Financial Statements

for the year ended June 30, 2007

Statement of Compliance with the Code of Corporate Governance

The statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation No. 37 of The Karachi Stock Exchange, chapter XIII of the Listing Regulation of The Lahore Stock Exchange and chapter XI of the Listing Regulation of The Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company, in order to facilitate its shareholders/investors all over Pakistan, is listed on all the three Stock Exchanges of Pakistan since 1995.

2. The Company encourages representation of non-executive directors, at present the Board includes six non-executive directors.

3. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

4. To the best of our knowledge all the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

5. No causal vacancy occurred in the Board during the year ended June 30, 2007.

6. The Company has prepared a "statement of ethics and business practice", which has been signed by all the directors and employees of the Company.

7. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

8. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

9. The Board is mindful of its responsibilities to the Company's shareholders for the performance of the Company and regular Annual General Meetings of the Company are held and also provides shareholders an opportunity to question the Board about business issues and prospects.

10. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and relevant documents were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

11. The Board arranged in house orientation courses for its directors during the year to apprise them of their duties and responsibilities.

12. There were no new appointments of Company Secretary or CFO or Head of Internal Audit during the year.

13. The directors' report for this year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

14. The CEO and the CFO before approval by the Board duly endorsed the financial statements of the Company.

15. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

Statement of Compliance with the Code of Corporate Governance Continued

16. The Company has complied with all the corporate and financial reporting requirements of the Code.

17. The Board has formed an audit committee. It comprises five members, three of them, including the chairman, are non-executive directors.

18. The meetings of the audit committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formulated and advised to the committee for compliance.

19. The Board has set-up an effective internal audit function.

20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the regulations and the auditors have confirmed that they observed IFAC guidelines in this regard.

22. We confirm that all other material principles contained in the Code have been complied with.

ISLAMABAD
September 03, 2007

DR. ZAHEER AHMAD
Chairman & CEO

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
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Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Shifa International Hospitals Limited ("the Company") to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code of Corporate Governance.

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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 best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2007.

Dated: September 03, 2007
Islamabad

Chartered Accountants

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Shifa International Hospitals Limited ("the Company") as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

  (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, 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, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Dated: September 03, 2007
Islamabad

MYousufAdilSaleem & Co.
Chartered Accountants

BALANCE SHEET
AS AT JUNE 30, 2007

	Note	2007	2006
		Rupees	
FIXED ASSETS			
Property, plant and equipment	4	**1,773,567,081**	1,339,235,559
LONG-TERM DEPOSITS	5	**10,028,421**	7,785,230
CURRENT ASSETS			
Stores, spare parts and loose tools	6	**44,717,875**	50,329,351
Stock-in-trade	7	**29,845,003**	20,070,839
Trade debts	8	**131,129,007**	149,121,951
Loans and advances	9	**17,517,367**	23,899,258
Trade deposits and short term prepayments	10	**9,541,801**	5,264,102
Other financial assets	11	**24,595,328**	16,445,056
Tax refunds due from the Government	12	**13,280,840**	7,739,183
Cash and bank balances	13	**125,565,280**	83,456,880
		396,192,501	356,326,620
		2,179,788,003	1,703,347,409
SHARE CAPITAL AND RESERVES			
Share capital	14	**505,138,000**	505,138,000
Capital reserve	15	**40,000,000**	40,000,000
Unappropriated profits		**163,040,168**	96,660,814
		708,178,168	641,798,814
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	16	**226,041,119**	228,831,747
NON-CURRENT LIABILITIES			
Long-term financing	17	**523,394,800**	219,744,795
Liabilities against assets subject to finance lease	18	**13,594,622**	22,800,948
Deferred liabilities	19	**154,979,867**	124,104,014
		691,969,289	366,649,757
CURRENT LIABILITIES			
Trade and other payables	20	**344,488,364**	220,766,943
Mark-up accrued	21	**18,380,668**	9,526,638
Short-term borrowings	22	**10,274,071**	111,838,822
Current portion of :			
long-term financing	17	**171,249,998**	106,666,668
liabilities against assets subject to finance lease	18	**9,206,326**	17,268,020
		553,599,427	466,067,091
CONTINGENCIES AND COMMITMENTS	23		
		2,179,788,003	1,703,347,409

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

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007	2006
		Rupees	
Net revenue	24	**1,308,300,483**	1,162,599,290
Other operating income	25	**7,829,237**	7,959,654
Operating costs	26	**(1,107,026,811)**	(941,348,489)
Finance cost	27	**(66,359,785)**	(40,010,567)
Profit before taxation		**142,743,124**	189,199,888
Provision for taxation	28	**(28,640,598)**	(58,816,035)
Profit for the year		**114,102,526**	130,383,853
Earnings per share - basic and diluted	29	**2.26**	2.58

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

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007	2006
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	**420,902,944**	274,544,989
Gratuity and compensated absences paid		**(11,103,181)**	(12,783,164)
Finance cost paid		**(57,505,755)**	(37,313,627)
Income tax paid		**(12,745,347)**	(6,274,867)
Dividend paid		**(49,530,053)**	(49,815,983)
Net cash from operating activities		**290,018,608**	168,357,348
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(495,192,581)**	(185,814,600)
Proceeds from disposal of property, plant and equipment		**125,000**	-
Claim from insurance company		**-**	70,000
Long term-deposits		**(2,243,191)**	(1,710,463)
Purchase of investment		**-**	(11,250,000)
Net cash used in investing activities		**(497,310,772)**	(198,705,063)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in long-term financing		**368,233,335**	13,333,332
(Decrease)/increase in short-term borrowings		**(101,564,751)**	53,029,533
Payment of finance lease liabilities		**(17,268,020)**	(24,013,741)
Net cash from financing activities		**249,400,564**	42,349,124
Net increase in cash and cash equivalents		**42,108,400**	12,001,409
Cash and cash equivalents at beginning of year		**83,456,880**	71,455,471
Cash and cash equivalents at end of year		**125,565,280**	83,456,880

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2007

	Note	Share capital	Capital reserve	Unappropriated profits	Total
			Rupees		
Balance at June 30, 2005		505,138,000	40,000,000	14,000,133	559,138,133
Changes in equity for the year 2006					
Profit for the year		-	-	130,383,853	130,383,853
Dividend for the year ended June 30, 2005: Re. 1/- per share		-	-	(50,513,800)	(50,513,800)
Transfer of incremental depreciation	16	-	-	2,790,628	2,790,628
Balance at June 30, 2006		505,138,000	40,000,000	96,660,814	641,798,814
Changes in equity for the year 2007					
Profit for the year		-	-	114,102,526	114,102,526
Dividend for the year ended June 30, 2006: Re. 1/- per share		-	-	(50,513,800)	(50,513,800)
Transfer of incremental depreciation	16	-	-	2,790,628	2,790,628
Balance at June 30, 2007		**505,138,000**	**40,000,000**	**163,040,168**	**708,178,168**

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

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1. STATUS AND NATURE OF BUSINESS

Shifa International Hospitals Limited ("the Company") was incorporated in Pakistan on September 29, 1987 as a private limited company under the Companies Ordinance, 1984 and converted into a public limited company on October 12, 1989. The Company is listed on all the three stock exchanges of Pakistan. The registered office of the Company is located at Sector H-8/4, Islamabad.

The principal activity of the Company is to establish and run medical centres and hospitals in Pakistan. The Company has established its first hospital in 1993 in Islamabad.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and directives issued by the Securities and Exchange Commission of Pakistan. Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention and basis of preparation

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

- revaluation of certain property, plant and equipment;
- recognition of certain employee retirement benefits at present value; and
- investments held to maturity at amortized cost.

3.2 Accounting estimates and judgments

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

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

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

3.2.1 Provision for doubtful debts

The Company estimates the recoverability of the trade debts and provides for doubtful debts based on its prior experience. The carrying amounts of trade debts and provision for doubtful debts are disclosed in note 8 to these financial statements.

3.2.2 Employee benefit costs

The Company operates approved funded gratuity scheme covering all its employees who have completed the minimum qualifying period of service as defined under the respective scheme. The gratuity scheme is managed by

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007

trustees. The calculation of the benefit require assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used for the plan are determined by independent actuary on annual basis.

