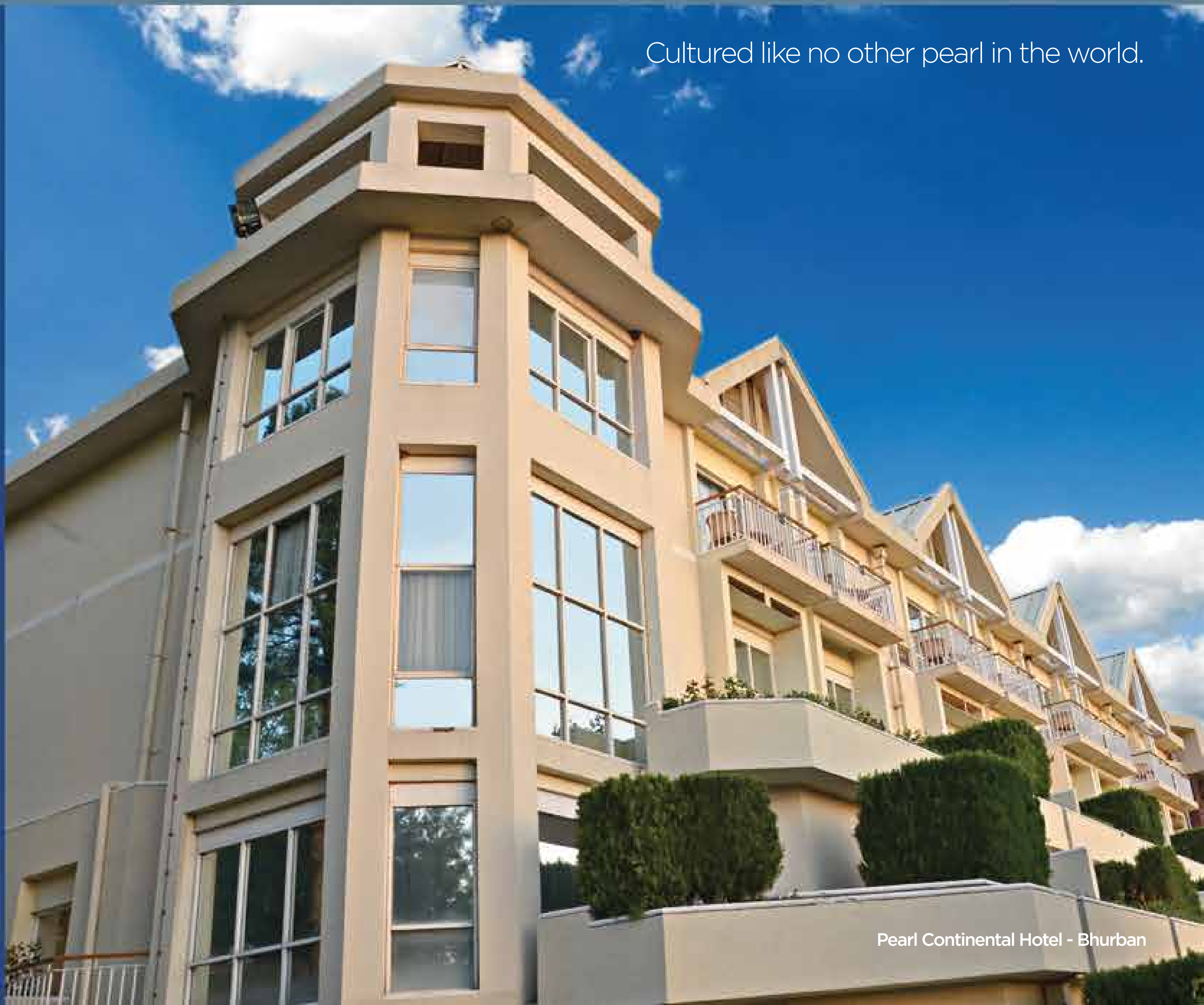
PSL
PAKISTAN SERVICES LTD.

