



Shifa International Hospitals Limited

**CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**



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# COMPANY PROFILE

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Board of Directors: Dr. Zaheer Ahmad  
Chairman & CEO  
Dr. Manzoor H. Qazi  
Mr. Muhammad Zahid  
Dr. Abdul Razaq  
Dr. Habib-Ur-Rehman  
Dr. Saeed A. Bajwa  
Mr. Shafquat Ali Chaudhary  
Dr. Muhammad Saleem Khan  
Shah Naveed Saeed  
Mr. Qasim Farooq Ahmad

Audit Committee of the Board: Dr. Habib-Ur-Rehman  
Chairman  
Mr. Muhammad Zahid  
Dr. Muhammad Saleem Khan  
Shah Naveed Saeed

Chief Operating Officer: Mr. Sohail A. Siddiqi

Chief Finance Officer: Syed Muneer Hussain

Associate G.M. Finance: Mr. Wazir Muhammad, ACA

Company Secretary: Mr. Muhammad Naeem

Head of Internal Audit: Mr. Muhammad Saeed

Auditors: M/s M. Yousuf Adil Saleem & Co.  
Chartered Accountants

Legal Adviser: M/s Bashir Ahmad Ansari & Company

Bankers: Meezan Bank Limited  
Allied Bank Limited  
Al Baraka Bank (Pakistan) Limited  
MCB Bank Limited  
Askari Bank Limited

Registered Office: Sector H-8/4, Islamabad

Share Registrar: M/s. Corplink (Pvt) Limited  
Wings Arcade, 1-K, Commercial Model Town,  
Lahore.

# DIRECTORS' REVIEW

We feel immense pleasure in presenting the condensed interim financial information of the Company for the half year ended December 31, 2010 together with the Auditors' Review Report thereon.

During the period under review the severe energy crisis throughout the country led to shutdown of many industries leaving tens of thousands of people unemployed. Burgeoning inflationary pressures and the over all economic crisis has also shrunk the spending capacity of the people. Amidst the factors impacting negatively on the economic activities, we are thankful to Allah SWT that the financial results of the Company under review portray even better position-a reflection of our expansion in line with the demands of our valued patients and distinguishing quality services translating into increasing confidence of the valued patients.

In corroboration of the foregoing, financial results of the Company are as follows:

	<b>For the half year ended</b>	
	<b>December 31, 2010</b>	<b>December 31, 2009</b>
	<b>Rupees</b>	
Revenues	1,558,418,317	1,168,067,581
Other Operating Income	4,103,131	8,883,640
Operating Expenses	(1,355,320,243)	(991,535,430)
Finance Cost	(58,127,216)	(46,995,905)
Profit Before Taxation	149,073,989	138,419,886
Provision for taxation	(43,335,175)	(59,538,894)
Profit for the period	105,738,814	78,880,992
Earnings per share	2.09	1.56

Vis-à-vis external services, we are pleased to inform you that the total number of Shifa Pharmacies in different cities have been increased to six after the opening of new Shifa Pharmacy at Faisalabad on January 01, 2011. Vigorous efforts are also being undertaken to make the-state-of-the-art 50 bedded hospital functional before the end of the current financial year in Faisalabad. Gradual in-house expansion activities are also continually underway.

We are appreciative of our staff, management and consultants for their tenacious efforts for meeting, even exceeding, the demands of our valued patients and the continued support of bankers, vendors, shareholders and the regulatory bodies.

For and on behalf of the Board



**DR. ZAHOUR AHMAD**

Chairman & CEO

Islamabad

February 09, 2011

## INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE MEMBERS OF SHIFA INTERNATIONAL HOSPITALS LIMITED

### Introduction

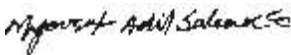
We have reviewed the accompanying condensed interim balance sheet of Shifa International Hospitals Limited ("the Company") as at December 31, 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures for the quarter ended December 31, 2010 and December 31, 2009 in the condensed interim profit and loss account have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2010.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.