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

3.2.3 Property, plant and equipment

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

3.2.4 Taxation

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

3.2.5 Contingencies

The Company has disclosed significant contingent liabilities for the pending litigation 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 recognised at the balance sheet date. However, based on the best judgment of the Company and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognise any liability at the balance sheet date.

3.3 Property, plant and equipment

Property, plant and equipment except leasehold/freehold land and capital work in progress (CWIP) are stated at cost less accumulated depreciation/amortization and impairment in value, if any. Leasehold land is stated at revalued amount and is amortized over the lease period extendable up to 99 years. Freehold land, capital work in progress and stores held for capital expenditure are stated at cost.

Depreciation/amortization is provided on straight-line method and charged to income to write off the depreciable amount of each asset over its estimated useful life.

Full year's depreciation/amortization is charged on assets acquired during first six months of the financial year, while half year's depreciation/amortization is charged on subsequent additions and no depreciation is charged on assets disposed off during the year.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its unappropriated profit.

Subsequent costs are included in the asset's carrying amount or recognised 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 are charged to income during the financial period in which they are incurred.

All expenditure connected with specific assets incurred during installation and construction period are carried under

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

Gains or losses on disposal of assets, if any, are charged to income as and when incurred.

3.4 Leases

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

As lessor

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

As lessee

The Company recognises finance leases as assets and liabilities in the balance sheet at amounts equal, at the inception of the lease, to the fair value of the asset or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease. Initial direct costs incurred are included as part of the amount recognised as an asset. The liabilities are classified as current and long term depending upon the timing of payment. Lease payments are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Finance charges are charged directly to income.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

3.5 Impairment

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. 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 initial cost of the asset. Reversal of impairment loss is recognised as income.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

3.6 Investments

Regular way purchase or sale of investments

All purchases and sales of investments are recognised using settlement date accounting. Settlement date is the date that investments are delivered to or by the Company.

Investments held to maturity

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held to maturity investments are initially recognised at cost inclusive of transaction cost and are subsequently carried at amortized cost using effective interest rate method less impairment cost, if determined.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3.7 Stores, spare parts and loose tools

These are valued at cost, determined on moving average basis, or net realizable value, whichever, is lower, less allowance for obsolete and slow moving items. For items which are slow moving and/or identified as surplus to the Company's requirement, a provision is made for excess of book value over estimated net realisable value. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

3.8 Stock-in-trade

Stock-in-trade is valued at cost, determined on moving average basis, or net realizable value, whichever, is lower. Cost includes applicable purchase cost and other directly related expenses.

Net realisable value signifies the estimated selling price in the ordinary course of the business, less estimated costs of completion and the estimated cost necessary to make the sale.

3.9 Trade debts and other receivables

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

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash 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.

3.11 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

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

3.12 Offsetting of financial assets and financial liabilities

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

3.13 Employee benefit costs

Defined benefit plan

The Company operates approved funded gratuity scheme covering all its employees who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation and is charged to income. The most recent valuation was carried out as at June 30, 2007 using the "Projected Unit Credit Method".

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

Cumulative net unrecognised actuarial gains and losses at the end of previous year, which exceed ten percent of the greater of the present value of the Company's defined benefit obligation and the fair value of the plan assets, as at that date, are amortized over the expected average remaining working lives of the employees participating in the scheme.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and as reduced by the fair value of plan assets. Details of the scheme are given in note 20.4 to these financial statements.

Compensated absences

The Company provides for compensated absences in the period in which the employees earn the absences. Accrual to cover the obligations is made using the current salary levels of the employees.

3.14 Trade and other payables

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

3.15 Provisions

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

3.16 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates, losses and exemptions available, if any, or minimum taxation at the rate of one-half percent of the turnover, whichever is higher.

Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime are also considered in accordance with the requirement of Technical Release - 27 of Institute of Chartered Accountants of Pakistan.

Deferred income tax liabilities are recognised for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such deductible temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

3.17 Foreign currencies

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

3.18 Revenue recognition

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

Interest income is accrued on a 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.

Scrap sales and miscellaneous receipts are recognised on realized amounts.

3.19 Related party transactions

Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.

3.20 Borrowing costs

Mark-up and other charges on borrowings are charged to income in the year in which they are incurred.

3.21 New accounting standards and International Financial Reporting Interpretation Committee (IFRIC) interpretations that are not yet effective:

Amendments to the following standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

	Effective from
IAS 1 - Presentation of Financial Statements - Capital Disclosure;	January 1, 2007
IAS 23 - Borrowing Cost (as revised);	January 1, 2009
IFRS 7 - Financial Instrument: Disclosure;	January 1, 2008
IFRS 8 - Operating segment;	January 1, 2009
IFRIC 10 - Interim Financial Reporting and Impairment;	November 1, 2006
IFRIC 11 - Group and Treasury Share Transactions;	March 1, 2007
IFRIC 12 - Service Concession Agreement;	January 1, 2008
IFRIC 13 - Customer Loyalty Programmes;	July 1, 2008
IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interactions;	January 1, 2008

Adoption of the above amendments would result in an impact to the extent of disclosures presented in the future financial statements of the Company.

In addition to above, a new series of standards called "International Financial Reporting Standards (IFRSs)" have been introduced and seven IFRSs have been issued by "International Accounting Standards Board (IASB)". Out of these, following four IFRSs have been adopted by SECP vide its S.R.O. (I) 2006 dated December 06, 2006.

(i) IFRS - 2 "Share- based Payments";
(ii) IFRS - 3 "Business Combinations";
(iii) IFRS - 5 "Non- current Asset Held for Sale and Discontinued Operations"; and
(iv) IFRS - 6 "Exploration for and Evaluation of Mineral Resources".

The Company expects that the adoption of these standards mentioned above will have no significant impact on the Company's financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

4 PROPERTY, PLANT AND EQUIPMENT

	2007								
	Cost/ revaluation at July 01, 2006	Additions/ (disposals)/ (write offs)*/ reclassification**	Cost/ revaluation at June 30, 2007	Accumulated depreciation/ amortization at July 01, 2006	Depreciation/ amortization for the year	Accumulated depreciation/ amortization on (disposals)/ (write offs)*/ reclassification**	Accumulated depreciation/ amortization at June 30, 2007	Book value at June 30, 2007	Annual rate of depreciation/ amortization
	Rupees								%
Company owned									
Freehold land	19,167,862	-	19,167,862	-		-	-	19,167,862	
Leasehold land (note 4.1 & 4.2)	242,258,138	-	242,258,138	6,469,824	2,875,464		9,345,288	232,912,850	1.01
Buildings on leasehold land	692,815,196	99,952,926**	792,768,122	104,857,476	19,174,750		124,032,226	668,735,896	2.5-10
Biomedical equipment	413,218,052	115,520,506 (125,400) (2,864,208)* 32,639,626**	558,388,576	199,610,017	35,168,037	- (37,620) (1,825,591)* 13,242,547**	246,157,390	312,231,186	5-10
Air conditioning equipment and machinery	53,932,902	16,087,415	70,020,317	39,438,177	4,097,176	-	43,535,353	26,484,964	10-15
Electrical and other equipment	48,074,305	25,507,688 (450,000) (206,603)* 25,913,606**	98,838,996	27,792,674	6,819,629	- (371,250) (67,812)* 12,628,976**	48,802,217	50,036,779	15
Furniture and fittings	25,930,947	2,912,789 (133,923)*	28,709,813	10,208,456	2,178,956	- (58,764)*	12,328,648	16,381,165	10-20
Construction equipment	8,581,298		8,581,298	4,064,693	588,540	-	4,653,233	3,928,065	10-20
Computer installations	31,427,351	7,807,512 (374,124)*	38,860,739	17,814,763	6,322,271	- (279,087)*	23,857,947	15,002,792	15-30
Vehicles	13,312,016	4,063,785	17,375,801	9,184,417	2,273,699	-	11,458,116	5,917,685	20
	1,548,718,067	171,899,695 (575,400) (3,578,858)* 158,506,158**	1,874,969,662	419,440,497	81,498,522	- (408,870) (2,231,254)* 25,871,523**	524,170,418	1,350,799,244	
Assets held under finance lease									
Biomedical equipment	57,266,822	(32,639,626)**	24,627,196	14,158,734	3,278,718	(13,242,547)**	4,194,905	20,432,291	10
Electrical and other equipment	26,913,606	(25,913,606)**	1,000,000	11,807,214	1,121,760	(12,628,976)**	299,998	700,002	15
Computers installations	221,500	-	221,500	55,375	55,380	-	110,755	110,745	15-30
Vehicles	11,591,900	-	11,591,900	1,584,990	2,318,375		3,903,365	7,688,535	20
	95,993,828	(58,553,232)**	37,440,596	27,606,313	6,774,233	(25,871,523)**	8,509,023	28,931,573	
Capital work in progress (note 4.6)	141,570,474	352,218,716 (99,952,926)**	393,836,264	-	-	-		393,836,264	
	1,786,282,369	519,964,153	2,306,246,522	447,046,810	88,272,755	(2,640,124)	532,679,441	1,773,567,081	