PC
Pearl-Continental
HOTELS & RESORTS

2014 ANNUAL REPORT



Pearl Continental Hotel - Bhurban

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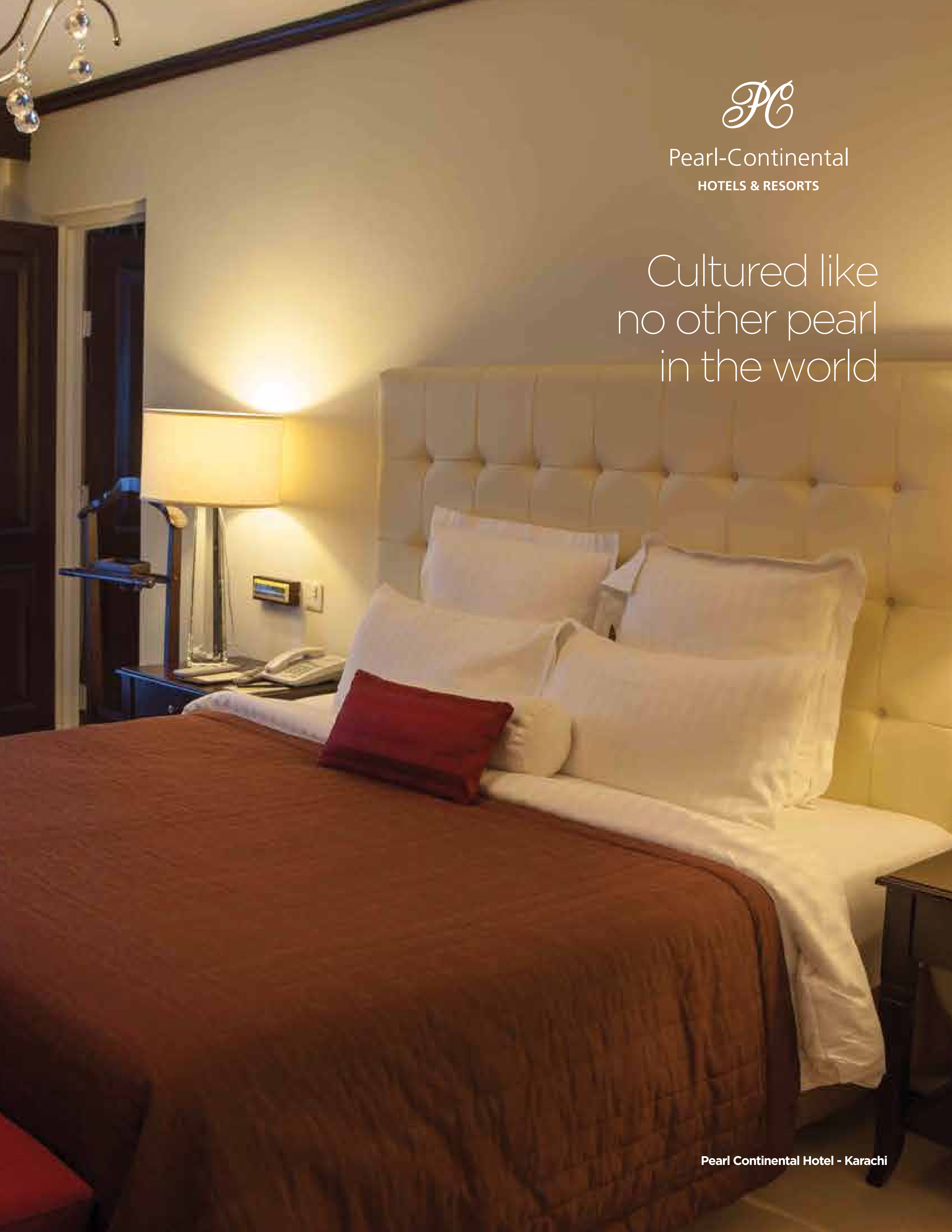
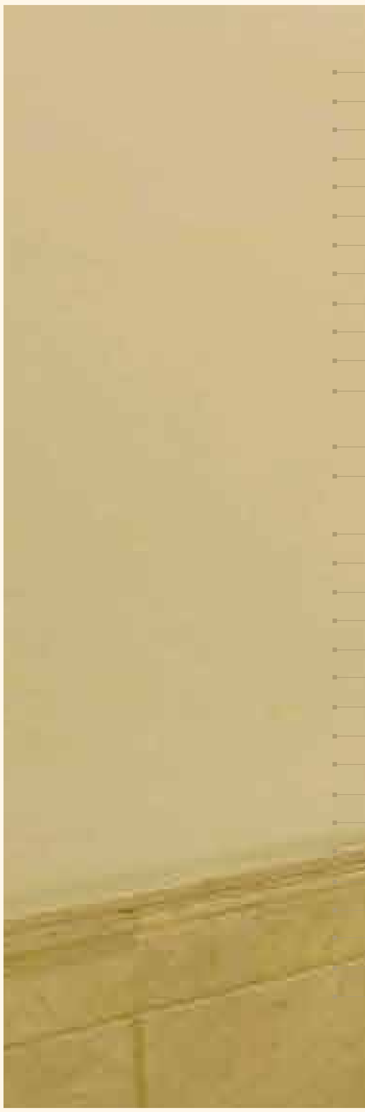

Pearl-Continental
HOTELS & RESORTS
Cultured like no other pearl in the world
Pearl Continental Hotel - Karachi

Contents



Pearl Continental Hotel - Bhurban

Vision & Mission

Vision Statement

We are committed to dynamic growth and service excellence built upon our heritage of traditional hospitality. We strive to consistently meet and surpass guests', employees' and other stakeholders' expectations. We feel pride in making efforts to position Pakistan in the forefront of the international arena.

