Contents

Vision/Mission

It is our cherished goal to be the Industry leader in hotel business by establishing a complete, unique, distinctive and truly a five star deluxe hotel complex.

To achieve the above objective and to provide the highest level of satisfaction to our valued customers, we are constantly engaged and working with a missionary zeal to bring necessary improvements in our existing facilities and to excel in offering efficient and quality services to them.

We are also committed to maintain the highest level of International hotel standards, which will add to the glory and prestige of the Country and promote tourism.

Company information

Board of Directors:

Mr. S.Ferozuddin Baweja	Chairman / Chief Executive
Mr. Muzaffar F.Baweja	Managing Director
Mr. Mansoor F.Baweja	
Mr. Zubair Baweja	
Mst. Shahida Begum	
Mrs. Lubna Muzaffar	
Mrs. Muniza Zubair	

Audit Committee:

Mr. S.Ferozuddin Baweja	Chairman
Mrs. Lubna Muzaffar	Member
Mrs. Muniza Zubair	Member

Company Secretary:

Abdul Hafiz Khan (FCMA)

Chief Financial Officer:

Syed Haseen Anwer

Bankers :

Bank Al Habib Limited
Barclays Bank Ltd.
Faysal Bank Ltd.
Mybank Ltd.
MCB Bank Limited
National Bank of Pakistan
Silk Bank Ltd.

Auditors:

Haider Shamsi & Co.
Chartered Accountants

Legal Advisor:

Sofia Saeed Shah

Independent Share Registrar:

M/S. Technology Trade (Pvt) Ltd.
Dagia House, 241-C, Block 2,
P.E.C.H.S., Off: Shahrah-e-Quaideen,
Karachi.

Registered Office:

Regent Plaza Hotel, 7th Floor
195/2, Shahrah-e-Faisal, Karachi.

Notice of 31st annual general meeting

Notice is hereby given that the 31st Annual General Meeting of **PAKISTAN HOTELS DEVELOPERS LIMITED** will be held on Thursday 30th of September, 2010 at 10:00 a.m. at Registered Office of the Company 195/2, Shahrah-e-Faisal, Karachi to transact the following business:

1. To confirm the minutes of Extra-ordinary General Meeting held on 22nd December, 2009.
2. To receive, consider and adopt the Audited Accounts for the year ended 30th June, 2010, together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the year 2011 and to fix their remuneration.
4. Any other business with the permission of the Chair.

By order of the Board

(ABDUL HAFIZ KHAN)
Company Secretary

Karachi: 9th September, 2010

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on the member's behalf. Proxies must be deposited with the Secretary of the Company not less than 48 hours before the meeting.
2. The share transfer books of the company shall remain closed from 23rd September, 2010 to 30th September, 2010 (Both days inclusive). Transfers, complete in all respects, received at the Registered Office of the Company by 22nd September, 2010 will be entitled to attend the meeting.
3. Shareholders are requested to notify the Company of any change in their address.
4. Shareholders are also requested to notify the Company their Computerized CNIC No.(Passport No. if Foreigner) as required by S.R.O.49(1)/2003 dated 15.01.2003 and Circular No.13/2004 dated 05.03.2004.

   C.D.C. Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated 26th January, 2000 issued by the Securities and Exchange Commission of Pakistan.

a) For attending A.G.M.

i) In case of Individuals, the account holder or sub account holder and / or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his or her identity by showing his / her original Computerized National Identity Card (CNIC) or Original Passport at the time of attending the meeting.

ii) In case of Corporate entity, the Board of Directors resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

b) For appointing Proxies

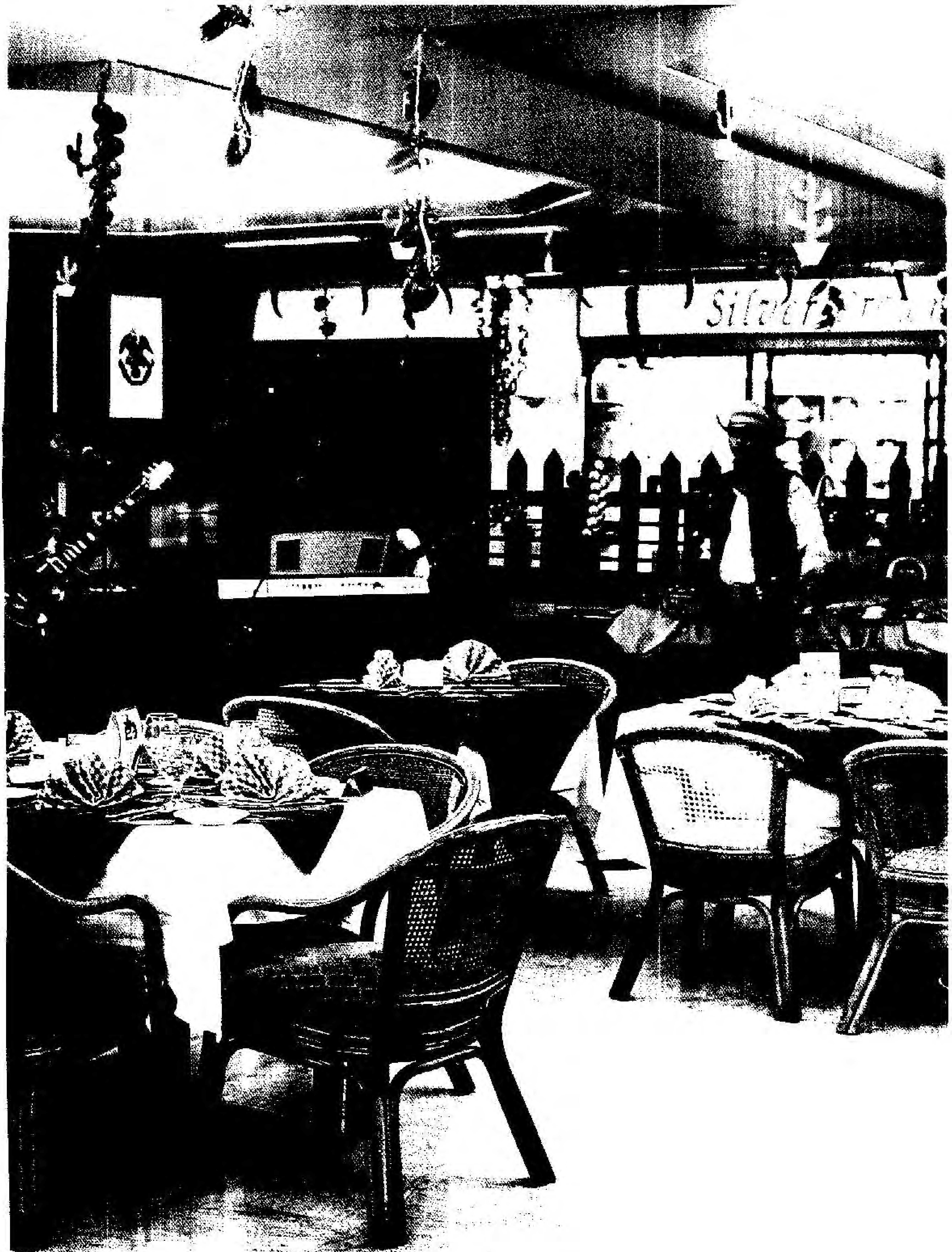
i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and of the proxy shall be furnished with proxy form.

iv) The Proxy shall produce his / her original CNIC or original passport at the time of the meeting.

v) In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with form to the company.



Chairman's review

It gives me great pleasure to present you the Audited Annual Report of Pakistan Hotels Developers Ltd. for the year ended June 30, 2010.

National economy

Year 2009-2010 proved to be a challenging year with a wide spread global recession and financial crises. The year was full of uncertainties with economic growth hovering around 2% against the economic growth of 4.1% previous year. Massive contractions were witnessed due to acute energy outages, security environment, political disruptions, continuing high inflation, external imbalances, VAT issue, facing shortfall in tax and non-tax revenue. Law and order situation has made Pakistan as unfavorable destination which has impacted on non-Pakistani traveler's number.

The situation has not emerged instantly but is continuing since 2008. As the hotel industry is directly relevant to the tourism industry, the same is also facing acute problems since that time. In fact the problems are increasing year by year. Sincere efforts on the part of the government are required for the development of tourism industry.

Performance and financial review

Despite the difficult economic situations, your company earned a pretax profit of Rs.24.164 million which is only due to hardworking of your management and control upon overhead expenses. To cut down the finance cost company is making all out efforts to finance all its activities through its own resources. With the grace of Allah Almighty the management of your company has succeeded in continuing with nil debt financing from any bank and financial institutions.

Sales / cost of sales

During the year under review the sales revenues were Rs. 286.02 million as compared to Rs. 323.82 million last year. The decrease of 12% from the previous year in sales revenue has been caused by significant decline in hotel room occupancy. Room occupancy was 22% as compared to 27% in the previous year. To increase hotel room occupancy, the management has enhanced guests amenities for attracting more guests. Our initiative may help us in improving revenues and operating efficiencies.

During the year under review, the cost of sales of Rs. 117.85 million was 5.4% higher than the last year. The increase was mainly due to increase in prices of food stuff, utility bills, workers wages etc.

It was reported in Annual Report of last year that the uplifting work of Gharo farm house would be completed at the end of March 2010 but we could not complete the project as per scheduled date due to political unrest in Karachi and Interior Sind. It is now expected to be completed at the end of December, 2010

Future plan

The company is planning to further increase the amenities for guests and operate the hotel in a more efficient manner. We will continue to strive for the increase in our shareholders wealth. The plans would, however, be dependent upon the government policies regarding tourism industry and law and order situation of the country.

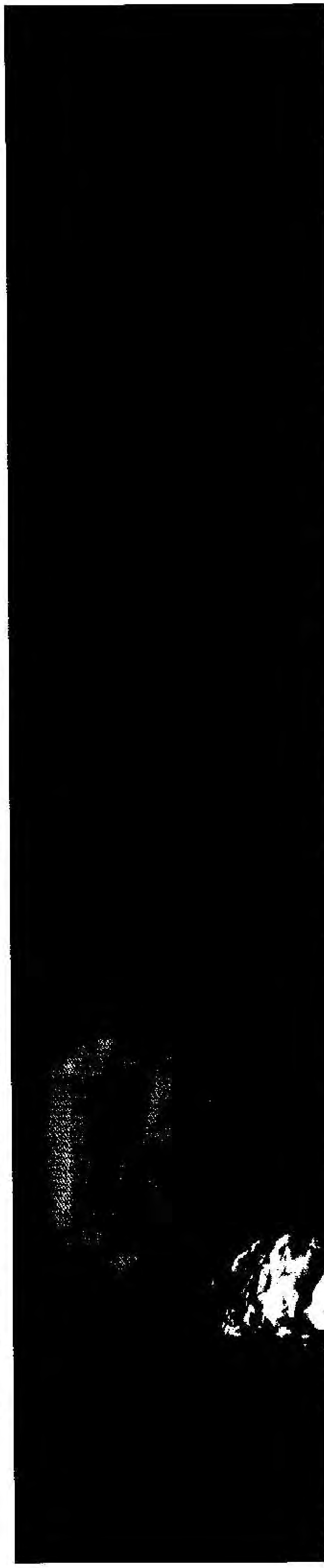
The relation between Management and the staff has been cordial. The company is also paying attention to social responsibilities and continues to make donation to civil society.

