

## **INDEPENDENT AUDITORS' REPORT TO THE SENATE**

### ***Opinion***

We have audited the financial statements of **Shifa Tameer-e-Millat University** ("the University"), which comprise the statement of financial position as at 30 June 2017 and the statement of comprehensive income, statement of cash flows and the statement of changes in funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at 30 June 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by International Accounting Standard Board (IASB) as notified by the SECP.

### ***Basis for Opinion***

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of our report. We are independent of the University in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Responsibility of Management and Those Charged with Governance for the Financial Statements***

The management is responsible for the presentation and fair presentation of the financial statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by International Accounting Standard Board (IASB) as notified by the SECP, and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University financial reporting process.

### ***Auditor's responsibilities for the Audit of Financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material

if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

*Nadeem Safdar & Co.*  
Chartered Accountants

Date: **30 JUN 2018**  
Islamabad

Engagement Partner: Nadeem Safdar

**SHIFA TAMEER-E-MILLAT UNIVERSITY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

	NOTE	2017 (Rupees)	2016
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	834,749,466	732,778,127
Intangible asset	5	353,413	491,992
Long term investment	6	24,127,861	18,465,264
Long term deposits		1,906,180	1,515,400
		<u>861,136,920</u>	<u>753,250,783</u>
<b>CURRENT ASSETS</b>			
Fee receivable	7	9,096,784	11,878,263
Stores and spares	8	4,394,638	4,482,213
Advances and prepayments	9	9,989,002	9,774,054
Other receivables	10	7,423,808	6,574,376
Due from Shifa International Hospitals Limited - related party		23,346,915	1,413,368
Due from Shifa Foundation - related party		2,660,319	-
Cash and bank balances	11	196,328,507	152,256,551
		<u>253,239,973</u>	<u>186,378,825</u>
<b>TOTAL ASSETS</b>		<u><u>1,114,376,893</u></u>	<u><u>939,629,608</u></u>
<b>FUNDS AND LIABILITIES</b>			
<b>FUNDS</b>			
General fund		59,969,549	22,316,464
Fair value reserve		11,091,065	6,512,030
		<u>71,060,614</u>	<u>28,828,494</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred grants	12	156,142,681	97,168,453
Students' security deposits	13	26,568,200	22,530,204
Liabilities against assets subject to diminishing musharkah finance	14	385,714,286	450,622,872
Deferred liability	15	130,462,471	118,336,694
		<u>698,887,638</u>	<u>688,658,223</u>
<b>CURRENT LIABILITIES</b>			
Fee received in advance	16	236,420,313	197,712,513
Current portion of students' security deposits	13	5,890,109	5,029,105
Current portion of liabilities against assets subject to diminishing musharkah finance	14	64,285,714	1,605,282
Accrued and other liabilities	17	37,832,505	17,795,991
		<u>344,428,641</u>	<u>222,142,891</u>
<b>TOTAL LIABILITIES</b>		<u>1,043,316,279</u>	<u>910,801,114</u>
<b>TOTAL FUNDS AND LIABILITIES</b>		<u><u>1,114,376,893</u></u>	<u><u>939,629,608</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes 1 to 25 form an integral part of these financial statements.

  
**VICE CHANCELLOR**

  
**TREASURER**

SHIFA TAMEER-E-MILLAT UNIVERSITY  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 (Rupees)	2016
<b>INCOME</b>			
Fee income	19	606,520,896	560,149,129
Donations	20	20,498,443	15,875,346
Amortization of deferred grants		1,125,772	469,715
Other income	21	15,156,137	8,218,496
		<u>643,301,248</u>	<u>584,712,686</u>
<b>EXPENSES</b>			
Salaries, allowances and other benefits		403,896,429	364,385,989
Travelling and conveyance		387,328	245,320
Repair and maintenance		3,524,180	3,495,202
Rent		33,922,171	45,010,490
Printing and stationery		5,329,465	4,919,492
Utilities		16,745,547	21,372,975
Trainings and workshops		1,809,640	2,210,249
Vehicles' running		1,933,824	1,513,356
Falahee clinic support cost - net		5,745,312	3,585,862
Affiliation and inspection fee		1,220,518	203,448
Students' awards and convocation		9,962,731	6,117,569
Auditors' remuneration		230,000	230,000
Insurance		12,713,858	6,004,344
Advertisement		3,627,825	4,879,906
Fee and subscription		366,630	73,243
Hostel		30,675,955	28,044,152
Examination		6,132,996	6,960,020
PCR laboratory		8,280,687	9,955,245
Legal and professional		1,637,500	3,352,664
Depreciation	4.1	16,139,924	15,630,745
Amortization of intangible asset	5	168,030	128,055
Bank charges		357,837	106,997
Financial charges		37,453,808	17,132,783
Store and spares - written off	8	-	480,001
Provision against soft loan		-	1,700,000
Provision against other receivables		-	382,000
Miscellaneous		3,385,968	3,108,534
		<u>605,648,163</u>	<u>551,228,641</u>
<b>Surplus for the year</b>		<b>37,653,085</b>	<b>33,484,045</b>
<b>Other comprehensive income:</b>			
Experience adjustment on unfunded gratuity scheme		-	4,518,864
<b>Other comprehensive income for the year-net of tax</b>		<b>-</b>	<b>4,518,864</b>
<b>TOTAL COMPREHENSIVE SURPLUS FOR THE YEAR - Transferred to general fund</b>		<b>37,653,085</b>	<b>38,002,909</b>

The annexed notes 1 to 25 form an integral part of these financial statements.