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

	2006								
	Cost/ revaluation at July 01, 2005	Additions/ (disposals)/ (write offs)*/ reclassification**	Cost/ revaluation at June 30, 2006	Accumulated depreciation/ amortization at July 01, 2005	Depreciation/ amortization for the year	Accumulated depreciation/ amortization on (disposals)/ (write offs)*/ reclassification**	Accumulated depreciation/ amortization at June 30, 2006	Book value at June 30, 2006	Annual rate of depreciation/ amortization
	Rupees								%
Company owned									
Freehold land	8,265,000	10,902,862	19,167,862	-		-		19,167,862	
Leasehold land (note 4.1 & 4.2)	242,258,138	-	242,258,138	3,594,360	2,875,464		6,469,824	235,788,314	1.01
Buildings on leasehold land	582,266,748	110,789,858**	692,815,196	88,497,102	16,406,843	-	104,857,476	587,957,720	2.5-10
		(241,410)*				(46,469)*			
Biomedical equipment	379,576,846	34,999,066	413,218,052	172,107,388	28,263,776	(761,147)*	199,610,017	213,608,035	5-10
		(1,357,860)*							
Air conditioning equipment and machinery	52,737,494	1,195,408	53,932,902	36,510,754	2,927,423		39,438,177	14,494,725	10-15
Electrical and other equipment	43,067,115	5,749,306	48,074,305	24,005,084	3,935,940	(148,350)*	27,792,674	20,281,631	15
		(742,116)*							
Furniture and fittings	20,568,553	5,778,707	25,930,947	8,621,595	1,857,833	(271,972)*	10,208,456	15,722,491	10-20
		(416,313)*							
Construction equipment	8,500,223	81,075	8,581,298	3,476,145	588,548		4,064,693	4,516,605	10-20
Computer installations	27,536,756	4,393,033	31,427,351	13,355,628	4,797,698	(338,563)*	17,814,763	13,612,588	15-30
		(502,438)*							
Vehicles	12,166,516	1,145,500	13,312,016	7,255,094	1,929,323	-	9,184,417	4,127,599	20
	1,376,943,389	175,034,815	1,548,718,067	357,425,150	63,582,848	-	419,440,497	1,129,277,570	
		(3,260,137)*				(1,567,501)*			
Assets held under finance lease									
Biomedical equipment	32,639,626	24,627,196	57,266,822	9,162,593	4,996,141	-	14,158,734	43,108,088	10
Electrical and other equipment	25,913,606	1,000,000	26,913,606	7,770,174	4,037,040	-	11,807,214	15,106,392	15
Computers	-	221,500	221,500	-	55,375		55,375	166,125	15-30
Vehicles	1,667,000	9,924,900	11,591,900	166,700	1,418,290	-	1,584,990	10,006,910	20
	60,220,232	35,773,596	95,993,828	17,099,467	10,506,846		77,606,313	68,387,515	
Capital work in progress (note 4.6)	130,340,589	122,019,743	141,570,474				-	141,570,474	
		(110,789,858)**							
	1,567,504,210	218,778,159	1,786,282,369	374,524,617	74,089,694	(1,567,501)*	447,046,810	1,339,235,559	

** Reclassification includes inter-category adjustments.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED JUNE 30, 2007

4.1 The Company had its leasehold land revalued in 1999 and 2004 by an independent valuer, using fair market value. These revaluations resulted in net surplus of Rs. 180,873,196/- and Rs. 63,890,811/- respectively. The revaluation surplus amounting to Rs. 244,764,007/- has been included in the carrying value of the respective assets. Out of the revaluation surplus, an amount of Rs. 226,041,119/- remains undepreciated as at June 30, 2007 (2006: Rs. 228,831,747/-).

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

Leasehold land	Cost at July 01, 1999	Accumulated amortization at June 30 Rupees	Book value at June 30
2007	**8,398,785**	**1,527,051**	**6,871,734**
2006	8,398,785	1,442,215	6,956,570

4.3 Property, plant and equipment of the Company are encumbered with banking and non-banking financial institutions under financing arrangements, as disclosed in note 17.1 and 22.

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

	Note	2007 Rupees	2006
Operating cost	26	**87,684,215**	73,501,146
Capital work in progress	4.6.1	**588,540**	588,548
		88,272,755	74,089,694

4.5 The Company has entered into sale and leaseback transactions with various financial institutions. Significant terms of the finance lease arrangements being made by the Company are disclosed in note 18 to these financial statements.

4.6 Capital work in progress

Construction work in progress - at cost	4.6.1	**148,866,122**	106,661,391
Stores held for capital expenditure	4.6.2	**7,018,858**	4,909,083
Advance for acquisition of land	4.6.3	**30,000,000**	30,000,000
Installation of equipment in progress	4.6.4	**207,951,284**	-
		393,836,264	141,570,474

4.6.1 Construction work in progress - at cost

This represents cost of civil works, mainly comprising of cost of materials, payments to contractors and salaries and benefits on different blocks of Hospital building. Given below is the break-up of these blocks:

Block "D"		**56,223,827**	67,144,648
Block "E"		**28,261,949**	18,683,321
Block "F"		**40,460,379**	8,886,865
Block "G"		**11,700,565**	-
Block "H"		**-**	1,562,498
Other constructions		**11,630,862**	9,795,511
Depreciation charge for the year	4.4	**588,540**	588,548
		148,866,122	106,661,391

4.6.2 Stores held for capital expenditure

Stores held for capital expenditure	**7,323,961**	5,214,186
Less: Provision for slow moving and obsolete items	**305,103**	305,103
	7,018,858	4,909,083

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

4.6.3 Advance for acquisition of land amounting to Rs. 30,000,000/- for five plots of two kanals each (2006: Rs 30,000,000/- five plots of two kanals each) was given to Shifa Co-operative Housing Society Limited (related party). Provisional allotment letters dated August 05, 2004 and August 06, 2005 have been issued to the Company.

	2007	2006
	Rupees	
4.6.4 Installation of equipment in progress		
Linear accelerator	50,522,343	-
Gamma camera	19,339,289	-
CT scanner	65,101,845	-
Mamography machine	3,506,389	-
Rotational angiography	28,409,756	-
Hitachi MRI	41,071,662	-
	207,951,284	-

4.6.5 Details of property, plant and equipment sold

Description	Cost	Book value	Sale proceeds	Purchaser
		Rupees		
Biomedical equipment				
Replacement of gastroscope	125,400	87,780	100,000	HUMED H # 818, St # 19 G-10/1, Islamabad
Electrical and other equipment				
Replacement of photocopier by quotations	450,000	78,750	25,000	O & A Machines 11/60-A, Khan Chamber Saddar, Rawalpindi
	575,400	166,530	125,000	

		2007	2006
		Rupees	
5 LONG-TERM DEPOSITS			
Lease key deposits	5.1	4,774,070	7,479,777
Less: Current portion shown in current assets	10	513,200	2,705,707
		4,260,870	4,774,070
Others	5.2	5,767,551	3,011,160
		10,028,421	7,785,230

5.1 These represent lease key deposits which are adjustable on expiry of relevant lease terms against the transfer of titles of assets.