The management of the company paid special attention on the training of employees. All new employees have to go through orientation program both internal / external.

I take this opportunity to thank our customers and shareholders for their continuing support and trust. I also express my thanks to management and employees for their untiring and selfless service to the company.

S.Ferozuddin Baweja

Karachi: 20th August, 2010



Directors' report

The Directors of **PAKISTAN HOTELS DEVELOPERS LIMITED** are pleased to submit their report together with Audited Accounts of the Company for the year ended 30th June, 2010.

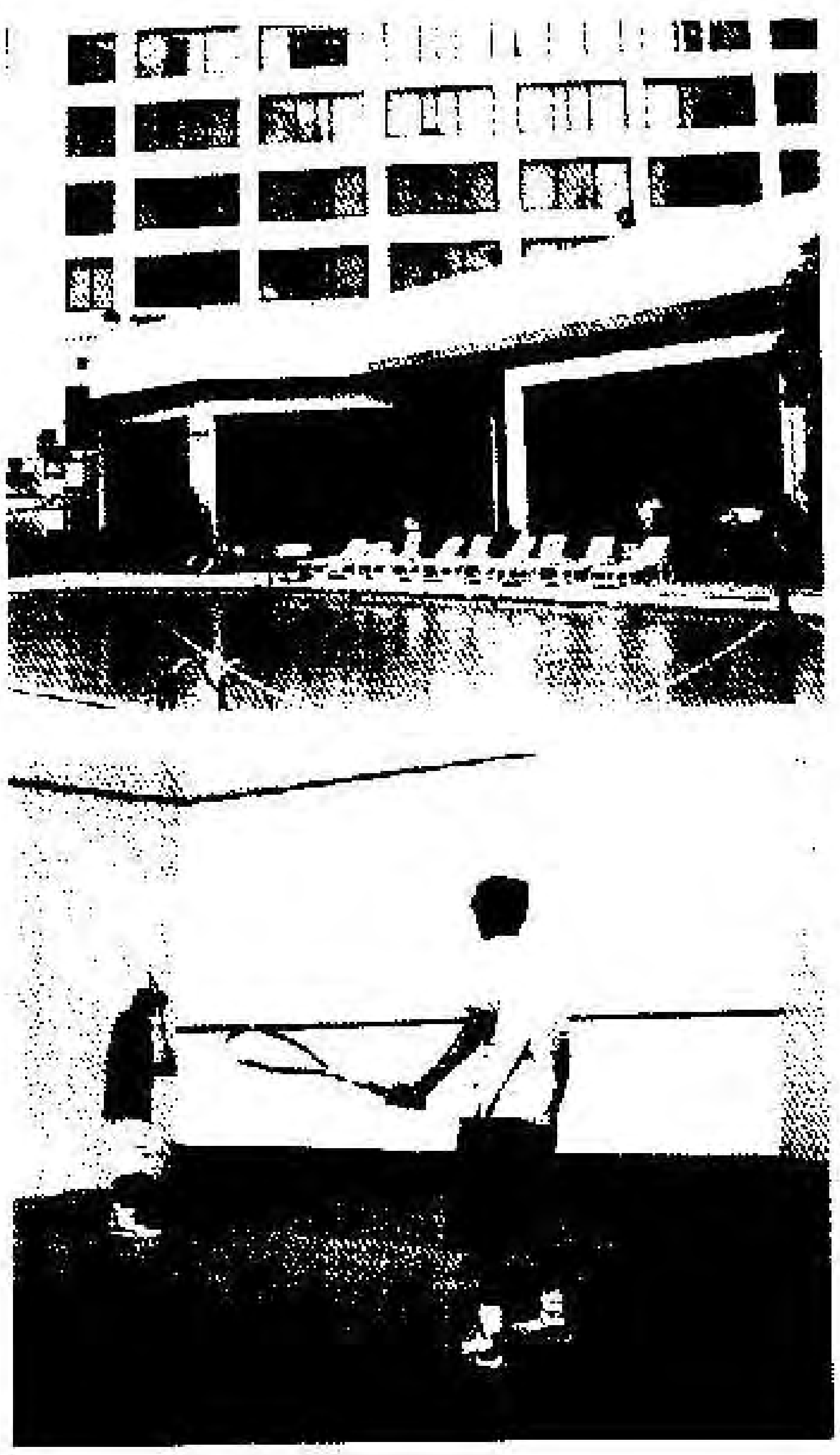
		(Rs. '000')	(Rs. '000')
Accounts:			
Total Revenue			292,770
Less:	Direct Cost	138,812	
	Other Managerial and Financial Expenses	86,416	225,228
			67,542
Less:	Statutory Depreciation		43,378
	Net operating profit before taxation		24,164
Less:	Taxation		6,340
	Profit after taxation		17,824
	Earning per share (Rupees)		0.99

Revenue is continually decreasing year by year and the year under review 42.60% revenue reduced as compared to the revenue of financial year 2007 and resulting low profit, your Directors have not recommended any dividend for the year due to fall in revenues.

The Foreign Exchange earning during the year was 0.155 million U.S. Dollars.

Chairman's review:

The contents of Chairman's Review form an integral part of this report.



Appointment of auditors:

The retiring Auditors M/s. Haider Shamsi & Co., Chartered Accountants, being eligible, offer themselves for reappointment for the year 2010-11. The Audit Committee and Board of Directors of the Company have endorsed their appointment for shareholders' consideration of the forthcoming Annual General Meeting.

The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan.

Audit committee

The Committee comprising of three members including Chairman, 66% are non-executive Directors.

Mr. S.Ferozuddin Baweja		Chairman
Mrs. Lubna Muzaffar	–	Member
Mrs. Muniza Zubair	–	Member

The Audit Committee reviewed the quarterly, half yearly and annual financial statements before submission to the Board and their publication.

The Committee is responsible for oversight of internal audit function as well as external financial reporting. It also carries out ongoing reviews of internal control.

There was no change in Audit Committee during the year.

Attendance of Members at Audit Committee Meetings.

During the financial year 2010, four meetings of the Audit Committee were held and the number of Meetings attended by each member is given hereunder.

Name	Number of Meetings Held During Membership During the year	Attended
1. Mr. S.Ferozuddin Baweja	04	04
2. Mrs. Lubna Muzaffar	04	04
3. Mrs. Muniza Zubair	04	04

Pattern of shareholding:

The specified pattern of Shareholding as at 30th June, 2010 as per Article (XIX) of the Code of Corporate Governance is annexed to this report.

Code of corporate governance:

The Code of Corporate Governance, published through the Official Gazette of Pakistan on 1st May, 2002 and incorporated in the listing regulations of Karachi Stock Exchange, is complied with as required under the various clauses of the code from the respective dates mentioned in the appendix to the code. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

The Directors confirm and state that:

a) The financial statements prepared by the management present a true and fair state of affairs of the Company

b) Proper books of accounts have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom have adequately been disclosed.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no doubts upon the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Board meetings:

During the year ended 30th June, 2010, Five meetings of the Board of Directors were held. The attendance in the meeting is as follow:

Name of Directors	Number of Meetings Held During Directorship During the year	Attended
Mr. S.Ferozuddin Baweja	05	05
Mr. Muzaffar F.Baweja	05	05
Mr. Mansoor F.Baweja	05	04
Mr. Masroor F.Baweja	03	00
Mr. Zubair Baweja	05	05
Mst. Shahida Begum	05	05
Mrs. Lubna Muzaffar	05	05
Mrs. Muniza Zubair	05	04

Leave of absence was granted to Directors who could not attend some of the Board Meetings.

Change in number of directors from 8 to 7

The three years term of office of the Directors as per section 180 of the Companies Ordinance, 1984, expires on 22nd December, 2009. The Board of Directors of the Company as per section 178 of the Ordinance has fixed the number of Directors at Seven (07). Only seven applications were received for the election of directors and all elected as directors of the company for the period from 22nd December, 2009 to 21st December, 2012.The applications for Election of Directors were received from the following retired Directors are as follows:

- Mr. S. Ferozuddin Baweja
- Mr. Muzaffar F.Baweja
- Mr. Mansoor F.Baweja
- Mr. Zubair Baweja
- Mst. Shahida Begum
- Mrs. Lubna Muzaffar
- Mrs. Muniza Zubair

Staff Benefits

Employees Gratuity Scheme is maintained as per law and appropriate provision has been made in accordance with IAS 19 in the Account.

Appointment of actuarial consultant

M/s. Nauman Associates Consulting Actuaries has been appointed during the year to meet the requirement of IAS – 19 calculations for Gratuity Scheme as at 30th June, 2010.

Financial Highlights:

A summary of key operating and financial results for the current year and last Five years is annexed.

For & on behalf of Board of Directors

Karachi: 20 August, 2010

MUZAFFAR F.BAWEJA
(Managing Director)

Statement of Compliance with the Best Practices of Corporate Governance to the Members

This statement is being presented to comply with the Code of Corporate Governance as contained in Regulation No.35, Chapter XI in the Listing Regulations of Stock Exchanges in Pakistan for the purpose of establishing a frame work 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 encourages representation of independent non executive directors on its Board and at present executive directors are not more than 75% of the elected directors including chief executive. The Board includes four non-executive directors.
2. None of the elected directors of the company are serving as a director in ten or more listed companies.
3. Directors of the company are registered as tax payers and to the best of our knowledge none of them have defaulted in payment of any loan to a banking company, a development financial institution or non banking financial institution or stock exchanges.
4. The company has developed a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.
5. The Board has developed and already adopted vision and mission statements.
6. All the major decisions relating to investment and disinvestments of funds, remuneration and terms and conditions of Chief Executive Officers, etc. are taken or ratified by the Board.
7. The meetings of the Board held during the financial year ended June 30, 2010 were presided by the Chairman and Board met at least once in every quarter. The Chief Financial Officer and the Company Secretary have also attended all the meetings of Board of Directors. Written notices of the Board meetings, along with agenda were circulated at least 7 days before the meetings. The minutes of meetings were appropriately recorded and circulated.
8. Directors are aware of the relevant laws applicable to PHDL, its policies and procedures and provisions of the Memorandum and Articles of Association to manage the affairs of the Company on behalf of the shareholders.
9. There was a change in Board of Directors. There are seven Directors instead of eight Directors.
10. The directors' report for the year has been prepared keeping in view the requirements of the code and fully describe the salient matters required to be disclosed.
11. The financial statements of the company were duly endorsed by Chief Executive Officer and Chief Financial Officer prior to presentation before the audit committee and the Board of Directors for approval.
12. The Directors, CEO and Executives do not hold any interest in the shares of the company other than that has already been disclosed in the pattern of shareholding.
13. This statement of compliance with the best practices of corporate governance is being published and circulated along with the annual report of the company.
14. The Company has complied with all the corporate and financial reporting requirements of the code.
15. The Board has formed an audit committee. It comprises of three members one of whom is executive director and two are non-executive directors. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the code.
17. The Board has set up an effective internal audit function, which carries out, on continuing basis, the audit of functional departments.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan and that they are not aware of any instances where shares of the company held by the firm, any partners in the firm, their spouses and minor children. The firm and all its partners are in compliance with International Federation of Accountants (IFAC) guideline on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. 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 have observed IFAC guidelines.
20. The quarterly un audited financial statements of the company were circulated along with the report of Directors. Half yearly financial statements were subjected to limited review by the statutory auditors.