Mission Statement

- Secrets to our sustained leadership in hospitality are Excellency and Dynamism through offering competitive and innovative high quality value added services to our guests and business partners.
- To meet the challenges of modern business, we constantly upgrade our operations and services in line with the latest technological facilities.
- As a responsible corporate citizen, maintaining the highest level of governance, ethical standards and prudence.
- Keeping close-watch at socio-political environment to make use of all available growth opportunities through aggressive and proactive approach.
- Believe in strong and professional workforce by providing challenging and rewarding environment and equal respect to all through creating the sense of participation towards the success of our vision.

Pearl Continental Hotel - Karachi

Corporate Information

Pearl Continental Hotels, a chain owned and operated by Pakistan Services Limited, "the Company" sets the international standards for quality hotel accommodation in South Asia. The Company manages 6 luxury hotels at Karachi, Lahore, Rawalpindi, Peshawar, Bhurban and Muzaffarabad; comprising 1,558 rooms with registered office in Islamabad, Pakistan

BOARD OF DIRECTORS

Non Executive

Mr. Sadruddin Hashwani   Chairman
Ms. Sarah Hashwani
Mr. Mansoor Akbar Ali
Syed Sajid Ali
Mr. Bashir Ahmed

Executive

Mr. Murtaza Hashwani   Chief Executive Officer
Mr. M. A. Bawany
Mr. Muhammad Rafique

Independent

Mr. Ahmed Elsayed-Mohamed Youssef Aly

AUDIT COMMITTEE

Mr. Ahmed Elsayed-Mohamed Youssef Aly
Ms. Sarah Hashwani
Mr. Mansoor Akbar Ali
Syed Sajid Ali

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Sadruddin Hashwani
Mr. Murtaza Hashwani
Mr. M. A. Bawany
Mr. Bashir Ahmed

CHIEF FINANCIAL OFFICER

Mr. Muhammad Rafique

COMPANY SECRETARY

Mr. Mansoor Khan

AUDITORS

M/s KPMG Taseer Hadi & Co.
Chartered Accountants
6th Floor, State Life Building No. 5
Jinnah Avenue, Blue Area Islamabad.

LEGAL ADVISOR

M/s Liaquat Merchant & Associates

BANKERS

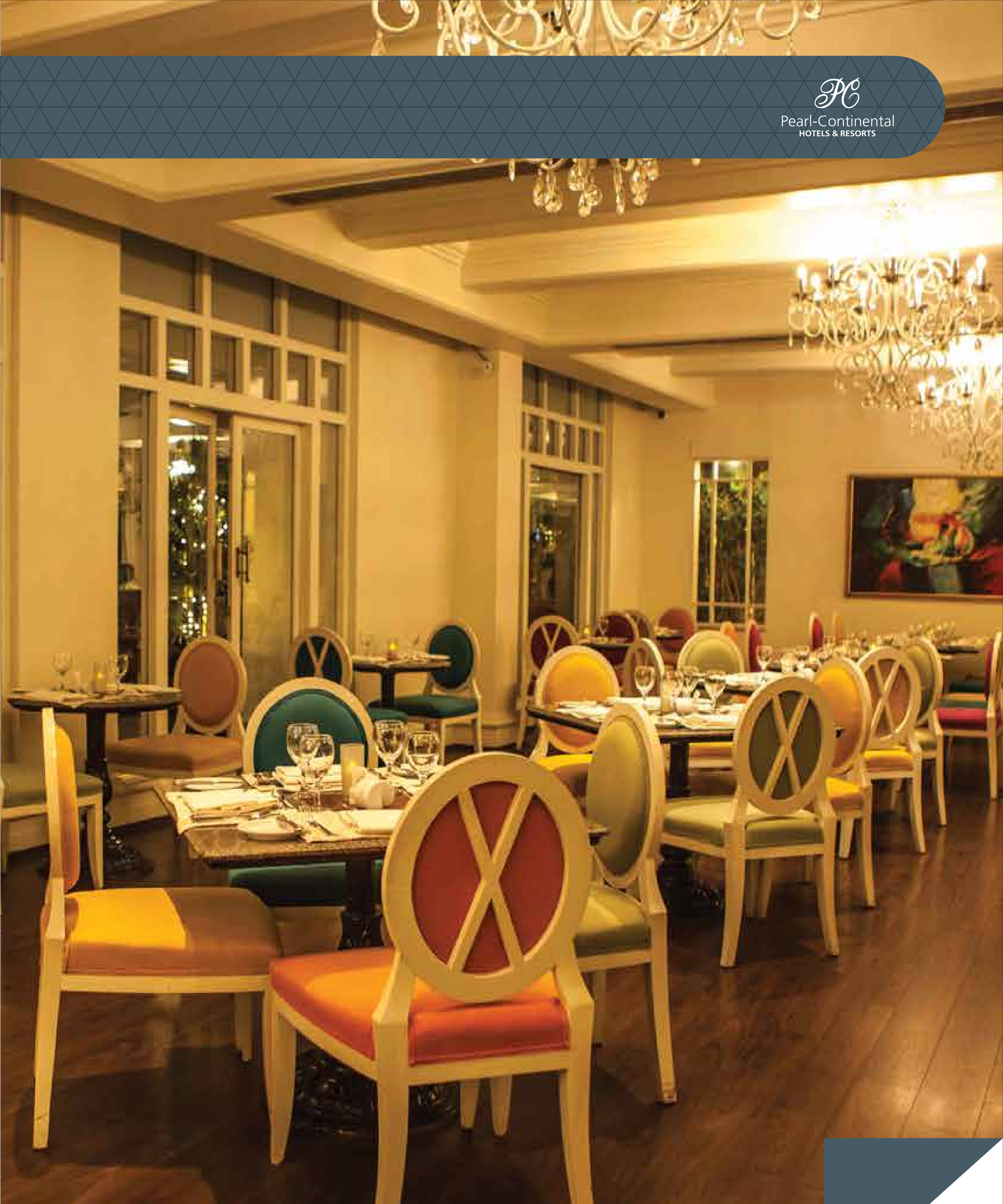
National Bank of Pakistan
The Bank of Punjab
Habib Bank Limited
Soneri Bank Limited
United Bank Limited
Askari Bank Limited
Albaraka Islamic Bank (Pakistan) Limited
Allied Bank Limited
Bank Alfalah Limited
JS Bank Limited
KASB Bank Limited
NIB Bank Limited
Silk Bank Limited
Standard Chartered Bank (Pakistan) Limited
Industrial and Commercial Bank of China

