in OCI		45,924	22,542
11.4.5 Movement in liability recognized in consolidated statement of financial position:			
Balance at beginning of the year		196,221	123,128
Charge for the year		143,917	123,824
Total amount of remeasurement recognized in OCI during the year		45,924	22,542
Contributions during the year		(134,468)	(73,273)
Balance at end of the year		251,594	196,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2021	2020
	(Rupees in '000')	
11.4.6 Plan assets comprise of:		
Term deposit receipts	388,947	383,659
Ordinary shares of SIHL	16,858	17,951
Cash and bank balances	143,128	72,464
Payable to outgoing members	(1,840)	(2,598)
	547,093	471,476
11.4.7 The principal actuarial assumptions used in the actuarial valuation are as follows:		
Discount rate used for interest cost in profit or loss	8.50%	14.25%
Discount rate used for year end obligation	10.00%	8.50%
Expected rate of salary growth		
Salary increase FY 2021	N/A	6.00%
Salary increase FY 2022	7.00%	7.50%
Salary increase FY 2023 onward	9.00%	7.50%
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 respective assumptions by one percent.

	2021		2020	
	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')			
Discount rate	741,390	864,740	619,487	723,401
Future salary increase	865,362	739,826	724,022	618,072

11.4.9 The average duration of the defined benefit obligation as at June 30, 2021 is 8 years (2020: 8 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

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.

		2021	2020
12	MARKUP ACCRUED	(Rupees in '000')	
	Long term financing - secured	16,913	34,750
	Running finance - secured	-	34
		16,913	34,784

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

- 13.1.1** Claims aggregating to Rs. 3 million (2020: 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 etc. 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.
- 13.1.2** The penalty of Rs. 20 million (2020: 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 SIHL and other GAMCs are jointly contesting the matter from September 09, 2012 which is pending in Islamabad High Court, Islamabad and firmly believe that the case will be decided in favor of the GAMCs including SIHL.
- 13.1.3** The guarantees issued by banks in favor of Sui Northern Gas Pipelines Limited (SNGPL), Oil and Gas Development Company Limited (OGDCL) and Pakistan Telecommunication Company Limited (PTCL) of Rs. 43.35 million (2020: Rs. 33.9 million) on behalf of the SIHL in its ordinary course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

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 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 assessments under section 124/122(5A) for tax years 2012, 2013 and 2016 and raised a demand of Rs. 6.4 million, 97 million and Rs. 85.4 million as on June 30, 2021 as against the original tax demand of Rs. 50.4 million, Rs. 133.3 million and Rs. 566.2 million for the said years. Being not satisfied with the order of AdCIR, the SIHL has filed an appeal before CIR(A) on July 13, 2021 for tax years 2012 and 2013 and on July 21, 2020 for tax year 2016 which are pending adjudications. 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 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.
- 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 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.
- 13.1.4.4** 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.
- 13.1.4.5** The tax authorities amended the assessment for tax year 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 SIHL is confident for a favorable outcome and therefore, no provision in respect of this matter has been recorded.

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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 non-payment of sales tax for tax years 2016 and 2018 respectively. Being aggrieved the SIHL agitated the assessments in appeal before CIR(A). For tax years 2016 and 2018, CIR(A) confirmed the judgements of DCIR through orders dated September 24, 2020 and October 15, 2020. Being aggrieved SIHL has filed appeals before ATIR who partially confirmed the assessments and partly allowed relief to the SIHL. For tax years 2016, 2017, 2019 and 2020, tax authorities raised a sales tax demand of Rs. 44.4 million, Rs. 56.2 million, Rs. 55.9 million and Rs. 11.3 million through orders dated May 24, 2021 and June 06, 2021. Being aggrieved, SIHL filed appeals before CIR(A) on June 10, 2021 and June 22, 2021 which are pending adjudications. 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.

		2021	2020
13.2	Commitments	(Rupees in '000')	
13.2.1	Capital expenditure contracted	45,109	45,662
13.2.2	Letters of credit	79,116	11,047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

14. PROPERTY, PLANT AND EQUIPMENT

Particulars	Owned assets										Right of use assets				Total	
	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 14.8)	Office premises		Electrical equipment
(Rupees in 000)																
Cost/Revalued amount																
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)	-	-	-	-	(19,083)	(297)	(5,078)	(395)	(58)	(1,629)	(6,577)	-	-	-	(97,397)
Write offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	3,753	5,314	58,898	63,962	16,437	595,467	-	-	-	-	(1,629)	-	-	-	-	(26,540)
Reclassified as held for sale / reclassification	(390,600)	(10,000)	-	-	-	-	-	-	-	-	-	-	(743,831)	-	-	(400,600)
Balance as at June 30, 2020	987,425	2,740,102	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	14,401,134
Balance as at July 01, 2020	987,425	2,740,102	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	14,401,134
Additions	293,968	-	-	-	-	59,820	28,867	27,098	11,645	-	31,823	8,702	596,710	112,520	-	1,171,153
Revaluation	230,579	68,335	-	-	-	-	-	-	-	-	-	-	-	-	-	298,914
Disposals	-	-	-	-	-	-	-	(4,400)	-	-	(419)	(9,741)	-	-	-	(14,560)
Write offs	-	-	-	-	-	(3,535)	(7)	(3,511)	(182)	-	(2,773)	-	-	-	-	(10,008)
Transfers	-	-	-	-	-	255,719	-	11,534	212	-	547	2,000	(270,012)	-	-	-
Reclassified as held for sale	(292,072)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(292,072)
Balance as at June 30, 2021	1,219,900	2,808,437	58,898	3,301,696	61,610	4,493,801	504,712	723,311	229,570	2,788	565,378	120,459	822,691	584,310	57,000	15,554,561
Depreciation/amortization																
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 year	-	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 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
Balance as at July 01, 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
Charge for the year	-	36,488	2,945	110,354	12,322	330,331	49,920	58,634	17,579	250	68,097	8,589	-	126,295	19,000	840,804
On disposals	-	-	-	-	-	-	-	(4,400)	-	-	(419)	(9,286)	-	-	-	(14,105)
On write offs	-	-	-	-	-	(2,892)	(3)	(3,211)	(158)	-	(2,766)	-	-	-	-	(9,031)
Balance as at June 30, 2021	-	152,741	3,927	844,853	40,294	2,507,104	303,292	517,314	143,261	1,889	441,149	93,861	-	248,884	30,084	5,328,653
Carrying value as at June 30, 2020	987,425	2,623,849	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	9,890,149
Carrying value as at June 30, 2021	1,219,900	2,655,696	54,971	2,456,843	21,316	1,986,697	201,420	205,997	86,309	899	124,230	26,598	822,691	335,426	26,916	10,225,908
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