    Financial statement for the year ended 30.06.2010 have been audited and circulated in accordance with the Clause (xxii) of the Code.
21. All material information as described in clause (xxiii) of the Code is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in a timely fashion.
22. We confirm that all other material principles contained in the code have been complied with.

For & on behalf of Board of Directors

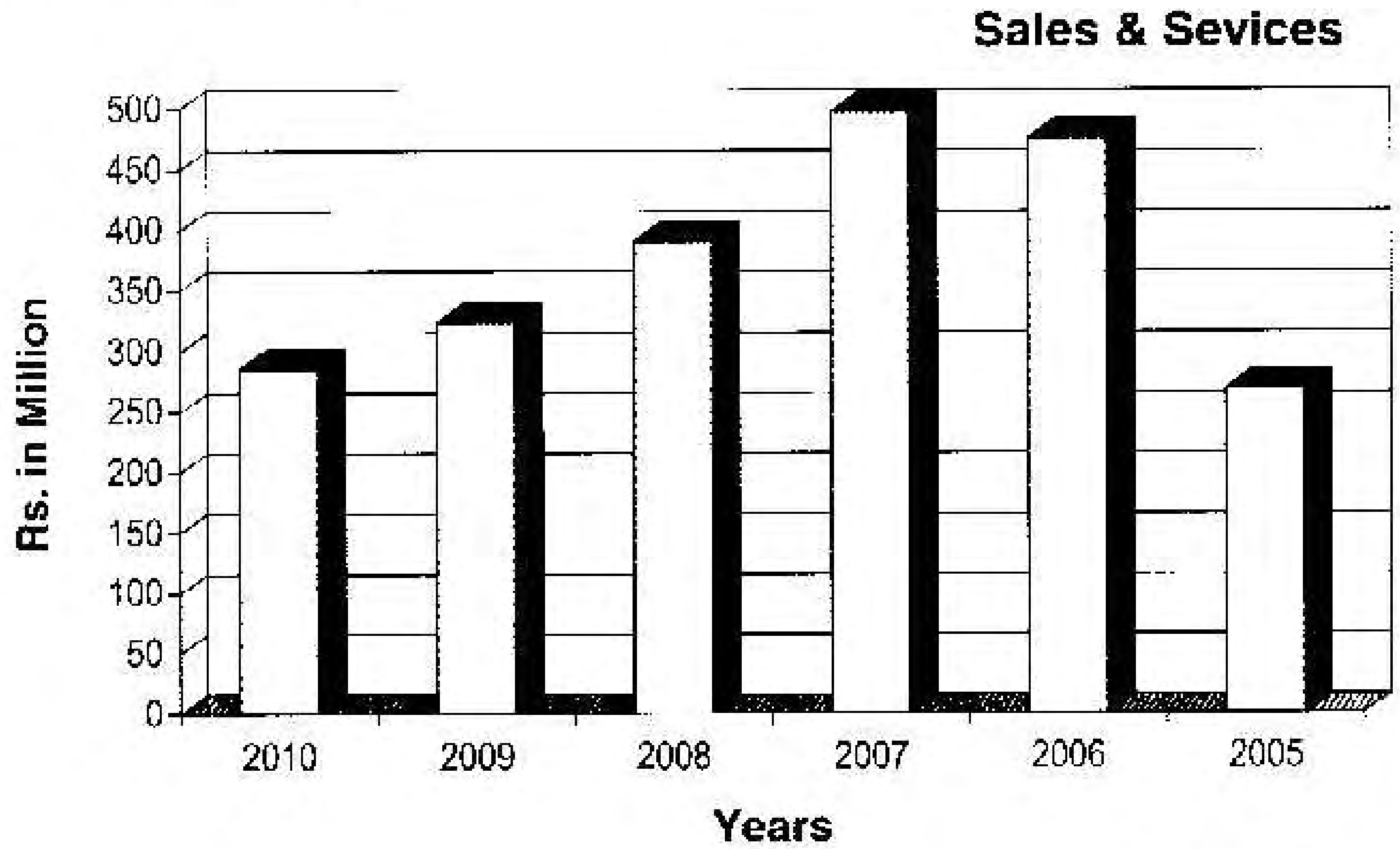
Karachi: 20th August, 2010

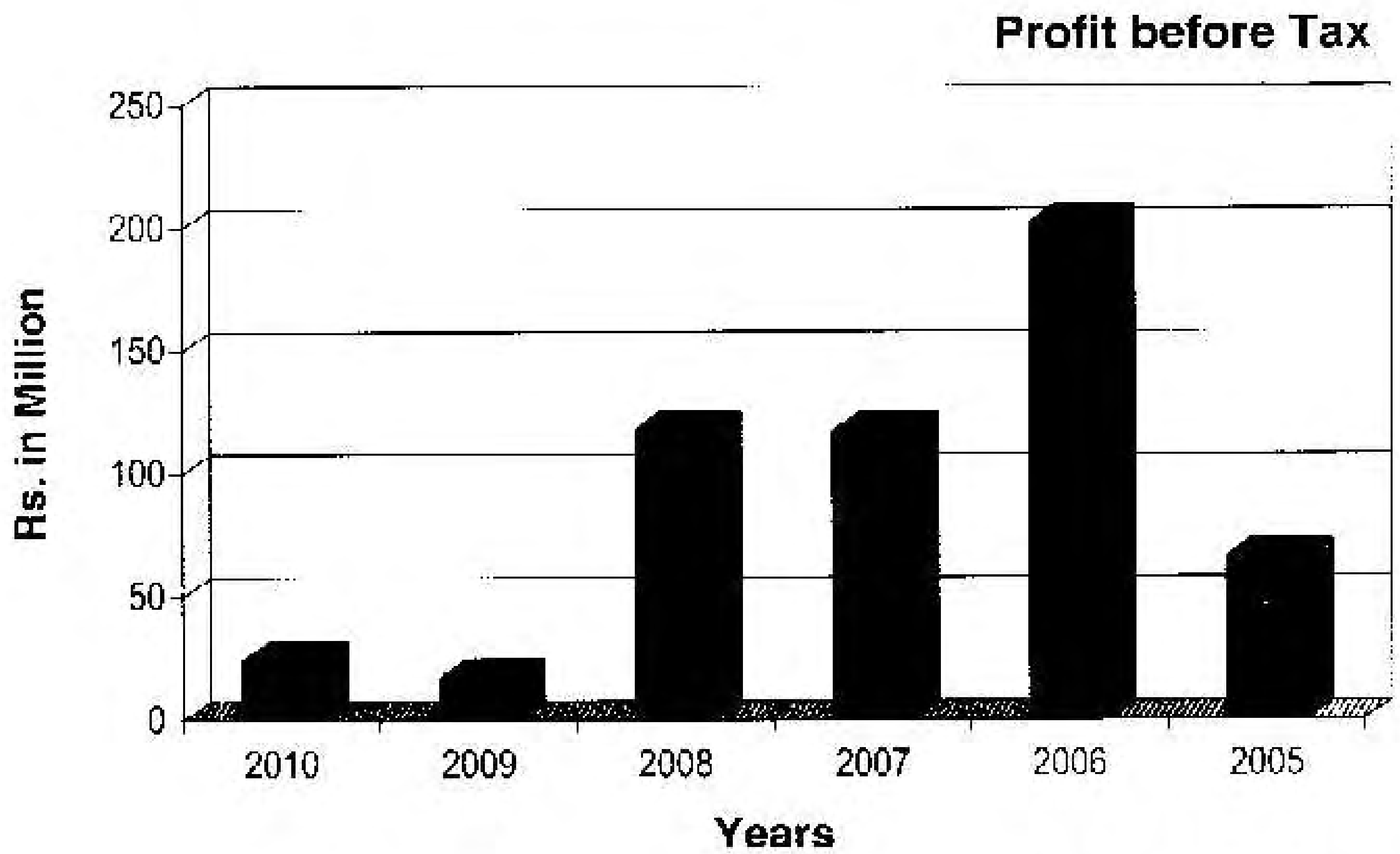
S. FEROZUDDIN BAWEJA
Chief Executive

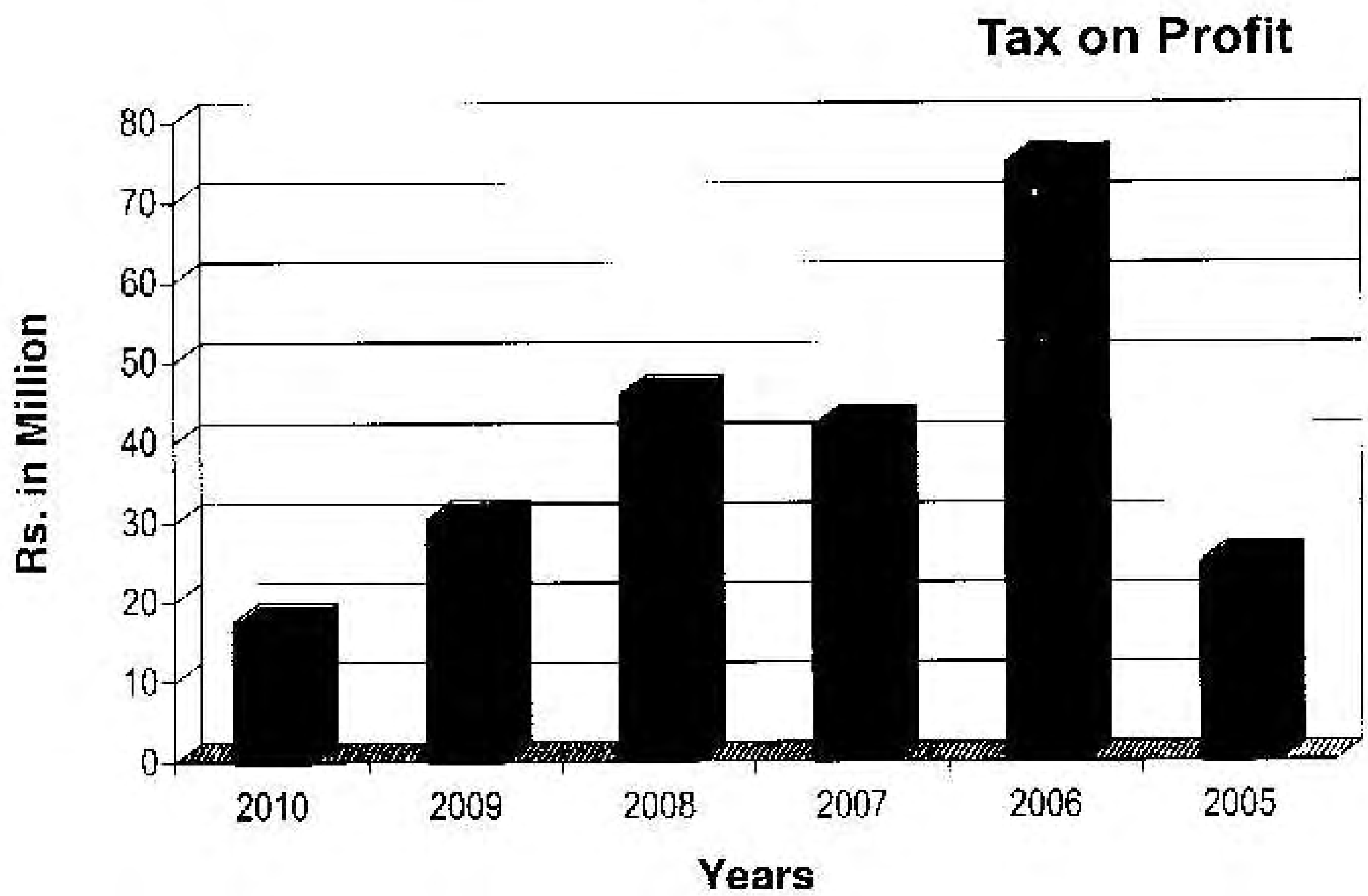
Financial highlights

	2010	2009	2008	2007	2006	2005
			Rupees '000			
Sales and services	**286,020**	323,813	390,531	498,334	475,878	269,115
Profit before tax	**24,164**	16,778	118,446	117,401	202,180	65,998
Profit / (loss) after tax	**17,824**	(5,818)	72,253	86,392	127,441	41,084
Financial position						
Current assets	**146,684**	102,400	150,561	112,669	101,969	193,904
Less: Current liabilities	**42,361**	44,678	43,972	58,151	216,880	154,793
Net working capital	**104,323**	57,722	106,589	54,518	(114,911)	39,111
Fixed assets - net *	**2,358,123**	2,398,223	2,436,112	2,469,004	1,171,684	1,152,763
Other non-current assets	**2,450**	2,450	2,450	2,450	106,275	7,636
TOTAL	**2,464,896**	2,458,395	2,545,151	2,525,972	1,163,048	1,199,510
Less: Long term debt	—	—	—	—	897	88,757
Other non-current liabilities	**204,736**	216,059	224,997	224,071	183,773	196,816
Shareholders equity *	**2,260,160**	2,242,336	2,320,154	2,301,901	978,378	913,937
Statistics						
Number of rooms	**413**	413	413	413	403	281
Room occupancy %	**21.60**	26.65	37.54	51.89	65.67	69.10
Number of employees	**237**	262	268	272	297	291
Earning per share (Rs.)	**0.99**	(0.32)	4.01	4.80	7.08	2.28
Break up value per share (Rs.)	**125.56**	124.57	128.90	127.88	54.35	50.77
Market value per share (Rs.)	**25.50**	27.27	85.70	89.00	198.00	66.00
Dividend per share (Rs.)	**—**	—	4.00	3.00	3.50	3.50
Ratios						
ROCE (%)	**1.18**	0.76	5.12	5.59	22.06	7.91
ROA (%)	**0.72**	(0.24)	2.84	3.42	10.96	3.43
Current ratio	**3.46**	2.29	3.42	1.94	0.47	1.25
Debt equity ratio	—	—	—	—	—	0.10
Net profit/loss margin (%)	**6.23**	(1.80)	18.50	17.34	26.78	15.27

Graphical presentation

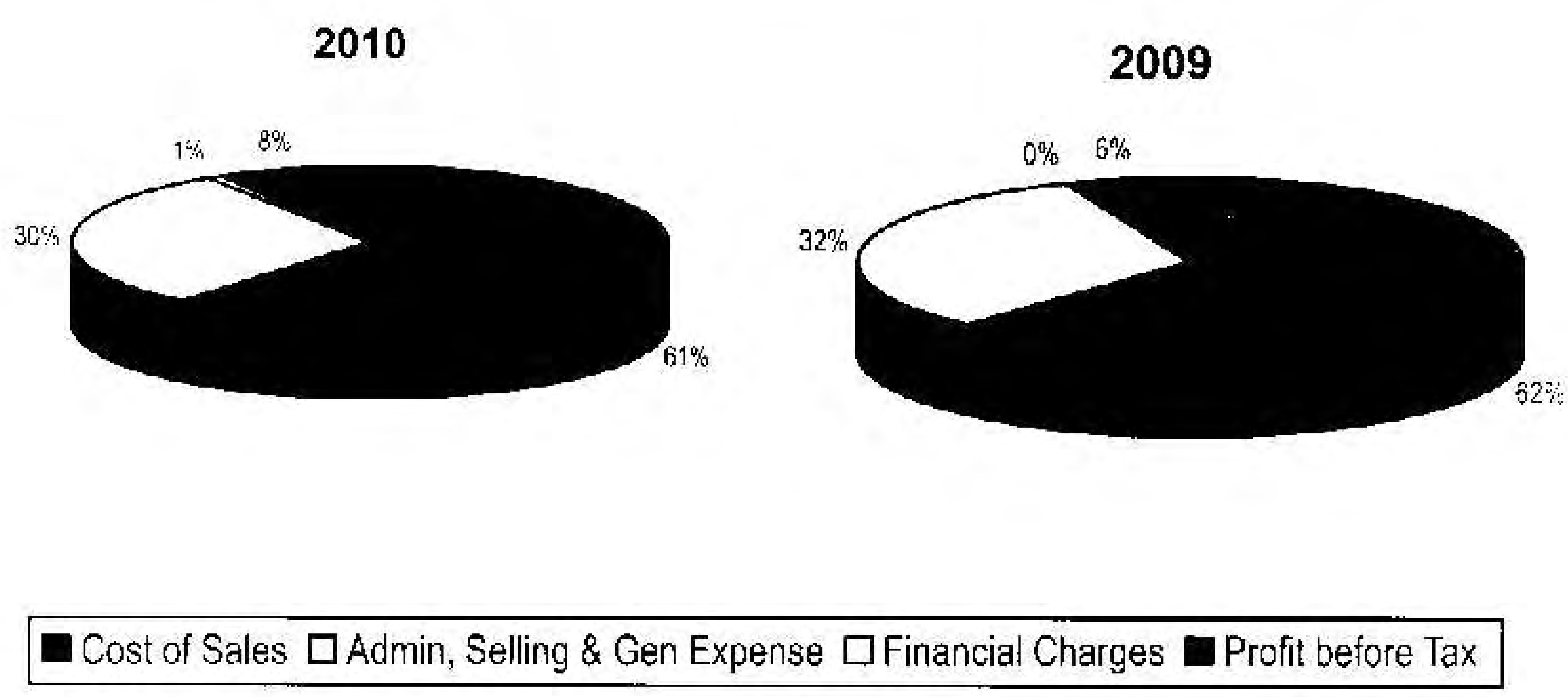






Department Revenue Contribution

Application of Revenue & Other Income



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 **Pakistan Hotels Developers Limited** to comply with the Listing Regulation No. 35 (Previously Regulation No. 37) of the respective 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 risk.

Further sub regulation (xiiia) of listing regulations 35 (Previously Regulation No. 37) notified by the respective Stock Exchanges requires the company to place before the Board of Directors for their consideration and approval 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 requirements 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 as applicable to the Company for the year ended June 30, 2010.

