Statement of Compliance with the Code of Corporate Governance

This 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, 2008.

6. The Company has prepared a "statement of ethics and business practices", 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 decisions 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. The Board has approved appointment of Company Secretary including his remuneration and terms of employment, as determined by the CEO. However, there were no new appointments of CFO or Head of Internal Audit during the year.

Statement of Compliance with the Code of Corporate Governance

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.

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, majority 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 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 listing 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 09, 2008

DR. ZAHEER AHMAD
Chairman & CEO

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
24-D 1st Floor, Rashid Plaza
Jinnah Avenue (Blue Area)
Islamabad
Pakistan

UAN: +92 (0) 51 111-55-2626
Fax: +92 (0) 51-227 4136
Web: www.deloitte.com

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, 2008.

Dated: September 09, 2008
Islamabad

Chartered Accountants

A member firm of
Deloitte Touche Tohmatsu

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
24-D 1st Floor, Rashid Plaza
Jinnah Avenue (Blue Area)
Islamabad
Pakistan

UAN: +92 (0) 51 111-55-2626
Fax: +92 (0) 51-227 4136
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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, 2008 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, 2008 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 09, 2008
Islamabad

M. Yousuf Adil Saleem & Co.
Chartered Accountants

A member firm of
Deloitte Touche Tohmatsu

Balance Sheet

as at June 30, 2008

	Note	2008	2007
		(Rupees)	
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,797,488,227	1,773,567,081
Long term deposits	5	11,423,687	10,028,421
CURRENT ASSETS			
Stores, spare parts and loose tools	6	40,017,352	44,717,875
Stock-in-trade	7	44,870,927	29,845,003
Trade debts	8	153,179,664	131,129,007
Loans and advances	9	23,886,049	17,517,367
Trade deposits and short term prepayments	10	43,399,684	9,541,801
Markup accrued		1,085,351	-
Other financial assets	11	25,733,148	24,595,328
Tax refunds due from the Government (net of provisions)	12	14,229,611	13,280,840
Cash and bank balances	13	168,611,576	125,565,280
		515,013,362	396,192,501
		2,323,925,276	2,179,788,003

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

	Note	2008	2007
		(Rupees)	
SHARE CAPITAL AND RESERVES			
Share capital	14	505,138,000	505,138,000
Capital reserve	15	40,000,000	40,000,000
Unappropriated profit		269,998,342	163,040,168
		815,136,342	708,178,168
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	16	223,250,491	226,041,119
NON-CURRENT LIABILITIES			
Long term financing	17	636,250,000	523,394,800
Liabilities against assets subject to finance lease	18	8,335,838	13,594,622
Deferred liabilities	19	215,594,542	154,979,867
		860,180,380	691,969,289
CURRENT LIABILITIES			
Trade and other payables	20	336,357,497	344,488,364
Markup accrued	21	15,701,517	18,380,668
Short term borrowings	22	-	10,274,071
Current portion of :			
long term financing	17	65,000,000	171,249,998
liabilities against assets subject to finance lease	18	8,299,049	9,206,326
		425,358,063	553,599,427
CONTINGENCIES AND COMMITMENTS	23		
		2,323,925,276	2,179,788,003

DIRECTOR

Profit and Loss Account

for the year ended June 30, 2008

	Note	2008	2007
		(Rupees)	
Net revenue	24	1,652,459,343	1,308,300,483
Other operating income	25	12,230,233	7,829,237
Operating costs	26	(1,344,781,874)	(1,107,026,811)
Finance cost	27	(86,995,988)	(66,359,785)
Profit before taxation		232,911,714	142,743,124
Provision for taxation	28	(78,230,368)	(28,640,598)
Profit for the year		154,681,346	114,102,526
Earnings per share - basic and diluted	29	3.06	2.26

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement

for the year ended June 30, 2008

	Note	2008	2007
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	375,430,313	420,876,498
Gratuity and compensated absences paid		(22,406,096)	(11,103,181)
Finance cost paid		(84,568,108)	(57,505,755)
Income tax paid		(9,125,517)	(12,745,347)
Net cash from operating activities		259,330,592	339,522,215
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(150,442,553)	(495,192,581)
Proceeds from disposal of property, plant and equipment		1,030,000	125,000
Long term deposits		(1,395,266)	(2,243,191)
Net cash used in investing activities		(150,807,819)	(497,310,772)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in long term financing		6,605,202	368,233,335
Decrease in short term borrowings		(10,274,071)	(101,564,751)
Lease rentals paid		(12,149,208)	(17,268,020)
Dividend paid		(49,704,981)	(49,530,053)
Net cash (used in) / from financing activities		(65,523,058)	199,870,511
Net increase in cash and cash equivalents		42,999,715	42,081,954
Cash and cash equivalents at beginning of year		125,565,280	83,456,880
Effect of exchange rate changes on cash and cash equivalents		46,581	26,446
Cash and cash equivalents at end of year	13	168,611,576	125,565,280

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

Statement of Changes in Equity

for the year ended June 30, 2008

	Note	Share capital	Capital reserve (Rupees)	Unappropriated profit	Total
Balance at July 01, 2006		505,138,000	40,000,000	96,660,814	641,798,814
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
Profit for the year		-	-	154,681,346	154,681,346
Dividend for the year ended June 30, 2007 @ 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, 2008		505,138,000	40,000,000	269,998,342	815,136,342

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

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 situated at Sector H-8/4, Islamabad.

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 Islamabad.

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

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

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

2.2 Accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards 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 recognised in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

2.2.1 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 equipment with a corresponding effect on the depreciation charge and impairment.

2.2.2 Change in accounting estimate for depreciation

During the year the Company has changed its estimate for the depreciation charge under which depreciation on additions to property, plant and equipment is charged from the month of addition while no depreciation is charged in the month of disposal. Previously, full year’s depreciation was being charged on assets acquired during first six months of the financial year, while half year’s depreciation was being charged on subsequent additions and no depreciation was being charged in the year of disposal. This change in accounting estimate has resulted in decrease in depreciation charge for the year by Rs. 10,857,850 with corresponding effect in carrying value of property, plant and equipment and profit before taxation by same amount.

2.2.3 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.

2.2.4 Employee benefits

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

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

2.2.5 Taxation

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

2.2.6 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 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 benefits at present value; and
- investments held to maturity at amortized cost.

3.2 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 and capital work in progress are stated at cost less impairment loss, if any.

Depreciation/amortization is charged to income applying the straight-line method over the estimated useful life.

In respect of additions and disposals during the year, depreciation is charged from the month of addition while no depreciation is charged in the month of disposal.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment and to the extent of incremental depreciation charged on the related assets is transferred to 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 costs are charged to income as and when incurred.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress and transferred to respective items of property, plant and equipment when available for intended use.

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

3.3 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 relevant lease.

3.4 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.

3.5 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 loss, if any.

Derecognition

All investments are derecognised 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.

3.6 Stores, spare parts and loose tools

These are valued at cost, determined on moving average basis, or net realisable 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, spare parts and loose tools on a regular basis and provision is made for obsolescence, if there is any change in usage pattern and physical form of related stores, spare parts and loose tools.

3.7 Stock-in-trade

Stock-in-trade is valued at cost, determined on moving average basis, or net realisable 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.

3.8 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.

3.9 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 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.

3.10 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and derecognised 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.

3.11 Offsetting

Financial assets and financial liabilities and taxation assets and taxation liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legal enforceable right to set-off the recognised amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.12 Employee benefits

Defined benefit plan

The Company operates approved funded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined 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, 2008 using the "Projected Unit Credit Method". The results of actuarial valuation are summarized in note 20.3 of these financial statements.

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted to unrecognised actuarial gain and losses as reduced by the fair value of plan assets.

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.

Compensated absences

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

3.13 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.

3.14 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.

3.15 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 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 the Institute of Chartered Accountants of Pakistan.

Deferred income tax liabilities are recognised for all taxable temporary differences and deferred income tax assets are recognised 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 realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

3.16 Foreign currencies

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the dates of transactions. At each 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.

3.17 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 realised amounts.

3.18 Related party transactions

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

3.19 Borrowing costs

All borrowing costs are recognised in profit and loss in the period in which they are incurred.

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

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

	Effective from
IAS 1 - Presentation of Financial Statements (as revised);	January 1, 2009
IAS 16 - Property, Plant and Equipment (as revised);	January 1, 2009
IAS 19 - Employee Benefits (as revised);	January 1, 2009
IAS 23 - Borrowing Cost (as revised);	January 1, 2009
IAS 32 - Financial Instruments: Presentation (as revised);	January 1, 2009
IAS 36 - Impairment of Assets (as revised);	January 1, 2009
IAS 38 - Intangible Assets (as revised);	January 1, 2009
IAS 39 - Financial Instruments: Recognition and Measurement (as revised);	January 1, 2009
IFRS 7 - Financial Instrument: Disclosure	April 28, 2008
IFRS 8 - Operating segment	January 1, 2009
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 amendment 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.

4 PROPERTY, PLANT AND EQUIPMENT

	Owned Assets										Leased assets					
	Freehold land	Lease hold land	Building on leasehold land	Biomedical equipment	Air conditioning equipment and machinery	Electrical and other equipment	Furniture and Fittings	Construction equipment	Computers installations	Vehicles	Biomedical equipment	Electrical and other equipment	Computers installations	Vehicles	Capital work in progress	Total
	(Rupees)										(Rupees)					
Cost																
Balance as at July 01, 2006	19,167,862	242,258,138	692,815,196	413,218,052	53,932,902	48,074,305	25,930,947	8,581,298	31,427,351	13,312,016	57,266,822	26,913,606	221,500	11,591,900	141,570,474	1,786,282,369
Additions	-	-	-	115,520,506	16,087,415	25,507,688	2,912,789	-	7,807,512	4,063,785	-	-	-	-	352,218,716	524,118,411
Disposals	-	-	-	(125,400)	-	(450,000)	-	-	-	-	-	-	-	-	-	(575,400)
Write offs	-	-	-	(2,864,208)	-	(206,603)	(133,923)	-	(374,124)	-	-	-	-	-	-	(3,578,858)
Transfers/adjustments	-	-	99,952,926	32,639,626	-	25,913,606	-	-	-	-	(32,639,626)	(25,913,606)	-	-	(99,952,926)	-
Balance as at June 30, 2007	19,167,862	242,258,138	792,768,122	558,388,576	70,020,317	98,838,996	28,709,813	8,581,298	38,860,739	17,375,801	24,627,196	1,000,000	221,500	11,591,900	393,836,264	2,306,246,522
Balance as at July 01, 2007	19,167,862	242,258,138	792,768,122	558,388,576	70,020,317	98,838,996	28,709,813	8,581,298	38,860,739	17,375,801	24,627,196	1,000,000	221,500	11,591,900	393,836,264	2,306,246,522
Additions	-	-	-	49,491,386	2,763,227	7,073,556	3,720,500	-	3,456,623	-	-	-	-	3,782,910	66,728,499	137,016,701
Disposals	-	-	-	-	-	-	-	-	-	(1,645,325)	-	-	-	-	-	(1,645,325)
Write offs	-	-	-	(201,000)	-	-	(13,577)	-	(57,800)	-	-	-	-	-	-	(272,377)
Transfers/adjustments	-	-	38,164,844	207,951,284	-	-	-	-	-	2,246,000	-	-	-	(2,246,000)	(246,116,128)	-
Balance as at June 30, 2008	19,167,862	242,258,138	830,932,966	815,630,246	72,783,544	105,912,552	32,416,736	8,581,298	42,259,562	17,976,476	24,627,196	1,000,000	221,500	13,128,810	214,448,635	2,441,345,521
Depreciation																
Balance as at July 01, 2006	-	6,469,824	104,857,476	199,610,017	39,438,177	27,792,674	10,208,456	4,064,693	17,814,763	9,184,417	14,158,734	11,807,214	55,375	1,584,990	-	447,046,810
Charge for the year	-	2,875,464	19,174,750	35,168,037	4,097,176	8,819,629	2,178,956	588,540	6,322,271	2,273,699	3,278,718	1,121,760	55,380	2,318,375	-	88,272,755
On disposals	-	-	-	(37,620)	-	(371,250)	-	-	-	-	-	-	-	-	-	(408,870)
On write offs	-	-	-	(1,825,591)	-	(67,812)	(58,764)	-	(279,087)	-	-	-	-	-	-	(2,231,254)
On transfers/adjustments	-	-	-	13,242,547	-	12,628,976	-	-	-	-	(13,242,547)	(12,628,976)	-	-	-	-
Balance as at June 30, 2007	-	9,345,288	124,032,226	246,157,390	43,535,353	48,802,217	12,328,648	4,653,233	23,857,947	11,458,116	4,194,905	299,998	110,755	3,903,365		532,679,441
Balance as at July 01, 2007	-	9,345,288	124,032,226	246,157,390	43,535,353	48,802,217	12,328,648	4,653,233	23,857,947	11,458,116	4,194,905	299,998	110,755	3,903,365	-	532,679,441
Charge for the year	-	2,875,464	20,669,336	54,246,663	5,391,485	11,856,224	2,492,125	588,528	7,197,205	2,454,062	2,462,723	150,000	55,380	2,535,113	-	112,974,308
On disposals	-	-	-	-	-	-	-	-	-	(1,645,320)	-	-	-	-	-	(1,645,320)
On write offs	-	-	-	(96,000)	-	-	(6,625)	-	(48,510)	-	-	-	-	-	-	(151,135)
On transfers/adjustments	-	-	-	-	-	-	-	-	-	1,289,712	-	-	-	(1,289,712)	-	-
Balance as at June 30, 2008	-	12,220,752	144,701,562	300,308,053	48,926,838	60,658,441	14,814,148	5,241,761	31,006,642	13,556,570	6,657,628	449,998	166,135	5,148,766	-	643,857,294
Carrying value as at June 30, 2007	19,167,862	232,912,850	668,735,896	312,231,186	26,484,964	50,036,779	16,381,165	3,928,065	15,002,792	5,917,685	20,432,291	700,002	110,745	7,688,535	393,836,264	1,773,567,081
Carrying value as at June 30, 2008	19,167,862	230,037,386	686,231,404	515,322,193	23,856,706	45,254,111	17,602,588	3,339,537	11,252,920	4,419,906	17,969,568	550,002	55,365	7,980,044	214,448,635	1,797,488,227
Annual rate of depreciation/ amortization	-	1.01	2.5-10	5-10	10-15	15	10-20	10-20	15-30	20	10	15	15-30	20		

Notes to the Financial Statements

for the year ended June 30, 2008

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. 223,250,491 remains undepreciated as at June 30, 2008 (2007: Rs. 226,041,119).

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

Leasehold land	Cost at July 01, 1999	Accumulated amortization at June 30 (Rupees)	Carrying value at June 30
2008	8,398,785	1,611,887	6,786,898
2007	8,398,785	1,527,051	6,871,734

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	2008 (Rupees)	2007
Operating cost	26	112,385,780	87,684,215
Capital work in progress	4.7.1	588,528	588,540
		112,974,308	88,272,755

4.5 Aggregate of property, plant and equipment, which were disposed off during the year, having carrying value of less than fifty thousand rupees:

Asset particulars	Cost	Carrying value	Sale proceeds	Mode of disposal
Vehicles (Rupees)	1,025,325	4	780,000	Tender
Vehicles (Rupees)	620,000	1	250,000	Negotiation

Property, plant and equipment having cost and book value of Rs. 575,400 and Rs.166,530 respectively were disposed off for Rs.125,000 during the last year.

4.6 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.

Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2008 (Rupees)	2007 (Rupees)
4.7 Capital work in progress			
Construction work in progress - at cost	4.7.1	164,973,367	148,866,122
Stores held for capital expenditure	4.7.2	11,475,268	7,018,858
Advance for acquisition of land	4.7.3	38,000,000	30,000,000
Installation of equipment in progress	4.7.4	-	207,951,284
		214,448,635	393,836,264

4.7.1 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:

	Note	2008	2007
Block "D"		71,778,355	56,223,827
Block "E"		40,819,668	28,261,949
Block "F"		39,645,206	40,460,379
Block "G"		-	11,700,565
Other constructions		12,141,610	11,630,862
Depreciation/amortization charge for the year	4.4	588,528	588,540
		164,973,367	148,866,122

4.7.2 Stores held for capital expenditure

	2008	2007
Stores held for capital expenditure	11,780,371	7,323,961
Less: Provision for slow moving and obsolete items	305,103	305,103
	11,475,268	7,018,858

4.7.3 Advance for acquisition of land for five plots of two kanals each has been 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.

	2008 (Rupees)	2007 (Rupees)
4.7.4 Installation of equipment in progress		
Linear accelerator	-	50,522,343
Gamma cameras	-	19,339,289
CT scanner	-	65,101,845
Mammography machine	-	3,506,389
Rotational angiography	-	28,409,756
Hitachi MRI	-	41,071,662
	-	207,951,284

Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2008 (Rupees)	2007
5 LONG TERM DEPOSITS			
Lease key money deposits	5.1	4,998,470	4,774,070
Less: Current portion of lease key money	10	2,799,784	513,200
		2,198,686	4,260,870
Security deposits	5.2	9,225,001	5,767,551
		11,423,687	10,028,421

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

	2008 (Rupees)	2007
6 STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	33,237,359	36,602,861
Spare parts	7,118,090	8,484,909
Loose tools	135,816	155,058
	40,491,265	45,242,828
Less: Provision for slow moving and obsolete items	473,913	524,953
	40,017,352	44,717,875

7 STOCK-IN-TRADE

Medicines of Rs. 44,870,927 (2007: Rs. 29,845,003) are being carried at moving average cost.

	Note	2008 (Rupees)	2007
8 TRADE DEBTS			
Considered good - unsecured			
Related party - Shifa Foundation	8.1	22,867,087	36,759,536
Others		130,312,577	94,369,471
Considered doubtful			
Others		25,203,578	33,181,636
Considered bad			
Others		8,394,966	-
		186,778,208	164,310,643
Less: Provision for doubtful debts		25,203,578	33,181,636
Bad debts written off		8,394,966	-
		33,598,544	33,181,636
		153,179,664	131,129,007

8.1 The maximum amount due from Shifa Foundation at the end of any month during the year was Rs.41,063,949 (2007: Rs.43,263,850).

	Note	2008	2007
		(Rupees)	
9 LOANS AND ADVANCES			
Considered good - unsecured			
Employees - executives	9.1	1,040,353	260,182
- other employees		4,060,426	4,983,163
		5,100,779	5,243,345
Consultants		1,500,000	300,000
Suppliers		17,285,270	11,974,022
		23,886,049	17,517,367

9.1 Reconciliation of carrying amount of advances given to executives.

	2008	2007
Balance at beginning of year	260,182	214,904
Disbursements during the year	3,757,013	1,333,035
	4,017,195	1,547,939
Less: Repayments during the year	2,976,842	1,287,757
Balance at end of year	1,040,353	260,182

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. 1,040,353 (2007: Rs. 754,366).

	Note	2008	2007
		(Rupees)	
10 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Current portion of long term deposits	5	2,799,784	513,200
Other deposits	10.1	37,060,000	60,000
Short term prepayments		3,539,900	8,968,601
		43,399,684	9,541,801

10.1 These include an amount of Rs. 37,000,000 (2007: Rs. Nil) deposited with Honourable Supreme Court of Pakistan as per directions of the Supreme Court in the matter of pending litigation between the Company and Islamabad Electricity Supply Company Limited (IESCO) on issue of charging of revised tariff which the Company has decided to contest. Please refer note 23.1.2 for details.

11 OTHER FINANCIAL ASSETS

	Note	2008	2007
Held-to-maturity investments			
Mybank Limited	11.1	-	6,066,310
Meezan Bank Limited	11.2	5,003,658	5,054,863
Saudi Pak Commercial Bank Limited	11.3	-	2,604,671
Faysal Bank Limited	11.4	-	431,780
Bank Al Habib Limited	11.5	-	10,437,704
Bank Al Habib Limited	11.6	20,729,490	-
		25,733,148	24,595,328

11.1 This represented three Term Deposit Receipts (TDRs) having face value Rs. 2.0 million each (2007: three TDRs of Rs. 2.0 million each) of one year maturity from Mybank Limited. These investments have matured on May 23, 2008. These investments carried effective markup rate of 10.62% (2007:10.62%) per annum. These investments were under lien against letter of credit issued in favour of Faysal Bank Limited.

11.2 This represents one monthly modaraba certificate having face value of Rs. 5.0 million (2007: Rs. 5.0 million) of Meezan Bank Limited. This investment will mature on July 28, 2008. The effective markup rate on this investment is 9.02% (2007: 8.90%) per annum receivable on monthly basis. The investment is under lien against letter of guarantee issued in favour of Sui Northern Gas Pipelines Limited amounting to Rs. 5.0 million (2007: Rs. 5.0 million).

11.3 This represented one TDR having face value of Rs. 2.5 million (2007: Rs. 2.5 million) of one year maturity from Saudi Pak Commercial Bank Limited. This investment has matured during the year with effective markup rate of 9.33% (2007: 9.33%) per annum.

11.4 This represented two TDRs having face value of Rs. 300,348 and Rs.112,000 respectively (2007: Rs. 300,348 and Rs.112,000 respectively) from Faysal Bank Limited. These investments have matured during the year. The effective markup rates on these investments were 8.34% and 10.35% (2007: 8.34% and 10.35%) per annum respectively. These investment were under lien against letter of guarantee issued in favour of Collector of Customs amounting to Rs. 412,348.

11.5 This represented five TDRs of Rs. 2.0 million (2007: five TDRs of Rs. 2.0 million) each from Bank Al Habib Limited. This investment matured on February 02, 2008. The effective markup rate on this investment was 10.72% (2007: 10.72%) per annum .

11.6 This represents four TDRs having face value of Rs. 5.0 million each (2007: Nil) of six months maturity from Bank Al Habib Limited. TDRs amounting to Rs. 10.0 million will mature on July 24, 2008 while remaining TDRs of Rs. 10.0 million will mature on August 18, 2008 with effective markup rates of 9.13% and 9.09% (2007: Nil) per annum respectively.

		Note	2008 (Rupees)	2007
12	TAX REFUNDS DUE FROM THE GOVERNMENT (NET OF PROVISIONS)			
	Balance at beginning of year		13,280,840	7,739,183
	Income tax paid during the year		9,125,517	12,745,347
			22,406,357	20,484,530
	Less: Provision for taxation for year	28	8,176,746	7,203,690
	Balance at end of year		14,229,611	13,280,840
13	CASH AND BANK BALANCES			
	Cash at banks on:			
	Current accounts		6,803,723	41,013,574
	PLS accounts	13.1		
	- Local currency	13.2	114,291,166	64,032,744
	- Foreign currency		1,723,625	1,344,895
			116,014,791	65,377,639
			122,818,514	106,391,213
	Cheques in hand		40,858,016	15,340,947
	Cash in hand		4,935,046	3,833,120
			168,611,576	125,565,280

13.1 These carry effective markup rates ranging from 2.5% to 9.25% and 0.1% to 3.52% (2007: 0.1% to 3% and 0.75% to 2%) per annum.

13.2 Balances with banks includes Rs.11,255,099 (2007: Rs. 8,476,539) in respect of security deposits received.

Notes to the Financial Statements

for the year ended June 30, 2008

14 SHARE CAPITAL

Issued, subscribed and paid up

2008	2007		2008	2007
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

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.

Authorized

This represents 54,537,900 (2007: 54,537,900) ordinary shares of Rs. 10 each amounting to Rs. 545,379,000.

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. This reserve cannot be utilised except for the purposes mentioned under section 83 of the Ordinance.

	2008	2007
	(Rupees)	
16 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Balance at beginning of year	226,041,119	228,831,747
Transferred to unappropriated profits in respect of incremental depreciation charged during the year	(2,790,628)	(2,790,628)
Balance at end of year	223,250,491	226,041,119

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 note 4.1. Due to revaluation of leasehold land, incidence of related deferred tax liability does not arise.

	Note	2008	2007
		(Rupees)	
17 LONG TERM FINANCING			
From banking companies - secured	17.1	636,250,000	513,650,002
From related party - unsecured	17.2	-	9,744,798
		636,250,000	523,394,800

		Note	2008	2007
			(Rupees)	
17.1	From banking companies - secured			
	MCB Bank Limited - DF I	17.1.2	-	50,000,000
	MCB Bank Limited - DF II	17.1.3	20,000,000	60,000,000
	MCB Bank Limited - DF	17.1.4	81,250,000	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	300,000,000
	Allied Bank Limited - DF II	17.1.7	-	74,900,000
	Meezan Bank Limited	17.1.8	200,000,000	-
			701,250,000	684,900,000
	Less: Current portion		65,000,000	171,249,998
			636,250,000	513,650,002

17.1.1 The Company has fully availed all the above mentioned facilities except as stated in 17.1.8.

17.1.2 This represented the Demand Finance obtained on markup basis at KIBOR (3 months average ask side) plus 0.5% (no cap, floor 5%) per annum, [2007: KIBOR (3 months average ask side) plus 0.5% (no cap, floor 5%) per annum] calculated on daily product basis. Principal and markup has already been paid in quarterly installments by February 05, 2008 against the sanctioned limit of Rs. 200 million (2007: Rs. 200 million) and was 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 (2007: Rs. 555 million) to cover all facilities including Demand Finance (DF) of Rs. 100 million (2007: Rs. 100 million), DF I of Rs. 200 million (2007: Rs. 200 million), DF II of Rs. 120 million (2007: Rs. 120 million) and short term borrowings of Rs. 20 million (2007: Rs. 20 million) respectively.

17.1.3 This represents Demand Finance obtained on markup 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 [2007:KIBOR (3 months average ask side) plus 0.5% (no cap, floor 5%) per annum] calculated on daily product basis and repayable in 12 equal quarterly installments against the sanctioned limit of Rs. 120 million (2007: 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 Demand Finance (DF) of Rs. 100 million on markup basis at KIBOR (3 months average) plus 1.25% [2007:KIBOR (3 months average) plus 1.25%)] per annum, calculated on daily product basis and repayable in 16 equal quarterly installments against the sanctioned limit of Rs. 100 million (2007: Rs.100 million). The financing is repayable by August 08, 2011 and is secured as stated in note 17.1.2.

17.1.5 This represents Term Finance obtained on markup basis at 3 months KIBOR plus 1% (2007: 6 months KIBOR plus 2%) per annum. The finance is repayable in 5 equal half yearly installments (2007: 8 equal half yearly installments) against a sanctioned limit of Rs. 100 million (2007: Rs 100 million). The financing is repayable by May 11, 2011 and is secured by first pari passu charge over the fixed assets of the Company for Rs. 133.33 million.

17.1.6 This represents Demand Finance (DF1) obtained on markup basis at 3 months KIBOR plus 1% (2007: 6 months KIBOR plus 2%) per annum. This finance is repayable in 14 equal quarterly installments against sanctioned limit of Rs. 300 million (2007: Rs. 300 million). The financing is repayable by July 10, 2013 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 becomes repayable on April 10, 2010.

17.1.7 This represented Demand Finance (DFII) of Rs. 75 million obtained on markup basis at 3 months KIBOR plus 2% (2007: 3 months KIBOR plus 2%) per annum. This has been fully repaid during the year and was secured by first pari passu charge over present and future current assets of the Company to the extent of Rs 100 million (2007: Rs. 100 million).

17.1.8 This represents Diminishing Musharakah facility obtained on profit rate basis at 3 months KIBOR plus 1.35% and 3 months KIBOR plus 1.00% [2007:Nil] per annum of Rs. 100 million each [2007: Nil]. This facility is repayable in 6 equal half yearly installments against the availed facility of Rs. 200 million out of the sanctioned limit of Rs. 400 million (2007: Nil). The financing is repayable by June 10, 2012 and is secured by first pari passu charge on all present and future fixed assets of the Company amounting to Rs. 534 million. The first installment becomes repayable from December 10, 2009.

17.2 This represented amounts received from Shifa Foundation, having common directorship with the Company, against construction of building and setting up of in-patients medical facilities for Foundation beds rented out to Shifa College of Medicine, a project of Shifa Foundation. The aggregate amount of financing provided, which did not carry mark up, had been fully adjusted during the year.

		Note	2008 (Rupees)	2007
18	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
	Al-baraka Islamic Bank	18.2	-	831,529
	Askari Leasing Limited	18.3	12,711,369	15,992,801
	Meezan Bank Limited	18.4	2,366,022	5,976,618
	Bank AL Habib Limited	18.5	1,557,496	-
			16,634,887	22,800,948
	Less: Current portion		8,299,049	9,206,326
			8,335,838	13,594,622

18.1 Overdue rentals in certain agreements are subject to additional charge at the rate of 20% to 36% (2007: 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.

18.2 This represented the vehicles acquired under finance leases/ ijara financing from the bank. The financing rate used as discounting factor is 7.99% (2007: 7.99%) per annum. The Company has exercised its option to purchase the above assets upon completion of the lease period.

	2008 (Rupees)	2007
The amounts of payments and the periods in which these were due are as follows:		
Within one year		838,994
After one year but not more than five years		-
Total minimum lease payments	-	838,994
Less: Amount representing finance cost		7,465
Present value of minimum lease payments	-	831,529
Less: Due within one year	-	831,529
Balance due after one year but not more than five years	-	-

18.3 This represents the vehicles and medical equipment acquired under finance leases from the leasing company. The financing rate used as discounting factor ranges from 12.23% to 15.50% (2007: 12.23% to 14%) per annum.

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

	2008	2007
Within one year	6,516,741	6,257,332
After one year but not more than five years	7,927,371	12,746,915
Total minimum lease payments	14,444,112	19,004,247
Less: Amount representing finance cost	1,732,743	3,011,446
Present value of minimum lease payments	12,711,369	15,992,801
Less: Due within one year	5,455,724	4,764,201
Balance due after one year but not more than five years	7,255,645	11,228,600

18.4 This represents the electrical and biomedical equipment acquired under finance leases from the bank. The financing rate used as discounting factor is KIBOR plus 1.90% (2007: KIBOR plus 1.90%) per annum.

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

	2008	2007
	(Rupees)	
Within one year	2,407,178	3,991,976
After one year but not more than five years	-	2,407,177
Total minimum lease payments	2,407,178	6,399,153
Less: Amount representing finance cost	41,156	422,535
Present value of minimum lease payments	2,366,022	5,976,618
Less: Due within one year	2,366,022	3,610,596
Balance due after one year but not more than five years	-	2,366,022

18.5 This represents vehicles acquired under finance leases from the bank. These vehicles are under hypothecation of the bank amounting to Rs.1.89 million. The financing rate used as discounting factor is 14.50% (2007: Nil) per annum.

Taxes, repairs, replacement and insurance costs are borne by the Company.

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

	Note	2008	2007
		(Rupees)	
Within one year		617,400	-
After one year but not more than five years		1,149,950	-
Total minimum lease payments		1,767,350	-
Less: Amount representing finance cost		209,854	-
Present value of minimum lease payments		1,557,496	-
Less: Due within one year		477,303	-
Balance due after one year but not more than five years		1,080,193	-

19 DEFERRED LIABILITIES

	Note	2008	2007
Deferred credit - long term portion	19.1	-	9,438,946
Deferred taxation	19.2	215,594,542	145,540,921
		215,594,542	154,979,867

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

	Note	2008	2007
		(Rupees)	
Opening balance		28,337,292	37,776,238
Payment during the year		(20,657,505)	(9,438,946)
Exchange loss		2,860,213	-
		10,540,000	28,337,292
Transferred to current portion		(10,540,000)	(18,898,346)
		-	9,438,946

		Note	2008	2007
19.2	Deferred tax liability	19.2.1	254,590,388	193,349,119
	Deferred tax asset	19.2.2	(38,995,846)	(35,560,587)
	Deferred tax asset on carried forward losses	19.2.3	-	(12,247,611)
	Net deferred tax liability		215,594,542	145,540,921

19.2.1 Deferred tax liability arising due to:

	2008	2007
Accelerated depreciation allowance	251,118,356	191,203,399
Finance lease arrangements	3,472,032	2,145,720
	254,590,388	193,349,119

19.2.2 Deferred tax asset arising due to:

	2008	2007
Employees' benefits	(13,340,885)	(20,352,862)
Specific provisions	(9,093,907)	(15,207,725)
Excess of turnover tax over normal tax	(16,561,054)	-
	(38,995,846)	(35,560,587)

19.2.3 Brought forward tax losses have been fully utilised.

20 TRADE AND OTHER PAYABLES

	Note	2008	2007
Creditors		169,244,336	166,408,919
Murabaha facility - secured		-	20,000,000
Accrued liabilities		44,655,176	33,056,772
Advance payments		850,704	141,596
Compensated absences		10,921,778	10,643,872
Medical consultants' charges		38,858,213	34,390,405
Payable to related parties - unsecured	20.1	1,806,771	1,665,093
Security deposits	20.2	11,255,099	8,476,539
Unclaimed dividend		8,043,952	7,235,133
Retention money		2,064,655	4,319,000
Payable to Shifa International Hospitals Limited (SIHL) Employees' Gratuity Fund	20.3	38,116,813	39,252,689
Current portion of long term deferred credit	19.1	10,540,000	18,898,346
		336,357,497	344,488,364

20.1 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. 513,969 (2007: Rs. 742,018) and Rs.1,656,935 (2007: Rs. 3,483,719) respectively.

20.2 These represent customers' and employees' security deposits and are repayable on termination of their respective agreements.

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

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for the year ended June 30, 2008

		2008	2007
		(Rupees)	
	Present value of funded obligation	57,407,225	56,016,830
	Fair value of plan assets	(12,273,566)	(7,780,756)
	Unrecognised actuarial losses	(8,107,894)	(8,983,385)
	Benefits payable to outgoing members	1,091,048	-
		38,116,813	39,252,689
20.3.1	Charge for the year:		
	Current service cost for the year	13,581,857	13,509,026
	Interest cost	5,601,683	4,353,511
	Expected return on plan assets	(778,076)	(598,667)
	Actuarial losses charge	563,617	864,119
		18,969,081	18,127,989
20.3.2	The charge has been allocated as follows:		
	Salaries, wages and benefits	18,841,341	17,045,321
	Capital work in progress	127,740	1,082,668
		18,969,081	18,127,989
20.3.3	Movement in the liability recognised in the balance sheet:		
	At the beginning of year	39,252,689	32,307,318
	Amount recognised during the year - as shown above	18,969,081	18,127,989
	Payments during the year	(20,104,957)	(11,182,618)
	At the end of year	38,116,813	39,252,689
20.3.4	Movement in the fair value of plan assets:		
	At the beginning of year	7,780,756	6,651,850
	Expected return on plan assets	778,076	598,667
	Payments during the year	20,104,957	11,182,618
	Benefits paid during the year	(14,055,003)	(10,370,720)
	Actuarial loss on plan assets	(2,335,220)	(281,659)
	At the end of year	12,273,566	7,780,756
20.3.5	Plan assets comprise of:		
	Alfalah GHP Income Multiplier Fund	5,059,104	-
	Term Deposit Receipts	3,066,181	7,324,417
	Cash and bank balances	4,148,281	456,339
		12,273,566	7,780,756

		2008	2007
20.3.6	The principal actuarial assumptions used were as follows:		
	Discount rate	12%	10%
	Expected rate of increase in salary	11%	9%
	Expected return on plan assets	10%	9%
	Mortality rate	EFU 1961-66 Mortality Table	
	Average expected remaining working life time of employees	6 years	6 years
	Estimated charge to profit and loss account for the next year (Rupees)	18,531,551	17,115,670

20.3.7 The present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan for the current annual period and previous four annual periods are mentioned hereunder:

	2008	2007	2006	2005	2004
			Rupees('000)		
Present value of the defined benefit obligation	57,407	56,017	48,372	34,234	26,822
Fair value of the plan assets	12,274	7,781	6,652	-	-
Surplus	45,133	48,236	41,720	34,234	26,822
Experience adjustments arising:					
-on defined benefit obligations	(2,647)	(456)	6,971	2,401	2,435
-on plan assets	(2,335)	(282)	-	-	-

		Note	2008	2007
			(Rupees)	
21	MARKUP ACCRUED			
	Long term financing - secured		15,486,772	14,391,936
	Liabilities against assets subject to finance lease		123,900	172,979
	Running finance facilities - secured		90,845	3,815,753
			15,701,517	18,380,668
22	SHORT TERM BORROWINGS			
	Running finance facility - secured			
	MCB Bank Limited	22.1	-	10,173,328
	Askari Bank Limited	22.2	-	100,743
			-	10,274,071

22.1 Short term running finance facility has been availed from the bank under markup arrangements. This carried markup at the rate of KIBOR plus 1.25% (2007: KIBOR plus 1.25%) (no cap, floor 5%) per annum repayable quarterly, calculated on daily product basis. The aggregate sanctioned limit of facility was Rs. 20 million (2007: Rs. 20 million). The facility was secured as stated in note 17.1.2.

22.2 Short term running finance facility availed from Askari Bank Limited (formerly Askari Commercial Bank Limited) under markup arrangements and carried markup at the rate of 3 months average KIBOR plus 0.8% (2007: 3 months average KIBOR plus 1.50%) per annum. 3 months average KIBOR was set at the beginning of each calendar quarter for the markup due at the end of that quarter. The markup was calculated on daily product basis payable quarterly. The aggregate sanctioned limit of the facility was Rs. 25 million (2007: Rs. 25 million). The facility was 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. 120 million (2007: Rs. 34.725 million).

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

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

	Note	2008 (Rupees)	2007 (Rupees)
Patients	23.1.1	27,866,000	31,866,054
Water and Power Development Authority-WAPDA	23.1.2	38,255,846	38,255,846
Capital Development Authority (CDA)	23.1.3	10,723,091	10,723,091
Contractor	23.1.4	6,040,810	6,040,810
Letter of guarantee	23.1.5	5,000,000	5,000,000

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.

23.1.2 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 Limited (CEO, IESCO). After having a meeting with CEO, IESCO, the Company filed contempt of court petition before the Honourable Lahore High Court which was dismissed, against which the Company filed an application for the restoration of contempt of court petition before the Honourable Lahore High Court to pass an interim injunction.

IESCO challenged the order of the Honourable Lahore High Court and took the matter in the Honourable Supreme Court of Pakistan. The Company has deposited disputed amount of Rs. 37 million with the registrar of Supreme Court of Pakistan as per direction of the Honourable Supreme Court. The Company had filed a complaint before NEPRA and also writ petition before Islamabad High Court, Islamabad. The management firmly believes that the matter will be resolved in favour of the Company.

23.1.3 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 Islamabad High Court, Islamabad. The management believes that the matter will be resolved in favour of the Company.

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

23.1.5 A letter of guarantee amounting to Rs. 5.0 million (2007: Rs. 5.0 million) issued by bank in favour of Sui Northern Gas Pipelines Limited (SNGPL).

		2008 (Rupees)	2007 (Rupees)
23.2	Commitments		
23.2.1	Capital expenditure contracted	7,027,980	3,158,212
23.2.2	Letters of credit	22,926,212	5,053,057

Notes to the Financial Statements

for the year ended June 30, 2008

		Note	2008	2007
			(Rupees)	
24	NET REVENUE			
	Inpatients		744,953,259	610,420,061
	Outpatients		412,896,730	312,810,021
	Pharmacy		409,257,101	323,142,988
	Cafeteria		73,689,733	59,632,156
	Rent of building from related parties	24.1	17,110,128	14,715,296
	Other services		11,143,118	3,929,394
			1,669,050,069	1,324,649,916
	Less: Discounts		16,590,726	16,349,433
	Net revenue		1,652,459,343	1,308,300,483

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

		Note	2008	2007
25	OTHER OPERATING INCOME			
	Income from financial assets:			
	Profit on investments and bank deposits		4,215,403	4,557,307
	Gain on foreign currency translations		-	26,446
	Income from other than financial assets:			
	Gain/(loss) on sale of property, plant and equipment		1,029,995	(41,530)
	Liabilities written back		1,497,801	-
	Miscellaneous income	25.1	5,487,034	3,287,014
			12,230,233	7,829,237

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

		Note	2008	2007
			(Rupees)	
26	OPERATING COSTS			
	Medicines consumed		334,546,149	271,126,275
	Supplies consumed		330,619,644	284,029,486
	Salaries, wages and benefits	26.1	368,295,876	301,832,631
	Utilities		68,901,102	50,144,930
	Communication		8,700,896	7,547,241
	Traveling and conveyance		4,533,873	4,384,157
	Printing and stationery		17,742,063	14,918,572
	Repairs and maintenance		40,863,957	31,787,620
	Auditors' remuneration	26.2	850,000	750,000
	Legal and professional		6,990,791	1,167,541
	Rent		10,062,423	6,821,290
	Rates and taxes		2,192,248	1,931,165
	Advertising and sales promotion		8,948,713	7,113,004
	Fee, subscription and membership		1,833,439	1,396,308
	Equipment rentals		171,920	431,119
	Contract payments		3,740,420	3,383,749
	Cleaning and washing		10,637,744	8,699,078
	Insurance		3,447,577	2,585,820
	Director’s fee	33.2	480,000	240,000
	Property, plant and equipment written off	26.3	121,242	1,347,605
	Provision for doubtful debts		416,908	9,804,315
	Depreciation/amortization	4.4	112,385,780	87,684,215
	Donation	26.4	5,000,000	5,000,000
	Other expenses		3,299,109	2,900,690
			1,344,781,874	1,107,026,811

Notes to the Financial Statements

for the year ended June 30, 2008

26.1 This includes employee retirement benefits (gratuity expense) of Rs. 18,841,341 (2007: Rs. 17,045,321), expense for accumulating compensated absences of Rs. 2,706,789 (2007: Rs. 1,876,145) and provision for bonus to employees Rs. 25,000,000 (2007: Rs. 15,000,000).

		2008	2007
		(Rupees)	
26.2	Auditors' remuneration		
	Audit fee	550,000	475,000
	Half yearly review fee	225,000	200,000
	Out of pocket expenses	75,000	75,000
		850,000	750,000

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.

		Note	2008	2007
			(Rupees)	
27	FINANCE COST			
	Markup on:			
	Long term loans		72,834,423	53,995,086
	Liabilities against assets subject to finance lease		2,200,237	2,911,415
	Running finance and murabaha facilities		7,045,161	7,181,367
	Credit card payment collection charges		1,665,787	1,600,392
	Loss on foreign currency translations		2,906,794	-
	Bank charges and commission		343,586	671,525
			86,995,988	66,359,785
28	PROVISION FOR TAXATION			
	Current	12	8,176,746	7,203,690
	Deferred		70,053,622	21,436,908
			78,230,368	28,640,598

28.1 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 under section 113 of the Income Tax Ordinance, 2001.