14.1 The Group had its leasehold land revalued in 1999, 2004, 2009, 2014, 2018, 2019, 2020 and 2021 while freehold lands in 2009, 2014, 2018, 2019, 2020 and 2021 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. 520,643 thousand, Rs. 13,562 thousand and Rs. 298,914 thousand respectively.

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

	Cost	Accumulated amortization	Carrying value
Freehold land	(Rupees in '000')		
2021	974,105	-	974,105
2020	868,052	-	868,052
Leasehold land			
2021	1,609,099	121,984	1,487,115
2020	1,419,851	92,992	1,326,859

14.3 Particulars of Group's freehold and leasehold lands are as follow:

		2021	2020
Location	Nature	Area (kanal)	
Shifa Cooperative Housing Society, Islamabad Expressway	Freehold land	2	27
Islamabad Motorway	Freehold land	100	100
Faisalabad Motorway	Freehold land	48.2	48.2
SNHF Hospital, Faisalabad sheikhupura Road	Freehold land	49.6	41
SMCI Hospital, F-11, Islamabad	Leasehold land	6.7	6.7
Neuroscience Institute, H-8/4, Islamabad	Leasehold land*	11.7	11.7
SIHL H-8/4, Islamabad	Leasehold land*	87.8	87.8

*The covered area includes multi-storey buildings.

14.4 Property, plant and equipment include items with aggregate cost of Rs. 2,055,773 thousand (2020: Rs. 1,676,452 thousand) representing fully depreciated assets that are still in use of the Group.

14.5 Property, plant and equipment of SIHL are encumbered under an aggregate charge of Rs. 6,810.59 million (2020: Rs. 5,877.25 million) in favor of banking companies under various financing arrangements as disclosed in note 8.

14.6 The forced sale values (FSV) of the revalued leasehold and freehold lands have been assessed at Rs. 2,124,557 thousand and Rs. 1,023,848 thousand respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

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

Asset particulars	Note	Cost	Carrying value	Sale proceeds	Gain on disposal	Purchaser	Mode of Disposal
(Rupees in '000')							
Islamabad Motorway Land	26.2	163,125	163,125	173,500	10,375	Various third parties through Softsys (Private) Limited	Negotiation
Shifa Cooperative Housing Society	26.2	25,869	25,869	49,500	23,631	Various third parties	Negotiation
		188,994	188,994	223,000	34,006		
Other assets having carrying value less than Rs. 500,000	14	14,560	455	8,424	7,969		
2021		203,554	189,449	231,424	41,975		
2020		97,397	91,736	106,028	14,292		

14.8	Capital work-in-progress	Note	2021 (Rupees in '000')	2020
	Construction work-in-progress	14.8.1	549,275	211,878
	Stores held for capital expenditure	14.8.2	976	1,870
	Installation of equipment in progress		272,440	282,245
			822,691	495,993

14.8.1 Construction work-in-progress - at cost

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	2021 (Rupees in '000')	2020
F-11 hospital		424,073	170,928
Other constructions	14.8.1.1	125,202	40,950
		549,275	211,878

14.8.1.1 This represents design and build works being performed by Shifa Development Services (Private) Limited under two separate agreements with SIHL.

	Note	2021 (Rupees in '000')	2020
14.8.2	Stores held for capital expenditure		
	Stores held for capital expenditure	4,524	4,521
	Less: provision for slow moving items	3,548	2,651
		976	1,870
14.8.2.1	Balance at beginning of the year	2,651	2,030
	Charged during the year	897	621
	Balance at the end of the year	3,548	2,651

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

			2021	2020
15	INTANGIBLE ASSETS	Note	(Rupees in '000')	
	Cost	15.1	106,216	105,973
	Accumulated amortization	15.1	(74,164)	(47,897)
	Net book value		32,052	58,076
15.1	Movement in cost and accumulated amortization is as follow:			
	Cost:			
	Balance at beginning of the year		105,973	105,185
	Addition during the year		243	788
	Balance at end of the year	15.2	106,216	105,973
	Accumulated amortization:			
	Balance at beginning of the year		47,897	21,474
	Charge during the year		26,267	26,423
	Balance at end of the year		74,164	47,897

15.2 Value of intangibles include cost of Oracle Financials software and other softwares. Amortization of intangibles has been recorded at rate of 25 % (2020: 25%) per annum.

15.3 Intangible assets include item with aggregate cost of Rs. 10,810 thousand (2020:Nil) represeting fully amortized asset that is still in use of SIHL.

			2021	2020
16	LONG TERM INVESTMENT		(Rupees in '000')	
	Shifa Care (Private) Limited (SCPL) - Associated Company (unquoted)			
	Balance at beginning of the year		22,472	10,869
	Addition during the year		15,000	15,555
	Share in loss for the year		(1,511)	(3,952)
	Balance at end of the year		35,961	22,472

This represents investment in 4,500,050 (2020: 3,000,050) fully paid ordinary shares of Rs. 10 each of SCPL. The above investment in ordinary shares represents 50% (2020: 50%) shareholding in SCPL held by the SIHL Summary of results of SCPL are as under:

			2021	2020
	Summarized statement of financial position		(Rupees in '000')	
	Non-current assets		49,641	42,729
	Current assets		24,767	2,522
	Current liabilities		(2,485)	(307)
	Net assets		71,923	44,944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