HAIDER SHAMSI & CO.,
Chartered Accountants
Saiyid Afroz Ahmed

Karachi: 20th August, 2010

Auditors' Report to the Members

We have audited the annexed balance sheet of **PAKISTAN HOTELS DEVELOPERS LIMITED** as at June 30, 2010 and the related profit and loss account, statement of comprehensive income, 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 statement 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 accounts 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 for except for the change described in note 2.3 with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at **June 30, 2010** and of the profit, its total comprehensive income, cash flows and changes in equity for the year then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

HAIDER SHAMSI & CO.,
Chartered Accountants
Saiyid Afroz Ahmed

Karachi: 20th August, 2010

Balance sheet as at June 30, 2010

	Notes	2010	2009
		(Rupees '000)	
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorized			
30,000,000 ordinary shares of Rs. 10 each		**300,000**	300,000
Issued, subscribed and paid-up	4	**180,000**	180,000
Un-appropriated profit		**197,980**	164,650
		377,980	344,650
Surplus on revaluation of fixed assets	5	**1,882,180**	1,897,686
Deferred liabilities			
Deferred taxation	6	**197,332**	205,818
Long term loans - secured	7	—	180
Advances and deposits - unsecured	8	**7,404**	10,061
Current liabilities			
Current maturities	9	**2,984**	7,518
Creditors, accrued and other liabilities	10	**39,377**	37,160
		42,361	44,678
Contingencies and commitments	11	—	-
		2,507,257	2,503,073

The annexed notes form an integral part of this statement.

	Notes	2010	2009
		(Rupees '000)	
PROPERTY AND ASSETS			
Property, plant and equipment	12	**2,350,081**	2,392,918
Capital work in progress	13	**8,042**	5,275
Long term deposits and advances	14	**2,450**	2,450
Current assets			
Stores and spares	15	**921**	902
Stock in trade - food and beverages	16	**814**	662
Trade debts-unsecured, considered good	17	**35,489**	24,753
Advances, prepayments and other receivables	18	**34,880**	10,550
Cash and bank balances	19	**74,580**	65,533
		146,684	102,400
		2,507,257	2,503,073

ZUBAIR F. BAWEJA
Executive Director

MUZAFFAR F. BAWEJA
Managing Director

Karachi: 20th August, 2010

Profit and loss account
for the year ended June 30, 2010

	Notes	2010	2009
		(Rupees '000)	
Sales and services	20	**286,020**	323,813
Cost of sales and services	21	**(177,852)**	(168,772)
Gross profit		**108,168**	155,041
Administrative, selling and general expenses	22	**(88,325)**	(87,466)
Other operating income/(loss)	23	**6,750**	(50,539)
Operating profit		**26,593**	17,036
Financial charges	24	**(2,429)**	(258)
Net profit before taxation		**24,164**	16,778
Taxation	25	**6,340**	22,596
Net profit/(loss) after taxation		**17,824**	(5,818)
		(Rupees)	
Earning / (deficit) per share:			
Basic	33	**0.99**	(0.32)
Diluted	33	**0.99**	(0.32)

Appropriation has been shown in the statement of changes in equity.
The annexed notes form an integral part of these financial statements.