REGISTERED OFFICE

1st Floor, NESPAK House,
Sector G-5/2, Islamabad.
Tel: +92 51-2272890-8
Fax: +92 51-2878636
http://www.psl.com.pk
http://www.pchotels.com
http://www.pchotels.biz
http://www.pchotels.com.pk
http://www.pearlcontinental.biz
http://www.pearlcontinental.com.pk
http://www.hashoogroup.com
http://www.hashoogroup.com.pk
http://www.hashoogroup.biz
http://www.hashoogroup.info
http://www.hashoo.info

SHARE REGISTRAR

M/s Technology Trade (Private) Limited
Dagia House, 241-C, Block-2, PECHS,
Off Shahrah-e-Quaideen, Karachi.



Pearl Continental Hotel - Bhurban

Corporate Objectives

Code of Conduct

The smooth and successful flow of processes and operations can not be achieved without the active participation and concerned efforts of all the employees of the Company. Discipline and professional working environment largely depends on behavior and attitude of the employees. Hence the Company has established its own standards of:

- Confidentiality
- Attendance and punctuality
- Working relationships
- Discussion topics
- Behavior and Attitude-in-General
- Misconduct

Core Values

Growth and development for all
Competence and contribution as the only basis for job security
Promotion from within
Learning environment and opportunities
Provision for world-class education and training
Aligning people with the latest technological trends

Recognition and Reward
Achievement orientation
Appreciation
Setting ever-rising standards of performance
Performance-based evaluation
Incentives