	2021	2020
Reconciliation to carrying amounts:	(Rupees in '000')	
Opening net assets	44,944	21,739
Total comprehensive loss for the year	(3,021)	(7,904)
Equity	30,000	31,109
Closing net assets	71,923	44,944
Group's share in carrying value of net assets	35,961	22,472
Group's share in total comprehensive income	(1,511)	(3,952)
Summarized statement of profit or loss		
Revenue for the year – Gross	-	-
Loss for the year	(3,021)	(7,904)
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	(3,021)	(7,904)

16.1 The above information is based on audited financial statements of SCPL.

			2021	2020
17	LONG TERM DEPOSITS	Note	(Rupees in '000')	
	Ijarah key money deposits	17.1	15,906	18,502
	Less: current portion of Ijarah key money deposits	22	15,906	2,596
			-	15,906
	Security deposits	17.2	74,007	61,382
			74,007	77,288

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

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

			2021	2020
18	STORES, SPARE PARTS AND LOOSE TOOLS	Note	(Rupees in '000')	
	Stores		153,955	150,642
	Spare parts		33,893	18,684
	Loose tools		1,332	590
			189,180	169,916
	Less: provision for slow moving items	18.1	23,868	18,604
			165,312	151,312
18.1	Balance at beginning of the year		18,604	17,787
	Charged during the year		5,264	817
	Balance at end of the year		23,868	18,604

19 STOCK-IN-TRADE

This represents medicines being carried at moving average cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

20	TRADE DEBTS	Note	2021 (Rupees in '000')	2020
	Related party - Shifa Foundation	20.1	17,139	17,875
	Related party - SIHT	20.1	24,335	25,783
	Others		1,058,447	692,254
			1,099,921	735,912
	Less: allowance for expected credit loss	40.1.3	195,881	130,013
			904,040	605,899

20.1 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. 21,265 thousand (2020: Rs. 52,502 thousand) and Rs. 70,322 thousand (2020: 25,783 thousand) respectively.

21	LOANS AND ADVANCES	Note	2021 (Rupees in '000')	2020
	Considered good - unsecured			
	Executives	21.1	3,291	2,726
	Other employees		16,523	19,517
			19,814	22,243
	Consultants - unsecured		2,825	1,571
	Suppliers / contractors - unsecured		326,280	394,372
			348,919	418,186
21.1	Reconciliation of carrying amount of advances given to executives:			
	Balance at beginning of the year		2,726	3,617
	Disbursements during the year		19,341	11,053
			22,067	14,670
	Less: Repayments during the year		18,776	11,944
	Balance at end of the year		3,291	2,726

21.1.1 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. 5,743 thousand (2020: Rs. 3,383 thousand).

22	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2021 (Rupees in '000')	2020
	Current portion of Ijarah key money deposits	17	15,906	2,596
	Short term prepayments		29,389	25,741
	Other receivable	22.1	72,656	69,124
			117,951	97,461
	Less: allowance for expected credit losses against other receivables	22.2	70,094	18,192
			47,857	79,269

22.1 This include Rs. 51,902 thousand (2020: Rs. 47,389 thousand) due from Shifa Pan African Hospitals Limited (SPAHL) and also represent maximum balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

			2021	2020
22.2	Allowance for expected credit losses against other receivables	Note	(Rupees in '000')	
	Balance at beginning of the year		18,192	18,111
	Charge during the year	22.2.1	51,902	81
	Balance at end of the year		70,094	18,192
22.2.1	Due to certain factors including but not limited to Covid-19 pandemic, death of two out of three partners of Fatma properties (project sponsor of Shifa Pan African Hospitals Limited (SPAHL), Dar Es Salaam, Tanzania) and resultant lack of interest of rest of potential investors etc, both sponsors have agreed to find alternate options to provide investment from other investors for the Hospital Project. In the meantime, the Group deems it prudent to provide for the expenditure incurred so far till the final agreement will reach.			
23	OTHER FINANCIAL ASSETS	Note	2021	2020
			(Rupees in '000')	
	Investment-at amortized cost	23.1	343,788	455,884
	Investment in Mutual Funds - at fair value through profit or loss	23.2	758,414	151,253
			1,102,202	607,137
23.1	This represent T- Bills purchased on February 25, 2021 to be matured on August 26, 2021 at a yield of 7.49% per annum (2020: T- Bill purchased on June 01, 2020 and matured on August 25, 2020 at a yield of 7.8% per annum) 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 5% to 6.60% per annum (2020: 6.00% to 12.60% per annum).			
23.2	This represent investment in 6,157,748.3 units (2020: Nil) and 1,373,000 units (2020: 1,495,644 units) of UBL Al-Ameen Islamic Cash Fund and HBL Cash Fund respectively. Fair values of these investments were determined using quoted repurchase price as at June 30, 2021.			
24	TAX REFUNDS DUE FROM THE GOVERNMENT (NET OF PROVISION)	Note	2021	2020
			(Rupees in '000')	
	Balance at beginning of the year		504,181	412,951
	Income tax paid / deducted at source during the year		370,962	341,690
			875,143	754,641
	Provision for taxation for the year	31	(394,595)	(250,460)
	Balance at end of the year		480,548	504,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

		2021	2020
25	CASH AND BANK BALANCES	Note	(Rupees in '000')
	Cash at banks in:		
	Current accounts		
	Local currency	436,512	402,450
	Foreign currency	1,663,510	1,893,210
		2,100,022	2,295,660
	Saving accounts		
	Local currency	820,926	287,096
	Foreign currency	157	168
		25.1	821,083
		25.2	2,921,105
	Cash in hand		8,367
			2,929,472

25.1 These carry effective profit rates ranging from 0.51% - 6.30% and 0.01% (2020: 2.35% - 9.51% and 0.10%) per annum in respect of local and foreign currency accounts respectively.

25.2 Balances with banks includes Rs. 112,342 thousand (2020: Rs. 112,391 thousand) in respect of security deposits (Note 11.2).