VICE CHANCELLOR




TREASURER

**SHIFA TAMEER-E-MILLAT UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017	2016
		(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus for the year		37,653,085	33,484,045
<b>Adjustments for non-cash charges and other items:</b>			
Dividend income		(1,238,356)	(1,166,446)
Gratuity expense		28,946,352	29,737,610
Depreciation		16,139,924	15,630,745
Amortization of deferred grants		(1,125,772)	(469,715)
Loss from sale of operating fixed assets		-	219,599
Amortization of intangible asset		168,030	128,055
Stores and spares written-off		-	480,001
Provision against soft loan		-	1,700,000
Provision against other receivables		-	382,000
<b>Operating cash flow before working capital changes</b>		<b>80,543,263</b>	<b>80,125,894</b>
<b>Changes in working capital:</b>			
<b>Decrease / (increase) in current assets</b>			
Fees receivable		2,781,479	3,122,466
Stores and spares		87,575	1,584,698
Due from Shifa International Hospitals Limited - related party		(21,933,547)	(1,413,368)
Due from Shifa Foundation - related party		(2,660,319)	-
Advances and prepayments		(214,948)	(1,257,909)
Other receivables		35,942	(7,695)
<b>Increase / (decrease) in current liabilities</b>			
Fee received in advance		38,707,800	18,865,274
Accrued and other liabilities		20,036,514	(63,730)
Due to Shifa International Hospitals Limited - related party		-	(1,274,558)
<b>Cash generated from operations</b>		<b>36,840,496</b>	<b>19,555,178</b>
Income tax paid		(885,374)	(1,553,380)
Gratuity paid		(16,820,575)	(19,099,512)
<b>Net cash from operating activities</b>		<b>99,677,810</b>	<b>79,028,180</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of operating fixed assets		(19,934,588)	(501,952,179)
Capital work-in-progress		(98,176,675)	(157,886,944)
Proceeds from sale of operating fixed assets		-	1,300,000
Purchase of long term investment		(1,083,562)	(1,020,640)
Purchase of intangible asset		(29,451)	(348,000)
Long term deposits		(390,780)	1,042
Dividend received		1,238,356	1,166,446
<b>Net cash used in investing activities</b>		<b>(118,376,700)</b>	<b>(658,740,275)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Grants received		60,100,000	80,000,000
Liabilities against assets subject to diminishing musharkah - net		(2,228,154)	449,612,120
Students' security deposits		4,899,000	4,866,273
<b>Net cash from financing activities</b>		<b>62,770,846</b>	<b>534,478,393</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>44,071,956</b>	<b>(45,233,702)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>152,256,551</b>	<b>197,490,253</b>
<b>Cash and cash equivalents at the end of the year</b>	11	<b>196,328,507</b>	<b>152,256,551</b>

The annexed notes 1 to 25 form an integral part of these financial statements.

  
**VICE CHANCELLOR**

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**TREASURER**

**SHIFA TAMEER-E-MILLAT UNIVERSITY**  
**STATEMENT OF CHANGES IN FUNDS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	General fund	Fair value reserve	Total
	----- Rupees -----		
Balance as at 01 July 2015 - as previously reported	(18,412,094)	6,097,519	(12,314,575)
Effect of change in accounting policy (Note 3.4)	2,725,649	-	2,725,649
Balance as at 01 July 2015 - restated	(15,686,445)	6,097,519	(9,588,926)
Total comprehensive income for the year:		-	
Surplus for the year	33,484,045	-	33,484,045
Other comprehensive income	4,518,864	-	4,518,864
	38,002,909	-	38,002,909
Gain on remeasurement of available for sale investment	-	414,511	414,511
Balance as at 30 June 2016	22,316,464	6,512,030	28,828,494
Total comprehensive income for the year:			
Surplus for the year	37,653,085	-	37,653,085
Other comprehensive income	-	-	-
	37,653,085	-	37,653,085
Gain on remeasurement of available for sale investment	-	4,579,035	4,579,035
Balance as at 30 June 2017	59,969,549	11,091,065	71,060,614

The annexed notes 1 to 25 form an integral part of these financial statements.

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VICE CHANCELLOR



TREASURER

**SHIFA TAMEER-E-MILLAT UNIVERSITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**1. THE UNIVERSITY AND ITS ACTIVITIES**

Shifa Tameer-e-Millat University, ("the University") was established vide The Shifa Tameer-e-Millat University Act, 2012 dated 06 March, 2012 and is being managed by Senate Members. All the assets, liabilities, proceedings and undertakings of Shifa College of Medicine (SCM) and Shifa College of Nursing (SCN) were transferred to and vested in Shifa Tameer-e-Millat University by the Shifa Foundation (Sponsor) on 01 July 2012. The University is currently providing high quality education in the field of medicine, nursing and social sciences with special emphasis on Islamic Medical Ethics. The Shifa Tameer-e-Millat University is located at H-8/4, 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 International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standard Board (IASB) as are notified by Securities and Exchange Commission of Pakistan (SECP).