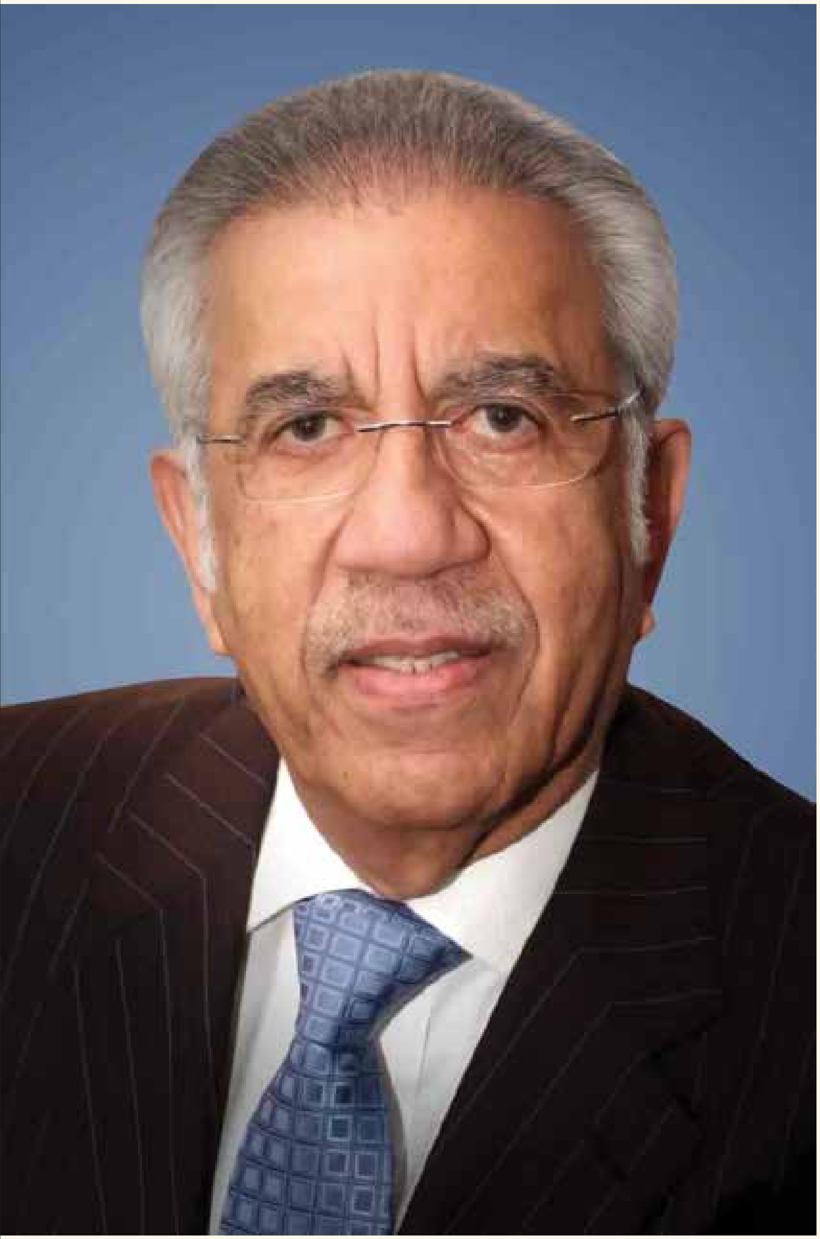
Innovation
Listening and two-way interaction
Encouragement
Enterprise
Participation
Motivation
Initiative

Trust
Cooperation
Integrity
Dignity
Respect
Candidness
Support
Teamwork
Sense of ownership
Empowerment

Strategic Objectives

- Sustain potential market share through managed average daily rate
- Ensure successful completion of all expansion projects
- Seek improvement in employees' competencies and enhancing performance goals
- Continue achieving sales growth to support long term plan
- Reinforce all areas of security risks to Company's assets and guests

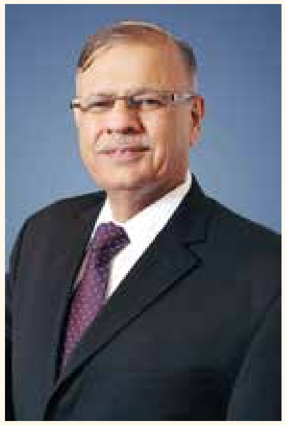
Board of **Directors**



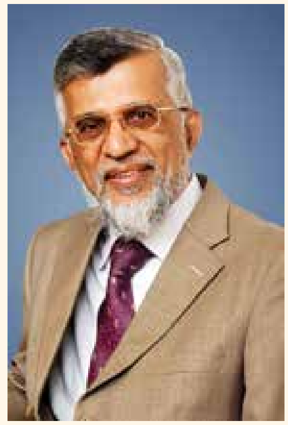
Mr. Murtaza Hashwani

Mr. Sadruddin Hashwani

Ms. Sarah Hashwani



Mr. M.A.Bawany



Mr. Mansoor Akbar Ali

Syed Sajid Ali

Mr. Muhammad Rafique

Mr. Bashir Ahmed

Mr. Ahmed Elsayed-Mohamed Youssef Aly

Mr. Mansoor Khan

Company Secretary

Abdul Qadeer Khan

Head of Internal Audit

Welcome to the Privilege Club

The Privilege Club card was introduced in 1998 with an objective to facilitate and give the guests discount purchasing power at the Hashoo Group hotels, which has in its fold, as owners and operators, the Pearl Continental and Marriott hotels brands having their presence in all the major cities of Pakistan. The cardholders are entitled to enjoy discount on the facilities, namely dinning, accommodation, laundry, Health club etc.

Subject to conditions apply we offer following discounts to the card members:

☞ **Accommodation/Hotel Stay:**

- 30% discount on BAR-III (Best Available Rate-III)
- Spouse stays FREE
- One FREE night for two paid nights
- PC Hotel Bhurban offers discount October through April only.

Conditions: Rooms are subject to availability & prior reservations. Privilege Club discount rates cannot be used in conjunction with corporate preferred or special packages rates.

☞ **Facility on Food & Beverages for:**

One person	15%
Two persons	50%
3-10 persons	20%
11-20 persons	15%

(15% discount on authentic Restaurant)

☞ **Special 15% discounts on Hi-Tea & Iftar.**

☞ **Other Benefits**

- 15% discount on annual membership of Health & Fitness Club.
- 20% discount on Laundry, Pastry & Bakery Shop, Business Center Charges (except communications charges) & Rent-a-Car service.