5.2 These represent security deposits given to various institutions/persons and are generally refundable on termination of relevant services/arrangements.

6 STORES, SPARE PARTS AND LOOSE TOOLS

	2007	2006
Stores	36,602,861	42,489,064
Spare parts	8,484,909	8,228,916
Loose tools	155,058	136,324
	45,242,828	50,854,304
Less: Provision for slow moving and obsolete items	524,953	524,953
	44,717,875	50,329,351

7 STOCK-IN-TRADE

Medicines of Rs. 29,845,003/- (2006: Rs. 20,070,839/-) are being carried at moving average cost.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007	2006
		Rupees	
8 TRADE DEBTS			
Considered good - unsecured			
Related party - Shifa Foundation	8.1	36,759,536	42,319,110
Others		94,369,471	106,802,841
Considered doubtful			
Others		33,181,636	23,377,321
Considered bad			
Others		-	2,480,383
		164,310,643	174,979,655
Less: Provision for doubtful debts		33,181,636	23,377,321
Bad debts written off		-	2,480,383
		33,181,636	25,857,704
		131,129,007	149,121,951

8.1 The maximum amount due from Shifa Foundation at the end of any month during the year was Rs.43,263,850/- (2006: Rs. 50,958,366/-).

	Note	2007	2006
9 LOANS AND ADVANCES			
Considered good - unsecured			
Employees - executives	9.1	260,182	214,904
- non-executives		4,983,163	3,396,453
		5,243,345	3,611,357
Consultants		300,000	229,178
Suppliers		11,974,022	20,058,723
		17,517,367	23,899,258
Considered bad			
Employees - non-executives		-	131,547
		17,517,367	24,030,805
Less: Provision for doubtful advances		-	131,547
		17,517,367	23,899,258

9.1 Reconciliation of carrying amount of advances given to executives.

	2007	2006
Balance at beginning of year	214,904	234,129
Disbursements during the year	1,333,035	1,215,990
	1,547,939	1,450,119
Less: Repayment during the year	1,287,757	1,235,215
Balance at end of year	260,182	214,904

9.2 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. 754,366/- (2006: Rs.591,539/-).

	Note	2007	2006
10 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Current portion of long-term deposits	5	513,200	2,705,707
Other deposits		60,000	60,000
Short-term prepayments		8,968,601	2,498,395
		9,541,801	5,264,102

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

		Note	2007	2006
			Rupees	
11	OTHER FINANCIAL ASSETS			
	Held-to-maturity investments			
	Mybank Limited	11.1	6,066,310	10,115,919
	Meezan Bank Limited	11.2	5,054,863	5,072,973
	Saudi Pak Bank Limited	11.3	2,604,671	-
	Faysal Bank Limited	11.4	431,780	1,256,164
	Bank AL Habib Limited	11.5	10,437,704	-
			24,595,328	16,445,056

11.1 This represents three Term Deposit Receipts (TDRs) of Rs. 2.0 million each (2006: four TDRs of Rs. 2.5 million each) for one year maturity from Mybank Limited. These investments will mature on May 23, 2008 with effective mark-up rate of 10.62% (2006:11.13%) per annum. These investments are under lien against letter of credit issued in favour of Faysal Bank Limited. The fair value of these TDRs as at June 30, 2007 was Rs. 6,066,310/- (2006: Rs. 10,115,919/-).

11.2 This represents Riba Free Certificate of Islamic Investment (COII) of Meezan Bank Limited. This investment will mature on August 16, 2007. The effective mark-up rate on this investment is 8.9% (2006:7.1%) per annum receivable on quarterly basis. The investment is under lien against letter of guarantee issued in favour of Sui Northern Gas Pipelines Limited amounting to Rs. 5 million (2006: Rs. 4.8 million). The fair value of this COII as at June 30, 2007 was Rs. 5,054,863/- (2006: Rs. 5,072,973/-).

11.3 This represents one TDR of Rs. 2.5 million for one year maturity from Saudi Pak Bank Limited. This investment will mature on April 14, 2008 with effective mark-up rate of 9.33% per annum. The fair value of TDR as at June 30, 2007 was Rs. 2,604,671/- (2006: Nil).

11.4 This represents two TDRs of Rs. 300,348/- and Rs.112,000/- (2006: Rs. 1.25 million) from Faysal Bank Limited. These investments will mature on November 08, 2007 and March 18, 2008 respectively. The effective mark-up rate on these investments is 8.34% and 10.35% (2006: 10%) per annum respectively. The investment is under lien against letter of guarantee issued in favour of Collector of Customs amounting to Rs. 412,348/-. The fair value of these TDRs as at June 30, 2007 was Rs. 431,780/- (2006: Rs. 1,256,164/-).

11.5 This represents five TDRs of Rs. 2,000,000/- each from Bank AL Habib Limited. This investment will mature on February 02, 2008. The effective mark-up rate on this investment is 10.72% per annum. The fair value of these TDRs as at June 30, 2007 was Rs. 10,437,704/- (2006: Nil).

		Note	2007	2006
			Rupees	
12	TAX REFUNDS DUE FROM THE GOVERNMENT			
	Balance at beginning of the year		7,739,183	7,218,988
	Income tax paid during the year		12,745,347	6,274,866
			20,484,530	13,493,854
	Less: Provision for taxation for the year	28	7,203,690	5,754,671
	Balance at end of the year		13,280,840	7,739,183
13	CASH AND BANK BALANCES			
	Cash at banks			
	on current accounts		41,013,574	39,102,182
	on PLS accounts	13.1		
	- Local currency		55,285,271	28,212,860
	- Foreign currency		1,344,895	1,475,316
	on special account	13.2	8,747,473	8,379,186
			65,377,639	38,067,362
			106,391,213	77,169,544
	Cheques in hand		15,340,947	3,583,809
	Cash in hand		3,833,120	2,703,527
			125,565,280	83,456,880

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
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13.1 Effective mark-up rates in respect of PLS accounts range from 0.1% to 3% and 0.75% to 2% (2006: 0.1% to 3% and 0.75% to 2 %) per annum.

13.2 This represents special account maintained in respect of security deposits as required under section 226 of the Companies Ordinance, 1984.

14 SHARE CAPITAL

Issued, subscribed and paid up capital

2007	2006		2007	2006
Number of shares			Rupees	
50,513,800	50,513,800	ordinary shares of Rs. 10/- each fully paid in cash	**505,138,000**	505,138,000
50,513,800	50,513,800		**505,138,000**	505,138,000

Authorized share capital

This represents 54,537,900 (2006: 54,537,900) ordinary shares of Rs. 10 each amounting to Rs. 545,379,000/-.

14.1 There were no movements during the reporting period.

14.2 The Company has only one class of ordinary shares which carries no right to fixed income.

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

15 CAPITAL RESERVE

This represents premium of Rs. 5/- per share received on public issue of 8,000,000 ordinary shares of Rs.10/- each in 1994.

	Note	2007	2006
		Rupees	
16 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Balance at beginning of year		**228,831,747**	231,622,375
Transfer to unappropriated profits in respect of incremental depreciation charged during the year		**(2,790,628)**	(2,790,628)
Balance at end of year		**226,041,119**	228,831,747

16.1 Surplus on revaluation of property, plant and equipment is in respect of leasehold land, which was revalued in 1999 and 2004 as disclosed in 4.1. Due to revaluation of leasehold land, incidence of related deferred tax liability does not arise.