		2021	2020
26	NON - CURRENT ASSETS HELD FOR SALE	Note	(Rupees in '000')
	Balance at beginning of the year		390,600
	Addition during the year	26.1	292,072
	Disposed off during the year	26.2	(188,993)
	Balance at end of the year		493,679

26.1 This represents the carrying value of Rs. 292.07 million of Shifa Cooperative Housing Society land located at Islamabad Expressway measuring 25 kanals (2020: Rs. 390.6 million of land located at Islamabad Motorway with the area measuring 173.6 kanals).

26.2 During the year ended June 30, 2021 the SIHL has sold its land measuring 72.5 kanals located at Islamabad Motorway and two plots located at Shifa Cooperative Housing Society, Islamabad Expressway at a market value of Rs. 173.5 million and Rs. 49.5 million respectively (2020: Nil).

26.3 Details of freehold lands held for sale at year end are given below:

Location of lands	Area in Kanals
Motorway, Mouza Noon, Islamabad.	101.1
Shifa Cooperative Housing Society, Islamabad	23.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

			2021	2020
27	NET REVENUE	Note	(Rupees in '000')	
	Inpatients		5,390,908	4,824,613
	Outpatients		3,377,020	2,846,938
	Pharmacy	27.1	5,271,449	4,294,236
	Other services	27.2	332,754	428,075
			14,372,131	12,393,862
	Less: discount		128,866	119,154
	Less: Sales tax		19,592	15,220
	Net revenue		14,223,673	12,259,488

27.1 This includes revenue of Rs. 690,806 thousand (2020: Rs. 500,068 thousand) from external pharmacy outlets.

27.2 This represents Rs. 301,369 thousand (2020: Rs. 298,888 thousand), Rs. 14,024 thousand (2020: Rs. 21,461 thousand) and Rs. 17,361 thousand (2020: Rs. 107,726 thousand) against cafeteria sales, operating leases to related parties / other parties and corporate services to associate / revenue from construction services respectively.

27.3 The net revenue is excluding physician share of Rs. 1,302,168 thousand (2020: Rs. 1,029,891 thousand).

		2021	2020
28	OTHER INCOME		(Rupees in '000')
	Income from financial assets:		
	Profit on bank deposits	8,493	16,602
	Dividend income from mutual fund - investments at fair value through profit or loss	36,243	-
	Un-realized gain on investments at fair value through profit or loss	1,353	-
	Interest income on treasury bills	25,137	-
		71,226	16,602
	Income from other than financial assets:		
	Gain on disposal of tangible assets	41,975	14,292
	Gain on foreign currency translation	-	117,629
	Liabilities written back	26,568	8,113
	Sale of scrap - net of sales tax	9,658	14,595
	Miscellaneous	22,497	16,897
		100,698	171,526
		171,924	188,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

29	OPERATING COSTS	Note	2021 (Rupees in '000')	2020
	Salaries, wages and benefits	29.1	4,765,285	4,699,117
	Utilities		542,604	538,853
	Supplies consumed		1,623,965	1,262,992
	Medicines consumed		3,815,914	3,168,954
	Communication		41,402	38,532
	Travelling and conveyance		11,821	25,957
	Printing and stationery		104,626	99,066
	Repairs and maintenance		588,242	489,414
	Auditors' remuneration	29.2	6,236	6,116
	Legal and professional		28,717	77,510
	Rent		13,672	14,712
	Rates and taxes		18,585	18,569
	Advertising and sales promotion		48,347	40,843
	Fee, subscription and membership		59,289	77,661
	Vehicle and equipment rentals	29.3	8,874	26,894
	Cleaning and washing		120,870	121,289
	Project cost		12,033	61,074
	Insurance		15,724	14,535
	Property, plant and equipment written off	29.4	977	5,273
	Provision for slow moving stores		6,161	1,438
	Depreciation / amortization on tangible assets	14 & 29.6	840,804	781,841
	Amortization on intangible assets	15	26,267	26,423
	Donations		-	8,000
	Exchange loss on foreign currency translation		120,044	-
	Miscellaneous		43,510	42,537
			12,863,969	11,647,600

29.1 This includes employee retirement benefits (gratuity) of Rs. 143,917 thousand (2020: Rs. 123,824 thousand), expense for compensated absences of Rs. 46,378 thousand (2020: Rs. 46,706 thousand) and bonus to employees of Rs. 190,931 thousand (2020: Rs. 59,269 thousand).

29.2	Auditors' remuneration	2021 (Rupees in '000')	2020
	Annual audit fee	2,943	2,040
	Half yearly review fee	1,572	970
	Statutory certifications	1,721	3,106
		6,236	6,116

29.2.1 The above fee is inclusive of sales tax amounting to Rs.767 thousand (2020: 904 thousand).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

	2021	2020
	(Rupees in '000')	
Within one year	12,447	9,272
After one year but not more than five years	-	12,491
Total ujarah payments	12,447	21,763

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

29.5 Donation

This represented donation given to Shifa Tameer-e-Millat University (STMU) which is related party of the SIHL 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

29.6 This include amortization on investment property amounting to Rs.Nil (2020: Rs.14,925 thousand) disposed off during the last year.

		2021	2020
30	FINANCE COSTS	Note	(Rupees in '000')
	Mark-up on:		
	Long term financing - secured		255,567
	Running finance and murabaha facilities		-
	Lease liabilities		43,263
	Credit card payment collection charges		30,698
	Bank charges and commission		1,183
			330,711
			464,692
31	PROVISION FOR TAXATION		
	Current		
	- for the period		394,595
	- prior year		-
		24	394,595
	Deferred		(94,077)
			300,518
			311,678
32	EARNINGS PER SHARE - BASIC AND DILUTED		
	Profit for the year attributable to equity holders of SIHL		724,091
			731
			(Numbers in '000')
	Weighted average number of ordinary shares in issue during the year	32.1	61,975
			61,752

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

	2021	2020
	(Rupees)	
Earnings per share - basic and diluted	11.68	0.01

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

33 CAPACITY UTILIZATION

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

	2021	2020	2021	2020	2021	2020
	Available bed days		Occupied bed days		Occupancy Ratio	
SIHL H-8/4 Islamabad	184,023	179,842	102,702	105,629	55.81%	58.73%
SIHL Faisalabad	28,105	18,538	6,498	5,247	23.12%	28.30%

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

	2021	2020
34 UNAVAILED CREDIT FACILITIES	(Rupees in '000')	
Unavailed credit facilities at year end are as under:		
Running / Murabaha financing	-	500,000
Letter of credit	100,000	400,000
Diminishing Musharakah	51,962	100,763
Ijarah financing	51,709	71,736
Running Musharakah	500,000	-
Letter of gurantee	23,666	16,400
SBP refinance scheme (Capex)	252,356	200,000
	979,693	1,288,899

35 NUMBER OF EMPLOYEES

The Group had 5,097 employees (2020: 4,824) at the year end and average number of employees during the year were 4,962 (2020: 4,850).