ZUBAIR F. BAWEJA
Executive Director

MUZAFFAR F. BAWEJA
Managing Director

Karachi: 20th August, 2010

Statement of comprehensive income
for the year ended June 30, 2010

	2010	2009
	(Rupees '000)	
Net profit/(loss) after taxation	**17,824**	(5,818)
Other comprehensive income	**—**	—
	17,824	(5,818)

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

Karachi: 20th August, 2010

ZUBAIR F. BAWEJA
Executive Director

MUZAFFAR F. BAWEJA
Managing Director

Cash flow statement
for the year ended June 30, 2010

	Notes	2010	2009
		(Rupees '000)	
Cash flow from operating activities			
Cash generated from operations	26	**43,379**	124,424
Income taxes paid		**(28,599)**	(27,213)
Financial charges paid		**(2,429)**	(258)
Net cash from operating activities		**12,351**	96,953
Cash flow from investing activities			
Acquisition of fixed assets		**(1,125)**	(5,454)
Capital work-in-progress		**(2,767)**	(5,275)
Disposal of fixed assets		—	2,254
Acquisition of investment held for trade		—	(299,117)
Sale of investment - held for trade		—	270,431
Net cash used in investing activities		**(3,892)**	(37,161)
Cash flow from financing activities			
Dividends paid		—	(72,000)
Demand finance auto car		**(783)**	(784)
Net cash used in financing activities		**(783)**	(72,784)
Net increase/(decrease) in cash		**7,676**	(12,992)
Cash and cash equivalents - start of the year		**63,507**	76,499
Cash and cash equivalents - end of the year	27	**71,183**	63,507

ZUBAIR F. BAWEJA
Executive Director

MUZAFFAR F. BAWEJA
Managing Director

Karachi: 20th August, 2010

Statement of changes in equity
for the year ended June 30, 2010

	Share Capital	Unappro-priated profit	Total
	........................(Rupees '000).....................		
Balance as at June 30, 2008	180,000	226,146	406,146
Transferred from surplus on revaluation of fixed assets (net of tax)	–	16,322	16,322
Net loss for the year ended June 30, 2009		(5,818)	(5,818)
	180,000	236,650	416,650
Appropriation:			
Final dividend @ 40 % for the year ended 30-06-08	–	(72,000)	(72,000)
Balance as at June 30, 2009	180,000	164,650	344,650
Transferred from surplus on revaluation of fixed assets (net of tax)	–	15,506	15,506
Net profit for the year ended June 30, 2010	–	17,824	17,824
Balance as at June 30, 2010	**180,000**	**197,980**	**377,980**

ZUBAIR F. BAWEJA
Executive Director

MUZAFFAR F. BAWEJA
Managing Director

Karachi: 20th August, 2010

Notes to the accounts
for the year ended June 30, 2010

1. The company and its operations

Pakistan Hotels Developers Limited was incorporated in 1979 at Karachi, Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) as a private limited company and converted into public limited company in 1981. The company is listed with Karachi and Lahore Stock Exchanges of Pakistan. The registered office of the company is situated at 195/2, Shahrah-e Faisal, Karachi. The company is principally engaged in hotel business and owns and operates a Five Star Hotel known as Regent Plaza Hotel and Convention Centre, Karachi.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards 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 Basis of measurement

These financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed assets and recognition and measurement of financial assets and financial liabilities, if any, in accordance with the criteria laid down in IAS - 39 (Financial Instruments: Recognition and measurement).

The preparation of financial statements in conformity with the applicable accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.3 Initial application of a Standard and Amendment or an Interpretation to an existing Standard

Beginning July 01, 2009 the company has changed its accounting policies in order to apply Revised IAS 1 – Presentation of Financial Statements (2007) which became effective as of January 01, 2009. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

The company has opted to present two statements; a profit and loss account (income statement) and a statement of other comprehensive income. Comparative information has also been represented so that it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on the earning per share.

2.4 New accounting standards, amendments to published standards and IFRIC interpretations that are not effective as yet

The following standards, amendments and interpretations of approved accounting standards are effective from the dates specified below and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures:

- IFRS 2 (amendment) – Share based payments and withdrawal of IFRIC 8 – Scope of IFRS 2 and IFRIC 11 – Group and Treasury Share Transactions (effective for annual periods beginning on or after January 01, 2010). Amendment provides guidance on the accounting for share based payment transaction amount group entities.
- International Accounting Standards (IAS) 24 (revised): Related Party Disclosures (effective for annual period beginning on or after January 01, 2011). The amendments to SIAS 24 simplify the disclosures requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party.
- Amendment to IAS 32: Classification of Right Issues (effective for period beginning on or after February 01, 2010). Under the amendment to IAS 32 rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments (effective for period beginning on or after July 01, 2010). IFRIC 19 clarifies the accounting when an entity extinguishes the liability by issuing its own equity instruments to the creditor.
- Amendments to IFRIC 14: Prepayment of a Minimum Funding Requirement (effective for period beginning on or after July 01, 2011). IFRIC 14, IAS 19- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction has been amended to remedy an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognize prepayments of minimum funding contributions, as an asset.
- The International Accounting Standards Board made certain amendments to existing standards as part of its Second and third annual improvements project. The effective dates for those amendments vary by standards.

2.5 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. It also includes adjustments where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the financial statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2.6 Staff retirement benefits

The company operates a defined benefit plan comprising a funded gratuity scheme covering all permanent employees, under which benefits are paid on cessation of employment subject to a minimum qualifying period of service. An approved gratuity fund trust is established for the management of the gratuity obligation of the company. Annual contributions are made to the fund based on actuarial recommendations. The actuarial valuations are carried out using Projected Unit Credit Method. The unrecognized actuarial gains or losses at each valuation date are amortized over the average remaining working lives of the employees in excess of the higher of the following corridor limits:

(i) 10% of the present value of the defined benefit obligation; and

(ii) 10% of the fair value of the plan assets.

2.7 Property, plant and equipment

Item of property, plant and equipment is recognized as asset when it is probable that future economic benefits associated with the asset will flow to the company and its cost to the company can be measured reliably.

An item of property, plant and equipment which qualifies for recognition as an asset is initially measured at its cost. Subsequent to initial recognition leasehold land and building on leasehold land are carried at fair value, based on valuations by external independent valuers less subsequent depreciation for building. Crockery, cutlery, staff uniforms and linen are stated at their historical cost. All other operating fixed assets are stated at their historical cost less accumulated depreciation and impairment losses (if any).

Any revaluation increase arising on the revaluation of such fixed assets is credited to Surplus On Revaluation of Fixed Assets account, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of fixed assets is charged as an expense to the extent that it exceeds the balance, if any, held in the surplus on revaluation of fixed assets account relating to same or other assets.

Subsequent expenditure on property, plant and equipment is added to the carrying amount of the asset when the expenditure improves the condition of the asset beyond its originally assessed standard of performance.

Capital work in progress is stated at cost, less any recognized impairment loss. Depreciation on these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or revaluation of assets, other than leasehold land and capital work in progress, over their estimated useful lives, using the reducing balance method, on the basis of rates specified in Note 12. Crockery, cutlery, linen and uniforms are charged to the profit and loss account on replacement basis. A full year's depreciation is charged on assets acquired during the year, while no depreciation is charged in the year of disposal.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

2.8 Obligation under finance lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the company. At the commencement of the lease term, finance leases are recognized as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. Any initial direct costs of the leases are added to the amount recognized as an asset. Minimum lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The interest element of the finance cost is charged to the income statement over the lease period.

2.9 Foreign currency translation

a. Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statements.

2.10 Financial instruments

Financial assets and financial liabilities are recognized on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. A financial asset is derecognized when the contractual rights to receive cash flows from the financial asset have expired or transferred and the company has transferred substantially all risks and rewards of ownership. A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or expires. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to income currently.

2.11 Financial assets

The company classifies its financial assets in the following categories: (a) at fair value through profit or loss, (b) loans and receivables, and (c) available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Regular purchases and sales of financial assets are recognized on trade-date – the date on which the company commits to purchase or sell the asset. Financial assets, except those carried at fair value through profit or loss, are initially recognized at fair value plus transactions costs. Financial assets carried at fair value through profit and loss are initially recognized at fair value and the transaction costs are expensed in the income statement. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortized cost using the effective interest method.

2.12 Cash and cash equivalents

For the purpose of cash flow, cash and cash equivalent comprise of cash and bank balances and short-term borrowings from the bank.

2.13 Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

2.14 Investments

Investments acquired principally for the purpose of generating a profit from short term fluctuation in price or dealer's margin are classified as held for trading. Such investments are initially recognized on a trade-date basis and are initially measured at cost being the fair value of the consideration given excluding income taxes imposed on such transactions. Transactions costs associated with the acquisition of held for trading investments is expensed in the income statement.

After initial recognition, investments held for trade are re-measured at each balance sheet date at fair value excluding the transaction cost that may be incurred on sale or other disposal. Gains and losses arising from changes in fair value of held-for-trading investment are included in net profit or loss for the period.

For investments in quoted marketable securities, fair value is determined with reference to Stock Exchange quoted market prices at the close of business on balance sheet date.

2.15 Derivatives

Derivative instruments held by the company generally comprise of future contracts in the capital market. These are initially recorded at costs and are subsequently re-measured at their fair value. The fair value of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contract. Derivatives with positive market values (un-realized gains) are included in other assets and derivatives with negative market value (unrealized losses) are included in other liabilities in the balance sheet. The resultant gains and losses are included in the income currently.

Derivative financial instruments entered into by the company do not meet the hedging criteria as defined by International Accounting Standard - 39 (Financial Instruments: Recognition and measurement). Consequently hedge accounting is not being followed by the company.

2.16 Financial liabilities

Financial liabilities are classified according to the substance of the contractual agreements entered into. All financial liabilities are initially recognized at cost, which is the fair value of the consideration received at initial recognition. After initial recognition financial liabilities held for trading are carried at fair value and all other financial liabilities are measured at amortized cost, except for liabilities against asset subject to finance lease which are valued under IAS 17 as described above.

2.17 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably measured.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense.

2.18 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amount and the company intends to either settle on a net basis or to realize the asset and settle the liability simultaneously.

2.19 Stores and spares

These are valued at lower of cost and estimated net realizable value. Cost comprises cost of purchase and other costs incurred in bringing the stores and spares to their present location and condition. Cost signifies the weighted average cost. Average is calculated as each additional shipment is received.

2.20 Stock in trade - Food and beverages

Stock in trade is valued at the lower of cost and estimated net realizable value. Cost is calculated using the weighted average method. Average is calculated as each additional shipment is received. Net realizable value signifies the estimated selling price in the ordinary course of business less cost of completion and cost necessary to be incurred in order to make the sale.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is recognized as follows:

Sales and services

Revenue is recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Dividend income

Dividend income from investments is recognized at the time of the closure of share transfer book of the company declaring the dividend.

2.22 Impairment of non-financial assets

At each balance sheet date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Whenever an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.23 Dividend distribution

Dividend distribution to the shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the company's shareholders.

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Trade debtors

The company reviews its receivable against provision required there against on an ongoing basis. The provision is made taking into consideration expected recoveries, if any.

Income taxes

In making the estimates for income taxes currently payable by the company the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

Impairment of assets

In accordance with the accounting policy, the management carries out an annual assessment to ascertain whether any of the company's assets are impaired. This assessment may change due to technological developments.

Depreciable amount and useful lives of fixed assets

In accordance with the accounting policy, the management carries out an annual assessment of depreciable amount and useful lives of fixed assets. The company seeks advice from the technical department in this regard.

3.2 Critical judgments in applying the company's accounting policies

Management believes that business transactions are simple in nature and there is no area where application of accounting policies could involve higher degree of judgment or complexity.

		2010	2009
		(Rupees '000)	

04. Issued, subscribed and paid-up

		2010	2009
16,580,800	Ordinary shares of Rs. 10/- each fully paid in cash	**165,808**	165,808
1,419,200	Ordinary shares of Rs. 10/- each issued for consideration other than cash (NRI)	**14,192**	14,192
18,000,000		**180,000**	180,000

There were no movement in the share capital of the company in either the 2009 or 2010 reporting years. The company has one class of ordinary shares which carry no right to fixed income.