17 LONG-TERM FINANCING

	Note	2007	2006
From banking companies - secured	17.1	**513,650,002**	209,999,997
From related party - unsecured	17.2	**9,744,798**	9,744,798
		523,394,800	219,744,795
17.1 From banking companies - secured			
MCB Bank Limited - DF I	17.1.2	**50,000,000**	116,666,665
MCB Bank Limited - DF II	17.1.3	**60,000,000**	100,000,000
MCB Bank Limited - DF	17.1.4	**100,000,000**	-
Askari Bank Limited	17.1.5	**100,000,000**	100,000,000
Allied Bank Limited - DF I	17.1.6	**300,000,000**	-
Allied Bank Limited - DF II	17.1.7	**74,900,000**	-
		684,900,000	316,666,665
Less: Current portion		**171,249,998**	106,666,668
		513,650,002	209,999,997

17.1.1 The Company has fully availed all the above mentioned facilities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

17.1.2 This represents demand financing obtained on mark-up basis at KIBOR (3 months average ask side) plus 0.5% (no cap, floor 5%) per annum, [June 2006: KIBOR (3 months Average ask side) plus 0.5 % (no cap, floor 5%) per annum] calculated on daily product basis. Principal and mark-up are repayable in quarterly installments by February 05, 2008 against the sanctioned limit of Rs. 200 million (2006: Rs. 200 million) and is secured by first pari passu hypothecation charge on all present and future fixed and current assets (inclusive but not limited to stock and book debt) of the company to the extent of Rs. 555 million (2006: Rs. 555 million) to cover all facilities including Demand Finance (DF) of Rs. 100 million (2006: NIL), DF I of Rs. 200 million (2006: Rs. 200 million), DF II of Rs. 120 million (2006: Rs. 120 million) and short term borrowings of Rs. 20 million (2006: Rs. 120 million), respectively.

17.1.3 This represents demand financing obtained on mark-up basis at KIBOR (3 months average ask side) plus 0.5% spread reset on first working day of each calendar quarter (no cap, floor 5%)per annum [June 2006:KIBOR (3 months average ask side) plus 0.5% (no cap floor 5%) per annum] calculated on daily product basis and repayable quarterly against the sanctioned limit of Rs. 120 million (2006: Rs.120 million). The financing is repayable by December 13, 2008 and is secured as stated in note 17.1.2.

17.1.4 This represents restructuring of running finance (RF) of Rs. 120 million into DF of Rs. 100 million and running finance facility of Rs. 20 million respectively on mark-up basis at KIBOR (3 months average) plus 1.25% (2006:NIL) per annum, calculated on daily product basis and payable quarterly against the sanctioned limit of Rs. 100 million (2006: Rs.NIL). The financing is repayable by August 08, 2011 and is secured as stated in note 17.1.2. Such restructuring of RF to DF was confirmed by the bank on August 03, 2007.

17.1.5 This represents term finance obtained on mark-up basis at KIBOR (6 months average KIBOR) plus 2% per annum, has been set on the day of first drawdown and subsequently on the first working day at the beginning of each half year period for the mark-up due at the end of that period against a sanctioned limit of Rs. 100 million (2006: 100 million). The finance is repayable in half yearly installments by May 11, 2011 and is secured by first pari passu charge over the fixed assets of the company for Rs. 133.33 million. The loan facility to be repaid in 8 equal half yearly installments, commencing from the 18 months from the date of disbursement. First drawdown date was May 11, 2005. The first installment becomes repayable from November 11, 2007.

17.1.6 This represents term finance obtained on mark-up basis at KIBOR (6 months average KIBOR) plus 2% per annum, has been set on the day of first drawdown and subsequently on the first working day at the beginning of each half year period for the mark-up due at the end of that period against a sanctioned limit of Rs. 300 million (2006: Nil). Principal and mark-up are repayable in quarterly installments by December 31, 2011 and is secured by first pari passu charge on all present and future fixed and current assets of the Company, with 25% margin. The first installment is repayable on March 31, 2008.

17.1.7 This represent restructuring of running finance facility of Rs. 75 million in to demand finance facility available from bank under mark-up arrangements and carrying mark-up at the rate of KIBOR (3 months average) plus 2.0% (2006: NIL) per annum. The KIBOR will be set at the beginning of each calendar quarter for the mark-up due at the end of that quarter. The mark-up will be calculated on daily product basis payable quarterly, against aggregate sanctioned limit of Rs. 75 million (2006: NIL). The facility is secured by first pari passu charge over present and future current assets of the Company to the extent of Rs.100 million. The restructuring was confirmed by the bank on August 07, 2007.

17.2 This represents amounts received from Shifa Foundation, having common directorship with the Company, against construction of building and setting up of inpatient medical facilities for Foundation beds rented out to Shifa College of Medicine, a project of Shifa Foundation. The aggregate amount of financing provided, which does not carry mark-up, would be repayable only if the agreement is terminated, with mutual consent, before its maturity period of ninety nine years from September 27, 2000.

	Note	2007	2006
		Rupees	
18 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Al-Baraka Islamic Bank	18.2	**831,529**	1,431,350
Askari Leasing Limited	18.3	**15,992,801**	20,178,231
Meezan Bank Limited	18.4	**5,976,618**	9,222,196
Faysal Bank Limited	18.5	**-**	9,237,191
		22,800,948	40,068,968
Less: Current portion		**9,206,326**	17,268,020
		13,594,622	22,800,948

18.1 Overdue rentals in certain agreements are subject to additional charge at the rate of 20% to 36% (2006: 20% to 36%) per annum. Taxes, repairs, replacement and insurance costs are borne by the Company.

The Company intends to exercise its option to purchase the above assets upon completion of the lease period.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

18.2 This represents vehicles acquired under finance leases/ ijara financing from bank. The financing rate used as discounting factor is 7.99% (2006: 7.99%) per annum.

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

	2007	2006
	Rupees	
Within one year	838,994	651,587
After one year but not more than five years	-	838,993
Total minimum lease payments	838,994	1,490,580
Less: Amount representing finance cost	7,465	59,230
Present value of minimum lease payments	831,529	1,431,350
Less: Due within one year	831,529	599,821
Balance due after one year but not more than five years	-	831,529

18.3 This represents vehicles and medical equipment acquired under finance leases from leasing company. The financing rate used as discounting factor ranges from 12.23 % to 14% (2006: 12.23% to 14%) per annum.

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

	2007	2006
Within one year	6,257,332	6,257,332
After one year but not more than five years	12,746,915	19,004,247
Total minimum lease payments	19,004,247	25,261,579
Less: Amount representing finance cost	3,011,446	5,083,348
Present value of minimum lease payments	15,992,801	20,178,231
Less: Due within one year	4,764,201	4,185,430
Balance due after one year but not more than five years	11,228,600	15,992,801

18.4 This represents electrical and biomedical equipment acquired under finance leases from bank. The financing rate used as discounting factor is KIBOR plus 1.90 % (2006: KIBOR plus 1.90%) per annum.

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

	2007	2006
Within one year	3,991,976	3,991,976
After one year but not more than five years	2,407,177	6,399,153
Total minimum lease payments	6,399,153	10,391,129
Less: Amount representing finance cost	422,535	1,168,933
Present value of minimum lease payments	5,976,618	9,222,196
Less: Due within one year	3,610,596	3,245,578
Balance due after one year but not more than five years	2,366,022	5,976,618

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

18.5 This represents biomedical equipment and a gas generator acquired under finance leases/ijara financing from bank. The financing rate used as discounting factor ranges from 7% to 2.4% plus 6 month treasury bills rates (2006: 7% to2.4% plus six months treasury bills rates) per annum.

Taxes, repairs, replacement and insurance costs are borne by the Company. The Company has exercised its option to purchase the above assets upon completion of the lease period.