36 RELATED PARTIES TRANSACTIONS

The related parties comprise of associate, 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 officer, chief financial officer, company secretary, 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.

Related parties transactions / balances are given below:

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		2021	2020
	Note	(Rupees in '000')	
Shifa Foundation:			
Opening balance - receivable		17,875	28,647
Revenue from services earned by the Company	36.1	12,607	144,556
Revenue from rent earned by the Company		600	600
Expenses paid and reimbursed to the Company		23	7,701
Other services provided to the Company		(3,424)	(16,076)
Revenue from COVID -19 clinical trial services	36.2	16,498	-
Receipts / adjustments		(27,040)	(147,553)
Closing balance - receivable		17,139	17,875
Tameer-e-Millat Foundation:			
Opening balance - payable		(11,978)	(11,789)
Revenue from rent earned by the Company		311	311
Supplies provided to the Company	36.3	(79,335)	(35,780)
Other services provided to the Company	36.4	(22,320)	(18,946)
Rental services received by the Company		(4,942)	(8,490)
Payments / adjustments		105,191	62,716
Closing balance - payable		(13,073)	(11,978)
Shifa Tameer-e-Millat University:			
Opening balance - payable		(27,468)	(24,074)
Revenue from services earned by the Company	36.1	11,294	33,791
Revenue from rent earned by the Company		2,907	9,648
Other services provided to the Company	36.4	(53,780)	(68,283)
Expenses paid by and reimbursed to the Company		2,968	12,239
Donation paid by the Company		-	(8,000)
Payments / adjustments		59,038	17,211
Closing balance - payable		(5,041)	(27,468)
Shifa Integrated Health Technology (Private) Limited			
Opening balance - receivable		25,783	-
Revenue from services earned by the Company	36.1	351,638	51,858
Expenses paid by and reimbursed to the Company		4,850	739
Other services provided to the Company	36.4	(22,414)	(11,672)
Receipts / adjustments		(335,522)	(15,142)
Closing balance - receivable		24,335	25,783

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		2021	2020
	Note	(Rupees in '000')	
Shifa Care (Private) Limited			
Opening balance		-	-
Investment made by the Company in 1,500,000 (2020: 3,000,000) ordinary shares		(15,000)	(30,000)
Other services provided by the Company	36.4	836	-
Revenue from rent earned by the Company		-	3,960
Expenses paid by and reimbursed to the Company		50	3,356
Receipts / adjustments		14,114	22,684
Closing balance		-	-
SIHL Employees' Gratuity Fund			
Opening balance - payable		(196,221)	(123,128)
Provision / OCI charge		(189,841)	(146,366)
Payment made by the Company during the year	36.5	134,468	73,273
Closing balance - payable		(251,594)	(196,221)
Remuneration including benefits and perquisites of key management personnel	36.6	366,679	347,745
36.1	Revenue earned from related parties includes medical, surgical, clinical and lab services rendered to referred inpatients and outpatients, sale of medicines and provision of cafeteria services. These transactions are executed on terms agreed between the parties.		
36.2	This represents the amount received from Shifa Foundation (SF) against provision of logistical support / supplies etc. for the clinical trial of Covid Vaccine (the Project). The Project is sponsored by National Institute of Health (NIH) and originally given to the SIHL which has contractual collaborative arrangement (the Arrangement) in place with SF whereby the Project was deemed assigned to SF and under the Arrangement SIHL was entitled for recovery against supplies / services provided.		
36.3	This mainly includes cafeteria supplies, uniforms and dairy products etc. These transactions are executed on terms agreed between the parties.		
36.4	This represents services of nursing education / training, employees' children education and media services. These transactions are based on terms agreed between the parties.		
36.5	Transactions with the Fund are carried out based on the terms of employment of employees and according to actuarial advice.		
36.6	This includes employee retirement benefits (gratuity) amounting to Rs. 20,342 thousand (2020: Rs. 15,497 thousand).		
36.7	Names of related parties with whom the SIHL had entered into transactions or had agreements and / or arrangements in place during the financial year are as follow:		

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Sr #	Name of related party (RP)	Basis of relationship	Percentage of	
			SIHL's shareholding in RP	RP's shareholding in the SIHL
1	Shifa Foundation	Common Directorship	N/A*	0.92%
2	Tameer-e-Millat Foundation	Common Directorship	N/A	12.57%
3	SIHL Employees' Gratuity Fund	Benefit plan	N/A	0.12%
4	Shifa Tameer-e-Millat University	Common Directorship	N/A	0.02%
5	Shifa CARE (Private) Limited	Associate and Common Directorship	50%	Nil
6	Shifa Integrated Health Technology (Private) Limited	Common Directorship	N/A	N/A
7	International Finance Corporation (IFC)	Associate	Nil	12%

*N/A stands for not applicable.