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective policies and notes given hereunder.

**2.3 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the University operates. These financial statements are presented in Pak Rupees, which is the University functional currency.

**2.4 Use of 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 accounting policies and the 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 the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods in other cases. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in the ensuing paragraphs.

**2.4.1 Provision for doubtful balances**

The University estimates the recoverability of other receivables and provides for doubtful balances based on its prior experience, age and recovery analysis. The carrying amount of trade debts and other receivables for doubtful debts are disclosed in note 10 to the financial statements.

**2.4.2 Property, plant and equipment**

The University 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 assets with a corresponding affect on the depreciation charge and impairment.

**2.4.3 Taxation**

The income of the University is exempt from levy of tax under clause: (d) of sub-section (2) of Section 100C of the Income Tax Ordinance, 2001. Accordingly, no provision for taxation has been made in the financial statements.

**2.4.4 Contingencies**

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

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#### 2.4.5 Employee benefits

The University operates an unfunded gratuity scheme covering all its employees who have completed the minimum qualifying period of service as defined under the 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.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### 3.1 Property, plant and equipment

##### 3.1.1 Operating fixed assets

property, plant and equipment except land and capital work-in-process are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is provided on reducing balance method at rates specified in note 4 to the financial statements so as to write off the cost of property, plant and equipment over their respective useful life. Capital work-in-process is stated at cost. Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is available for use while no depreciation is charged for the month in which property, plant and equipment is disposed off.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the University 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 statement of comprehensive income as and when incurred.

Assets are derecognized when disposed off or when no future economic benefits are expected to flow from its use. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized on net basis within "other income" in statement of comprehensive income.

##### 3.1.2 Assets subject to diminishing musharkah facility

Assets subject to diminishing musharkah facility are capitalized at the commencement of the facility term at the lower of present value of minimum payments under the facility and the fair value of the assets, each determined at the inception of the facility.

The related rental obligation, net of finance cost, is included in liabilities against assets subject to diminishing musharkah facility. The liability is classified as current and long term depending upon the timing of payments.

Each payment under the facility is allocated between the liability and musharkah charges so as to achieve a constant rate on the balance outstanding. The musharkah charges is charged to statement of comprehensive income over the term of diminishing musharkah.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to statement of comprehensive income.

##### 3.1.3 Capital work in progress

Capital work-in-progress and stores held for capital expenditure are stated at cost less impairment loss recognized, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific items of property, plant and equipment when available for intended use.

#### 3.2 Impairment

The University assesses at each statement of financial position date whether there is an indication that property, plant and equipment excluding inventory may be impaired if such indication exist. The carrying amounts of such property, plant and equipment are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceed recoverable amount, property, plant and equipment are written down to the recoverable amount and the resulting impairment loss is recognized in statement of comprehensive income. Previously recognized impairment loss is reversed only if their has been a change in the estimates used to determine the recoverable amount, however note to an amount higher than the carrying amount that would have been determine(net of depreciation), had no impairment losses been recognized for the assets in the previous years. Reversal of impairment loss is restricted to the original cost of the asset and is recognized in the statement of comprehensive income.

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### 3.3 Foreign currencies

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the year end are translated in Pak Rupees at exchange rates prevailing at the statement of financial position date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of transaction. Exchange differences are included in statement of comprehensive income for the year.

### 3.4 Staff retirement benefits

#### Defined benefit plan

##### Gratuity

The University operates an unfunded gratuity scheme for its employees who have completed the qualifying period as defined under the respective scheme.

Up to 30 June 2015, the amount of liability of each employee at year end is computed by number of years completed as prescribed in the scheme multiplied by the last drawn monthly gross salary. The difference between the current and the previous liability is charged to statement of comprehensive income as expense for the year.

In the year 2016, the University carries out an actuarial valuation for the calculation of provision for gratuity. Contributions are made in accordance with the actuarial recommendations and the actuarial valuation is carried out using the Projected Unit Credit Method. The University has applied IAS 19 retrospectively in accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, opening balance of the earliest comparative period presented (01 July 2015) has been restated. This change has resulted a decrease in the balance of retirement benefits (unfunded gratuity fund) by amounts mentioned below with the corresponding effect on general fund:

Effect due to change in accounting policy is given below:

	Rupees
Balance as at June 30, 2015 – as previously reported	114,943,109
Effect of change in policy	(2,725,649)
Balance as at June 30, 2015 – as restated	<u>112,217,460</u>

#### General fund

Balance as at June 30, 2015 – as previously reported	(18,412,094)
Effect of change in policy	2,725,649
Balance as at June 30, 2015 – as restated	<u>(15,686,445)</u>

### 3.5 Provision for taxation

No provision for taxation has been made in these financial statements as the University is allowed one hundred percent tax credit of the total tax payable, including minimum tax and final taxes payable under clause (d) of subsection (2) of Section 100C of The Income Tax Ordinance, 2001 subject to the conditions mentioned therein.