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

	Note	2007	2006
		Rupees	
Within one year		-	9,416,566
After one year but not more than five years		-	-
Total minimum lease payments		-	9,416,566
Less: Amount representing finance cost		-	179,375
Present value of minimum lease payments		-	9,237,191
Less: Due within one year		-	9,237,191
Balance due after one year but not more than five years		-	-

19 DEFERRED LIABILITIES

	Note	2007	2006
Deferred credit - long term portion	19.1	**9,438,946**	-
Deferred taxation	19.2	**145,540,921**	124,104,014
		154,979,867	124,104,014

19.1 This represents the deferred liability for biomedical equipment acquired through long term deferred credit.

		Note	2007	2006
19.2	Deferred tax liability	19.2.1	**193,349,119**	155,993,129
	Deferred tax asset	19.2.2	**(35,560,587)**	(19,433,795)
	Deferred tax asset on carried forward losses	19.2.3	**(12,247,611)**	(12,455,320)
	Net deferred tax liability		**145,540,921**	124,104,014

19.2.1 Deferred tax liability arising due to:

	2007	2006
Accelerated depreciation allowance	**191,203,399**	146,081,637
Finance lease arrangements	**2,145,720**	9,911,492
	193,349,119	155,993,129

19.2.2 Deferred tax asset arising due to:

	2007	2006
Employees' benefits - gratuity etc.	**(20,352,862)**	(11,307,561)
Miscellaneous provisions etc.	**(15,207,725)**	(8,126,234)
	(35,560,587)	(19,433,795)

19.2.3 Deferred tax assets arising in respect of carried forward tax losses are after adjusting business losses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007	2006
		Rupees	
20 TRADE AND OTHER PAYABLES			
Creditors		166,408,919	114,055,013
Murabaha facility - secured	20.1	20,000,000	-
Accrued liabilities		33,056,772	18,385,735
Advance payments		141,596	417,518
Compensated absences		10,643,872	9,770,958
Medical consultants' charges		34,390,405	27,083,554
Payable to related parties - unsecured	20.2	1,665,093	709,064
Security deposits	20.3	8,476,539	8,379,186
Unclaimed dividend		7,235,133	6,251,386
Retention money		4,319,000	3,407,211
Payable to SIHL Employees' Gratuity Fund	20.4	39,252,689	32,307,318
Current portion of long term deferred credit	19.1	18,898,346	-
		344,488,364	220,766,943

20.1 This represents murabaha facility obtained from a banking company carrying mark-up at the rate of KIBOR plus 1.25% per annum (2006: KIBOR plus 1.5% per annum) against aggregate sanctioned limit of Rs. 20 million (2006: Rs. 20 million). The facility will be expired on March 31, 2008 and is secured by first pari passu charge on all present and future fixed and current assets including book debts and receivables of the Company amounting to Rs. 26.67 million (2006: Rs. 26.67 million).

20.2 This represents amount payable to Tameer-e-Millat Foundation and Shifa Foundation, having common directorship with the Company. Maximum amount due at the end of any month was Rs.742,018/- (2006: Rs. 750,864/-) and Rs. 3,483,719/- (2006: Rs. 1,283,895/-) respectively.

20.3 These represent customers' and employees' security deposits, kept in special bank account required under section 226 of the Companies Ordinance, 1984 (note: 13.2). These are repayable on termination of their respective agreements.

20.4 The amounts recognised in the balance sheet are determined as follows:

	2007	2006
Present value of funded/ unfunded obligation	56,016,830	48,372,340
Fair value of plan assets	(7,780,756)	(6,651,850)
Unrecognised actuarial losses	(8,983,385)	(10,021,945)
Benefits payable to outgoing members	-	608,773
	39,252,689	32,307,318
20.4.1 The amounts recognised in the profit and loss account and CWIP are as follows:		
Current service cost for the year	13,509,026	9,490,644
Interest cost	4,353,511	3,081,088
Expected return on plan assets	(598,667)	-
Actuarial losses charge	864,119	-
Total included in salaries, wages and benefits and CWIP	18,127,989	12,571,732
20.4.2 The charge has been allocated as follows:		
Included in salaries, wages and benefits	17,045,321	12,536,080
Included in CWIP	1,082,668	35,652
	18,127,989	12,571,732
20.4.3 Movement in the liability recognised in the balance sheet:		
At the beginning of year	32,307,318	31,313,965
Amount recognised during the year - as shown above	18,127,989	12,571,732
Contributions/ payments during the year	(11,182,618)	(11,578,379)
At the end of year	39,252,689	32,307,318

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED JUNE 30, 2007

		2007	2006
20.4.4	The principal actuarial assumptions used were as follows:		
	Discount rate	**10%**	9%
	Expected rate of increase in salary	**9%**	8%
	Mortality rate	**EFU 1961-66 Mortality table**	
	Average expected remaining working life time of employees	**6 years**	6 years

		Note	2007	2006
			Rupees	
21	**MARK-UP ACCRUED**			
	Long-term financing - secured		**14,391,936**	7,322,382
	Liabilities against assets subject to finance lease		**172,979**	345,027
	Running finance facilities - secured		**3,815,753**	1,859,229
			18,380,668	9,526,638
22	**SHORT-TERM BORROWINGS**			
	Running finance facility - secured			
	MCB Bank Limited	22.1	**10,173,328**	96,838,822
	Askari Bank Limited	22.2	**100,743**	15,000,000
			10,274,071	111,838,822

22.1 Short-term running finance facility available from bank under mark-up arrangements and carrying mark-up at the rate of KIBOR plus 1.25% (2006: KIBOR plus 1.25%) (no cap, floor 5%) per annum repayable quarterly, calculated on daily product basis against aggregate sanctioned limit of Rs. 20 million, after restructuring, (2006: Rs.120 million). The facility is secured as stated in note 17.1.2.

22.2 Short-term running finance facility available from Askari Bank Limited (formerly Askari Commercial Bank Limited) under mark-up arrangements and carrying mark-up at the rate of three months average KIBOR plus 1.50% (2006: three months average KIBOR plus 1.50%) per annum. Three months average KIBOR will be set at the beginning of each calendar quarter for the mark-up due at the end of that quarter. The mark-up will be calculated on daily product basis payable quarterly, against aggregate sanctioned limit of Rs. 25 million (2006: 25 million). The facility is secured by first pari passu charge over present and future current assets of the Company for Rs. 33.67 million.

22.3 The aggregate unavailed short-term borrowing facilities available amounted to Rs. 34.725 million (2006: Rs. 33.156 million).

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

Claims against the Company and/or potential exposure not acknowledged as debts:

	Note	2007	2006
Patients	23.1.1	**31,866,054**	26,866,054
Ex-consultant	23.1.2	**-**	50,000,000
Water and Power Development Authority (WAPDA)	23.1.3	**38,255,846**	38,255,846
Capital Development Authority (CDA)	23.1.4	**10,723,091**	10,723,091
Contractor	23.1.5	**6,040,810**	6,040,810

23.1.1 This represents claims lodged by patients and their heirs against the Company for alleged negligence on part of the consultants/ doctors. The management is contesting the claims which are pending in courts and believes that the contention of the claimants will not be successful and no material liability is likely to arise.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

23.1.2 This represents claim by ex-consultant against the termination of his service and public defamation. The management has contested the claim in court and during the current year it has been dismissed by the court in default.

23.1.3 This represents claim by WAPDA based on unilateral change of electricity tariff package applicable to the Company from C-2 to A-2 with effect from December 1994 without any prior notice. The Honourable Lahore High Court after due consideration of the case referred the matter to Chief Executive Officer, Islamabad Electric Supply Company (CEO, IESCO). After having a meeting with CEO, IESCO, the Company has filed contempt of court petition before the Honourable Lahore High Court which is pending adjudication. The management firmly believes that the asserted change is not applicable on the Company.

23.1.4 This represents demands against notices received from CDA for conservancy charges of Rs. 776,742/- and property tax of Rs. 9,946,349/- on the area of plot and construction raised thereon. During 2001, the Honourable Lahore High Court, Rawalpindi Bench, allowing the petition directed the Company to refer the matter to Director Revenue, CDA / competent authority for deciding the same. Although, the Company has previously paid an amount of Rs. 2,423,584/- according to its estimates against the above demands, which were considered as part payment by CDA. The matter was referred to Board of CDA, the Board has rejected the representation filed by the Company. Against this rejection, petition is pending before the Honourable Lahore High Court. The management believes that the matter will be resolved in favour of the Company.

23.1.5 This represents suit lodged by a contractor for recovery of claims. The management believes that the suit will be decided in the favour of the Company.

23.1.6 A letter of guarantee amounting to Rs. 5.0 million (2006: Rs. 4.8 million) issued by bank in favour of Sui Northern Gas Pipelines Limited (SNGPL).