☞ **Complimentary Night Voucher:**

Facility: One Free Night Voucher, which is valid till the expiry of membership card for the basic/main Gold Cardholders.

Notice of Annual General Meeting

Notice is hereby given that the 55th Annual General Meeting of Pakistan Services Limited will be held on Thursday, October 30, 2014 at 11:00 A.M. at Islamabad Marriott Hotel to transact the following business:

1. To confirm the minutes of the Extraordinary General Meeting held on 28 March 2014.
2. To receive, consider and adopt the Audited Financial Statements together with the Directors' and the Auditors' Reports thereon for the year ended 30 June 2014.
3. To appoint Auditors for the year 2014-15 and fix their remuneration.
4. To discuss any other business with the permission of the Chair.

By Order of the Board

Mansoor Khan
Company Secretary

Dubai: 24 September 2014

NOTES

A) Any member of the Company entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote instead of him/her except in case of a corporate entity which may appoint a proxy who may not be a member. Proxies must be received at the Registered Office of the Company not less than 48 hours before the time of holding the Meeting.

B) The Share Transfer Books of the Company will remain closed from October 24, 2014 to October 30, 2014 (both days inclusive).

C) Shareholders are requested to notify the Company's Share Registrar, M/s. Technology Trade (Pvt) Limited, Dagia House, 241-C, Block-2, P.E.C.H.S., Off: Shahra-e-Quaideen, Karachi, of any change in their address.

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

a. For Attending the Meeting:

i) In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the CDC Regulations, shall authenticate their identity by showing their 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 holders or sub-account holders whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.

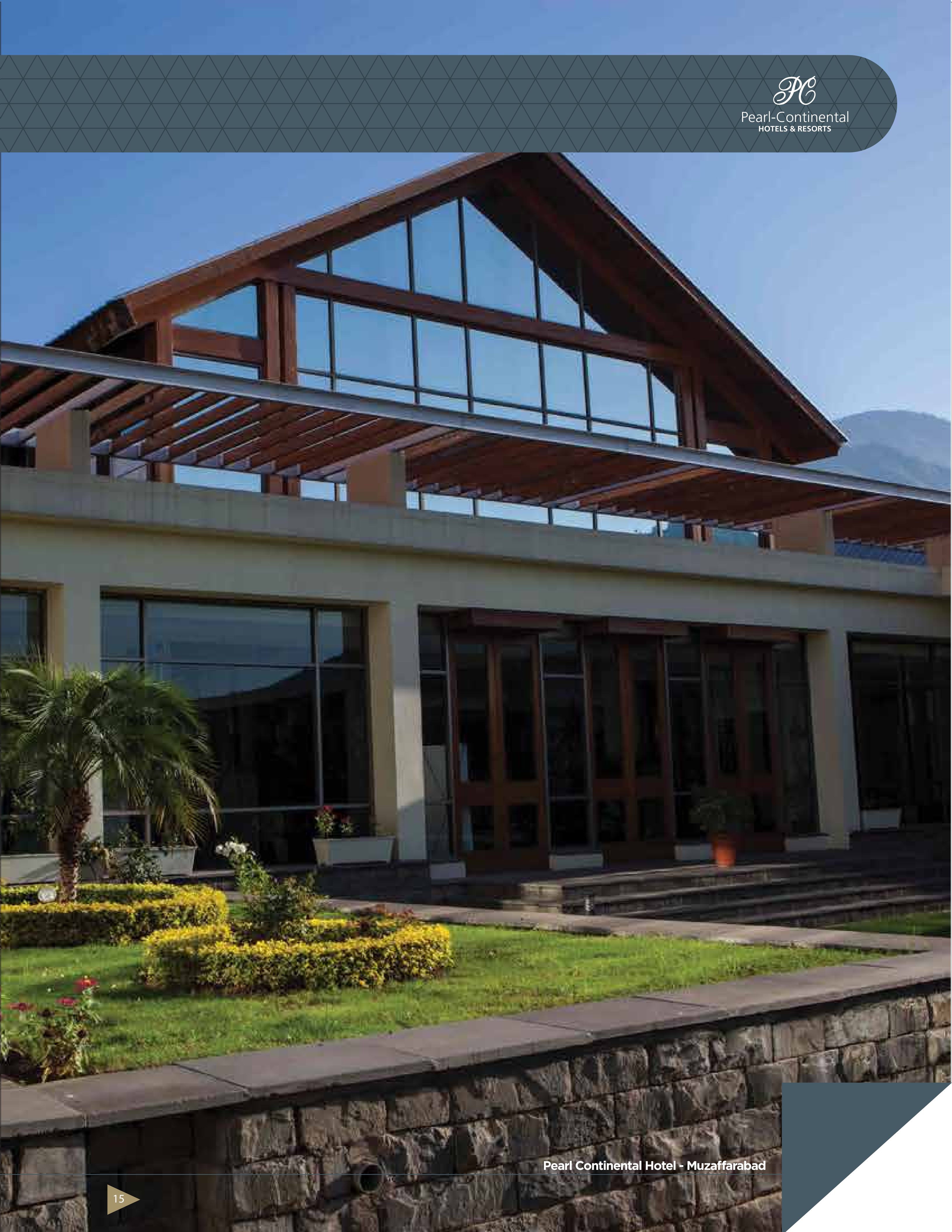
ii) The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

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

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

v) In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) along with Proxy Form to the Company.