05. Surplus on revaluation of fixed assets

	2010	2009
	(Rupees '000)	
Surplus on revaluation of leasehold land	**1,587,559**	1,587,559
Surplus on revaluation of building on leasehold land	**294,621**	310,127
	1,882,180	1,897,686

Leasehold land and building on leasehold land were revalued by M/s. D. H. Daruvala & Co., Architects and Engineers (an independent valuer) in September 2003 resulting an increase over book value of Rs. 359.809 M and 508.280 M respectively. As on April 01, 2007 leasehold land and building on leasehold land were revalued by M/s Sardar Enterprises (an independent valuer) which resulted in increase of Rs. 1,227.750 M and Rs. 111.355 M respectively in the book value. The incremental depreciation charged on these assets has been transferred to accumulated profit in accordance with section 235 of the Companies Ordinance 1984. The balance in the surplus on revaluation of fixed assets account is not available for distribution amongst the shareholders neither as dividend nor as bonus under section 235 of the Companies Ordinance, 1984.

Movement in the account of surplus on revaluation of fixed assets is as follows:

	Surplus on revaluation of	
	Leasehold land	Building on leasehold land
	(Rupees '000)	
Surplus on June 30, 2008	**1,587,559**	326,449
Incremental depreciation (net of deferred tax) transferred to accumulated profit	—	(16,322)
Surplus on June 30, 2009	**1,587,559**	310,127
Incremental depreciation (net of deferred tax) transferred to accumulated profit	—	(15,506)
Surplus on June 30, 2010	**1,587,559**	294,621

06. Deferred taxation

These comprise of temporary differences due to:

	2010	2009
	(Rupees '000)	
Accelerated depreciation	**31,098**	31,192
Revaluation, net of related depreciation	**166,736**	175,086
Others	**(502)**	(460)
	197,332	205,818

07. Long term loans - secured

Mybank Limited - Auto finance

	2010	2009
Opening balance at start of the year	**1,006**	1,790
Repayment during the year	**(783)**	(784)
	223	1,006
Less: Current portion shown under current maturity	**223**	826
	—	180

The company had obtained auto finance facility to the extent of Rs. 3.05 million from Mybank Limited for acquiring five vehicles. The facility is secured by way of lien of the bank on the acquired vehicles. The facility was further secured by personal guarantee of all the directors. The facility carries mark-up rate of KIBOR plus 5%.

08. Advances and deposits

		2010	2009
		(Rupees '000)	
Unsecured			
Advance rent	8.1	**2,761**	9,673
Less: Current portion - shown under current maturity		**2,761**	6,692
		—	2,981
Security deposits	8.2	**7,404**	7,080
		7,404	10,061

8.1 Advance rent

It represents advance rent received from tenants against office premises let out on lease.

	2010	2009
Advance rent from tenants	**2,761**	8,635
Advance rent from associated concerns		
Mst. Shireen Shamim	**—**	192
Mst. Sanam Masroor	**—**	351
M/s Shireen Shamim Associates	**—**	495
	—	1,038
	2,761	9,673

8.2 Security deposits

	2010	2009
Received up till last year	**7,080**	7,176
Received/(adjusted) during the current year	**324**	—
Repayment during the current year	**—**	(96)
	7,404	7,080

These represent the security money received from the tenants in accordance with the terms of their tenancy agreements. These are interest free and repayable on termination of the tenancy agreements.

	Note	2010	2009
		(Rupees '000)	
09. Current maturities			
Mybank Limited - Auto finance	7	**223**	826
Advance rent	8	**2,761**	6,692
		2,984	7,518
10 Creditors, accrued and other liabilities			
Trade creditors - unsecured		**5,728**	4,160
Accrued liabilities			
Accrued expenses		**9,312**	10,503
Excise, taxes and others		**1,068**	6,110
Sales tax		**4,544**	2,709
		14,924	19,322
Other liabilities			
Guest and banquet deposits		**4,497**	3,772
Unclaimed dividend		**5,734**	5,734
WWF payable		**788**	–
Bank overdraft	10.1	**3,397**	2,026
Miscellaneous		**4,309**	2,146
		18,725	13,678
		39,377	37,160
10.1 Bank overdraft			
Faysal Bank Limited		**1,315**	–
Mybank Limited		**2,082**	2,026
		3,397	2,026

These represent the balance as per books without any corresponding facility from the bank.

11 Contingencies and commitments

11.1 Civil Aviation Authority has demanded a sum of Rs. 0.336 million, being rental charges of the Company's restaurant at Karachi Airport. The suit is pending in the High Court of Sindh. However, directors of the company have deposited 55 thousand shares of their own, valuing Rs. 0.550 million with the High Court and the company has filed a counter suit for recovery of rent of furniture, fixtures and loss of food stuff and other assets of the company retained by the Civil Aviation Authority.

11.2 Holiday Hospitality Corporation has filed a suit against the company for declaration, injunction and recovery of damages amounting to US $ 278,475. This is a counter claim against the case filed by the company for recovery of damages amounting to US $ 16.882 million.

11.3 Suit bearing No. 343 of 1996 has been filed by the company against Saudi Arabian Airlines for the cancellation of agreement dated 22-02-1990, relating to the sale of two floors and four shops on the ground floor of AL-SEHAT CENTRE, and for recovery of possession of those premises. After the institution of the above suit, Saudi Arabian Airlines has also filed counter suit praying for the specific performance of the aforesaid agreement. Both these suits are pending in the High Court of Sindh at Karachi.

11.4 The suit bearing No. 1525/99 in the Honorable High Court of Sindh in respect of tenancy of two shops situated in Hotel Regent Plaza. The Company is made a party being landlord.

11.5 Deputy Commissioner of Income Tax while assessing the income of the company for the tax year 2007 has disallowed loss amount on Lahore Project and also some other expenses rejected and created a demand of Rs. 34,918,212/=. The company has filed an Appeal before the CIT (Appeals) and not made any provision against this demand. The company is hopeful that the case will be decided in its favour but it has paid an amount of Rs. 1.2 million on this account up to June 30, 2010.

12. Property, plant and equipment

(Rupees '000)

PARTICULARS	COST/REVALUATION				Rate	DEPRECIATION				W. D. V
	As at 1-7-2009	Additions	Disposal	As at 30-6-2010	%	As at 1-7-2009	For the year	Disposal	As at 30-6-2010	as at 30-06-2010
OWNED										
Leasehold land	1,618,750	–	–	1,618,750	–	–	–		–	1,618,750
Leasehold land - Gharo	2,549	–		2,549	–	–		–		2,549
Building on leasehold land	704,336		–	704,336	5	76,572	31,388	–	107,960	596,376
Banglow 35/9-A C.P. Berar Society, Karachi	31,650	–	–	31,650	5	5,870	1,280	–	7,159	24,491
Airconditioning plant	57,030		–	57,030	10	34,085	2,294	–	36,379	20,651
Elevators	5,728	–	–	5,728	10	4,421	131		4,552	1,176
Electric installation	7,485	–		7,485	10	5,948	154	–	6,102	1,383
Electric fancy fitting	565		–	565	10	444	12	–	456	109
Furniture and fixtures	95,182	700	–	95,882	10	52,409	4,347		56,756	39,126
In-house TV system	6,300	–	–	6,300	10	4,008	229	–	4,237	2,063
Gas connection	227	–	–	227	10	215	1	–	216	11
Carpets	12,775	–	–	12,775	10	9,318	446	–	9,764	3,011
Sound radio fusion system	1,963	–	–	1,963	10	1,758	21	–	1,779	184
Telephone installation	10,335	–	–	10,335	10	7,672	266	–	7,938	2,397
Crockery and cutlery	5,520		–	5,520	0	–	–	–	–	5,520
Uniforms and linen	8,878	–	–	8,878	0	–	–	–	–	8,878
Laundry equipments	5,007	–		5,007	10	2,690	232	–	2,922	2,085
Equipments and accessories	32,908	170	–	33,078	10	20,125	1,295	–	21,420	11,658
Office equipments	5,567	–		5,567	10	4,130	144	–	4,274	1,293
Vehicles	6,039	255	(1,200)	5,094	20	2,902	556	(586)	2,872	2,222
Neon signs	435	–	–	435	10	299	14		313	122
Arms	37	–	–	37	10	29	1	–	30	7
Diesel Generator - Caterpillar	4,100	–	–	4,100	10	1,921	218		2,139	1,961
Diesel Generator - VISA	4,196	–	–	4,196	10	798	340	–	1,138	3,058
Total 2010	**2,627,562**	**1,125**	**(1,200)**	**2,627,487**		**234,614**	**43,378**	**(586)**	**277,406**	**2,350,081**

(Rupees '000)

PARTICULARS	COST/REVALUATION				Rate	DEPRECIATION				W. D. V
	As at 1-7-2008	Additions	Disposal	As at 30-6-2009	%	As at 1-7-2008	For the year	Disposal	As at 30-6-2009	as at 30-06-2009
OWNED										
Leasehold land	1,618,750	–	–	1,618,750	–		–	–		1,618,750
Leasehold land - Gharo	–	2,549		2,549	–	–	–	–		2,549
Building on leasehold land	704,336	–	–	704,336	5	43,532	33,040	–	76,572	627,764
Bungalow 30/9-A C.P. Berar Society, Karachi	31,650	–	–	31,650	5	4,513	1,357	–	5,870	25,780
Airconditioning plant	57,030	–	–	57,030	10	31,535	2,550	–	34,085	22,945
Elevators	5,728	–	–	5,728	10	4,276	145	–	4,421	1,307
Electric installation	7,485		–	7,485	10	5,777	171		5,948	1,537
Electric fancy fitting	565	–	–	565	10	430	14	–	444	121
Furniture and fixtures	94,874	308	–	95,182	10	47,656	4,753	–	52,409	42,773
In-house TV system	6,300	–	–	6,300	10	3,753	255	–	4,008	2,292
Gas connection	227	–	–	227	10	214	1		215	12
Carpets	12,775		–	12,775	10	7,823	495	–	8,318	4,457
Sound radio fusion system	1,960	–		1,963	10	1,735	23	–	1,758	205
Telephone installation	10,335	–	–	10,335	10	7,376	296	–	7,672	2,663
Crockery and cutlery	5,520	–	–	5,520	0	–	–	–	–	5,520
Uniforms and linen	8,878	-	–	8,878	0	–	–		–	8,878
Laundry equipments	3,042	1,965	–	5,007	10	2,433	257	–	2,690	2,317
Equipments and accessories	32,706	632	(430)	32,908	10	19,113	1,420	(408)	20,125	12,783
Office equipments	5,567	–	–	5,567	10	3,970	160	–	4,130	1,437
Vehicles	6,874	–	(835)	6,039	20	2,611	784	(493)	2,902	3,137
Neon signs	435	–	–	435	10	284	15	–	299	136
Arms	37	–	–	37	10	28	1	–	29	8
Diesel Generator - Siemens	4,896		(4,896)	–	10	2,999	–	(2,999)	–	–
Diesel Generator - Caterpillar	4,100	–	–	4,100	10	1,679	242	–	1,921	2,179
Diesel Generator - VISA	4,196		–	4,196	10	420	378		798	3,398
Total 2009	2,628,269	5,454	(6,161)	2,627,562		192,157	46,357	(3,900)	234,614	2,392,948

	Note	2010	2009
		(Rupees '000)	
12.1 Depreciation charge for the year has been allocated as follows:			
Cost of sales and services	21	**39,040**	41,721
Administrative, selling and general expenses	22	**4,338**	4,636
		43,378	46,357

12.2 Gross carrying amount of all the items of property, plant and equipment represents their cost except leasehold land and building on leasehold land which are stated at revalued amount. Had the revaluation not been carried out the carrying amount of the leasehold land and building on leasehold land would have been Rs. 31.191 (2009: 31.191) million and Rs. 139.610 (2009: 146.958) million respectively.

12.3 The following fixed assets were disposed off during the year:

	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Particulars of Buyer/ Mode of disposal
	..........(Rupees '000)..........				
Vehicles	1,200	586	614	—	Employees As performance reward.
Total 2010	**1,200**	**586**	**614**	**—**	
Total 2009	6,161	3,900	2,261	2,254	

12.4 Revaluation of fixed assets

As on 12-09-2003, company's properties comprising leasehold land and building on leasehold land have been revalued on market value basis assuming the continued use of the property as a hotel and convention centre. The revaluation has been carried out by M/s. D. H. Daruvala & Co., Architects and Engineers (an independent valuer). These revaluation has resulted in a surplus of Rs. 869.332 million which has been included in the book value of fixed assets and credited (net of deferred tax) to a surplus on revaluation of fixed assets. As on 01-04-2007, the above properties were revalued by M/s Sardar Enterprise (an independent valuer) on the same basis as was previously used. The revaluation has resulted in a further surplus of Rs. 1,339.105 million which has been included in the book value of fixed assets and credited (net of deferred tax) to surplus on revaluation of fixed assets. The incremental depreciation net of deferred tax has been charged to the surplus on revaluation of fixed asset account.

	2010	2009
	(Rupees '000)	
13. Capital Work in Progress		
Civil works	**4,860**	4,258
Land scaping	**2,590**	781
Others	**592**	236
	8,042	5,275
14. Long term deposits and advances		
Utility deposits	**2,450**	2,450
15. Stores and spares		
Consumable stores	**504**	465
Stationery	**417**	437
	921	902

	Note	2010	2009
		(Rupees '000)	
16. Stock in trade - food and beverages			
Food		**741**	617
Beverages		**73**	45
		814	662
17. Trade debts-unsecured, considered good			
Due from customers		**33,469**	22,365
Receivable against sale of Al-Sehat	11.3	**1,965**	1,965
Due from related parties	17.1	**14**	3
Due from staff		**41**	420
		35,489	24,753
Considered doubtful		**1,433**	1,313
		36,922	26,066
Provision against doubtful debts		**1,433**	1,313
		35,489	24,753
17.1 Due from related parties			
Baweja Autos		**14**	3
18. Advances, prepayments and other receivables			
Advances - unsecured considered good			
Staff		**785**	1,049
Suppliers		**2,728**	3,368
Receivable from gratuity fund		**47**	117
Income tax (net of liability)		**15,688**	1,915
		19,248	6,449
Prepayments			
Insurance		**10**	655
Miscellaneous		**258**	233
		268	888
Other receivables			
Rent receivable	18.1	**4,888**	3,059
Margin against L/C with Mybank Limited		**10,315**	—
Miscellaneous		**161**	154
		15,364	3,213
		34,880	10,550
18.1 Rent receivable			
From tenants		**3,774**	2,980
From related parties			
Mrs. Shireen Shamim		**—**	4
M/s. Baweja Autos		**214**	75
M/s. Baweja Education		**900**	—
		1,114	79
		4,888	3,059

	Note	2010	2009
		(Rupees '000)	
19. Cash and bank balances			
Cash in hand		**66,829**	64,424
Cash at banks (in current accounts)		**100**	1,109
Cash at bank (in deposit account) - Bank Al Habib Ltd.		**7,651**	–
		74,580	65,533
20. Sales and services			
Room rent		**157,206**	194,823
Food and beverages		**92,908**	90,398
Shop license fees		**11,836**	10,689
Other minor operated departments	20.1	**24,070**	27,903
		286,020	323,813

This includes revenue from rent of convential hall, and sale of telephone, laundry, health club and others ancilliary services.

	Note	2010	2009
21. Cost of sales and services			
Food and beverages			
Opening stock		**662**	557
Purchases		**41,673**	35,882
Closing stock		**(814)**	(662)
Consumption during the year		**41,521**	35,777
Direct expenses			
Salaries, wages and other benefits	21.1	**27,056**	31,074
Heat, light and power		**37,810**	37,093
Replacement of linen, china and glassware		**5,268**	5,126
Uniforms		**251**	141
Guest transportation charges		**3,904**	4,709
Water charges		**949**	1,111
Decoration hire charges		**321**	369
Consumable stores		**5,156**	2,525
Guest supplies		**12,059**	5,914
Commission		**239**	160
Musical expenses		**410**	455
Laundry and dry cleaning		**1,925**	583
Telephone, telex and other related expenses		**570**	706
License and taxes		**99**	172
Traveling and transportation		**314**	259
Printing and stationery		**907**	644
Miscellaneous		**53**	233
Depreciation	12.1	**39,040**	41,721
		136,331	132,995
		177,852	168,772

21.1 Includes Rs. 0.342 million (2009: Rs. 0.530 million) in respect of employee retirement benefits.

		2010	2009
		(Rupees '000)	

22. Administrative, selling and general expenses

		2010	2009
Salaries and other benefits	22.1	**20,052**	21,720
Entertainment		**2,009**	1,810
Traveling and transportation		**4,274**	3,845
Running and maintenance of vehicle		**205**	269
Rent, rates and taxes		**1,341**	1,656
Heat, light and power		**3,945**	3,882
Communications		**1,738**	1,705
Printing and stationery		**4,632**	2,055
Advertisement and sales promotion		**1,964**	1,791
Legal and professional charges		**1,024**	1,390
Auditors' remuneration	22.2	**440**	440
Repair and maintenance		**35,829**	36,896
Bank commission and charges		**77**	109
Fee and subscription		**2,688**	209
Pest control		**105**	162
Donation	22.3	**90**	70
Insurance		**1,807**	3,178
Commissions		**858**	776
Bad debts		**120**	120
Miscellaneous		**772**	696
Staff uniforms		**17**	51
Depreciation	12.1	**4,338**	4,636
		88,325	87,466

22.1 Includes Rs. 0.228 million (2009: Rs. 0.353 million) in respect of employee retirement benefits.

22.2 Auditors' remuneration

	2010	2009
Audit fee	**290**	290
Taxation services	**100**	100
Out of pocket	**50**	50
	440	440

22.3 Donation

	2010	2009
Jamiat Taleemul Quran	**60**	40
Chhipa Welfare Association	**30**	30
	90	70

None of the directors or his spouse is interested in the funds of donees.

		2010	2009
		(Rupees '000)	

23. Other operating income/(loss)

Profit on tender of foreign currency		**186**	212
Gain/(loss) on bed tax		**4,627**	(5,776)
Loss on disposal of assets	23.1	**(614)**	(7)
Rent from C. P. Berar Bangalow		**900**	900
Profit on bank deposits		**420**	30
Loss on investment in shares	23.2	**—**	(48,020)
Dividend income		**—**	1,002
Miscellaneous		**1,231**	1,120
		6,750	(50,539)

23.1 Loss on disposal of assets

Sale proceeds	**—**	2,254
Cost of assets	**1,200**	6,161
Less: Accumulated depreciation	**586**	3,900
Net book value	**614**	2,261
	(614)	(7)

23.2 Loss on investment in shares

Loss on shares trading	**—**	(48,020)

24. Financial charges

Interest on auto loan facility	**83**	258
Workers welfare fund	**2,346**	—
	2,429	258

25. Taxation

Current year	**14,723**	28,378
Prior year	**103**	1,607
Deferred	**(8,486)**	(7,389)
	6,340	22,596

25.1 Aggregate current and deferred tax relating to items charged or credited to equity:

In addition, deferred tax of Rs. 8.350 million (2009: 8.789 million) was transferred from retained earnings to revaluation surplus. This relates to the difference between the depreciation on the revalued building on leasehold land and equivalent depreciation based on the cost of the building.

		2010	2009
		(Rupees '000)	
25.2	**Tax charge reconciliation**		
	Accounting profit	**24,164**	16,778
	Tax at the applicable tax rate of 35%	**8,457**	5,872
	Tax effect of expenses that are not deductible in determining taxable profit	**1,042**	17,633
	Tax effect of items that are not deductible in determining accounting profit	**(3,262)**	(2,516)
	Tax effect of changes in prior year current tax	**103**	1,607
		6,340	22,596

		%	%
25.3	**Reconciliation between average effective tax rate and the applicable tax rate**		
	Applicable tax rate	**35**	35
	Tax effect of expenses that are not deductible in determining taxable profit	**4.31**	105.10
	Tax effect of items that are not deductible in determining accounting profit	**-13.50**	-15.00
	Tax effect of changes in prior year current tax	**0.43**	9.58
	Average effective tax rate	**26.24**	134.68

26. Cash generated from operation

	(Rupees '000)	
Profit before taxation	**24,164**	16,778
Adjustment for non cash items and other adjustments:		
Depreciation	**43,378**	46,357
Financial charges	**2,429**	258
Bad debts written off	**120**	120
Loss on investment in shares	**—**	48,020
Loss on disposal of assets	**614**	7
	46,541	94,762
	70,705	111,540
(Increase)/decrease in operating assets		
Stores and spares	**(19)**	175
Stock in trade	**(152)**	(105)
Trade debts	**(10,856)**	14,477
Advances, prepayments and other receivables	**(10,557)**	399
	(21,584)	14,946
Increase/(decrease) in operating liabilities		
Advances and deposits	**(6,588)**	648
Creditors, accrued and other liabilities	**846**	(2,710)
	(5,742)	(2,062)
	43,379	124,424

	2010	2009
	(Rupees '000)	

27. Cash and cash equivalent

	2010	2009
Cash and bank balances	**74,580**	65,533
Bank overdrafts	**(3,397)**	(2,026)
	71,183	63,507

28. Employee benefits

28.1 As mentioned in note 2.6, the Company operates an approved gratuity fund and makes contribution on actuarial recommendations. The latest actuarial valuations of these benefits were carried out as at 30 June 2010. The projected unit credit method, using the following significant assumptions has been used for the actuarial valuation:

28.1.1 Actuarial assumptions

	2010	2009
Discount rate	**12%**	12%
Expected rate of eligible salary increase in future years	**11%**	11%
Expected rate of return on plan assets during 2009-2010	**12%**	12%
Expected rate of return on plan assets during 2010-2011	**12%**	12%
Average remaining working life time (Years)	**12 years**	11 years

	2010	2009
	(Rupees '000)	