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37	REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES									
The aggregate amount charged in these financial statements in respect of remuneration and allowances, including all benefits, to chief executive, directors and executives of the Group are given below:										
Chief Executive			Executive Directors		Non Executive Directors		Executives			
2021	2020		2021	2020	2021	2020	2021	2020	2021	2020
(Rupees in '000')										
Managerial remuneration	45,240	45,352	32,074	22,183	8,800	7,855	208,076	202,735		
Rent and utilities	6,190	6,205	2,722	2,474	1,266	1,567	35,978	32,676		
Bonus and incentives	1,650	2,090	-	3,251	-	307	7,394	9,788		
Gratuity	-	-	-	-	-	-	20,342	15,497		
Medical insurance	76	-	76	64	293	61	1,805	1,837		
Leave encashment	-	-	4,335	-	-	-	6,338	5,953		
	53,156	53,647	39,207	27,972	10,359	9,790	279,933	268,486		
Number of persons	2	2	2	1	8	8	38	50		
37.1	In addition to above, the chief executive is provided with a SIHL maintained car, while one other director and twenty seven executives availed car facility.									
37.2	Managerial remuneration includes Rs. 3,450 thousand (2020: Rs. 2,700 thousand) paid to directors in respect of meeting attending fee.									
37.3	Travelling expenses of directors for official purposes are reimbursed by the Group.									
38	CASH AND CASH EQUIVALENTS					Note	2021		2020	
							(Rupees in '000')			
	Investment - at amortized cost					23	29,348		455,884	
	Cash and bank balances					25	2,929,472		2,602,798	
							2,958,820		3,058,682	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

39	RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES	2021							2020						
		Liabilities			Equity				Liabilities			Equity			
		Long term financing	Government Grant	Lease liabilities	Share capital	Share premium	Non-controlling Interest	Unappropriated profit	Total	Long term financing	Government Grant	Lease liabilities	Share capital	Share premium	Non-controlling Interest
		(Rupees in '000')													
	Balance at beginning of the year	3,378,465	53,193	398,798	619,749	2,751,283	948,384	3,103,034	11,252,906						
	Changes from financing cash flows														
	Proceeds	633,450	-	-	-	-	-	-	633,450						
	Repayments	(381,608)	-	-	-	-	-	-	(381,608)						
	Repayments of lease liabilities	-	-	(169,895)	-	-	-	-	(169,895)						
	Acquisition of shareholding by NCI	-	-	-	-	-	78,000	-	78,000						
	Dividend paid	-	-	-	-	-	-	(1,507)	(1,507)						
	Grant received	-	82,630	-	-	-	-	-	82,630						
	Total changes from financing cash flows	251,842	82,630	(169,895)	-	-	78,000	(1,507)	241,070						
	Other changes														
	Liability related	66,196	-	155,140	-	-	-	-	221,336						
	Equity related	-	-	-	-	-	-	-	-						
	Total comprehensive changes	-	-	-	-	-	-	-	-						
	Other changes in appropriate profit	-	-	-	-	-	110,151	690,681	800,832						
	Changes in unclaimed dividend	-	-	-	-	-	(13)	21,978	21,965						
	NCI recognized during the year	-	-	-	-	-	(16,716)	1,507	1,507						
	Amortisation of government grant	-	(66,196)	-	-	-	-	16,716	(66,196)						
	Total of liability and equity related changes	-	(66,196)	-	-	-	93,422	730,882	758,108						
	Balance at end of the year	3,696,503	69,627	384,043	619,749	2,751,283	1,119,806	3,832,409	12,473,420						
	2020														
	Balance at beginning of the year	2,498,776	-	418,714	545,379	1,046,025	2,593	3,250,167	7,761,654						
	Changes from financing cash flows														
	Issue of share capital	-	-	-	74,370	1,705,258	-	-	1,779,628						
	Proceeds	1,014,133	-	-	-	-	-	-	1,014,133						
	Repayments	(140,214)	-	-	-	-	-	-	(140,214)						
	Repayments of lease liability	-	-	(175,870)	-	-	-	-	(175,870)						
	NCI recognized during the year	-	-	-	-	-	961,493	-	961,493						
	Dividend paid	-	-	-	-	-	-	(170,042)	(170,042)						
	Grant received	-	58,963	-	-	-	-	-	58,963						
	Total changes from financing cash flows	873,919	58,963	(175,870)	74,370	1,705,258	961,493	(170,042)	3,328,091						
	Other changes														
	Liability related	5,770	-	155,954	-	-	-	-	161,724						
	Equity related	-	-	-	-	-	-	-	-						
	Total comprehensive changes	-	-	-	-	-	(12,461)	(13,721)	(26,182)						
	Other changes in unappropriate profit	-	-	-	-	-	-	21,383	21,383						
	Changes in unclaimed dividend	-	-	-	-	-	-	12,006	12,006						
	Acquisition of shareholding by NCI	-	-	-	-	-	(3,241)	3,241	-						
	Amortisation of government grant	-	(5,770)	-	-	-	-	-	(5,770)						
	Total of liability and equity related changes	-	(5,770)	-	-	-	(15,702)	22,909	1,437						
	Balance at end of the year	3,378,465	53,193	398,798	619,749	2,751,283	948,384	3,103,034	11,252,906						

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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40 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.

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 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.

40.1.1 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:

	2021	2020
	(Rupees in '000')	
Deposits	74,007	61,382
Trade debts	904,040	605,899
Other receivables	2,562	50,932
Markup accrued	677	253
Other financial assets	1,102,202	607,137
Bank balances	2,921,105	2,582,924
	5,004,593	3,908,527

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:

40.1.2 Counterparties

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

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Trade debts

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

Bank balances 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.

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

	2021	2020
	(Rupees in '000')	
Government companies	632,053	324,556
Private companies	286,035	244,907
Individuals	140,359	122,791
Related parties	41,474	43,658
	1,099,921	735,912

40.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	2021		2020	
	Gross debts	Allowance for ECL	Gross debts	Allowance for ECL
	(Rupees in '000')			
Not past due	254,806	-	169,526	-
1 - 4 months	359,181	21,481	282,705	43,419
5 - 7 months	155,994	27,545	104,574	9,595
8 - 12 months	119,806	44,095	67,245	10,872
Above 12 months	210,134	102,760	111,862	66,127
	1,099,921	195,881	735,912	130,013

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

		2021	2020
	Note	(Rupees in '000')	
Balance at beginning of the year		130,013	97,498
Expected credit losses		106,189	32,515
Less: bad debts written off		40,321	-
Balance at end of the year	20	195,881	130,013

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For the year ended June 30, 2021

- 40.1.4** The Group believes that no impairment allowance is necessary in respect of markup accrued, deposits, other receivables and other financial assets as the recovery of such amounts is possible except in case of other receivables for which impairment loss has been recorded (Note 22.2.1).