### 3.6 Intangible asset

Intangibles are stated at the cash price equivalent of the consideration given less accumulated amortization and impairment loss, if any. Intangibles with finite useful lives are amortized over the period of their useful lives. Rates for amortization are disclosed in Note 5. Amortization is charged on a straight line basis over the estimated useful life and is included in the statement of comprehensive income.

### 3.7 Investment

Classification of investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase. Investments are initially measured at fair value plus transaction cost directly attributable to the acquisition.

#### Available for sale

Investments which are classified as available for sale are measured at fair value. Gain or loss on these investments is recognized directly in reserve until the investment is sold, derecognized or is determined to be impaired at which the cumulative gain or loss previously reported in reserve is included in statement of comprehensive income. Upon impairment, gain / loss including that had been previously recognized directly in reserve is included in statement of comprehensive income for the year.

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### 3.8 Revenue recognition

- (i) Income from the University fee is recognized on accrual basis. Revenue from the admission fee is recognized at the time of admission;
- (ii) Donations, zakat and patient income are recognized on actual receipt basis;
- (iii) Return on investments and profit on bank deposits is recognized on a time proportion basis taking into account the principal outstanding and the interest rate applicable;
- (iv) Dividend income is recognized when the shareholder's right to receive payment is established;
- (v) Capital grants are taken to income to the extent the related assets are purchased / depreciated; and
- (vi) Tuition fee and hostel fee received in advance are deferred and recognized as income in the related financial year.

### 3.9 Stores and spares

These are valued at cost, determine on moving average cost basis or net realizable value whichever is lower, less allowance for obsolete and slow moving items.

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

### 3.10 Other receivables

Other receivables are recognized and carried at original invoice amount, cost less any allowance for any uncollectable amount. Known bad debts are written off, when identified.

### 3.11 Deferred grants

Capital grants received / used for acquisition of property, plant and equipment are deferred and recognized as income in statement of comprehensive income to the extent the related item of property, plant and equipment is depreciated over its useful life.

### 3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current and deposit accounts that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. These are carried in the statement of financial position at cost or revalued amount as applicable. For the purpose of statement of cash flows, cash and cash equivalent comprise of cash in hand and balance with banks.

### 3.13 Off-setting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if the University has a legally enforceable right to setoff the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

### 3.14 Financial instruments

Financial assets and liabilities are recognized when the University becomes a party to the contractual provisions of the instrument. These are de-recognized when the University loses control of contracted rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of financial assets and financial liabilities is included in statement of comprehensive income.

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

### 3.15 Accrued and other liabilities

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.

### 3.16 Provision

Provisions are recognized when the University 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 statement of financial position date and adjusted to reflect the current best estimates.

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#### 4 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets  
Land purchased with grant  
Add: Capital work in progress

	NOTE	2017	2016
		Rupees	
4.1		858,824,466	598,966,183
		(24,075,000)	(24,075,000)
4.3		-	157,886,944
		<u>834,749,466</u>	<u>732,778,127</u>