E) As per the directives of Securities & Exchange Commission of Pakistan, the members are requested to provide copies of their valid CNICs and Dividend Mandate including Name, Bank Account Number, Bank and Respective Branch addresses to the Company in order to enable the Company to pay cash dividend electronically. The Dividend Mandate Form is attached with Printed annual report.



Pearl Continental Hotel - Muzaffarabad

Chairman's Review

It is indeed a pleasure to place before you the 55th Annual Report of Pakistan Services Limited ("the Company") accompanying the Audited Financial Statements of the Company, both in unconsolidated and consolidated forms, and the Auditors' Report thereon for the year ended on 30 June 2014.

THE ECONOMIC ENVIRONMENT

According to the latest figures released by the US Department of Commerce, the US economy grew at an annual rate of 4% during the April-June 2014 period. The economy of Eurozone is stagnant with its driving engine Germany under pressure due to continued conflict in Eastern Ukraine and some of the Eurozone members faltering in their economic performance. The Gross Domestic Product (GDP) of Eurozone was flat in April to June compared with growth of 0.2% in the first quarter, while inflation fell to a four and a-half year low of 0.4% in July. Dismal performances from Germany, France and Italy, the core of the single currency region, were responsible for the stagnation. The Japanese economy continues to show downward trend. The Chinese economic growth rate hit 7.5% in the April-June period which was in line with the Government's target.

The economic picture of Pakistan continues to be hostage of political uncertainty and disturbed security situation. It was further spoiled by continuing electricity and natural gas shortages, which seriously impacted upon the industrial output. Pakistani Rupee is intrinsically weakening despite the fact that on the face of it, it has strengthened against the US Dollar. So, there are no diminishing of formidable challenges facing commerce and industry in Pakistan. Your Company has struggled hard to hold on to what it had achieved previously and further improve upon it.

OVERALL PERFORMANCE OF THE COMPANY

Notwithstanding facing such an exceptional and challenging business environment, the Company succeeded to secure its business share in the industry. Total revenue (exclusive of GST) of Rs.7,610 million during the year surpassed the last year's revenue of Rs.6,801 million, which is showing a growth of 12 percent. Such an outstanding performance became possible due to rigorous sales & marketing efforts, enforcement of stringent cost cutting measures and bringing further improvements in the quality of the services.

From operational viewpoint your Company's performance for the year under review remained extremely satisfactory by registering profit before tax of Rs.1,877 million in comparison with profit of Rs.1,259 million of the immediate last year. Additionally, the ongoing robust stock market performance resulted in un-realized gain of Rs.427 million during the reporting year from investments made in the shares of listed companies whereas in the last year the amount of such un-realized gain was Rs.138 million.

Performance of Rooms Department

Revenue (exclusive of GST) from this Department was recorded at Rs.3,408 million as against Rs.2,935 million of the preceding year and managed to register an increase of 16 percent. In terms of amount, the growth in revenue from this segment alone comes to Rs.473 million. Average occupancy for the reviewing year remained almost the same as recorded in the immediate preceding year 2012-13 at 64 percent.

Performance of Food & Beverage Department

This being the another major revenue contributor also performed well during the year 2013-14 by registering revenue (exclusive of GST) of Rs.3,798 million as against Rs.3,457 million of the last year, with an incremental amount of Rs.341 million it registered a growth of 10 percent.

Chairman's Review

Performance of other Related Services/License Fee/Travel & Tour Division

Revenue (exclusive of GST) from this segment during the year under review was Rs.404 million as compared to Rs.409 million of the last year, which represents a marginal decrease of Rs.5 million.