Chartered Accountants  
Engagement Partner: Hafiz Mohammad Yousaf

Date : February 09, 2011  
Islamabad



CONDENSED INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2010

	Unaudited December 31, 2010	Audited June 30, 2010
Note	(Rupees)	
<b>SHARE CAPITAL AND RESERVES</b>		
Share capital	505,138,000	505,138,000
Capital reserve	40,000,000	40,000,000
Unappropriated profit	469,248,709	435,691,279
	<u>1,014,386,709</u>	<u>980,829,279</u>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		
	601,320,172	604,909,488
<b>NON CURRENT LIABILITIES</b>		
Long term financing	482,382,000	504,338,678
Liabilities against assets subject to finance lease	-	2,194,698
Deferred taxation	337,113,111	326,460,589
	<u>819,495,111</u>	<u>832,993,965</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	450,487,117	433,925,309
Markup accrued	32,532,416	15,590,405
Short term borrowings	198,193,496	147,922,713
Current portion of :		
long term financing	215,913,359	227,913,359
liabilities against assets subject to finance lease	6,017,482	7,300,734
Provision for taxation	-	988,417
	<u>903,143,870</u>	<u>833,640,937</u>
	<u><u>3,338,345,862</u></u>	<u><u>3,252,373,669</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	5	

The annexed selected notes 1 to 8 form an integral part of this condensed interim financial information.

  
CHIEF EXECUTIVE



		Unaudited December 31, 2010	Audited June 30, 2010
		(Rupees)	
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	2,587,638,649	2,594,352,212
Long term deposits		8,227,024	8,819,624
		<u>2,595,865,673</u>	<u>2,603,171,836</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		59,271,058	62,045,044
Stock-in-trade		91,420,943	82,557,630
Trade debts		384,189,452	221,671,184
Loans and advances		43,743,532	38,232,612
Trade deposits and short term prepayments		39,936,479	45,329,104
Markup accrued		267,427	220,905
Other financial assets		10,003,288	15,912,055
Tax refunds due from the Government		6,379,019	-
Cash and bank balances		107,268,991	183,233,299
		742,480,189	649,201,833
		<u>3,338,345,862</u>	<u>3,252,373,669</u>

  
DIRECTOR



CONDENSED INTERIM  
PROFIT AND LOSS ACCOUNT [UNAUDITED]  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010

	For the quarter ended		For the half year ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	Rupees			
Net revenue	811,941,207	606,504,051	1,558,418,317	1,168,067,581
Other operating income	1,844,473	4,904,232	4,103,131	8,883,640
Operating expenses	(697,980,416)	(517,528,599)	(1,355,320,243)	(991,535,430)
Finance costs	(29,826,259)	(23,354,424)	(58,127,216)	(46,995,905)
Profit before taxation	85,979,005	70,525,260	149,073,989	138,419,886
Provision for taxation	(21,251,931)	(35,775,775)	(43,335,175)	(59,538,894)
Profit for the period	<u>64,727,074</u>	<u>34,749,485</u>	<u>105,738,814</u>	<u>78,880,992</u>
Earnings per share - basic and diluted (Rupees)	<u>1.28</u>	<u>0.69</u>	<u>2.09</u>	<u>1.56</u>

The annexed selected notes 1 to 8 form an integral part of this condensed interim financial information.

  
CHIEF EXECUTIVE

  
DIRECTOR






CONDENSED INTERIM  
STATEMENT OF COMPREHENSIVE INCOME [UNAUDITED]  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010

	For the quarter ended		For the half year ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	Rupees			
Profit for the period	64,727,074	34,749,485	105,738,814	78,880,992
Other comprehensive income for the period- net of tax	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>64,727,074</b>	<b>34,749,485</b>	<b>105,738,814</b>	<b>78,880,992</b>

The annexed selected notes 1 to 8 form an integral part of this condensed interim financial information.