The ageing of Shifa Foundation (SF), Shifa Integrated Health Technology (Private) Limited (SIHT) and Shifa Pan African Hospitals Limited (SPAHL) at the reporting date was:

		2021		2020	
		Gross debts	Allowance for ECL	Gross debts	Allowance for ECL
Note		(Rupees in '000')			
SF					
1 - 4 months	20	17,139	-	17,875	-
SIHT					
1 - 4 months	20	24,335	-	25,783	-
SPAHL					
1 - 4 months		-	-	-	-
5 - 7 months	22.2	4,513	4,513	-	-
8-12 months	22.2	-	-	47,389	-
Above 12 months	22.2	47,389	47,389	-	-

- 40.1.5** Cash and investments are held only with reputable banks and their mutual funds 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	Long term
Habib Bank Limited (HBL)	JCR - VIS	A1+	AAA
United Bank Limited (UBL)	JCR - VIS	A1+	AAA
MCB Bank Limited	PACRA	A1+	AAA
Dubai Islamic Bank	JCR - VIS	A1+	AA
The Bank of Punjab	PACRA	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA+
Faysal Bank Limited	JCR - VIS	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Al Habib Limited	PACRA	A1+	AAA
Silk Bank Limited	JCR - VIS	A2	A-
Meezan Bank Limited	JCR - VIS	A1+	AAA
Al Baraka Bank (Pakistan) Limited	JCR - VIS	A1	A+
UBL - Al Ameen Islamic Cash Fund	JCR - VIS	-	AA+(f)
HBL Cash Fund	JCR - VIS	-	AA+(f)

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40.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For this purpose the Group has credit facilities as mentioned in notes 8 and 34 to the 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')						
2021						
Long term financing- secured	3,766,130	665,362	740,360	1,284,106	1,076,302	-
Trade and other payables	2,738,685	2,738,685	-	-	-	-
Unclaimed dividend	35,158	35,158	-	-	-	-
Mark up accrued	16,913	16,913	-	-	-	-
	6,556,886	3,456,118	740,360	1,284,106	1,076,302	-
2020						
Long term financing-secured	3,431,658	1,439	289,117	1,090,410	2,050,692	-
Trade and other payables	2,585,587	2,585,587	-	-	-	-
Unclaimed dividend	36,665	36,665	-	-	-	-
Mark up accrued	34,784	34,784	-	-	-	-
	6,088,694	2,658,475	289,117	1,090,410	2,050,692	-

Maturity analysis of lease liabilities is given in note 10.

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 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, mark up rate and market price 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 Group's exposure to foreign currency risk is as follows:

	2021			2020		
	(Amount in '000')					
	Euro	USD	AED	Euro	USD	AED
Trade debts	-	538.54	-	-	536.25	-
Creditors	-	-	-	-	(162.50)	-
Bank balances	-	10,673.07	351.09	-	11,264.76	24.86
Letter of credit	(62.00)	(285.65)	-	(58.50)	-	-
	(62.00)	10,925.96	351.09	(58.50)	11,638.51	24.86

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	2021			2020		
	(Rupees in '000')					
Trade debts	-	84,620	-	-	90,079	-
Creditors	-	-	-	-	(27,357)	-
Bank balances	-	1,677,047	15,032	-	1,892,241	1,137
Letter of credit	(11,622)	(44,988)	-	(11,047)	-	-
	(11,622)	1,716,679	15,032	(11,047)	1,954,963	1,137

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2021	2020	2021	2020
	(Rupees)			
USD 1 - Buying	160.10	158.07	157.13	167.98
USD 1 - Selling	160.47	158.45	157.49	168.35
AED 1 - Buying	43.59	43.03	42.82	45.73
AED 1 - Selling	43.69	43.13	42.91	45.83
Euro 1 - Buying	190.92	174.85	187.04	188.43
Euro 1 - Selling	191.34	175.26	187.45	188.84

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')	
2021			
Foreign currencies	+10%	172,099	172,099
Foreign currencies	-10%	(172,099)	(172,099)
2020			
Foreign currencies	+10%	194,505	194,505
Foreign currencies	-10%	(194,505)	(194,505)

40.3.2 Markup rate risk

The markup rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term financing, short term investments and deposits with banks. At the reporting date the markup rate profile of the Group's markup-bearing financial instruments are:

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		2021	2020
	Note	(Rupees in '000')	
Financial assets			
Investment - at amortized cost	23.1	343,788	455,884
Bank balances	25	821,083	287,264
		1,164,871	743,148
Financial liabilities			
Long term financing - secured	8	(3,766,130)	(3,431,658)
		(2,601,259)	(2,688,510)

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 Group's profit for the year ended June 30, 2021 would decrease / increase by Rs. 10,409 thousand (2020: decrease / increase by Rs. 14,556 thousand). This is mainly attributable to the Group's exposure to markup rates on its variable rate borrowings.

Price risk

The Group's price risk arises from investments in units as disclosed in - note 23.2 which are designated at fair value through profit or loss, however, in accordance with the investment strategy the performance of units is actively monitored and they are managed on a fair value basis.

Price risk sensitivity analysis

A change of Rs. 1 in the value of investments at fair value through profit or loss would have increased or decreased profit or loss by Rs. 10,694 thousand (2020: Nil)

40.4

Financial instrument by category

	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
2021	(Rupees in '000')			
Financial assets				
Maturity upto one year				
Trade debts	904,040	-	-	904,040
Other receivables	2,562	-	-	2,562
Markup accrued	677	-	-	677
Other financial assets	343,788	758,414	-	1,102,202
Cash and bank balances	2,929,472	-	-	2,929,472
Maturing after one year				
Long term deposits	74,007	-	-	74,007
	4,254,546	758,414	-	5,012,960