##### 4.1 Operating fixed assets

OWNED ASSETS																Musharkah
Land	Building	Computer equipment	Furniture and fixture	Electrical equipment	Office equipment	Vehicles	Lab equipment	Museum	Audio visual equipment	Library books	Mortuary room	Medical equipment	Total	Grand Total	Vehicles & Generator	
Year ended 30 June 2016																
24,075,000	-	8,192,743	21,979,915	11,044,354	3,247,620	2,222,330	9,730,724	1,639,270	2,678,085	9,540,367	77,863	14,756,845	109,185,116	4,979,232	114,164,348	
485,000,000	-	1,459,226	2,546,233	1,232,967	435,464	2,002,500	3,661,483	1,732,895	349,306	1,035,045	-	161,460	499,616,579	2,335,600	501,952,179	
Disposals:																
Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,066,667)	(2,066,667)	
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	547,068	547,068	
Depreciation charge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Closing net book value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
509,075,000	-	6,701,229	22,189,280	11,099,109	2,983,274	3,501,750	11,135,971	3,089,678	2,465,853	10,067,421	(7,786)	(2,966,960)	(14,471,699)	(1,159,046)	(15,630,745)	
As at 30 June 2016																
509,075,000	-	41,107,293	42,514,768	19,250,602	8,765,030	13,519,091	43,098,247	5,283,604	9,803,473	13,335,107	331,744	30,660,733	736,744,692	6,813,933	743,558,625	
Cost	-	(34,406,064)	(20,325,488)	(8,151,493)	(5,781,756)	(10,017,333)	(31,962,276)	(2,193,976)	(7,337,620)	(3,267,686)	(261,667)	(18,709,388)	(142,414,696)	(2,177,746)	(144,592,442)	
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net book value	-	6,701,229	22,189,280	11,099,109	2,983,274	3,501,750	11,135,971	3,089,678	2,465,853	10,067,421	70,077	11,951,345	594,329,996	4,636,187	598,966,183	
Year ended 30 June 2017																
509,075,000	-	6,701,229	22,189,280	11,099,109	2,983,274	3,501,750	11,135,971	3,089,678	2,465,853	10,067,421	70,077	11,951,345	594,329,996	4,636,187	598,966,183	
Opening net book value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Additions	-	-	2,602,769	1,874,931	685,133	1,407,391	2,077,500	1,437,931	903,239	1,458,194	6,705,000	782,500	19,934,588	-	19,934,588	
Transferred from Capital work in progress	-	194,427,966	-	-	-	-	-	-	-	-	-	-	256,063,619	-	256,063,619	
Transferred from Musharkah:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cost	-	-	-	-	-	2,335,600	4,478,333	-	-	-	-	-	6,813,933	-	-	
Accumulated depreciation	-	-	-	-	-	(840,816)	(2,264,167)	-	-	-	-	-	(3,104,983)	-	-	
Net book value	-	-	-	-	-	1,494,784	2,214,166	-	-	-	-	-	3,708,950	-	-	
Depreciation charge	-	(810,117)	(2,494,822)	(2,283,287)	(1,666,896)	(694,668)	(700,338)	(2,516,941)	(375,233)	(575,686)	(533,589)	(118,758)	(2,442,352)	(927,237)	(16,139,924)	
Closing net book value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
509,075,000	193,617,849	6,809,176	21,780,924	71,752,999	5,190,781	5,015,587	10,696,530	4,152,376	2,793,406	10,992,026	6,656,319	10,291,493	858,824,466	-	858,824,466	
As at 30 June 2017																
509,075,000	194,427,966	43,710,062	44,389,699	81,571,388	12,508,021	17,997,424	48,175,747	6,721,535	10,706,712	14,793,301	7,036,744	31,443,253	1,019,556,832	-	1,019,556,832	
Cost	(810,117)	(36,900,886)	(22,608,775)	(9,818,389)	(7,317,240)	(12,981,837)	(34,479,217)	(2,569,159)	(7,913,306)	(3,801,275)	(380,425)	(21,151,740)	(160,732,366)	-	(160,732,366)	
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net book value	193,617,849	6,809,176	21,780,924	71,752,999	5,190,781	5,015,587	10,696,530	4,152,376	2,793,406	10,992,026	6,656,319	10,291,493	858,824,466	-	858,824,466	
Annual rate of depreciation (%)	-	5	33	10	10	20	20	10	20	20	5	10	20	20	20	

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	Note	2017	2016
<b>4.2 Capital Work in Progress</b>		(Rupees)	
Building and other equipment	4.2.1	115,000,000	115,000,000
Building and other equipment-improvements	4.2.2	141,063,619	42,886,944
		<u>256,063,619</u>	<u>157,886,944</u>

**4.2.1** During the year 2016, the University has acquired a building including land National College of Business & Management Sciences (NCBMS) against the total consideration paid of Rs. 600 million. As per valuation done by an independent valuer named M/S Impulse (Private) Limited, the said cost has been allocated between land, building and other equipment by the amount of Rs. 485 million and Rs. 115 million respectively. The cost of improvements and other construction cost is being incurred as per note 4.2.2 below.

**4.2.2** This represents the cost incurred on construction of NCBMS building and includes civil works and other direct expenses incurred during the year.

	2017	2016
	(Rupees)	
<b>4.3 Movement of Capital Work in Progress is as under:</b>		
Balance at the beginning of year	157,886,944	-
Additions during the year	98,176,675	157,886,944
Transferred to property, plant and equipment	(256,063,619)	-
Balance at the end of year	<u>-</u>	<u>157,886,944</u>

## 5 INTANGIBLE ASSET

### Computer software

Balance at the beginning of year	491,992	272,047
Additions during the year	29,451	348,000
Amortization charge for the year	(168,030)	(128,055)
Balance at the end of year	<u>353,413</u>	<u>491,992</u>
Amortization rate - per annum	33%	33%

## 6 LONG TERM INVESTMENT - AVAILABLE FOR SALE

	30 June 2017			30 June 2016		
	Units (No. of units)	Cost .....(Rupees).....	Fair value	Units (No. of units)	Cost .....(Rupees).....	Fair value
<b>ENDOWMENT FUND INVESTMENT</b>						
National Investment Trust Limited	288,128	13,036,796	24,127,861	275,190	11,953,234	18,465,264
Add: Fair value adjustment		11,091,065			6,512,030	
		<u>24,127,861</u>	<u>24,127,861</u>		<u>18,465,264</u>	<u>18,465,264</u>
					2017	2016
					(Rupees)	

## 7 FEE RECEIVABLE

Students - against tuition fees	8,625,854	7,580,563
Soft loan from students and sponsored organizations	470,930	4,297,700
Soft loan from students - considered doubtful	1,700,000	1,700,000
	10,796,784	13,578,263
Less: Provision against soft loan from students	(1,700,000)	(1,700,000)
	<u>9,096,784</u>	<u>11,878,263</u>

## 8 STORES AND SPARES

Stores and spares	1,861,419	3,305,617
Stores and spares - written off	-	(480,001)
	1,861,419	2,825,616
Other stores	2,533,219	1,656,597
	<u>4,394,638</u>	<u>4,482,213</u>

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	NOTE	2017	2016
		(Rupees)	
<b>9 ADVANCES AND PREPAYMENTS</b>			
Advances to employees - considered good		3,743,049	281,245
Prepaid rent		5,742,214	9,248,112
Prepaid insurance		503,739	244,697
		<u>9,989,002</u>	<u>9,774,054</u>

**10 OTHER RECEIVABLES**

Advance income tax	6,305,061	5,419,687
Accrued income on deposit accounts	296,499	44,694
Others	1,204,248	1,491,995
	<u>7,805,808</u>	<u>6,956,376</u>
Less: Provision against others	(382,000)	(382,000)
	<u>7,423,808</u>	<u>6,574,376</u>

**11 CASH AND BANK BALANCES**

Cash in hand		201,998	73,435
Cash at bank:			
Deposit accounts:			
Local currency		154,737,922	111,387,457
Foreign currency	11.1	41,388,587	40,795,465
		<u>196,126,509</u>	<u>152,182,922</u>
Current accounts:			
Local currency		-	194
		<u>196,328,507</u>	<u>152,256,551</u>

11.1 It includes USD 383,050.83 (2016: 381,937), EUR 5,252.62 (2016: 5,252) and GBP 2.56 (2016: 2.56).

**12 DEFERRED GRANTS**

	30 June 2017							30 June 2016
	Development of library	Grants for financial assistance contribution	Grants for cancer research	Grants for buildings	Electrical equipment	Medical equipment	Purchase of land	Total
	Rupees							
Opening balance	2,000,000	-	-	80,000,000	-	1,878,862	13,289,591	97,168,453
Grants received during the year	3,500,000	600,000	6,000,000	-	50,000,000	-	-	80,000,000
Less: Amortization of deferred grants	-	-	-	(333,333)	(416,667)	(375,772)	-	(1,125,772)
	<u>5,500,000</u>	<u>600,000</u>	<u>6,000,000</u>	<u>79,666,667</u>	<u>49,583,333</u>	<u>1,503,090</u>	<u>13,289,591</u>	<u>97,168,453</u>

	NOTE	2017	2016
		(Rupees)	
<b>13 STUDENTS' SECURITY DEPOSITS</b>			
Students' security deposits	13.1	32,458,309	27,559,309
Less: Current portion shown under current liabilities		(5,890,109)	(5,029,105)
		<u>26,568,200</u>	<u>22,530,204</u>

13.1 It represents security deposits received from students and are repayable to students upon leaving the University after deduction of any amount due from them.

	NOTE	2017	2016
		(Rupees)	
<b>14 LIABILITIES AGAINST ASSETS SUBJECT TO DIMINISHING MUSHARAKAH FINANCE</b>			
First Habib Modaraba	14.1	-	2,228,154
Albaraka Bank (Pakistan) Limited	14.2	450,000,000	450,000,000
		<u>450,000,000</u>	<u>452,228,154</u>
Less: Current portion shown under current liabilities		(64,285,714)	(1,605,282)
		<u>385,714,286</u>	<u>450,622,872</u>

The amount of future lease payments and the period in which these will become due are as follows:

Future minimum payments under the facility	526,559,037	560,880,556
Less: Un-amortized musharakah charges	(76,559,037)	(108,652,402)
Present value of future minimum payments under the facility	450,000,000	452,228,154
Less: Current portion shown under current liabilities	(64,285,714)	(1,605,282)
	<u>385,714,286</u>	<u>450,622,872</u>

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	2017		2016	
	Future minimum payments under the facility	Present value of future minimum payments under the facility	Future minimum payments under the facility	Present value of future minimum payments under the facility
	(Rupees)			
Due not later than one year	95,888,078	64,285,714	33,661,665	1,605,282
Due later than one year but not later than five years	430,670,959	385,714,286	527,218,890	450,622,872
	<u>526,559,037</u>	<u>450,000,000</u>	<u>560,880,555</u>	<u>452,228,154</u>

- 14.1 The present value of future minimum payments under the facility has been discounted at an implicit interest rate of 6 monthly KIBOR plus 2.5% on quarterly basis to arrive at their present value.

Minimum payments under the facility are to be made in monthly installments. Taxes, repairs, replacements and insurance costs are to be borne by the University. The facility carries renewal and purchase option of musharkah units at the end of the facility term of three years. The facility terminated and fully paid off vehicles transferred in the name of STMU.

- 14.1.1 Future minimum payments under the facility and their present value are regrouped as under:

	2017		2016	
	Future minimum payments under the facility	Present value of future minimum payments under the facility	Future minimum payments under the facility	Present value of future minimum payments under the facility
	(Rupees)			
Due not later than one year	-	-	1,753,583	1,605,282
Due later than one year but not later than five years	-	-	659,853	622,872
	<u>-</u>	<u>-</u>	<u>2,413,436</u>	<u>2,228,154</u>

- 14.2 This represents the diminishing musharkah facility of Rs. 450 million obtained during the year from Al - Baraka Bank Limited for the purchase of NCBMS building H-8, Islamabad. The present value of future minimum payments under the facility has been discounted at an implicit interest rate of 3 monthly KIBOR plus 1% P.A. The facility return will be calculated on the basis of the number of days elapsed in a year of 365 days.

**Profit:** Quarterly in arrears calculated from the date of first drawdown. The first profit payment was received at the end of three (03) months from the first drawdown date and will be received subsequently every three (03) months thereafter on the outstanding balance of the facility. Profit is calculated on the basis of actual number of days elapsed in a year of 365 days.

- 14.2.1 Future minimum payments under the facility and their present value are regrouped as under:

	2017		2016	
	Future minimum payments under the facility	Present value of future minimum payments under the facility	Future minimum payments under the facility	Present value of future minimum payments under the facility
	(Rupees)			
Due not later than one year	95,888,078	64,285,714	31,908,082	-
Due later than one year but not later than five years	430,670,959	385,714,286	526,559,037	450,000,000
	<u>526,559,037</u>	<u>450,000,000</u>	<u>558,467,119</u>	<u>450,000,000</u>

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# 15 DEFERRED LIABILITY

## Defined benefit plan - gratuity

Note 2017 2016  
(Rupees)

### 15.1 The amounts recognized in the balance sheet are as follows:

Present value of defined benefits obligation	15.1.1	129,937,044	117,811,267
Benefits payable to members left (unsettled)		525,427	525,427
Balance sheet liability		<u>130,462,471</u>	<u>118,336,694</u>

### 15.1.1 Movement in the present value of funded obligation is as follows:

Present value of defined benefit at beginning of year		117,811,267	111,915,899
Interest cost		7,571,608	7,413,430
Current service cost		21,374,744	22,324,180
Contributions for the year		(15,000,000)	-
Benefit paid		(1,820,575)	(18,797,951)
Benefit payable		-	(525,427)
Remeasurement of defined benefit obligation		-	(4,518,864)
Present value of defined benefit at end of year		<u>129,937,044</u>	<u>117,811,267</u>

### 15.2 Movement in liability recognized in balance sheet:

Balance at the beginning of year	15.2.1	118,336,694	112,217,460
Charge for the year	15.2.2	28,946,352	29,737,610
Remeasurement recognized in OCI during the year		-	(4,518,864)
Contributions for the year		(15,000,000)	-
Benefits paid		(1,820,575)	(19,099,512)
Balance at the end of year		<u>130,462,471</u>	<u>118,336,694</u>

### 15.2.1 Effect due to change in accounting policy is given below:

Balance as at 01 July 2015 as previously reported	-	114,943,109
Effect of change in accounting policy	-	(2,725,649)
Balance as at 01 July 2015 - restated	-	<u>112,217,460</u>

### 15.2.2 Charge for the year is as follows:

Current service cost	21,374,744	22,324,180
Interest cost	7,571,608	7,413,430
	<u>28,946,352</u>	<u>29,737,610</u>

### 15.3 Principal actuarial assumptions

Following are few important actuarial assumptions used in the valuation:

Discount rate used for year end obligation	7.25% p.a.	7.25% p.a.
Discount rate used for interest cost in P&L charge	7.25% p.a.	7.25% p.a.
Expected rate of increase in salary		
Salary increase FY 2016	N/A	N/A
Salary increase FY 2017 onward	6.25%	6.25%
Mortality rate	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year
Retirement assumption	Age 60	Age 60

# 16 FEE RECEIVED IN ADVANCE

2017 2016  
(Rupees)

Tuition fee	218,891,313	179,836,216
Hostel fee	10,850,000	12,221,900
Extracurricular fee	3,460,000	3,837,932
Examination fee	209,000	-
Registration fee	1,280,000	-
Library fee	1,730,000	1,816,465
	<u>236,420,313</u>	<u>197,712,513</u>

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	2017	2016
	(Rupees)	
<b>17 ACCRUED AND OTHER LIABILITIES</b>		
Payable to vendors	22,385,317	11,228,846
Withholding tax payable	3,505,669	2,990,387
Accrued liabilities	1,481,714	1,137,709
Retention money	3,139,027	619,622
Modarba charges payable	5,545,726	-
Other payables	1,775,052	1,819,427
	<u>37,832,505</u>	<u>17,795,991</u>

#### 18 CONTINGENCIES AND COMMITMENTS

For the tax year 2014, 2015 & 2016, Shifa Tameer-e-Millat University (STMU) has claimed 100% tax credit of tax payable being a non-profit organization as per the Act of Parliament and in accordance with provision of clause (d) of sub section (2) of section 100C of the Income Tax Ordinance, 2001. The tax department has disallowed about 75% of the expenses in an arbitrary manner and on assumption basis and issued orders u/s 121 for the tax year 2014 and u/s 122(1) for the tax years 2015 and 2016. Against the said orders, STMU has filed an appeal to Commissioner, Inland Revenue (Appeals-II) Islamabad, which passed an order on November 15, 2017 to remand the case back to the assessing officer on the grounds that aforementioned disallowance of expenses is unjustified and is against the law and facts. The proceedings of the case are in progress. STMU has already applied for the tax exemption under section 2(36) of the Income Tax Ordinance, 2001.