  
CHIEF EXECUTIVE

  
DIRECTOR



**CONDENSED INTERIM CASH FLOW STATEMENT [UNAUDITED]  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

	December 31, 2010 (Rupees)	December 31, 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	149,073,989	138,419,886
Adjustments for:		
Depreciation/amortization of property, plant and equipment	87,542,269	72,664,500
Provision for doubtful debts	4,312,223	1,200,000
Property, plant and equipment written off	6,674,148	12,826,273
Loss on disposal of property, plant and equipment	-	26,190
Provision for compensated absences	3,518,772	7,293,954
Provision for gratuity	11,901,593	14,792,142
Provision for slow moving stock	(45,244)	5,253,452
Provision against other deposits	18,500,000	-
Profit on investments and bank deposits	(2,886,428)	(4,389,051)
Finance cost	58,127,216	46,995,905
Operating cash flows before changes in working capital	<u>336,718,538</u>	<u>295,083,251</u>
Changes in working capital:		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	2,899,612	(1,624,192)
Stock in trade	(8,863,313)	(6,652,755)
Trade debts	(166,830,491)	(94,524,861)
Loans and advances	(5,510,920)	(5,275,530)
Trade deposits and short term prepayments	(13,107,375)	(21,224,199)
Increase in trade and other payables	11,780,367	7,425,851
Cash generated from operations	<u>157,086,418</u>	<u>173,207,565</u>
Finance cost paid	(41,185,205)	(48,428,720)
Income tax paid	(40,050,089)	(20,339,401)
Payment to gratuity fund	(7,302,877)	(11,990,319)
Compensated absences paid	(1,658,093)	(1,481,718)
Net cash from operating activities	<u>66,890,154</u>	<u>90,967,407</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(87,288,774)	(60,234,630)
Proceeds from disposal of property, plant and equipment	35,650	1,500,000
Profit received	2,839,906	4,557,316
Decrease in other financial assets	5,908,767	20,226,646
Decrease in long term deposits	592,600	3,815,006
Net cash used in investing activities	<u>(77,911,851)</u>	<u>(30,135,662)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing - disbursements	80,000,000	-
- repayments	(113,956,678)	(36,666,667)
Repayment of principal portion of finance lease	(3,477,950)	(5,915,895)
Increase in short term borrowings	50,270,783	9,105,007
Dividends paid	(77,778,766)	(49,917,793)
Net cash used in financing activities	<u>(64,942,611)</u>	<u>(83,395,348)</u>
Net decrease in cash and bank balances	<u>(75,964,308)</u>	<u>(22,563,603)</u>
Cash and bank balances at beginning of period	<u>183,233,299</u>	<u>133,467,417</u>
Cash and bank balances at end of period	<u><u>107,268,991</u></u>	<u><u>110,903,814</u></u>

The annexed selected notes 1 to 8 form an integral part of this condensed interim financial information.

  
CHIEF EXECUTIVE

  
DIRECTOR



**CONDENSED INTERIM  
STATEMENT OF CHANGES IN EQUITY [UNAUDITED]  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

	Share capital	Capital reserve	Unappropriated profit	Total
	(Rupees)			
Balance at July 01, 2009	505,138,000	40,000,000	350,662,856	895,800,856
Total comprehensive income for the period				
Profit for the period	-	-	78,880,992	78,880,992
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	78,880,992	78,880,992
Transfer of depreciation on incremental value arising on revaluation of property, plant and equipment attributed to current period	-	-	3,589,916	3,589,916
Distribution to owners				
Final dividend 2009: Rs. 1.20 per share	-	-	(60,616,560)	(60,616,560)
Total transactions with owners	-	-	(60,616,560)	(60,616,560)
Balance at December 31, 2009	<u>505,138,000</u>	<u>40,000,000</u>	<u>372,517,204</u>	<u>917,655,204</u>
Balance at July 01, 2010	505,138,000	40,000,000	435,691,279	980,829,279
Total comprehensive income for the period				
Profit for the period	-	-	105,738,814	105,738,814
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	105,738,814	105,738,814
Transfer of depreciation on incremental value arising on revaluation of property, plant and equipment attributed to current period	-	-	3,589,316	3,589,316
Distribution to owners				
Final dividend 2010: Rs. 1.50 per share	-	-	(75,770,700)	(75,770,700)
Total transactions with owners	-	-	(75,770,700)	(75,770,700)
Balance at December 31, 2010	<u>505,138,000</u>	<u>40,000,000</u>	<u>469,248,709</u>	<u>1,014,386,709</u>

The annexed selected notes 1 to 8 form an integral part of this condensed interim financial information.

  
CHIEF EXECUTIVE

  
DIRECTOR



## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION [UNAUDITED] FOR THE HALF YEAR ENDED DECEMBER 31, 2010

### 1 STATUS AND NATURE OF BUSINESS

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

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

### 2 BASIS OF PREPARATION

2.1 This condensed interim financial report of the Company for the half year ended December 31, 2010 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 This condensed interim financial report is unaudited and is being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. This condensed interim financial report does not include all of the information required for annual financial statements, and should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2010. Comparative condensed interim balance sheet is extracted from annual financial statements for the year ended June 30, 2010, whereas comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are stated from unaudited condensed interim financial report for the half year ended December 31, 2009.