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	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
2021	(Rupees in '000')			
Financial liabilities				
Maturing upto one year				
Trade and other payables	2,738,685	-	-	2,738,685
Unclaimed dividend	35,158	-	-	35,158
Markup accrued	16,913	-	-	16,913
Current portion of long term financing - secured	1,405,722	-	-	1,405,722
Current portion of lease liabilities	118,456	-	-	118,456
Maturing after one year				
Long term financing - secured	2,360,408	-	-	2,360,408
Lease liabilities	265,587	-	-	265,587
	6,940,929	-	-	6,940,929
2020				
Financial assets				
Maturity upto one year				
Trade debts	605,899	-	-	605,899
Other receivables	50,932	-	-	50,932
Markup accrued	253	-	-	253
Other financial assets	455,884	151,253	-	607,137
Cash and bank balances	2,602,798	-	-	2,602,798
Maturing after one year				
Long term deposits	61,382	-	-	61,382
	3,777,148	151,253	-	3,928,401
Financial liabilities				
Maturing upto one year				
Trade and other payables	2,585,587	-	-	2,585,587
Unclaimed dividend	36,665	-	-	36,665
Markup accrued	34,784	-	-	34,784
Current portion of long term financing - secured	290,556	-	-	290,556
Current portion of lease liabilities	135,305	-	-	135,305
Maturing after one year				
Long term financing - secured	3,141,102	-	-	3,141,102
Lease liabilities	263,493	-	-	263,493
	6,487,492	-	-	6,487,492

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40.5 Fair value

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
(Rupees in '000')				
Assets carried at amortized cost				
Long term deposits	74,007	74,007	61,382	61,382
Trade debts	904,040	904,040	605,899	605,899
Other receivables	2,562	2,562	50,932	50,932
Markup accrued	677	677	253	253
Other financial assets	343,788	343,788	455,884	455,884
Cash and bank balances	2,929,472	2,929,472	2,602,798	2,602,798
	4,254,546	4,254,546	3,777,148	3,777,148
Assets carried at fair value				
Other financial assets	758,414	758,414	151,253	151,253
Liabilities carried at amortized cost				
Long term financing - secured	2,360,408	2,360,408	3,141,102	3,141,102
Lease liabilities	265,587	265,587	263,493	263,493
Trade and other payables	2,738,685	2,738,685	2,585,587	2,585,587
Unclaimed dividend	35,158	35,158	36,665	36,665
Markup accrued	16,913	16,913	34,784	34,784
Current portion of long term financing - secured	1,405,722	1,405,722	290,556	290,556
Current portion of lease liabilities	118,456	118,456	135,305	135,305
	6,940,929	6,940,929	6,487,492	6,487,492

The basis for determining fair values is as follows:

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are short term in nature, fair value significantly approximates to carrying value.

41 FAIR VALUE HIERARCHY

Other financial assets

Fair value of investment in mutual funds (Note 23.2) has been determined using quoted repurchase price at reporting date and categorized under level 1 of fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

Fair value of land

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

There were no transfer amongst the levels during the year. Further, there were no changes in the valuation techniques during the year.

42 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to ensure the Group's ability not only to continue as a going concern but also to meet its requirements for expansion and enhancement of its business, maximize return of shareholders and optimize benefits for other stakeholders to maintain an optimal capital structure and to reduce the cost of capital

In order to achieve the above objectives, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares through bonus or right issue or sell assets to reduce debts or raise debts, if required.

43 DISCLOSURE REQUIREMENTS FOR ALL SHARES ISLAMIC INDEX

		2021	2020
Description	Explanation	(Rupees in '000')	
Bank balances	Placed under interest	313,670	117,810
	Placed under sharia permissible arrangement	507,413	169,454
		821,083	287,264
Return on bank deposit for the year	Placed under interest	3,997	3,226
	Placed under sharia permissible arrangement	4,337	8,702
		8,334	11,928
Interest and dividend income on investment for the year	Placed under interest	25,296	3,263
	Placed under sharia permissible arrangement	36,243	1,411
		61,539	4,674
Segment revenue	Disclosed in note 27		
Exchange gain earned		-	117,629
Loans obtained as per Islamic mode		2,788,360	2,931,012
Mark up paid on Islamic mode of financing		305,325	406,082
Interest paid on any conventional loan		-	2,162

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

Relationship with sharia compliant banks

The Company has obtained long term loans and has maintained bank balances and term deposits with sharia compliant banks as given below:

- Askari Bank Limited
- Al-Baraka Bank (Pakistan) Limited
- Habib Bank Limited
- Faysal Bank Limited
- Bank Alfalah Limited
- The Bank Of Punjab
- Meezan Bank Limited
- Dubai Islamic Bank

44 OPERATING SEGMENTS

These consolidated financial statements have been prepared on the basis of single reportable segment. All revenue of the Group is earned from customers located in Pakistan. All non-current assets of the Group at June 30, 2021 are located in Pakistan. There is no customer with more than 10% of total revenue of the Group for the year.

45 IMPACT OF COVID-19 (CORONA VIRUS)

A novel strain of coronavirus (COVID-19) classified as a pandemic by the World Health Organization on 11 March 2020 has impacted the countries globally including Pakistan. Due to this pandemic during last financial year the operations of the hospital were interrupted that resulted shortfalls against budgeted revenues and cash flows. 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. In addition to above the Group has implemented various measures that has enabled the Group to continue its operations without interruption during the current year and thereafter. Due to above the management of the Group believes that the pandemic has no adverse impact on Group's financial position and the results of operations during the current year except the matter referred in note 22.2.1. The management of the Group will continue to monitor the situation and will take all possible measures to overcome the effects of the pandemic.

46 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 25, 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

47 NON-ADJUSTING EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors of the SIHL, in their meeting held on September 25, 2021, proposed bonus shares at the rate of 2% in proportion of one ordinary share for every fifty shares held (total 1,239,497 bonus shares having face value of Rs. 10 each) for approval of the members in Annual General Meeting to be held on October 28, 2021.

These consolidated financial statements do not reflect the proposed appropriation, which will be accounted for in the consolidated statement of changes in equity as appropriation from share premium in the year ending June 30, 2022.

48 GENERAL

- Figures have been rounded off to the nearest one thousand Pak Rupees unless otherwise stated.
- Immaterial reclassification has been made wherever necessary.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER