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 Exchange of Pakistan since 1995.

2. The Company encourages representation of non-executive directors; at present the Board includes eight 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, 2009.

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. There were no new appointments of Company Secretary, CFO or Head of Internal Audit during the year under review. However, in the month of July 2009, due to the demise of head of Internal Audit, an Acting Head of Internal Audit was appointed by the board who will hold the office till the appointment of new Head of Internal Audit.

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 three members, all 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 the International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by the 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
August 21, 2009

DR. ZAHEER AHMAD
Chairman & CEO

Statement of Compliance with the Best Practices on Transfer Pricing for the year ended June 30, 2009

The related party transactions have been placed before the audit committee and approved by the board of directors to comply with the requirements of listing regulation number 37 of the Karachi Stock Exchange (Guarantee) Limited.

ISLAMABAD
August 21, 2009

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 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.

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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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.

Chartered Accountants

Islamabad
Dated: August 21, 2009

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

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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, 2009 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 the 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, 2009 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.

M.Yousuf Adil Saleem & Co.

Chartered Accountants

Audit Engagement Partner: Mohammad Saleem

Dated: August 21, 2009
Islamabad

Member of
Deloitte Touche Tohmatsu

Balance Sheet as at June 30, 2009

	Note	2009	2008
		(Rupees)	
SHARE CAPITAL AND RESERVES			
Share capital	4	505,138,000	505,138,000
Capital reserve	5	40,000,000	40,000,000
Unappropriated profit		350,662,855	269,998,342
		895,800,855	815,136,342
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	6	612,088,722	223,250,491
NON CURRENT LIABILITIES			
Long term financing	7	524,821,428	636,250,000
Liabilities against assets subject to finance lease	8	10,618,723	8,335,838
Deferred taxation	9	259,163,297	215,594,542
		794,603,448	860,180,380
CURRENT LIABILITIES			
Trade and other payables	10	349,637,143	336,357,497
Markup accrued	11	17,741,382	15,701,517
Short term borrowings	12	46,817,667	-
Current portion of :			
long term financing	7	111,428,572	65,000,000
liabilities against assets subject to finance lease	8	7,194,183	8,299,049
Provision for taxation	13	4,016,150	-
		536,835,097	425,358,063
CONTINGENCIES AND COMMITMENTS	14		
		2,839,328,122	2,323,925,276

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

	Note	2009	2008
		(Rupees)	
NON CURRENT ASSETS			
Property, plant and equipment	15	2,283,027,574	1,797,488,227
Long term deposits	16	12,170,207	11,423,687
CURRENT ASSETS			
Stores, spare parts and loose tools	17	47,799,008	40,017,352
Stock-in-trade	18	65,575,907	44,870,927
Trade debts	19	185,349,462	153,179,664
Loans and advances	20	34,429,312	23,886,049
Trade deposits and short term prepayments	21	41,684,870	43,399,684
Markup accrued		249,707	1,085,351
Other financial assets	22	35,574,658	25,733,148
Tax refunds due from Government (net of provision)	23	-	14,229,611
Cash and bank balances	24	133,467,417	168,611,576
		544,130,341	515,013,362
		2,839,328,122	2,323,925,276

Director

Profit and Loss Account For the year ended June 30, 2009

	Note	2009	2008
		(Rupees)	
Net revenue	25	1,948,834,848	1,652,459,343
Other operating income	26	20,103,050	12,230,233
Operating costs	27	(1,652,684,437)	(1,344,781,874)
Finance cost	28	(109,119,040)	(86,995,988)
Profit before taxation		207,134,421	232,911,714
Provision for taxation	29	(79,478,268)	(78,230,368)
Profit for the year		127,656,153	154,681,346
Earnings per share - basic and diluted	30	2.53	3.06

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Director

Cash Flow Statement For the year ended June 30, 2009

	Note	2009	2008
		(Rupees)	
Cash generated from operations	34	444,316,203	376,568,133
Gratuity and compensated absences paid		(32,693,677)	(22,406,096)
Finance cost paid		(107,371,010)	(86,768,345)
Income tax paid		(17,663,753)	(9,125,517)
Net cash from operating activities		286,587,763	258,268,175
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(239,890,823)	(150,442,553)
Proceeds from disposal of property, plant and equipment		6,371,442	1,030,000
Decrease in other financial assets		20,729,490	3,865,838
Long term deposits		(746,520)	(1,395,266)
Net cash used in investing activities		(213,536,411)	(146,941,981)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing -disbursements		56,250,000	200,000,000
-repayments		(121,250,000)	(193,394,798)
Repayment of principal portion of finance lease		(10,767,591)	(9,948,971)
Dividend paid		(48,966,424)	(49,704,981)
Net cash used in financing activities		(124,734,015)	(53,048,750)
Net (decrease)/increase in cash and cash equivalents		(51,682,663)	58,277,444
Cash and cash equivalents at beginning of year		173,615,234	115,291,209
Effect of exchange rate changes on cash and cash equivalents		291,837	46,581
Cash and cash equivalents at end of year	35	122,224,408	173,615,234

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Director

Statement of Changes In Equity For the year ended June 30, 2009

	Note	Share capital	Capital reserve	Unappropriated profit	Total
			(Rupees)		
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	6	-	-	2,790,628	2,790,628
Balance at June 30, 2008		505,138,000	40,000,000	269,998,342	815,136,342
Profit for the year		-	-	127,656,153	127,656,153
Dividend for the year ended June 30, 2008 @ Re. 1/- per share		-	-	(50,513,800)	(50,513,800)
Transfer of incremental depreciation	6	-	-	3,522,160	3,522,160
Balance at June 30, 2009		505,138,000	40,000,000	350,662,855	895,800,855

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Director

Notes to the Financial Statements For the year ended June 30, 2009

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.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance 1984, shall prevail.

2.2 Adoption of new International Financial Reporting Standards

In the current year, the Company has adopted all new Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for Company's accounting period beginning on July 01, 2008. The adoption of these new Standards and Interpretations has resulted in changes to the Company's accounting policies in the following areas:

IFRS-7 Financial Instruments: Disclosures — April 28, 2008

IFRS-7 requires extensive disclosures about the significance of financial instruments for the Company's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of the risks. These requirements incorporate many of the requirements previously in IAS 32-Financial Instruments: Presentation. The Company has adopted this standard from the financial year beginning July 01, 2008 and its initial application has led to extensive disclosures in the Company's financial statements.

IFRIC 14- IAS 19- The limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction — January 01, 2008

IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by statutory or contractual minimum funding requirement. The adoption of this interpretation will have no material impact on the Company's financial statements.

2.2.1 New accounting standard and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after as mentioned there against are either not relevant to the Company's current operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

Notes to the Financial Statements For the year ended June 30, 2009

Revised IAS 1- Presentation of financial statements January 01, 2009

Revised IAS 1 introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

Revised IAS 23- Borrowing costs January 01, 2009

Revised IAS 23 removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard will have an effect on the Company's financial statements.

Amended IAS 27- Consolidated and Separate Financial Statements July 01, 2009

Amended IAS 27 requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. This standard is not applicable to the Company's operations.

Amendments to IAS 32- Financial instruments: Presentation and IAS 1 January 01, 2009

Amendments to IAS 32 specifies that puttable financial instruments and obligations arising on liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Company’s financial statements.

Amendments to IAS 39- Financial Instruments: Recognition and Measurement July 01, 2009

Amendments to IAS 39 Financial Instruments: Recognition and Measurement clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the Company’s financial statements.

Amendment to IFRS 2- Share-based Payment – Vesting Conditions and Cancellations January 01, 2009

Amendment to IFRS 2 clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Company’s financial statements.

Revised IFRS 3- Business Combinations July 01, 2009

Revised IFRS 3 broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Company’s financial statements.

IFRS 8- Operating Segments January 01, 2009

IFRS 8 Operating Segments replaces IAS 14 and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard will have no material impact on the financial statements in the year of application.

IFRIC 15- Agreement for the Construction of Real Estate January 01, 2009

IFRIC 15 clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company's operations.

IFRIC 16- Hedge of Net Investment in a Foreign Operation October 01, 2008

IFRIC 16 clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss.

The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The interpretation is not relevant to the Company's operations.

IFRIC17- Distributions of Non-cash Assets to Owners July 01, 2009

IFRIC17 states that when a Company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Company's financial statements.

IFRIC 18- Transfers of Assets from Customers July 01, 2009

IFRIC 18 clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the Company's operations.

2.2.2 Interpretations to existing standards that are effective and not relevant for the Company's operations

The following interpretation to existing standards has been published and is mandatory for the company's accounting year beginning on July 01, 2008 but is not relevant for the company's operations:

IFRIC 12 - Service Concession Agreements January 01, 2008

IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. Since the Company is not involved in public sector services, the implementation of this interpretation does not affect its financial statements.

Notes to the Financial Statements For the year ended June 30, 2009

IFRIC 13 - Customer Loyalty Programs	July 01, 2008

IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement by using fair values. Since the Company is not involved in any such programs, the implementation of this interpretation does not affect its financial statements.

2.3 Basis of measurement

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 are measured at their fair values.

2.4 Functional and presentation currency

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

2.5 Significant 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.

2.5.1 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 equipments with a corresponding effect on the depreciation charge and impairment.

2.5.2 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 19 to these financial statements.

2.5.3 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.

2.5.4 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.

2.5.5 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below which have been consistently applied:

3.1 Property, plant and equipment

Property, plant and equipment except leasehold/freehold land and capital work in progress are stated at cost less accumulated depreciation/amortization and impairment in value, if any. Freehold and leasehold land is stated at revalued amount being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. Any revaluation increase arising on the revaluation of such assets is credited in 'Surplus on Revaluation'. A decrease in the carrying amount arising on revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the surplus on revaluation account relating to a previous revaluation of that asset. Leasehold land is amortized over the lease period extendable upto 99 years.

The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related asset is transferred to unappropriated profit on an annual basis.

Capital work-in-progress and stores held for capital expenditure are stated at cost less any recognised impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

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 that do not meet the recognition criteria are charged to income as and when incurred.

Depreciation/amortization is charged to income commencing when the asset is ready for its intended use, applying the straight-line method over the estimated useful life. Freehold land is not depreciated.

In respect of additions and disposals during the year, depreciation is charged when the asset is available for use and upto the month preceding the asset's classification as held for sale or derecognition, whichever is earlier, respectively.

Assets are derecognised when disposed or when no future economic benefits are expected from its use or disposal. Gains or losses on disposal of assets, if any, are recognised as and when incurred.

3.2 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.

3.3 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 the carrying amount that would have been determined (net of depreciation) had no impairment loss been recongnised for the asset in prior years. 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.

Notes to the Financial Statements For the year ended June 30, 2009

3.4 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 non-derivative 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. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the investment to its net carrying amount. Gains and losses are recognised in the profit and loss account when the investments are de-recognised or impaired, as well as through the amortization process.

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.

3.5 Stores, spare parts and loose tools

These are valued at cost, determined on moving average cost 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.

3.6 Stock-in-trade

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

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.

3.7 Trade debts and other receivables

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

3.8 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 with maturity of three months or less from the date of acquisition and short term borrowings.

Notes to the Financial Statements For the year ended June 30, 2009

3.9 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.

3.10 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.

3.11 Employee benefits

Defined benefit plan

The Company operates approved funded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation and is charged to income. The most recent valuation was carried out as at June 30, 2009 using the “Projected Unit Credit Method”. The results of actuarial valuation are summarized in note 10.3 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.

3.12 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.

3.13 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.

Notes to the Financial Statements For the year ended June 30, 2009

3.14 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.

Deferred

Deferred income tax is recognised 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 is 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.

3.15 Foreign currencies

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

3.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods and services provided in the normal course of business. Revenue is 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.

3.17 Related party transactions

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

3.18 Borrowing costs

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

3.19 Dividend distribution

Dividend distributed to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividend is approved by the Company's shareholders.

Notes to the Financial Statements For the year ended June 30, 2009

4 SHARE CAPITAL

Issued, subscribed and paid up

2009	2008		2009	2008
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

4.1 There were no movements during the reporting period.

4.2 The Company has only one class of ordinary shares which carries no right to fixed income. The shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

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

Authorized

This represents 54,537,900 (2008: 54,537,900) ordinary shares of Rs. 10 each amounting to Rs. 545,379,000.

5 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 Companies Ordinance, 1984.

	2009	2008
	(Rupees)	
6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Balance as at July 01	223,250,491	226,041,119
Addition during the year due to revaluation	377,743,420	-
Adjustment due to incremental depreciation	14,616,971	-
Transferred to unappropriated profits in respect of incremental depreciation charged during the year	(3,522,160)	(2,790,628)
Balance as at June 30	612,088,722	223,250,491

6.1 Surplus on revaluation of property, plant and equipment is in respect of leasehold/freehold land, which was revalued in 1999, 2004 and May 2009 as disclosed in note 15.1and 15.2. Due to revaluation of leasehold/freehold land, incidence of related deferred tax liability does not arise.

Notes to the Financial Statements For the year ended June 30, 2009

	Note	2009	2008
		(Rupees)	
7 LONG TERM FINANCING			
From banking companies - secured			
MCB Bank Limited - DF II	7.2	-	20,000,000
MCB Bank Limited - DF	7.3	-	81,250,000
Askari Bank Limited	7.4	80,000,000	100,000,000
Allied Bank Limited - DF I	7.5	300,000,000	300,000,000
Meezan Bank Limited	7.6	256,250,000	200,000,000
		636,250,000	701,250,000
Less: Current portion		111,428,572	65,000,000
		524,821,428	636,250,000

7.1 The Company has fully availed all the above mentioned facilities except as stated in 7.6.

7.2 This represented Demand Finance obtained on markup basis at KIBOR (3 months average ask side) plus 0.5% to 3.5% reset on first working day of each calendar quarter per annum [2008: KIBOR (3 months average ask side) plus 0.5% (no cap, floor 5%) per annum] calculated on daily product basis and was repayable in 12 equal quarterly installments against the sanctioned limit of Rs. 120 million (2008: Rs.120 million). The financing had been repaid on October 22, 2008, it 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 (2008: Rs. 555 million) to cover all facilities including Demand Finance (DF) of Rs. 100 million (2008: Rs. 100 million), DF II of Rs. 120 million (2008: Rs. 120 million) and short term borrowings of Rs. 20 million (2008: Rs. 20 million) respectively.

7.3 This represented Demand Finance (DF) of Rs. 100 million on markup basis at KIBOR (3 months average) plus 2.5% [2008: KIBOR (3 months average) plus 1.25%)] per annum, calculated on daily product basis and was repayable in 16 equal quarterly installments against the sanctioned limit of Rs. 100 million (2008: Rs.100 million). The financing was secured as stated in note 7.2.The financing has been repaid in full in June 2009 from fresh disbursement of Meezan Bank Limited of Rs. 56.250 million as mentioned in note 7.6.

7.4 This represents Term Finance obtained on markup basis at 3 months KIBOR plus 1% (2008: 3 months KIBOR plus 1%) per annum. The finance is repayable in 5 equal half yearly installments against a sanctioned limit of Rs. 100 million (2008: 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.

7.5 This represents Demand Finance (DF) obtained on markup basis at 3 months KIBOR plus 1% (2008: 3 months KIBOR plus 1%) per annum. This finance is repayable in 14 equal quarterly installments against sanctioned limit of Rs. 300 million (2008: Rs. 300 million). The financing is repayable by June 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 will become repayable on April 10, 2010.

7.6 This represents Diminishing Musharika facility obtained on profit rate basis ranges from 3 months KIBOR plus 1% to 1.5% [2008:3 months KIBOR plus 1% to 1.35%] per annum of two trenches of Rs. 100 million each and another trench of Rs. 56.250 million [2008: two trenches of Rs. 100 million each]. First two trenches are repayable in 6 equal half yearly installments and third trench is repayable in 8 equal quarterly instalements against the availed facility of Rs. 256.250 million out of the sanctioned limit of Rs. 400 million (2008: 400 million). The financing is repayable by June 10, 2012 and is secured

Notes to the Financial Statements For the year ended June 30, 2009

by first pari passu charge on all present and future fixed assets of the Company amounting to Rs. 534 million. The first installment will become repayable from December 10, 2009. The fresh trench of Rs.56.250 million has been obtained to take over the long term liability of the MCB Bank Limited as mentioned in note 7.3.

	Note	2009	2008
		(Rupees)	
8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Askari Leasing Limited	8.2	7,255,642	12,711,369
Meezan Bank Limited	8.3	-	2,366,022
Bank AL Habib Limited	8.4	2,573,440	1,557,496
Askari Bank Limited	8.5	7,983,824	-
		17,812,906	16,634,887
Less: Current portion		7,194,183	8,299,049
		10,618,723	8,335,838

8.1 Overdue rentals in certain agreements are subject to additional charge at the rate of 20% (2008: 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.

8.2 This represents the vehicles and medical equipment acquired under finance leases from the leasing company. The financing rate used as discounting factor ranges from 14% to 15.5% (2008: 12.23% to 15.5%) per annum.

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

	2009	2008
	(Rupees)	
Within one year	4,170,352	6,516,741
After one year but not more than five years	3,757,018	7,927,371
Total minimum lease payments	7,927,370	14,444,112
Less: Amount representing finance cost	671,728	1,732,743
Present value of minimum lease payments	7,255,642	12,711,369
Less: Due within one year	3,592,051	5,455,724
Balance due after one year but not more than five years	3,663,591	7,255,645

8.3 This represented the electrical and biomedical equipment acquired under finance leases from the bank. The financing rate used as discounting factor is KIBOR plus 1.90 % (2008: KIBOR plus 1.90%) per annum.

The Company has exercised its option to purchase the above assets upon completion of the lease period.

Notes to the Financial Statements For the year ended June 30, 2009

	2009	2008
	(Rupees)	
Within one year		2,407,178
After one year but not more than five years		-
Total minimum lease payments	-	2,407,178
Less: Amount representing finance cost	-	41,156
Present value of minimum lease payments	-	2,366,022
Less: Due within one year	-	2,366,022
Balance due after one year but not more than five years	-	-

8.4 This represents vehicles acquired under finance leases from the bank. These vehicles are under hypothecation charge of the bank amounting to Rs.3.55 million. The financing rate used as discounting factor is 14.50% to 17.50% (2008: 14.50%) per annum.

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

	2009	2008
	(Rupees)	
Within one year	1,176,092	617,400
After one year but not more than five years	1,759,792	1,149,950
Total minimum lease payments	2,935,884	1,767,350
Less: Amount representing finance cost	362,444	209,854
Present value of minimum lease payments	2,573,440	1,557,496
Less: Due within one year	937,115	477,303
Balance due after one year but not more than five years	1,636,325	1,080,193

8.5 This represents vehicles acquired under finance leases from the bank. These vehicles are under hypothecation charge of the bank amounting to Rs.9.7 million. The financing rate used as discounting factor is 16% (2008: Nil) per annum.

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

	2009	2008
	(Rupees)	
Within one year	4,694,720	-
After one year but not more than five years	4,680,571	-
Total minimum lease payments	9,375,291	-
Less: Amount representing finance cost	1,391,467	-
Present value of minimum lease payments	7,983,824	-
Less: Due within one year	2,665,017	-
Balance due after one year but not more than five years	5,318,807	-

Notes to the Financial Statements For the year ended June 30, 2009

		Note	2009	2008
			(Rupees)	
9	DEFERRED TAXATION			
	Deferred taxation	9.1	259,163,297	215,594,542
9.1	Deferred tax liability	9.1.1	290,581,154	254,590,388
	Deferred tax asset	9.1.2	(31,417,857)	(38,995,846)
	Net deferred tax liability		259,163,297	215,594,542
9.1.1	Deferred tax liability on taxable temporary differences:			
	Accelerated depreciation allowance		292,247,104	251,118,356
	Finance lease arrangements		(1,665,950)	3,472,032
			290,581,154	254,590,388
9.1.2	Deferred tax asset on deductible temporary differences:			
	Employees' benefits		(9,570,609)	(13,340,885)
	Specific provisions		(10,689,416)	(9,093,907)
	Excess of turnover tax over normal tax		(11,157,832)	(16,561,054)
			(31,417,857)	(38,995,846)
10	TRADE AND OTHER PAYABLES			
	Creditors		211,325,448	149,521,509
	Accrued liabilities		39,587,101	44,655,176
	Advance payments		1,775,019	850,704
	Compensated absences		11,549,360	10,921,778
	Medical consultants' charges		31,678,589	58,581,040
	Payable to related parties - unsecured	10.1	1,355,903	1,806,771
	Security deposits	10.2	13,276,693	11,255,099
	Unclaimed dividend		9,591,328	8,043,952
	Retention money		2,153,104	2,064,655
	Payable to Shifa International Hospitals Limited (SIHL) Employees' Gratuity Fund	10.3	27,344,598	38,116,813
	Current portion of long term deferred credit		-	10,540,000
			349,637,143	336,357,497

10.1 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. 1,037,766 (2008: Rs. 513,969) and Rs. 2,014,874 (2008: Rs. 1,656,935) respectively.

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

Notes to the Financial Statements For the year ended June 30, 2009

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

	2009 (Rupees)	2008
Present value of funded obligation	76,316,790	57,407,225
Fair value of plan assets	(37,136,463)	(12,273,566)
Unrecognised actuarial losses	(11,835,729)	(8,107,894)
Benefits payable to outgoing members	-	1,091,048
	27,344,598	38,116,813

10.3.1 Charge for the year:

	2009	2008
Current service cost	13,127,687	13,581,857
Interest cost	6,911,890	5,601,683
Expected return on plan assets	(1,472,828)	(778,076)
Net actuarial loss reconized during the year	423,307	563,617
	18,990,056	18,969,081

10.3.2 The charge has been allocated as follows:

	2009	2008
Salaries, wages and benefits	18,815,158	18,841,341
Capital work in progress	174,898	127,740
	18,990,056	18,969,081

10.3.3 Movement in the liability recognised in the balance sheet:

	2009	2008
At the beginning of year	38,116,813	39,252,689
Amount recognised during the year - as shown above	18,990,056	18,969,081
Payments during the year	(29,762,271)	(20,104,957)
At the end of year	27,344,598	38,116,813

10.3.4 Movement in the fair value of plan assets:

	2009	2008
At the beginning of year	12,273,566	7,780,756
Expected return on plan assets	1,472,828	778,076
Payments during the year	29,762,271	20,104,957
Benefits paid during the year	(7,802,166)	(14,055,003)
Actuarial gain/(loss) on plan assets	1,429,964	(2,335,220)
At the end of year	37,136,463	12,273,566

10.3.5 Plan assets comprise of:

	2009	2008
Alfalah GHP Income Multiplier Fund/accrued mark up	376,657	5,059,104
Term Deposit Receipts	36,000,000	3,066,181
Cash and bank balances	759,806	4,148,281
	37,136,463	12,273,566

10.3.6 The principal actuarial assumptions used were as follows:

	2009	2008
Discount rate	12%	12%
Expected rate of increase in salaries	11%	11%
Expected return on plan assets	12%	10%
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	Rs. 20,000,043	Rs. 18,531,551

Notes to the Financial Statements For the year ended June 30, 2009

10.3.7 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:

	2009	2008	2007	2006	2005
			Rupees ' 000 '		
Present value of defined benefit obligation	76,317	57,407	56,017	48,372	34,234
Fair value of plan assets	37,136	12,274	7,781	6,652	-
Surplus	39,181	45,133	48,236	41,720	34,234
Experience adjustments arising:					
-on defined benefit obligation	5,389	(2,647)	(456)	6,971	2,401
-on plan assets	1,430	(2,335)	(282)	-	-

	Note	2009	2008
		(Rupees)	
11 MARKUP ACCRUED			
Long term financing - secured		17,505,369	15,486,772
Liabilities against assets subject to finance lease		193,687	123,900
Running finance facilities - secured		42,326	90,845
		17,741,382	15,701,517
12 SHORT TERM BORROWINGS			
Running finance facility - secured			
MCB Bank Limited	12.2	19,817,667	-
Askari Bank Limited	12.3	-	-
Allied Bank Limited	12.4	27,000,000	-
		46,817,667	-

12.1 The aggregate unavailed short-term borrowing facilities available amounted to Rs 73.18 million (2008: Rs. 120 million).

12.2 Short term running finance facility has been availed from the bank under markup arrangements. This carried markup at the rate of KIBOR plus 2.5% (2008: KIBOR plus 1.25%) (no cap, floor 5%) per annum repayable quarterly, calculated on daily product basis. The aggregate sanctioned limit of facility is Rs. 20 million (2008: Rs.20 million). The facility is secured as stated in note 7.2.

12.3 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 2.0% (2008: 3 months average KIBOR plus 0.8%) per annum. Three 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 is Rs. 25 million (2008: Rs. 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.

Notes to the Financial Statements For the year ended June 30, 2009

12.4 Short term running finance facility has been availed from the bank under markup arrangements. This carried markup at the rate of one month KIBOR plus 1.5% (2008: KIBOR plus 1%) per annum repayable quarterly, calculated on daily product basis. The aggregate sanctioned limit of facility is Rs. 75 million (2008: Rs.75 million). The facility is secured by first pari passu charge over present and future current assets of the Company for Rs. 100 million.

	Note	2009 (Rupees)	2008 (Rupees)
13 PROVISION FOR TAXATION			
Provision for taxation for the year	29	35,909,514	-
Less: Tax refund due at beginning of year	23	14,229,611	-
Income tax paid during the year		17,663,753	-
		31,893,364	-
Balance at end of year		4,016,150	-

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

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

	Note	2009 (Rupees)	2008 (Rupees)
Patients	14.1.1	26,245,000	27,866,000
Water and Power Development Authority-WAPDA	14.1.2	38,255,846	38,255,846
Capital Development Authority (CDA)	14.1.3	-	10,723,091
Contractor	14.1.4	6,040,810	6,040,810
Letter of guarantee	14.1.5	20,125,000	5,000,000

14.1.1 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.

14.1.2 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 Honorable 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 has filed contempt of court petition before the Honorable Lahore High Court which was dismissed, against which the Company filed an application for the restoration of contempt of court petition before the Honorable Lahore High Court to pass an interim injunction.

IESCO challenged the order of the Honorable Lahore High Court and took the matter in the Honorable 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 Honorable Supreme Court. The Company had filed a complaint before NEPRA and also writ petition before the then Islamabad High Court, Islamabad. The management firmly believes that the matter will be resolved in favour of the Company.

Notes to the Financial Statements For the year ended June 30, 2009

14.1.3 This represented 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 the Board of CDA, however, the Board rejected the representation filed by the Company. Against this rejection, a petition was filed before the Honorable Lahore High Court, Rawalpindi Bench, Rawalpindi that was decided by the then Islamabad High Court, Islamabad and accordingly the Company has paid the amount during the current year. However, the Company has filed an appeal against the said order before the Honorable Supreme Court of Pakistan, the decision of which is still pending.

14.1.4 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.

14.1.5 This includes letter of guarantees issued by bank in favour of Sui Northern Gas Pipelines Limited (SNGPL) Rs. 20,100,000 (2008: Rs. 5,000,000) and in favour of collector of custom Rs. 25,000 (2008: Rs Nil).

		2009	2008
		(Rupees)	
14.2	Commitments		
14.2.1	Capital expenditure contracted	36,464,569	7,027,980
14.2.2	Letters of credit	5,607,893	22,926,212

15 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, 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
Balance as at July 01, 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
Additions	-	-		62,050,829	14,028,430	20,205,697	10,504,264	89,553	5,638,163	10,677,820	-	-	-	11,945,610	107,114,611	242,254,977
Revaluation	44,882,138	332,861,282	-	-	-	-	-	-	-	-	-	-	-	-	-	377,743,420
Disposals	-	-	-	(3,836,805)	-	-	-	-	-	(3,067,964)	-	-	-	-	-	(6,904,769)
Write offs	-	-	(1,199,513)	(34,399,104)	-	(781,028)	(165,140)	-	(726,261)	-	-	-	-	-	-	(37,271,046)
Transfers/ adjustments	38,000,000	-	175,881,809	10,016,340	950,000	50,000	-	-	221,500	9,345,900	(10,016,340)	(1,000,000)	(221,500)	(9,345,900)	(213,881,809)	-
Balance as at June 30, 2009	102,050,000	575,119,420	1,005,615,262	849,461,506	87,761,974	125,387,221	42,755,860	8,670,851	47,392,964	34,932,232	14,610,856	-	-	15,728,520	107,681,437	3,017,168,103
Depreciation																
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
Balance as at July 01, 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
Charge for the year	-	3,606,998	23,087,376	68,167,651	5,669,662	13,178,256	3,216,788	593,017	6,194,727	3,855,014	1,711,501	37,502	13,845	2,701,441	-	132,033,778
On disposals	-			(259,364)	-	-		-	-	(3,067,957)	-	-	-	-	-	(3,327,321)
On write offs	-	-	(773,105)	(21,664,723)	-	(575,838)	(95,180)	-	(697,405)	-	-	-	-	-	-	(23,806,251)
On revaluation	-	(14,616,971)	-	-	-	-	-	-	-	-	-	-	-	-		(14,616,971)
On transfers/ adjustments	-	-	-	3,255,311	463,125	24,375	-	-	179,980	5,174,734	(3,255,311)	(487,500)	(179,980)	(5,174,734)	-	-
Balance as at June 30, 2009	-	1,210,779	167,015,833	349,806,928	55,059,625	73,285,234	17,935,756	5,834,778	36,683,944	19,518,361	5,113,818	-	-	2,675,473		734,140,529
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
Carrying value as at June 30, 2009	102,050,000	573,908,641	838,599,429	499,654,578	32,702,349	52,101,987	24,820,104	2,836,073	10,709,020	15,413,871	9,497,038	-	-	13,053,047	107,681,437	2,283,027,574
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, 2009

15.1 The Company had its leasehold land revalued in 1999, 2004 and May 2009 and Freehold land in May 2009 by an independent valuer, using fair market value. These revaluations resulted in net surplus of Rs. 180,873,196, Rs. 63,890,811 and Rs.377,743,420 respectively. The revaluation surplus amounting to Rs. 622,507,427 has been included in the carrying value of the respective assets. Out of the revaluation surplus, an amount of Rs.612,088,722 remains undepreciated as at June 30, 2009 (2008: Rs. 223,250,491).

15.2 During the year, the Company has revalued its leasehold/free hold land by independent valuer M/S NJMI Consultants (Pvt) Limited, Islamabad on the basis of recent market transactions on arm's length terms wherein the parties had each acted knowledgeably, prudently and without compulsion, which resulting in revaluation surplus of Rs. 377,743,420. The surplus has been added to the value of such assets and corresponding increase has been credited to the surplus on revaluation of property, plant and equipment. The area of the land is 111.19 kanals and has been valued at May 21, 2009 at an average market price of Rs. 6.092 million per kanal.

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

Leasehold land	Cost at July 01, 1999	Accumulated amortization at June 30	Carrying value at June 30
		(Rupees)	
2009	8,398,785	1,696,723	6,702,062
2008	8,398,785	1,611,887	6,786,898

Freehold land	2009	2008
	(Rupees)	
	57,167,862	19,167,862

15.3 Property, plant and equipment of the Company are encumbered with banking and non-banking financial institutions under financing arrangements, as disclosed in note 7 and 12.

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

	Note	2009	2008
		(Rupees)	
Operating costs	27	131,440,761	112,385,780
Capital work in progress	15.7.1	593,017	588,528
		132,033,778	112,974,308

Notes to the Financial Statements For the year ended June 30, 2009

15.5 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 (Rs.)	3,067,763	7	2,794,000	Tender
Equipment (Rs.)	51,000	30,600	30,600	Negotiation

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

Asset particulars	Cost	Carrying value	Sale proceeds	Purchaser	Mode of disposal
Syringe Pump (Rs.)	75,000	52,500	52,500	Employees	Charged to Staff
Ultrasound (Rs.)	3,710,805	3,577,441	3,577,741	Mede Equips (Pvt) Ltd	Negotiation

Property, plant and equipment having cost and book value of Rs.1,645,325 and Rs.5 respectively were disposed off for Rs.1,030,000 during the last year.

15.6 The Company has entered into finance lease, sale and leaseback transactions with various financial institutions. Significant terms of the finance lease arrangements being made by the Company are disclosed in note 8 to these financial statements.

	Note	2009 (Rupees)	2008
15.7 Capital work in progress			
Construction work in progress - at cost	15.7.1	89,049,010	164,973,367
Stores held for capital expenditure	15.7.2	8,452,163	11,475,268
Advance for acquisition of land	15.7.3	-	38,000,000
Installation of equipment in progress	15.7.4	10,180,264	-
		107,681,437	214,448,635

15.7.1 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	2009 (Rupees)	2008
Block "D"		30,002,356	71,778,355
Block "E"		22,128,567	40,819,668
Block "F"		27,276,551	39,645,206
Block "G"		4,354,561	-
Other constructions		4,693,958	12,141,610
Depreciation/amortization charge for the year	15.4	593,017	588,528
		89,049,010	164,973,367

Notes to the Financial Statements For the year ended June 30, 2009

	2009	2008
	(Rupees)	

15.7.2 Stores held for capital expenditure

	2009	2008
Stores held for capital expenditure	8,757,266	11,780,371
Less: Provision for slow moving and obsolete items	305,103	305,103
	8,452,163	11,475,268

15.7.3 On receipt of allotment letters, advance for acquisition of land for five plots of two kanals each was given to Shifa Co-operative Housing Society Limited (related party) has been capitalized.

	Note	2009	2008
		(Rupees)	

15.7.4 Installation of equipment in progress

	Note	2009	2008
Mobile Image Intensifier - ARCADIS Varic		7,073,051	-
Nihon Spindle Cooling Tower		2,085,084	-
Neuro Fibrescope Steerable Instrument Channel		1,022,129	-
		10,180,264	-

16 LONG TERM DEPOSITS

	Note	2009	2008
Lease key money deposits	16.1	3,653,786	4,998,470
Less: Current portion of lease key money	21	-	2,799,784
		3,653,786	2,198,686
Security deposits	16.2	8,516,421	9,225,001
		12,170,207	11,423,687

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

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

	2009	2008
	(Rupees)	

17 STORES, SPARE PARTS AND LOOSE TOOLS

	2009	2008
Stores	43,604,837	33,237,359
Spare parts	7,202,303	7,118,090
Loose tools	408,445	135,816
	51,215,585	40,491,265
Less: Provision for slow moving and obsolete items	3,416,577	473,913
	47,799,008	40,017,352

Notes to the Financial Statements For the year ended June 30, 2009

18 STOCK-IN-TRADE

Medicines of Rs. 65,575,907 (2008: Rs. 44,870,927) are being carried at moving average cost.

	Note	2009	2008
		(Rupees)	
19 TRADE DEBTS			
Considered good - unsecured			
Related party - Shifa Foundation	19.1	28,424,600	22,867,087
Others		156,924,862	130,312,577
Considered doubtful			
Others		26,819,510	25,203,578
Considered bad			
Others		-	8,394,966
		212,168,972	186,778,208
Less: Provision for doubtful debts		26,819,510	25,203,578
Bad debts written off		-	8,394,966
		26,819,510	33,598,544
		185,349,462	153,179,664

19.1 The maximum amount due from Shifa Foundation at the end of any month during the year was Rs.25,186,216 (2008: Rs.41,063,949).

19.2 The Company has provided fully for all trade debts over 18 months because historical experience is such that trade debts that are past due beyond 18 months are generally not recoverable. Trade debts between one month and 18 month are provided for based on estimated irrecoverable amounts from the rendering of services, determined by reference to past default experience.

	Note	2009	2008
		(Rupees)	
20 LOANS AND ADVANCES			
Considered good - unsecured			
Employees - executives	20.1	511,213	1,040,353
- other employees		5,581,598	4,060,426
		6,092,811	5,100,779
Consultants		-	1,500,000
Suppliers		28,336,501	17,285,270
		34,429,312	23,886,049

20.1 Reconciliation of carrying amount of advances given to executives:

	2009	2008
Balance at beginning of year	1,040,353	260,182
Disbursements during the year	2,788,443	3,757,013
	3,828,796	4,017,195
Less: Repayments during the year	3,317,583	2,976,842
Balance at end of year	511,213	1,040,353

Notes to the Financial Statements For the year ended June 30, 2009

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. 805,433 (2008: Rs.1,040,353).

	Note	2009	2008
		(Rupees)	
21 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Current portion of long term deposits	16	-	2,799,784
Other deposits	21.1	37,060,000	37,060,000
Short term prepayments		4,624,870	3,539,900
		41,684,870	43,399,684

21.1 These include an amount of Rs. 37 million (2008: Rs. 37 million) deposited with Honorable 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. Refer note 14.1.2.

	Note	2009	2008
		(Rupees)	
22 OTHER FINANCIAL ASSETS			
Held-to-maturity investments			
Albaraka Islamic Bank	22.1	10,029,589	-
Meezan Bank Limited	22.2	-	5,003,658
Trust Investment Bank Limited	22.3	5,084,247	-
MCB Bank Limited	22.4	20,460,822	-
Bank Al Habib Limited	22.5	-	20,729,490
		35,574,658	25,733,148

22.1 This represents one Term Deposit Receipt (TDR) having face value Rs. 10.0 million (2008: NIL) of one month maturity. This investments will mature on July 22, 2009. This investment carries effective markup rate of 12% (2008:NIL) per annum.

22.2 This represented one monthly modaraba certificate having face value of Rs. NIL (2008: Rs. 5.0 million) of Meezan Bank Limited. This investment has matured on July 28, 2008. The effective markup rate on this investment was 9.02% (2008: 9.02%) per annum receivable on monthly basis. The investment was under lien against letter of guarantee issued in favour of Sui Northern Gas Pipelines Limited.

22.3 This represents two TDR's having face value of Rs. 2.5 million each (2008: NIL) of three months maturity from Trust Investment Bank Limited. These TDR's will be matured on July 14, 2009 and September 27, 2009 respectively, with effective markup rate of 15.0% (2008: NIL) per annum.

22.4 This represents deposits of Rs. 20 million (2008: NIL) on profit and loss sharing basis having three months maturity from MCB Bank Limited and will mature on August 03, 2009. The effective mark up rate on this investment is 14.50 % (2008: NIL) per annum. This investment is held with the bank as a cash margin for issuance of bank guarantee in the favour of Sui Northern Gas Pipeline Limited amounting to Rs. 13 million (2008: NIL).

Notes to the Financial Statements For the year ended June 30, 2009

22.5 This represented four TDRs having face value of Rs. 5.0 million each of six months maturity. TDRs amounting to Rs. 10.0 million had matured on July 24, 2008 while remaining TDRs of Rs. 10.0 million had matured on August 18, 2008 with effective markup rates of 9.13% and 9.09% (2008: 9.13% and 9.09%) per annum respectively.

	Note	2009	2008
		(Rupees)	
23 TAX REFUNDS DUE FROM THE GOVERNMENT			
Balance at beginning of year		-	13,280,840
Income tax paid during the year		-	9,125,517
		-	22,406,357
Less: Provision for taxation for the year		-	8,176,746
Balance at end of year		-	14,229,611
24 CASH AND BANK BALANCES			
Cash at banks on:			
current accounts		20,072,233	6,803,723
PLS accounts			
- Local currency	24.1	108,227,831	114,291,166
- Foreign currency	24.1	426,138	1,723,625
	24.2	108,653,969	116,014,791
		128,726,202	122,818,514
Cheques in hand		-	40,858,016
Cash in hand		4,741,215	4,935,046
		133,467,417	168,611,576

24.1 These carry effective markup rates ranging from 5% to 12% and 0.1% to 0.75% (2008: 2.5% to 9.25 % and 0.1% to 3.52%) per annum.

24.2 Balance with bank includes Rs. 13,276,693 (2008: Rs. 11,255,099) in respect of security deposits.

	Note	2009	2008
		(Rupees)	
25 NET REVENUE			
Inpatients		859,730,671	744,953,259
Outpatients		491,040,174	412,896,730
Pharmacy		477,498,866	409,257,101
Cafeteria		86,995,730	73,689,733
Rent of building from related parties	25.1	20,266,069	17,110,128
Other services		32,706,298	11,143,118
		1,968,237,808	1,669,050,069
Less: Discounts		19,402,960	16,590,726
Net revenue		1,948,834,848	1,652,459,343

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

Notes to the Financial Statements For the year ended June 30, 2009

26 OTHER OPERATING INCOME

	Note	2009 (Rupees)	2008
Income from financial assets:			
Profit on investments and bank deposits		11,017,010	4,215,403
Income from other than financial assets:			
Gain on sale of property, plant and equipment		2,793,993	1,029,995
Liabilities written back		1,395,473	1,497,801
Miscellaneous	26.1	4,896,574	5,487,034
		20,103,050	12,230,233

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

27 OPERATING COSTS

	Note	2009 (Rupees)	2008
Medicines consumed		396,765,393	334,546,149
Supplies consumed		404,604,952	330,619,644
Salaries, wages and benefits	27.1	441,890,119	368,295,876
Utilities		80,458,441	68,901,102
Communication		10,300,706	8,700,896
Traveling and conveyance		8,018,857	4,533,873
Printing and stationery		24,220,094	17,742,063
Repairs and maintenance		50,822,434	40,863,957
Auditors' remuneration	27.2	1,125,000	850,000
Legal and professional		8,231,410	6,990,791
Rent		10,511,202	10,062,423
Rates and taxes		8,274,070	2,192,248
Advertising and sales promotion		6,265,309	8,948,713
Fee, subscription and membership		1,960,700	1,833,439
Equipment rentals		360,260	171,920
Contract payments		4,834,550	3,740,420
Cleaning and washing		14,291,241	10,637,744
Insurance		4,429,156	3,447,577
Directors' fee	33	160,000	480,000
Property, plant and equipment written off	27.3	13,464,795	121,242
Provision for doubtful debts		1,615,932	416,908
Advances written off		434,713	-
Provision for slow moving stores		2,942,664	-
Depreciation/amortization	15.4	131,440,761	112,385,780
Donation	27.4	20,000,000	5,000,000
Other expenses		5,261,678	3,299,109
		1,652,684,437	1,344,781,874

27.1 This includes employee retirement benefits (gratuity expense) of Rs. 18,815,158 (2008: Rs. 18,841,341), expense for accumulating absences of Rs. 3,368,357 (2008: Rs. 2,706,789) and provision for bonus to employees Rs. 20,578,445 (2008: Rs. 25,000,000).

Notes to the Financial Statements For the year ended June 30, 2009

		Note	2009 (Rupees)	2008
27.2	Auditors' remuneration			
	Audit fee		700,000	550,000
	Half yearly review fee		225,000	225,000
	Other services		125,000	-
	Out of pocket expenses		75,000	75,000
			1,125,000	850,000

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

27.4 This represents the donation of Rs 10 million each given to Shifa Foundation and Tameer-e-Millat Foundation (related parties having common directorship). Besides this, none of the directors and their spouses have any interest in donee institutions.

		Note	2009 (Rupees)	2008
28	FINANCE COST			
	Markup on:			
	Long term loans		102,018,694	72,834,423
	Liabilities against assets subject to finance lease		2,151,104	2,200,237
	Running finance and murabaha facilities		714,276	7,045,161
	Credit card payment collection charges		1,871,914	1,665,787
	Loss on foreign currency translations		1,956,455	2,906,794
	Bank charges and commission		406,597	343,586
			109,119,040	86,995,988
29	PROVISION FOR TAXATION			
	Current	13	35,909,514	8,176,746
	Deferred		43,568,754	70,053,622
			79,478,268	78,230,368
29.1	Reconciliation of tax charge for the year			
	Profit before taxation		207,134,421	232,911,714

	Note	2009	2008
Applicable tax rate		35.0%	-
Add: Tax effect of amounts taxed at lower rates/ others		22.0%	-
Less: Tax effect of amounts that are deductible for tax purposes		18.6%	-
Average effective tax rate charged on income	29.1.1	38.4%	-

29.1.1 The relationship between tax expense and accounting profit had not been presented in the corresponding period as the total income of the Company was subject to minimum tax under section 113 of Income Tax Ordinance 2001.

29.2 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. Against the order of the CIT [A] the Company has appealed before the Income Tax Appellate Tribunal (ITAT). ITAT passed the order

Notes to the Financial Statements For the year ended June 30, 2009

and directed the TO to make necessary adjustments in the orders of the previous forums. Returns for tax years 2006 and 2007 were filed and deemed to be an assessment order u/s 120(1) of Income Tax Ordinance, 2001. Further, The Commissioner Income Tax by exercising powers under section 177 of the Income Tax Ordinance, 2001 had selected the return for the tax year 2008 for the tax audit which is in process.

30 EARNINGS PER SHARE-BASIC AND DILUTED

	Note	2009	2008
30.1 Basic			
Profit for the year (Rupees)		127,656,153	154,681,346
Number of ordinary shares in issue during the year	4	50,513,800	50,513,800
Basic earnings per share (Rupees)		2.53	3.06

30.2 There is no dilutive effect on the earnings per share of the Company.

31 CAPACITY UTILIZATION

The actual inpatient room occupancy was 73,965 bed days (2008: 74,274 bed days) out of available 108,040 bed days (2008: 109,174 bed days) during the operational year which comes to 68.46 % of total capacity (2008: 68.03%). The under utilization reflects the pattern of patient turnover which is beyond the management's control.

32 RELATED PARTIES TRANSACTIONS

The related parties comprise of directors, major shareholders, key management personnel, SIHL Employees' Gratuity Fund and the entities over which directors are able to exercise influence. The amounts due from and due to these undertakings are shown under trade debts, loans and advances and trade and other payables. 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	2009	2008
		(Rupees)	
Shifa Foundation			
Revenue from services earned by the Company	32.1	20,212,594	16,203,783
Revenue from rent and utilities		26,522,123	23,811,503
Lab services received by the Company		23,867,540	24,486,386
Expenses paid by and reimbursed to the Company		6,000,000	6,000,000
Donation given by the Company	27.4	10,000,000	5,000,000
Settlement of long term loan against receivables		-	9,744,798
Tameer-e-Millat Foundation			
Revenue from rent and utilities		43,800	43,800
Donation given by the Company	27.4	10,000,000	-
Other supplies provided to the Company		404,865	312,780
SIHL Employees' Gratuity Fund			
Payments made by the Company during the year		29,762,271	20,104,957

32.1 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.

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	
	2009	2008	2009	2008	2009	2008
	(Rupees)		(Rupees)		(Rupees)	
Managerial remuneration	10,082,723	7,350,148	7,153,887	10,803,084	10,601,101	10,419,125
Rent and utilities	3,600,000	845,455	2,600,000	1,663,636	4,121,503	3,327,158
Bonus and incentives	550,000	400,000	650,000	700,000	1,147,631	869,465
Gratuity	-	-	-	274,898	1,939,712	483,323
Medical insurance	31,528	37,337	63,056	112,011	202,275	224,310
Leave encashment	-	-	-	-	234,032	44,385
	14,264,251	8,632,940	10,466,943	13,553,629	18,246,254	15,367,766
Number of persons	1	1	2	3	10	10

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

33.2 An amount of Rs. 160,000 (2008:Rs. 480,000) was paid to Mr. Sohail A. Siddiqi, during the year, being the fee for attending the various committees and Board of Directors meetings.

	2009	2008
	(Rupees)	
34 CASH GENERATED FROM OPERATIONS		
Profit before taxation	207,134,421	232,911,714
Adjustments for:		
Depreciation/ amortization of property, plant and equipment	131,440,761	112,385,780
Provision for doubtful debts and advances	1,615,932	416,908
Advances written off	434,713	-
Property, plant and equipment written off	13,464,795	121,242
(Gain) on sale of property, plant and equipment	(2,793,993)	(1,029,995)
Provision for compensated absences	3,368,357	2,706,789
Provision for gratuity	18,815,158	18,841,341
Provision for slow moving	2,942,664	-
Liabilities written back	(1,395,473)	(1,497,801)
Loss on foreign currency translations	1,956,455	2,906,794
Finance cost	107,162,585	84,089,194
Operating cash flows before changes in working capital	484,146,375	451,851,966
Changes in working capital:		
(Increase)/ decrease in current assets:		
Stores, spare parts and loose tools	(10,724,320)	4,700,523
Stock-in-trade	(20,704,980)	(15,025,924)
Trade debts	(33,785,730)	(22,467,565)
Loans and advances	(10,977,976)	(6,368,682)
Trade deposits and short term prepayments	1,714,814	(33,857,883)
Markup accrued/ (received)	835,644	(1,085,351)
Increase/ (decrease) in trade and other payables	33,812,376	(1,178,951)
Cash generated from operations	444,316,203	376,568,133

Notes to the Financial Statements For the year ended June 30, 2009

	2009	2008
	(Rupees)	
35 CASH AND CASH EQUIVALENTS		
Cash and bank balances	133,467,417	168,611,576
Short term borrowings	(46,817,667)	-
Other financial assets	35,574,658	5,003,658
	122,224,408	173,615,234

36 NON-CASH TRANSACTIONS

There was an addition to property, plant and equipment during the year amounting to Rs. 11,945,610 (2008: Rs. 3,688,000) through finance leases. This acquisition will be reflected in the cash flow statements over the term of the finance lease via lease payments.

37 FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has loans, trade debts, other receivables, cash and other financial assets that arrive directly from its operations.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk.

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

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

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

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

37.1 Credit risk and concentration of credit risk

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

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

37.1.1 Counterparties

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

Trade debts

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

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

Cash and investments

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counterparties that have a credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

37.1.2 Exposure to credit risk

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

	2009	2008
	(Rupees)	
Long term deposits	8,516,421	9,225,001
Trade debts	212,168,972	178,383,242
Loans and advances	6,092,811	6,600,779
Trade deposits	37,060,000	37,060,000
Markup accrued	249,707	1,085,351
Other financial assets	35,574,658	25,733,148
Cash and bank balances	128,726,202	163,676,530
	428,388,771	421,764,051

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

	2009	2008
Government Companies	70,707,363	63,684,414
Private Companies	63,455,876	50,172,709
Individuals	34,340,918	17,260,233
Related Parties	28,424,600	22,867,087
Others	15,240,215	24,398,799
	212,168,972	178,383,242

Notes to the Financial Statements For the year ended June 30, 2009

37.1.3 Impairment losses

The aging of trade debts at the reporting date was:

	2009		2008	
	Gross debts	Impaired	Gross debts	Impaired
	(Rupees)		(Rupees)	
Not past due	93,530,152	-	82,261,506	-
1 - 4 months	59,413,747	-	51,680,857	5,000,000
5 - 7 months	13,751,842	687,592	10,176,957	508,848
8 - 12 months	17,981,514	699,915	13,677,260	278,635
13 - 18 months	24,557,813	22,498,099	15,739,653	14,569,086
19 - 23 months	2,933,904	2,933,904	4,847,009	4,847,009
	212,168,972	26,819,510	178,383,242	25,203,578

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

	2009	2008
	(Rupees)	
Balance at beginning of year	25,203,578	33,181,636
Provision made during year	1,615,932	416,908
Amount written off	-	(8,394,966)
Balance at end of year	26,819,510	25,203,578

The allowance account in respect of trade debts are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at that point the amount considered irrecoverable is written off against the financial asset.

37.1.4 The Company believes that no impairment allowance is necessary in respect of loan and advances, accrued markup, deposits and other financial assets. As the Company is satisfied that the recovery of the amount owing is possible.

37.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

Notes to the Financial Statements For the year ended June 30, 2009

	Weighted Average effective rate of markup	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Total
	%	- - - - - - - -	- - - - - - - -	(Rupees)	- - - - - - - -	- - - - - - - -
2009						
Long term financing	14.87	-	-	111,428,572	524,821,428	636,250,000
Liabilities against assets subject to finance lease	15.68	322,654	656,531	6,214,998	10,618,723	17,812,906
		322,654	656,531	117,643,570	535,440,151	654,062,906
2008						
Long term financing	9.96	-	16,250,000	48,750,000	636,250,000	701,250,000
Liabilities against assets subject to finance lease	12.63	559,480	4,992,640	2,746,931	8,335,838	16,634,889
		559,480	21,242,640	51,496,931	644,585,838	717,884,889

37.3 Market risk

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

37.3.1 Foreign currency risk management

Exposure to foreign currency risk

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

	2009	2008	2009	2008
	(Rupees)		(US$)	
Cash and bank balances	426,138	1,723,625	5,234	25,318
Trade and other payables	-	(10,540,000)	-	(154,818)
	426,138	(8,816,375)	5,234	(129,500)

The following significant exchange rates applied during the year:

	Average rate 2009	Average rate 2008	Closing rate 2009	Closing rate 2008
	(Rupees)			
US $ 1	78.82	62.61	81.41	68.08

Foreign currency sensitivity analysis

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

Notes to the Financial Statements For the year ended June 30, 2009

	Change in Foreign Exchange Rates %	Effect on Profit	Effect on Equity
		(Rupees)	
2009			
US $ 1	+10%	42,164	42,164
	-10%	(42,164)	(42,164)
2008			
US $ 1	+10%	(881,368)	(881,368)
	-10%	881,368	881,368

37.3.2 Markup rate risk management

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

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

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

Profile

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

	2009	2008
	(Rupees)	
Financial assets		
Other financial assets	35,574,658	25,733,148
Bank balances	108,653,969	116,014,791
	144,228,627	141,747,939
Financial liabilities		
Long term financing	636,250,000	701,250,000
Liabilities against assets subject to finance lease	17,812,906	16,634,887
Short term borrowings	46,817,667	-
	700,880,573	717,884,887
	(556,651,946)	(576,136,948)

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

Notes to the Financial Statements For the year ended June 30, 2009

Markup rate sensitivity analysis

If markup rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended June 30, 2009 would decrease/increase by Rs. 3,521,929 (2008: decrease/increase by Rs. 4,062,236). This is mainly attributable to the Company's exposure to markup rates on its variable rate borrowings.

37.4 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 and the Company is not subject to externally imposed capital requirements.

37.4.1 Debt-to-adjusted capital ratio

The Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, and unappropriated profit) and includes some forms of subordinated debt. The debt-to-adjusted capital ratios as at June 30 were as follows:

	Note	2009	2008
		(Rupees)	
Total debt	37.3.2	700,880,572	717,884,887
Less: Cash and cash equivalents	35	122,224,408	173,615,234
Net debt		578,656,164	544,269,653
Total equity		895,800,855	815,136,342
Adjusted capital		1,474,457,019	1,359,405,995
Debt-to-adjusted capital ratio		0.39	0.40

The decrease in the debt-to-adjusted capital ratio during the current year resulted primarily from the increase in equity.

37.5 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.

Notes to the Financial Statements For the year ended June 30, 2009

38 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.

39 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed to pay a cash dividend at the rate of Rs. 1.20 per share in their meeting held on August 21, 2009.

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company in their meeting held on August 21, 2009.

Chief Executive

Director

Pattern of Shareholding as at June 30, 2009

No. of shareholders	Size of holding of shares From	To	Total shares held
29	1	100	1,967
1433	101	500	710,361
265	501	1,000	259,073
246	1,001	5,000	596,152
79	5,001	10,000	690,554
44	10,001	15,000	531,506
33	15,001	20,000	620,507
17	20,001	25,000	378,597
19	25,001	30,000	538,492
11	30,001	35,000	345,310
11	35,001	40,000	431,205
6	40,001	45,000	254,178
8	45,001	50,000	385,290
7	50,001	55,000	366,155
4	55,001	60,000	236,510
5	60,001	65,000	310,875
3	70,001	75,000	218,082
4	75,001	80,000	316,570
3	80,001	85,000	247,510
3	85,001	90,000	264,970
12	95,001	100,000	1,200,000
4	100,001	105,000	404,472
1	105,001	110,000	107,012
1	110,001	115,000	113,600
5	115,001	120,000	605,682
4	125,001	130,000	504,155
2	130,001	135,000	266,890
4	135,001	140,000	548,562
2	140,001	145,000	285,180
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
1	175,001	180,000	177,000
1	185,001	190,000	187,500
1	195,001	200,000	200,000
1	200,001	205,000	204,925
2	205,001	210,000	416,325
1	215,001	220,000	219,755
1	225,001	230,000	227,700
2	235,001	240,000	477,376
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
1	280,001	285,000	285,000
2	285,001	290,000	571,027
3	300,001	305,000	907,942
1	305,001	310,000	306,800
2	320,001	325,000	643,710
1	335,001	340,000	335,810
1	345,001	350,000	347,260
1	350,001	355,000	354,370
1	390,001	395,000	392,000
1	410,001	415,000	411,600
1	415,001	420,000	415,304
1	425,001	430,000	429,000
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
2	555,001	560,000	1,113,448
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	1,760,001	1,765,000	1,763,250
1	2,185,001	2,190,000	2,185,091
1	2,190,001	2,195,000	2,192,040
1	2,210,001	2,215,000	2,210,733
1	2,615,001	2,620,000	2,615,604
1	9,565,001	9,570,000	9,565,594
2,319			50,513,800

Pattern of Shareholding as at June 30, 2009

Categories of shareholders	Number	Shares held	Percentage
INDIVIDUAL	2291	37,919,887	75.068
INVESTMENT COMPANY	1	500	0.001
JOINT STOCK COMPANY	18	203,848	0.404
FINANCIAL INSTITUTION	2	26,500	0.052
FOREIGN COMPANY	1	9,565,594	18.937
OTHERS *	6	2,797,471	5.538
	2319	50,513,800	100.000

*Trustees Saeeda Amin WAKF	10,000
*Trustees Mohamad Amin WAKF	20,000
*Islamabad Stock Excahnge	290
*Shifa Foundation	500
*Management Committee of Shifa Foundation	555,948
*Management Committee of Tameer-e-Millat Foundation	2,210,733
	2,797,471

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-	2,210,733	4.376
Dr. Zaheer Ahmad	Chairman & CEO	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. Muhammad Zahid	Director	100,072	0.198
Mr. Muhammad Zahid & Mr. Hisham Zahid	Jointly held with son	100,000	0.198
Mr. Muhammad Zahid & Mr. Bassam Zahid	Jointly held with son	100,000	0.198
Mr. Muhammad Zahid & Ms. Basmah Zahid	Jointly held with daughter	100,000	0.198
Dr. Abdul Razaq	Director	533,400	1.056
Dr. Muhammad Saleem Khan	Director	125,330	0.248
Dr. Saeed A. Bajwa	Director	303,380	0.601
Mr. Shafiquat Ali Chaudhary	Director	1,637,832	3.242
M/s Muwaffaq Limited	Company with 10% or more voting interest	9,565,594	18.937
(Nominee Directors of M/s Muwaffaq Limited are: Mr. Masood Aziz Syed Salama Quraishy)			
Syed Muneer Hussain	Executive	1,000	0.002

Form of Proxy

23rd Annual General Meeting
Shifa International Hospitals Ltd

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 23rd Annual General Meeting of the Company to be held at 11:00 a.m. on Saturday, October 31, 2009, and at any adjournment thereof.

As witness my hand this __________ day of __________ 2009

Signed by the said ______________________________

Revenue Stamp

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

Witnesses:

1 Signature ____________________
Name ____________________
Address ____________________
____
CNIC/Passport No. ____________________

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 of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. CDC account holder, sub-account holder/shareholder may appoint proxy and the proxy must produce attested copy of his/her CNIC or original passport at the time of attending the meeting.

AFFIX
CORRECT
POSTAGE

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