28.2 The Commissioner Income Tax (CIT) by exercising powers under section 177 of the Income Tax Ordinance, 2001 had selected the returns for the tax years 2003, 2004 and 2005 for the tax audits, in consequence thereof the Taxation Officer (TO) has passed assessment orders under section 122(1) of the Income Tax Ordinance, 2001. The Company has appealed before Commissioner Income Tax - Appeals (CIT[A]) against orders passed by TO for the said years. CIT[A] has passed the order and directed the TO to make necessary adjustments in his previous orders. Returns for tax years 2006 and 2007 filed are deemed to be assessment orders u/s 120(1) of Income Tax Ordinance, 2001.

Notes to the Financial Statements

for the year ended June 30, 2008

	2008	2007
	(Rupees)	
29 EARNINGS PER SHARE-BASIC AND DILUTED		
Profit after taxation	154,681,346	114,102,526
	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	3.06	2.26

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 74,274 bed days (2007: 66,630 bed days) out of available 109,174 bed days (2007: 97,807 bed days) during the operational year which comes to 68.03% of total capacity (2007: 68.12%). The under utilization reflects the pattern of patient turnover which is beyond the management's 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. Transactions with the related parties are given below:

	Note	2008	2007
		(Rupees)	
Shifa Foundation			
Revenue from services earned by the Company	31.1	16,203,783	13,209,615
Revenue from rent and utilities		23,811,503	20,972,251
Lab services received by the Company		24,486,386	21,097,138
Expenses paid by and reimbursed to the Company		6,000,000	6,000,000
Donation given by the Company	26.4	5,000,000	5,000,000
Settlement of long term loan against receivables	17.2	9,744,798	-
Tameer-e-Millat Foundation			
Revenue from services earned by the Company	31.1	-	6,000
Revenue from rent and utilities		43,800	43,800
Other supplies to the Company		312,780	-
SIHL Employees' Gratuity Fund			
Payments made by the Company during the year	20.3.3	20,104,957	11,182,618

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.

32 FINANCIAL INSTRUMENTS

32.1 Markup rate risk management

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

Almost all of the Company's borrowings are based on floating rate of markup. This gives rise to cashflow risk due to volatility in market markup rates. Financial assets are fixed markup based instruments and accordingly not exposed to cashflow risk.

	2008			2007		
	Interest/ markup bearing	Non-interest/ markup bearing	Total	Interest/ markup bearing	Non-interest/ markup bearing	Total
			(Rupees)			
Financial assets:						
Maturity up to one year						
Trade debts	-	153,179,664	153,179,664	-	131,129,007	131,129,007
Other deposits	-	37,060,000	37,060,000	-	60,000	60,000
Markup accrued	-	1,085,351	1,085,351	-	-	-
Other financial assets	25,733,148	-	25,733,148	24,595,328	-	24,595,328
Cash and bank balances	116,014,791	52,596,785	168,611,576	65,377,639	60,187,641	125,565,280
	141,747,939	243,921,800	385,669,739	89,972,967	191,376,648	281,349,615
Maturity after one year-						
-and less than five years						
Long term deposits	3,538,741	5,686,260	9,225,001	3,538,741	2,228,810	5,767,551
Maturity after five years	-	-	-	-	-	-
	145,286,680	249,608,060	394,894,740	93,511,708	193,605,458	287,117,166
Financial liabilities:						
Maturity up to one year						
Short term borrowings	-	-	-	10,274,071	-	10,274,071
Current portion of liabilities:						
Long term finance	65,000,000	-	65,000,000	171,249,998	-	171,249,998
Liabilities against assets -						
-subject to finance lease	8,299,049	-	8,299,049	9,206,326	-	9,206,326
Trade and other payables	10,540,000	278,806,028	289,346,028	38,898,346	304,889,605	343,787,951
Markup accrued	-	15,701,517	15,701,517	-	18,380,668	18,380,668
	83,839,049	294,507,545	378,346,594	229,628,741	323,270,273	552,899,014
Maturity after one year-						
-and less than five years						
Long term financing	636,250,000	-	636,250,000	513,650,002	-	513,650,002
Liabilities against assets-						
-subject to finance lease	8,335,838	-	8,335,838	13,594,622	-	13,594,622
	644,585,838	-	644,585,838	527,244,624	-	527,244,624
Maturity after five years						
Long-term financing	-	-	-	-	9,744,798	9,744,798
	728,424,887	294,507,545	1,022,932,432	756,873,365	333,015,071	1,089,888,436
Off balance sheet items:						
Maturity up to one year						
Letters of credit	-	22,926,212	22,926,212	-	5,053,057	5,053,057
Commitments	-	7,027,980	7,027,980	-	3,158,212	3,158,212
	-	29,954,192	29,954,192	-	8,211,269	8,211,269
Maturity after one year						
Letter of guarantee	-	5,000,000	5,000,000	-	5,000,000	5,000,000
	-	34,954,192	34,954,192	-	13,211,269	13,211,269

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, 2008, the total foreign currency risk exposure was Rs. 8,816,375 (2007: Rs. 26,992,397) in respect of cash and bank balances and foreign deferred credit.

32.3 Capital management

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

32.4 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. 394,894,740 (2007: Rs. 287,117,166), the financial assets which are subject to credit risk, amount to Rs. 199,464,665 (2007: Rs. 136,956,558). 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.

32.5 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.

32.6 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	
	2008	2007	2008	2007	2008	2007
	(Rupees)		(Rupees)		(Rupees)	
Managerial remuneration	7,350,148	5,155,316	10,803,084	8,756,110	10,419,125	6,858,555
Rent and utilities	845,455	681,818	1,663,636	1,500,000	3,327,158	3,258,223
Bonus and incentives	400,000	400,000	700,000	700,000	869,465	609,000
Gratuity	-	2,217,845	274,898	393,026	483,323	614,822
Medical insurance	37,337	38,494	112,011	115,482	224,310	227,077
Leave encashment	-	-	-	-	44,385	167,652
	8,632,940	8,493,473	13,553,629	11,464,618	15,367,766	11,735,329
Number of person(s)	1	1	3	3	10	8

Notes to the Financial Statements

for the year ended June 30, 2008

33.1 The chief executive is provided with a Company maintained car, while another director and six executives availed car facility.

33.2 An amount of Rs. 480,000 (2007: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.

34 CASH GENERATED FROM OPERATIONS

	2008	2007
	(Rupees)	
Profit before taxation	232,911,714	142,743,124
Adjustments for:		
Depreciation/amortization of property, plant and equipment	112,385,780	87,684,215
Provision for doubtful debts and advances	416,908	9,804,315
Property, plant and equipment written off	121,242	1,347,605
(Gain)/loss on sale of property, plant and equipment	(1,029,995)	41,530
Provision for compensated absences	2,706,789	1,876,145
Provision for gratuity	18,841,341	17,045,321
Liabilities written back	(1,497,801)	-
Loss/(gain) on foreign currency translations	2,906,794	(26,446)
Finance cost	84,089,194	66,359,785
Operating cash flows before movements in working capital	451,851,966	326,875,594
Working capital changes:		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	4,700,523	5,611,476
Stock-in-trade	(15,025,924)	(9,774,164)
Trade debts	(22,467,565)	8,188,629
Loans and advances	(6,368,682)	6,381,891
Trade deposits and short term prepayments	(33,857,883)	(4,277,699)
Markup accrued	(1,085,351)	-
Other financial assets	(1,137,820)	(8,150,272)
(Decrease)/increase in trade and other payables	(1,178,951)	96,021,043
Cash generated from operations	375,430,313	420,876,498

35 NON-CASH TRANSACTIONS

There was an addition to property, plant and equipment during the year of Rs. 3,688,000 (2007: Nil) through finance leases.