28.1.2 Amount recognized in balance sheet are as follows:

	2010	2009
Present value of defined benefit obligation	**4,938**	6,178
Present actuarial gain to be recognized in later periods	**257**	—
Less: Fair value of Plan asset	**(5,242)**	(7,391)
Unrecognized actuarial gain	**—**	1,096
(Asset) / liability on balance sheet	**(47)**	(117)

28.1.3 Fair value of plan assets

	2010	2009
Investment in fixed deposit @ 9% p.a. with accrued interest	**5,126**	5,740
Cash at bank	**380**	1,650
Less: Benefits payables	**(264)**	—
Fair value of plan assets	**5,242**	7,390

28.1.4 Movement in present value of defined benefit obligation

	2010	2009
Opening present value of obligation	**6,178**	7,323
Current service cost	**748**	791
Interest cost	**741**	879
Benefits payable to outgoing members	**(264)**	—
Benefits paid	**(2,428)**	(1,092)
Actuarial loss on obligation	**(37)**	(1,723)
Income distributed among members	**—**	—
Closing present value of obligation	**4,938**	6,178

	2010	2009
	(Rupees '000)	

28.1.5 Movement in fair value of plan assets

	2010	2009
Opening fair value of plan assets	**7,390**	7,240
Expected return on plan assets	**887**	869
Actuarial loss on plan assets	**(843)**	(627)
Benefits payable to outgoing members	**(264)**	–
Benefits paid	**(2,428)**	(1,092)
Contribution by Company	**500**	1,000
Closing fair value of plan assets	**5,242**	7,390

28.1.6 Changes in Actuarial Gains/(Losses)

	2010	2009
Unrecognized Actuarial Gains/(Losses) at start	**1,096**	–
Actuarial Gains/(Losses) arising during the year	**(807)**	1,096
Actuarial Gains/(Losses) charged to P&L during the year	**(32)**	–
Unrecognized Actuarial Gains/(Losses) at end	**257**	1,096

28.1.7 Expense recognized in profit and loss account

	2010	2009
Current service cost	**748**	791
Interest cost	**741**	879
Expected return on plan assets	**(887)**	(869)
Actuarial (Gain) / Losses Charge	**(32)**	–
Liability charge due to application of IAS 19	–	82
	570	883

28.1.8 Actual return on plan assets

	2010	2009
Expected return on plan assets	**887**	869
Actuarial gain / (loss) on plan assets	**(843)**	(627)
Actual return on plan assets	**44**	242

28.1.9 Based on actuarial advise the company intends to charge an amount of approximately Rs. 0.608 Million in respect of gratuity fund in the financial statements for the year ending 30 June 2011. The information provided in notes 28.1.1 to 28.1.8 has been obtained from the valuation carried out by independent actuaries M/s Nauman Associates as on 30 June 2010.

29. Transactions with related parties and associated undertakings

The related parties and associated undertakings comprise local associated companies, gratuity fund, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the term of their employment are as follows:

	2010	2009
	(Rupees '000)	
Rent income	1,544	1,948
Gratuity Fund	500	1,000
Receivable	1,128	82
Advance rent	–	1,037

The company continues to have a policy whereby all transactions with related parties and associated undertakings are entered into at arm's length determined in accordance with comparable uncontrolled price method.

30. Executive remuneration

Aggregate amount charged in the accounts for the year for remuneration, including all benefits to Chief Executive, Directors and Executives of the company are as follows:

	2010			2009		
	Chief Executive	Directors	Executive	Chief Executive	Directors	Executive
	......Rupees '000......					
Managerial remuneration	**1,414**	**1,769**	**1,767**	1,241	2,248	1,604
Perquisites and allowances	**636**	**796**	**733**	559	1,192	821
	2,050	**2,565**	**2,500**	1,800	3,440	2,425
Number of persons	**1**	**2**	**4**	1	3	4

31. Financial instruments

The company has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

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

31.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted and arise principally from long term deposits, trade receivables and security deposits. Out of the total financial assets of Rs. 117.568 million (2009: Rs. 95.949 million), financial assets which are subject to credit risk amount to Rs. 50.739 million (2009: Rs. 31.52 million).

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking in to account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. Sales made to major customers are secured through letter of credit. The management has set a maximum credit period of 30 days to reduce the credit risk.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	2010	2009
	(Rupees '000)	
Long term deposits	**2,450**	2,450
Trade debts	**35,489**	24,753
Other receivables	**5,049**	3,213
Bank balances	**7,751**	1,109
	50,739	31,525

The aging of trade receivables at the reporting date is:

	2010	2009
Past due 0-30 days	**20,763**	14,790
Past due 31 - 60 days	**5,083**	6,452
Past due 61 - 90 days	**3,216**	950
Past due 91 - 120 days	**4,371**	567
Past due 120 days	**2,056**	1,994
	35,489	24,753

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

31.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. In addition, the Company has obtained running finance facility from a commercial bank to meet any deficit, if required to meet the short term liquidity commitments. The following are the contractual maturities of financial liabilities, including estimated interest payments:

3 0 June 2010

	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees '000)					
Financial liabilities						
Long term loan - secured	223	—				
Advances and deposits	7,404	7,404	—	—	—	—
Trade and other payables	27,243	27,243	27,243	—	—	—
2010	**34,870**	**34,647**	**27,243**	—	—	—

3 0 June 2009

	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees '000)					
Financial liabilities						
Long term loan - secured	1,006	—	—	—		
Advances and deposits	7,080	7,080	—	7,080	—	—
Trade and other payables	22,607	22,607	22,607	—	—	—
2009	30,693	29,687	22,607	7,080	—	—

31.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holding of financial instruments.

31.3.1 Currency risk

Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation related risks are therefore not included in the assessment of the entity's exposure to currency risks. The company is not exposed to currency risk.

31.3.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rate will affect value of financial instruments. The company is not exposed to interest rate risk.

31.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The company is not exposed to any price risk as there are no financial instruments at the reporting date that are sensitive to price fluctuations.

31.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

32. Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board of Directors monitors the return on capital employed, which the company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The company's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for sharehoders and benefits for other stakeholders, and

(ii) to provide adequate return to:

The company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

Neither there were any changes in the company's approach to capital management during the year nor the company is subject to externally imposed capital requirements.

	2010	2009
	(Rupees '000)	

33. Earning per share

	2010	2009
Net profit after taxation	**17,824**	(5,818)
Weighted average number of ordinary shares	**18,000**	18,000
Basic earning per share **(Rupees)**	**0.99**	(0.32)
Diluted earning per share **(Rupees)**	**0.99**	(0.32)

34. Non-adjusting events after the balance sheet date

In the meeting of Board of Directors held on August 20, 2010, the directors decided not to recommend any dividend (2009: Rs. Nil per share) for the year. The total estimated dividend to be paid is Rs. Nil (2009: Rs. Nil).

35. Capacity and production

	2010	2009
No. of rooms	**413**	413
Average percentage of occupancy	**21.60%**	26.65%

The level of occupancy depends on the extent of movement in tourism, business and airlines sector.

36. Date of authorization for issue

These financial statements were authorized for issue on August 20, 2010 by the Board of Directors of the Company.

37. Figures

Figures have been rounded off to the nearest thousand of rupee.

ZUBAIR F. BAWEJA
Executive Director

MUZAFFAR F. BAWEJA
Managing Director

Karachi: 20th August, 2010

Pattern of Shareholdings Held by Shareholders

As on June 30, 2010

NO. OF SHARE HOLDERS	SHAREHOLDING			TOTAL SHARES HELD
62	001	—	100	4,094
35	101	—	500	10,094
4	501	—	1,000	3,660
9	1,001	—	5,000	17,690
2	5,001	—	10,000	14,127
1	15,001	—	20,000	19,000
1	20,001	—	25,000	23,000
1	100,001	—	105,000	105,000
1	145,001	—	150,000	150,000
1	245,001	—	250,000	250,000
3	295,001	—	300,000	899,000
2	300,001	—	305,000	602,900
1	555,001	—	560,000	555,340
1	2,400,001	—	2,405,000	2,404,000
1	5,200,001	—	5,205,000	5,203,600
1	7,735,001	—	7,740,000	7,738,495
126		**TOTAL**		**18,000,000**

Categories of Shareholders as on June 30, 2010

Particulars	No. of Share Holders	Shares Held	Percentage
(Directors)			
Mr. S.Ferozuddin Baweja	1	7,738,495	42.9916
Mst. Shahida Begum	1	3,530	0.0196
Mr. Mansoor F.Baweja	1	250,000	1.3889
Mr. Muzaffar F.Baweja	1	5,203,600	28.9089
Mr. Zubair F.Baweja	1	2,404,000	13.3556
Mrs. Lubna Muzaffar	1	300,000	1.6667
Mrs. Muniza Zubair	1	300,000	1.6667
(Relatives of Directors)			
Mr. Mohsin F.Baweja	1	105,000	0.5833
Mrs. Waqarunnisa Mohsin	1	150,000	0.8333
Mr. Masroor F.Baweja	1	2,500	0.0139
Mrs. Shahina Khalid	1	302,500	1.6806
Mrs. Shireen Shamim	1	300,400	1.6689
Mrs. Shazia Jamal	1	299,000	1.6611
Individuals			
(Minority Shareholders)	111	638,675	3.5482
Others			
Joint Stock Companies	1	2,000	0.0111
N.I.T.	—NIL—	—NIL	—NIL—
Banks / Financial Institutions	1	300	0.0017
TOTAL	**126**	**18,000,000**	**100.0000**

Shareholders holding 10% or more voting interest

1. Mr. S.Ferozuddin Baweja	—	7,738,495	42.99%
2. Mr. Muzaffar F.Baweja	—	5,203,600	28.90%
3. Mr. Zubair F.Baweja	—	2,404,000	13.35%

The above statement include 65 Shareholders holding 17,402,200 Shares through the Central Depository Company of Pakistan Ltd. (CDC).

PROXY FORM

I/We ______________________________ of ______________________________

(NAME) (PLACE)

being a member of PAKISTAN HOTELS DEVELOPERS LTD, hereby appoint

______________________________ of ______________________

(NAME) (PLACE)

another member of the Company as my/our proxy to attend and vote for me/us and on my/our behalf at the 31st Annual General Meeting of the Company to be held on Thursday 30th of September, 2010 at 10:00 a.m. at the Registered Office, 195/2, Shahrah-e-Faisal, Karachi and at any adjournment, thereof.

Signed this ____________________ day of ________________ 2010

Specimen Signature of Proxy	Signature of Member
Folio No. ______________	Folio No. ______________
Participant I.D. No. ______________	Participant I.D. No. ______________
Sub Account No. ______________	Sub Account No. ______________
CNIC or Passport No. ______________	CNIC or Passport No. ______________

WITNESSES:

(1)	(2)
Signature ______________	Signature ______________
Name ______________	Name ______________
Address ______________	Address ______________
______________	______________
CNIC or Passport No. ______________	CNIC or Passport No. ______________

Important:

1. This form of Proxy, duly completed must be deposited at the Company's Registered Office, 195/2, Shahrah-e-Faisal, Karachi not less than 48 hours before the time of meeting.
2. Attested copies of CNIC or the passport of the beneficial owners and the proxy holder shall be furnished with the proxy form.
3. The proxy holder shall produce his/her original CNIC or Original Passport at the time of meeting.
4. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.