### 3 ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended June 30, 2010.

	Note	Unaudited December 31, 2010 Rupees	Audited June 30, 2010
4 LONG TERM FINANCING			
Long term financing - secured	4.1	698,295,359	732,252,037
Less: Current portion		215,913,359	227,913,359
		<u>482,382,000</u>	<u>504,338,678</u>
4.1 Movement in this account during the period / year is as follows:			
Balance at the beginning of period/year		732,252,037	636,250,000
Disbursements during the period/year		80,000,000	200,023,200
Repayments during the period/year		(113,956,678)	(104,021,163)
Balance at the end of period/year		<u>698,295,359</u>	<u>732,252,037</u>
5 CONTINGENCIES AND COMMITMENTS			
5.1 Contingencies			
5.1.1 Claims against the Company and / or potential exposure not acknowledged as debt		70,541,656	70,541,656
5.1.2 Guarantees issued by bank on behalf of the Company		20,100,000	20,100,000
		<u>90,641,656</u>	<u>90,641,656</u>
5.2 Commitments in respect of:			
5.2.1 Capital expenditure		10,127,250	24,503,662
5.2.2 Letter of credit		47,873,620	1,180,000



		Unaudited December 31, 2010	Audited June 30, 2010
		Rupees	
6	PROPERTY, PLANT AND EQUIPMENT		
	Opening carrying value	2,594,352,212	2,283,027,574
	Additions/transfers	87,837,251	486,738,556
	Carrying value of disposals	(35,650)	(7,265,046)
	Carrying value of assets written off	(6,674,148)	(15,730,506)
	Depreciation	(87,841,016)	(152,418,366)
	Closing carrying value	<u>2,587,638,649</u>	<u>2,594,352,212</u>
6.1	Additions/transfers	Additions transfers*	Additions transfers*
		Rupees	
	Company owned		
	Buildings on leasehold land		
	Transferred	18,551,145 *	60,489,939 *
	Biomedical equipment		
	Additions	24,599,247	245,160,054
	Transferred	119,712,635 *	10,180,264 *
	Air conditioning equipment and machinery		
	Additions	393,700	17,161,742
	Electrical and other equipment		
	Additions	8,167,735	34,659,157
	Transferred	-	2,500,000 *
	Furniture and fittings	2,045,180	2,914,016
	Computer installations		
	Additions	2,877,790	3,793,758
	Vehicles		
	Additions	-	62,900
		<u>38,083,652</u>	<u>303,751,627</u>
		138,263,780 *	73,170,203 *
	Capital work in progress		
	Additions	49,753,599	182,986,929
	Transferred	(138,263,780)*	(73,170,203)*
		<u>87,837,251</u>	<u>486,738,556</u>
6.2	Carrying value of disposals		
	Biomedical equipment	35,650	5,738,856
	Vehicles	-	1,526,190
		<u>35,650</u>	<u>7,265,046</u>
6.3	Carrying value of assets written off		
	Building on leasehold land	-	2,060,018
	Biomedical equipment	6,631,964	13,594,176
	Air conditioning equipment and machinery	-	14
	Electrical and other equipment	7,228	12,102
	Furniture and fittings	4,704	43,025
	Computer installations	30,252	21,171
		<u>6,674,148</u>	<u>15,730,506</u>



7 RELATED PARTY TRANSACTIONS

The Company entered into transactions with related parties (Shifa Foundation, Tameer-e-Millat Foundation and SIHL Employees' Gratuity Fund) during the period in the normal course of business on an arm's length basis. Aggregate of significant transactions with related parties during the half year were as follows:

	Unaudited	
	December 31, 2010	December 31, 2009
	Rupees	
<b>Shifa Foundation</b>		
Revenue from services earned by the Company	12,607,609	10,313,889
Revenue from rent and utilities	11,815,378	14,334,490
Lab services received by the Company	8,226,316	10,068,358
Expenses paid by and reimbursed to the Company	4,135,000	3,000,000
Donation given by the Company	10,000,000	5,000,000
<b>Tameer-e-Millat Foundation</b>		
Revenue from rent and utilities	21,900	21,900
Other supplies provided to the Company	70,850	257,450
Donation given by the Company	-	10,000,000
Revenue from services earned by the Company	6,015	-
<b>SIHL Employees' Gratuity Fund</b>		
Contribution made by the Company	7,302,877	11,990,319
<b>Remuneration of Chief Executive, Directors and Executives</b>		
Remuneration including benefits and perquisites of chief executive, directors and executives		
No of persons 2010: 1, 2 and 26 (2009: 1, 1 and 23) respectively	50,411,052	40,176,568

8 GENERAL

- 8.1 Figures have been rounded off to the nearest Pak rupee.
- 8.2 This condensed interim financial information has been authorized for issue by the Board of Directors of the Company on February 09, 2011.

  
 \_\_\_\_\_  
 CHIEF EXECUTIVE

  
 \_\_\_\_\_  
 DIRECTOR

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