36 FIGURES

Corresponding figures, wherever necessary, have been rearranged and reclassified for the purposes of comparison. However, these are not considered material enough to be disclosed separately.

Figures have been rounded off to the nearest Pak Rupee unless otherwise stated.

37 EVENT AFTER BALANCE SHEET DATE

In respect of the current year, the directors proposed to pay cash dividend of Rs. 50,513,800 (2007: Rs. 50,513,800), @ Re. 1 per ordinary share of Rs. 10 each. The dividend is subject to the approval by the shareholders at the forthcoming Annual General Meeting and has not been included as liability in these financial statements. This will be accounted for subsequently in the year of payment.

38 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on September 09, 2008 by the Board of Directors of the Company.

CHIEF EXECUTIVE

DIRECTOR

Pattern of Shareholding

as at June 30, 2008

No. of shareholders	Size of holding of shares From	To	Total shares held
31	1	100	2,496
1456	101	500	721,470
278	501	1,000	273,035
243	1,001	5,000	609,052
86	5,001	10,000	738,014
44	10,001	15,000	536,946
36	15,001	20,000	674,677
16	20,001	25,000	358,097
20	25,001	30,000	559,992
13	30,001	35,000	406,810
11	35,001	40,000	433,705
7	40,001	45,000	295,678
9	45,001	50,000	435,290
6	50,001	55,000	313,155
5	55,001	60,000	294,510
4	60,001	65,000	249,875
3	65,001	70,000	204,260
4	70,001	75,000	293,082
4	75,001	80,000	316,570
3	80,001	85,000	247,510
3	85,001	90,000	263,230
14	95,001	100,000	1,398,500
4	100,001	105,000	404,472
1	105,001	110,000	107,012
1	110,001	115,000	113,600
1	115,001	120,000	115,210
4	120,000	125,000	490,472
4	125,001	130,000	506,155
3	130,001	135,000	398,066
4	135,001	140,000	548,562
2	140,001	145,000	285,180
2	145,001	150,000	297,968
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
1	175,001	180,000	177,000
1	185,001	190,000	187,500
1	200,001	205,000	204,925
3	205,001	210,000	622,325
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
1	245,001	250,000	248,000
1	265,001	270,000	266,560
1	275,001	280,000	279,799
2	285,001	290,000	571,027
2	300,001	305,000	603,980
1	305,001	310,000	306,800
3	320,001	325,000	967,210
1	335,001	340,000	335,810
2	345,001	350,000	697,260
1	350,001	355,000	354,370
1	390,001	395,000	392,000
1	400,001	405,000	402,100
1	415,001	420,000	415,304
1	430,001	435,000	433,400
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
1	630,001	635,000	633,280
1	690,001	695,000	692,900
1	950,001	955,000	953,961
1	1,300,001	1,305,000	1,303,947
1	1,635,001	1,640,000	1,637,832
1	1,725,001	1,730,000	1,725,040
1	1,760,001	1,765,000	1,763,250
1	2,025,001	2,030,000	2,027,100
1	2,185,001	2,190,000	2,185,091
1	12,750,001	12,755,000	12,754,125
2372			50,513,800

Pattern of Shareholding

as at June 30, 2008

Categories of shareholders	Number	Shares held	Percentage
Individual	2338	34,616,697	68.529
Investment Companies	2	12,000	0.024
Joint Stock Companies	21	485,140	0.960
Financial Institutions	2	26,500	0.053
Foreign Companies	1	12,754,125	25.249
Others*	8	2,619,338	5.185
	2372	50,513,800	100.000

*Shifa Foundation	500
*Trustees Saeeda Amin WAKF	10,000
*Trustees Mohamad Amin WAKF	20,000
*Islamabad Stock Exchange	290
*Trustees First Habib Mod. RMO. Pro. Fund	5,000
*Trustees Karachi Sherton Hotel Employees	500
*Management Committee of Shifa Foundation	555,948
*Management Committee of Tameer-e-Millat Foundation	2,027,100

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

Name	Relation/Category	No. of Shares Held	Percentage
Shifa Foundation	Related party	500	0.001
Management Committee of Shifa Foundation	-do-	555,948	1.101
Management Committee of Tameer-e-Millat Foundation	-do-	2,027,100	4.013
Dr. Zaheer Ahmad	CEO & Director	1,311,947	2.597
Dr. Zaheer Ahmad & Qasim Farooq Ahmad	Jointly held with son	100,000	0.198
Mrs. Kulsoom Zaheer Ahmad	W/o Dr. Zaheer Ahmad	100,000	0.198
Dr. Manzoor H. Qazi	Director	954,961	1.890
Dr. Habib-Ur-Rehman	Director	692,900	1.372
Mrs. Shahida Rehman	W/o Dr. Habib-Ur-Rehman	12,150	0.024
Mr. Samiulla Sharief	Director	293,591	0.581
Mr. Samiulla Sharief & Mr. Shoaib Ullah Sharief	Jointly held with son	100,000	0.198
Mrs. Samina Sharief	W/o Mr. Samiulla Sharief	29,820	0.059
Dr. Abdul Razaq	Director	533,400	1.056
Mr. M. Owais Khanani	Director	100,450	0.199
Dr. Saeed A. Bajwa	Director	303,380	0.601
Dr. Mukhtar Nasir	Director	64,500	0.128
M/s Muwaffaq Limited	Company with 10% or more voting interest	12,754,125	25.249
(Nominee Directors of M/s Muwaffaq Limited are:			
Mr. Sohail A. Siddiqi			
Dr. Abdulaziz Sulaiman Abdulaziz Al Khereiji)			
Syed Muneer Hussain	Executive	1,000	0.002

FORM OF PROXY

22nd Annual General Meeting

Shifa International Hospitals Limited

I/We ______________________________

of ______________________________

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

No. of Shares ______________ hereby appoint ______________________________

of ______________________ Folio No./CDC A/c No. ______________

or failing him ______________________________

of ______________________ Folio No./CDC A/c No. ______________

who is a member of the Company as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 22nd Annual General Meeting of the Company to be held at 10:30 a.m. on Saturday, October 25, 2008 and at any adjournment thereof.

As witness my hand this ________ day of ______________ 2008.

Signed by the said ______________________________

Witnesses:

1. **Signature** ______________________

Name ______________________

Address ______________________

____

CNIC/Passport No. ______________________

Revenue Stamp

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

2. **Signature** ______________________

Name ______________________

Address ______________________

____

CNIC/Passport No. ______________________

Important:

1. This form of Proxy, duly completed, signed and stamped must be deposited at the Company's Registered Office, Sector H-8/4 Islamabad, not less than 48 hours before the time for holding the meeting.

2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

3. CDC account holder, sub account holder/shareholder may appoint proxy and the proxy must produce attested copy of his/her CNIC or Passport at the time of attending the meeting.

AFFIX
CORRECT
POSTAGE

The Company Secretary

Shifa International Hospitals Limited

Sector H-8/4, Islamabad,

Pakistan.