		Note	2007	2006
			Rupees	
23.2	**Commitments**			
23.2.1	Capital expenditure contracted		**3,158,212**	9,525,597
23.2.2	Letters of credit		**5,053,057**	37,455,538
24	**NET REVENUE**			
	Inpatients		**610,420,061**	561,079,280
	Outpatients		**312,810,021**	255,828,824
	Pharmacy		**323,142,988**	294,388,299
	Cafeteria		**59,632,156**	51,503,804
	Rent of building from related parties	24.1	**14,715,296**	11,665,020
	Other services		**3,929,394**	2,988,105
			1,324,649,916	1,177,453,332
	Less: Discounts		**16,349,433**	14,854,042
	Net revenue		**1,308,300,483**	1,162,599,290

24.1 This represents rental income on operating leases from related parties.

		Note	2007	2006
25	**OTHER OPERATING INCOME**			
	Income from financial assets:			
	Profit on investments and bank deposits		**4,557,307**	788,536
	Gain on foreign currency translations		**26,446**	-
	Income from other than financial assets:			
	Loss on sale of property, plant and equipment		**(41,530)**	-
	Miscellaneous income	25.1	**3,287,014**	4,303,008
	Liabilities/provisions no longer required, written back		**-**	2,868,110
			7,829,237	7,959,654

25.1 This represents sale of Shifa News (magazine of Shifa Publications), advertisement income from Shifa News and sale of scrap.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007

		Note	2007	2006
			Rupees	
26	OPERATING COSTS			
	Medicines consumed		**271,126,275**	241,393,987
	Supplies consumed		**284,029,486**	256,108,605
	Salaries, wages and benefits	26.1	**301,832,631**	220,230,573
	Utilities		**51,983,520**	43,083,593
	Communication		**7,547,241**	6,029,717
	Traveling and conveyance		**4,384,157**	2,574,289
	Printing and stationery		**14,918,572**	12,098,123
	Repairs and maintenance		**31,787,620**	29,965,971
	Auditors' remuneration	26.2	**750,000**	650,000
	Legal and professional		**1,167,541**	1,165,225
	Rent		**6,821,290**	48,144
	Rates and taxes		**92,575**	114,482
	Advertising and sales promotion		**7,113,004**	8,150,035
	Fee, subscription and membership		**1,396,308**	1,402,477
	Equipment rentals		**431,119**	1,025,160
	Contract payments		**3,383,749**	10,957,064
	Cleaning and washing		**8,699,078**	7,057,890
	Insurance		**2,585,820**	2,516,185
	Director's fee	33.2	**240,000**	-
	Property, plant and equipment written off	26.3	**1,347,605**	1,622,636
	Provision for doubtful debts		**9,804,315**	5,609,979
	Debts written off	8	**-**	2,480,383
	Provision for slow moving items		**-**	262,924
	Depreciation/amortization of property, plant and equipment	4.4	**87,684,215**	73,501,146
	Donation	26.4	**5,000,000**	10,000,000
	Other expenses		**2,900,690**	3,299,901
			1,107,026,811	941,348,489

26.1 This includes employee retirement benefits (gratuity expense) of Rs. 17.04 million (2006: Rs. 12.6 million), expense for accumulating compensated absences of Rs. 1.87 million (2006: Rs. 3.6 million) and provision for bonus to employees Rs. 15 million (2006: Rs. 12 million).

26.2 Auditors' remuneration

	2007	2006
Audit fee	**475,000**	450,000
Half yearly accounts' review fee	**200,000**	125,000
Out of pocket expenses	**75,000**	75,000
	750,000	650,000

26.3 These represent assets written off that are determined to be irrepairable after carrying out detailed physical verification exercise by the management.

26.4 This represents the donation given to Shifa Foundation (related party having common directorship). Besides this, none of the directors and their spouses have any interest in donee institution.

27 FINANCE COST

	2007	2006
Mark-up on:		
Long-term loans	**53,995,086**	25,877,462
Liabilities against assets subject to finance lease	**2,911,415**	3,329,241
Running finance and murabaha facilities	**7,181,367**	9,007,084
Credit card payment collection charges	**1,600,392**	1,301,218
Loss on foreign currency translations	**-**	39,931
Bank charges and commission	**671,525**	455,631
	66,359,785	40,010,567

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED JUNE 30, 2007

		Note	2007	2006
			Rupees	
28	**PROVISION FOR TAXATION**			
	Current	12	**7,203,690**	5,754,671
	Deferred		**21,436,908**	53,061,364
			28,640,598	58,816,035

28.1 The Company is in appeal before the Income Tax Appellate Tribunal (ITAT) against the order issued by the Commissioner Income Tax (CIT) - Appeals for the assessment years 2000-01 and 2001-02 and by the Income Tax Officer (ITO) for the assessment year 2002-03 passed under section (u/s) 62 of the Income Tax Ordinance, 1979 and u/s 124 of the Income Tax Ordinance, 2001. The CIT u/s 177 of the Income Tax Ordinance, 2001 has selected the returns of the tax years 2003, 2004 and 2005 for the tax audit.

28.2 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the Company attracts minimum tax based u/s 113 of the Income Tax Ordinance, 2001.

29 EARNINGS PER SHARE-BASIC AND DILUTED

	2007	2006
Profit after taxation	**114,102,526**	130,383,853
	Number of shares	
Weighted average number of ordinary shares in issue during the year	**50,513,800**	50,513,800
	Rupees	
Basic and diluted earnings per share	**2.26**	2.58

29.1 Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year. Diluted earnings per share is calculated to be same as basic earnings per share as there are no potential ordinary shares outstanding which may have any dilutive effect.

30 CAPACITY UTILIZATION

The actual inpatient room occupancy was 66,630 bed days (2006: 65,408 bed days) out of available 97,807 bed days (2006: 96,725 bed days) during the operational year which comes to 68.1 % of total capacity (2006: 67.6%). The under utilization reflects the pattern of patient turnover which is beyond the management control.

31 RELATED PARTIES TRANSACTIONS

The related parties comprise of directors, major shareholders, key management personnel, SIHL Employees' Gratuity Fund and the entities over which directors are able to exercise influence. The amounts due from and due to these undertakings are shown under property, plant and equipment, trade debts, loans and advances, long-term financing and trade and other payables. The remuneration of the chief executive, directors and executives is disclosed in note 33 to these financial statements. Transaction with the related parties are given below.

	Note	2007	2006
		Rupees	
Shifa Foundation			
Revenue from services earned by the Company	31.1	**13,209,615**	33,678,176
Revenue from rent and utilities		**20,972,251**	17,451,735
Lab services received by the Company	31.1	**21,097,138**	18,612,175
Purchase of stock-in-trade and stores by the Company		**-**	6,772,638
Expenses paid by and reimbursed to the Company		**6,000,000**	5,255,000
Donation given by the Company	26.4	**5,000,000**	10,000,000
Tameer-e-Millat Foundation			
Revenue from services earned by the Company	31.1	**6,000**	-
Revenue from rent and utilities		**43,800**	43,800
SIHL Employees' Gratuity Fund			
Contributions made by the Company during the year	20.4.3	**11,182,618**	11,578,379

31.1 Revenue earned from related parties includes medical, surgical and clinical services rendered to referred inpatients and outpatients, sale of medicines and provision of cafeteria services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007

32 FINANCIAL INSTRUMENTS

32.1 Mark-up rate risk management

Mark-up rate risk arise from the possibility that changes in mark-up rates will affect the value of financial instruments. The effective mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