For the tax year 2014, Shifa Tameer-e-Millat University (STMU) has been selected for tax audit under Section 214C of the Income Tax Ordinance, 2001. The tax department has passed an order on account of withholding tax and default surcharge thereon by considering that STMU failed to properly collect or deduct tax while making payments under different heads of expenses. Against the said order, STMU has filed an appeal to Commissioner, Inland Revenue (Appeals-II) Islamabad, which passed an order on October 19, 2016 to set aside the above passed order and the case is remanded back. The proceedings of the case are in progress.

	2017	2016
	(Rupees)	
<b>19 FEE INCOME</b>		
Tuition fee	495,172,943	454,144,091
Admission fee	23,258,500	19,748,500
Application fee	13,489,724	16,522,318
Examination fee	21,388,000	17,100,000
Administrative charges	340,500	376,000
Hostel income	34,681,367	33,175,066
Medical checkup	840,000	870,000
Campus fund	1,375,700	2,704,932
Library fee	3,806,465	3,916,465
Extracurricular fee	7,641,932	7,788,181
Others	4,525,765	3,803,576
	<u>606,520,896</u>	<u>560,149,129</u>
<b>20 DONATIONS</b>		
<b>From related parties</b>		
<b>In cash</b>		
Shifa International Hospitals Limited	10,791,998	8,875,346
Shifa Foundation	-	5,000,000
	10,791,998	13,875,346
<b>From others</b>		
<b>In cash</b>	9,706,445	2,000,000
	<u>20,498,443</u>	<u>15,875,346</u>
<b>21 OTHER INCOME</b>		
Profit on deposit accounts	2,831,829	5,214,864
Profit on investments	3,760,934	-
Exchange gain	534,604	502,218
Dividend income	1,238,356	1,166,446
Prospectus sale	1,253,900	1,081,900
Miscellaneous	5,536,514	253,068
	<u>15,156,137</u>	<u>8,218,496</u>

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## 22 RELATED PARTY TRANSACTIONS

The related parties comprise of Shifa International Hospitals Limited (SIHL), Tameer-e-Millat Foundation and Shifa Foundation, their close relatives and the staff retirement plan. The balance with related party disclosed on the balance sheet. Detail of transactions with related parties other than those which have been specially disclosed elsewhere in the financial statements during the year, are as follows:

	2017	2016
	(Rupees)	
<b>Shifa International Hospitals Limited (SIHL)</b>		
- Rent and utilities	20,844,654	38,909,426
- Charge against services provided to patients of falahi clinic	26,483,757	13,541,677
- Grants for Building	-	50,000,000
- Vehicle sold to SIHL	-	1,300,000
- Deficit financing for Shifa College of Nursing	24,065,998	17,237,846
- Grants for Equipments	50,000,000	-
<b>Tameer-e-Millat Foundation</b>		
- Grants for Building	-	25,000,000
<b>Shifa Foundation</b>		
- Grants for Building	-	5,000,000
- Grants for Library	3,500,000	-
<b>Employee gratuity fund</b>		
Contribution during the year	16,820,575	29,737,610

### 22.1 Donations / Support provided by the Sponsors Since Inception to Date:

#### In kind

Shifa Foundation (Net worth of SCM, Falahi Clinic & SCN at inception of University)	(32,848,994)	(32,848,994)
Tameer-e-Millat Foundation	10,017,790	10,017,790

#### In cash

Shifa Foundation	23,089,549	23,089,549
Shifa International Hospitals Limited (SIHL)	38,791,998	28,000,000
Tameer-e-Millat Foundation	16,000,000	16,000,000

#### Grants for Library

Shifa Foundation	3,500,000	-
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#### Grants for Equipment

Shifa International Hospitals Limited (SIHL)	50,000,000	-
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#### Grants for Building

Shifa Foundation	5,000,000	5,000,000
Shifa International Hospitals Limited (SIHL)	50,000,000	50,000,000
Tameer-e-Millat Foundation	25,000,000	25,000,000
	188,550,343	124,258,345

## 23 CORRESPONDING FIGURES

Previous year figures have been rearranged / reclassified wherever necessary for the purpose of comparison. However, no significant change / rearrangement of corresponding figures has been made in these financial statements.

## 24 GENERAL

- Total number of employees at June 30, 2017 is 462 (2016: 432).
- Average number of employees at June 30, 2017 is 439 (2016: 416).
- Figures have been rounded off to the nearest Pakistani Rupees unless otherwise stated.

## 25 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 30 JUN 2018 by the Senate of the University.



VICE CHANCELLOR



TREASURER