	2007			2006		
	Interest/ mark-up bearing	Non-interest/ mark-up bearing	Total	Interest/ mark-up bearing	Non-interest/ mark-up bearing	Total
	Rupees					
Financial assets:						
Maturity up to one year						
Trade debts	-	131,129,007	131,129,007	-	149,121,951	149,121,951
Other deposits	-	60,000	60,000	-	60,000	60,000
Other financial assets	24,595,328	-	24,595,328	16,445,056	-	16,445,056
Cash and bank balances	65,377,639	60,187,641	125,565,280	38,067,362	45,389,518	83,456,880
	89,972,967	191,376,648	281,349,615	54,512,418	194,571,469	249,083,887
Maturity after one year and less than five years						
Long-term deposits	3,538,741	2,228,810	5,767,551	1,725,699	1,285,461	3,011,160
Maturity after five years	-	-	-	-	-	-
	93,511,708	193,605,458	287,117,166	56,238,117	195,856,930	252,095,047
Financial liabilities:						
Maturity up to one year						
Short-term borrowings	10,274,071	-	10,274,071	111,838,822	-	111,838,822
Current portion of liabilities:						
Long-term financing	171,249,998	-	171,249,998	106,666,668	-	106,666,668
Liabilities against assets subject to finance lease	9,206,326	-	9,206,326	17,268,020	-	17,268,020
Trade and other payables	38,898,346	304,889,605	343,787,951	-	219,387,916	219,387,916
Mark-up accrued	-	18,380,668	18,380,668	-	9,526,638	9,526,638
	229,628,741	323,270,273	552,899,014	235,773,510	228,914,554	464,688,064
Maturity after one year and less than five years						
Long-term financing	513,650,002	-	513,650,002	209,999,997	-	209,999,997
Liabilities against assets subject to finance lease	13,594,622	-	13,594,622	22,800,948	-	22,800,948
	527,244,624	-	527,244,624	232,800,945	-	232,800,945
Maturity after five years						
Long-term financing	-	9,744,798	9,744,798	-	9,744,798	9,744,798
	756,873,365	333,015,071	1,089,888,436	468,574,455	238,659,352	707,233,807
Off balance sheet items:						
Maturity up to one year						
Letters of credit	-	5,053,057	5,053,057	-	37,455,538	37,455,538
Commitments	-	3,158,212	3,158,212	-	9,525,597	9,525,597
	-	8,211,269	8,211,269	-	46,981,135	46,981,135
Maturity after one year						
Letter of guarantee	-	5,000,000	5,000,000	-	4,800,000	4,800,000
	-	13,211,269	13,211,269	-	51,781,135	51,781,135

32.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. However, the Company is not exposed to any significant foreign currency risk. As at June 30, 2007, the total foreign currency risk exposure was Rs 29,682,187/- (2006: Rs 1,475,316/-) in respect of cash and bank balances and foreign deferred credit.

32.3 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail to perform as contracted. Out of the financial assets aggregating Rs. 287,117,166/- (2006: Rs. 252,095,047/-), the financial assets which are subject to credit risk, amount to Rs. 136,956,558/- (2006: Rs. 152,193,111/-). 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 policy in place to ensure that services are rendered to customers with an appropriate credit history.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

32.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. Due to effective cash management and planning policy, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

32.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except investment held to maturity which are carried at amortized cost.

33 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		Directors		Executives	
	2007	2006	2007	2006	2007	2006
			Rupees			
Managerial remuneration	5,155,316	5,584,523	8,756,110	9,164,251	6,858,555	3,328,246
Rent and utilities	681,818	681,818	1,500,000	1,500,000	3,258,223	1,424,493
Bonus and incentives	400,000	250,000	700,000	200,000	609,000	188,483
Gratuity	2,217,845	1,997,326	393,026	1,625,239	614,822	576,479
Medical insurance	38,494	34,250	115,482	68,500	227,077	137,000
Leave encashment	-	-	-	-	167,652	41,913
	8,493,473	8,547,917	11,464,618	12,557,990	11,735,329	5,696,614
Number of persons	1	1	3	3	8	4

33.1 The chief executive is provided with a company maintained car, while another director and five executives avail car facility.

33.2 An amount of Rs. 240,000 was paid to Mr. Sohail A. Siddiqi, during the year, being the fee for attending the various committees and Board of Directors' (BoD) meetings as approved by the BoD (2006: Nil).

Pattern of Shareholding

As on June 30, 2007

No. of shareholders	Size of holding of shares From	To	Total shares held
30	1	100	2,512
1,552	101	500	769,598
278	501	1,000	273,320
273	1,001	5,000	697,088
90	5,001	10,000	776,014
43	10,001	15,000	522,946
37	15,001	20,000	692,517
22	20,001	25,000	494,547
21	25,001	30,000	595,707
13	30,001	35,000	410,310
10	35,001	40,000	396,405
7	40,001	45,000	296,109
9	45,001	50,000	435,290
7	50,001	55,000	367,479
4	55,001	60,000	236,510
2	60,001	65,000	125,275
2	65,001	70,000	137,000
3	70,001	75,000	220,582
4	75,001	80,000	316,570
3	80,001	85,000	247,510
3	85,001	90,000	264,930
12	95,001	100,000	1,200,000
4	100,001	105,000	404,472
2	105,001	110,000	215,982
1	110,001	115,000	113,600
4	120,001	125,000	490,472
3	125,001	130,000	378,155
3	130,001	135,000	398,066
4	135,001	140,000	548,562
3	140,001	145,000	428,440
1	145,001	150,000	149,300
1	150,001	155,000	152,230
1	155,001	160,000	159,600
1	160,001	165,000	161,040
1	170,001	175,000	170,300
2	175,001	180,000	357,000
1	185,001	190,000	187,500
1	200,001	205,000	204,925
2	205,001	210,000	416,325
2	215,001	220,000	438,255
1	225,001	230,000	227,700
1	235,001	240,000	238,110
2	240,001	245,000	487,900
2	245,001	250,000	494,500
1	265,001	270,000	266,560
1	275,001	280,000	279,799
2	285,001	290,000	571,027
1	295,001	300,000	300,000
2	300,001	305,000	603,980
1	305,001	310,000	306,800
4	320,001	325,000	1,291,710
2	345,001	350,000	697,260
1	350,001	355,000	354,370
1	390,001	395,000	392,000
1	415,001	420,000	415,304
1	430,001	435,000	433,400
1	440,001	445,000	442,900
1	450,001	455,000	452,850
1	455,001	460,000	459,320
1	475,001	480,000	476,000
1	495,001	500,000	500,000
1	555,001	560,000	555,948

Pattern of Shareholding Continued

As on June 30, 2007

No. of shareholders	Size of holding of shares From	To	Total shares held
1	630,001	635,000	633,280
1	950,001	955,000	953,961
1	1,160,001	1,165,000	1,164,000
1	1,300,001	1,305,000	1,303,947
1	1,665,001	1,670,000	1,667,000
1	2,025,001	2,030,000	2,027,100
1	2,150,001	2,155,000	2,151,605
1	2,755,001	2,760,000	2,758,901
1	12,750,001	12,755,000	12,754,125
2501			**50,513,800**

Categories of shareholders	Number	Shares held	Percentage
Individual	2462	34,387,167	68.075
Investment Companies	2	29,400	0.058
Joint Stock Companies	27	539,360	1.068
Financial Institutions	4	190,200	0.377
Foreign Company	1	12,754,125	25.249
Others*	5	2,613,548	5.173
	2501	**50,513,800**	**100.000**

* Shifa Foundation	500
* Management Committee of Shifa Foundation	555,948
* Management Committee of Tameer-e-Millat Foundation	2,027,100
* Trustees Saeeda Amin WAKF	10,000
* Trustees Mohammad Amin WAKF	20,000

Disclosure in connection with the Pattern of Shareholding as required by the Code

Name	Relation/Category	No. of shares held
Shifa Foundation	Related party	500
Management Committee of Shifa Foundation	-do-	555,948
Management Committee of Tameer-e-Millat Foundation	-do-	2,027,100
Dr. Zaheer Ahmad	CEO & Director	1,311,947
Dr. Zaheer Ahmad & Qasim Farooq Ahmad	Jointly held with son	100,000
Mrs. Kulsoom Zaheer Ahmad	W/o Dr. Zaheer Ahmad	100,000
Dr. Manzoor H. Qazi	Director	954,961
Dr. Habib-Ur-Rehman	Director	692,900
Mrs. Shahida Rehman	W/o Dr. Habib-Ur-Rehman	12,150
Mr. Samiulla Sharief	Director	293,591
Mr. Samiulla Sharief & Mr. Shoaib Ullah Sharief	Jointly held with son	100,000
Mrs. Samina Sharief	W/o Mr. Samiulla Sharief	29,820
Dr. Abdul Razaq	Director	533,400
Mr. M. Owais Khanani	Director	100,450
Dr. Saeed A. Bajwa	Director	303,380
Dr. Mukhtar Nasir	Director	64,500
M/s Muwaffaq Limited (Nominee Director of M/s Muwaffaq Limited are: Mr. Sohail A. Siddiqi Dr. Abdulaziz Sulaiman Abdulaziz Al Khereiji)	Company with 10% or more voting interest	12,754,125
Mr. Aziz Ahmad Jan	Executive	1,000
Syed Muneer Hussain	Executive	1,000