FUTURE PROSPECTS

Essentials of growth in the hospitality business derived from large population with potential to match high standards, richness of the Country in natural resources and agricultural produce, and its geopolitical importance, all point out that the future of Pakistan holds great promise. Your Company having full faith in this is maintaining its policy of improving its properties to remain way ahead of its competitors in the Hospitality Industry. Modernization of facilities for the guests including the guestrooms, and restaurants is never ending exercise in the Company's culture and critical eye of staff is on effecting improvements that include not only what is upfront but also what is at the backend by way of plant & machinery to support it. The energy management is strict to keep expenditure under this head in check despite sharply rising tariffs. Our experts are also exploring the alternative energy technologies, especially those that are showing cost effectiveness after significant reductions in recent times in the capital cost of such plants. The emphasis on enhancing the security of your Company's properties is also being translated into induction of modern surveillance equipment. We have firm commitment to the well-known fact that the Hospitality Industry is vital to the development of any country and Pakistan is no exception to this. In fact, since it has yet to cover lot of ground in the infrastructural development and other facets of economy, we in the Hospitality Industry have to be in a state of readiness to benefit from the demand of rooms that will come for that development to take place. And that is what we are continually aiming for.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Pakistan Services Limited being a major player in the Hospitality Industry with its presence across Pakistan is fully aware of its role towards Corporate Social Responsibility. The specially to effectively perform this responsibility are numerous but not limited to focus on education, healthcare and uplift of deprived communities and during the year 2013-14, the Company's main initiatives included:

Corporate Philanthropy

The Company during the reviewing year, to discharge its Corporate Social Responsibility (CSR) in the areas of Community Investments and Welfare Schemes, Welfare spending for under-privileged classes, National Cause Donations and Rural Development Program collaborated with some renowned NGOs. The Company in the reviewing year generously contributed an amount of Rs.165.828 million as donation to prestigious entities, namely, M/s Aga Khan Foundation, M/s Aga Khan Education, M/s Aga Khan Hospital and Medical College Foundation, M/s Umeed-e-Noor Trust, M/s Hashoo Foundation, M/s. Aman Foundation, M/s. Habib University Foundation and M/s. International Islamic University by allocating to them Rs.50 million, Rs.24 million, Rs.17 million, Rs.15 million, Rs.43 million, Rs.4.920 million, Rs.11.808 million and Rs.0.100 million respectively.

Energy Conservation

Your Company has vigorously continued with its program to reduce energy consumption through BMR (Balancing, Modernization, and Replacement) and other possible measures. Further, new electronic door locks are being installed to control all HVAC facilities in the guestrooms to avoid unnoticed use of the same. Likewise, flow of gas to the Burners is being regulated through pressure reducing valves. All lamps are being replaced with LED lamps to reduce electricity consumption by a large margin. A thorough energy conservation study is being carried out to identify areas with high energy consumption so that appropriate action can be executed to reduce the consumption of energy in these areas. The Company holds regularly Energy Conservation awareness campaigns to familiarize its staff with the ENERGY CONSERVATION CONCEPT and staff is encouraged to identify the areas consuming exorbitant energy with its suggestive solutions.

Environment Protection Measures

Your Company has been diligent in implementing environment conservation policies. It treats the hotel wastes to make these safe before their discharge to the public waste disposal channels. Excessive use of water in cleaning, flushing and laundry is prevented by technological means and better discipline. Your Company is fully conscious of the fact that Pakistan as a country deficient in fresh water resources must save water through all-out efforts.

Consumer Protection Measures

To keep in place the goal of continuous improvements in services and serve its customers to their likings, the Company remains eager in seeking their valued feedback. They are provided with Guest Feedback Forms and encouraged to record their comments after being served. All such feedbacks are meticulously reviewed on daily basis and problems highlighted therein are attended in a very professional manner.

Employment of Special Persons

In order to fulfill this part of CSR the Company has an open door policy for recruitment of Special Persons and has already employed a number of special persons at its different business locations providing them a chance to live their life in normal way.

Occupational Safety and Health

The Company's Staff, engaged in every department of operations and field work, are provided with appropriate safety equipment to perform their duties safely like hard hats, gloves, goggles, masks, etc. as required by their respective nature of job. Serious note is taken by the management if any breach is noticed for their not or improper use.

Further, multipurpose training and exercises including but not limited to; firefighting, evacuation in case of emergency call, earthquake response and first aid are conducted from time to time to familiarize and drill the staff adequately so that they act swiftly when the situation so demands.

Besides these measures the Company also makes sure to provide a congenial working environment to its employees for optimal performance of their duties and to achieve desirable productivity.

In addition, the Company has taken out group health and life insurance coverage for its employees from renowned insurance companies to provide them with financial compensation as well as health rehabilitation services in the event of any untoward incident.

Business ethics and anti-corruption measures

The Company holds frequent discrete checks and monitoring is in place to ensure that the employees are working within the guidelines of Statement of Ethics and Business Practices which is rigorously observed throughout the Company's varied operations.

Chairman's Review

Contribution to government exchequer

The Company in the reporting year contributed a significant amount of Rs.2,759 million (2012-13: Rs.2,232 million) to the government's national and provincial exchequer by paying customs duties, general sales tax, income tax and other levies.

GLIMPSE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated revenue of the Group during the reporting year was recorded at Rs.7,702 million as compared to Rs.6,922 million achieved in the last year. This shows a healthy growth of 11 percent with additional gross earning of Rs.780 million. The consolidated profits before and after tax for the year 2013-14 was recorded at Rs.1,837 million and Rs.1,335 million respectively and that translated to an increase in profit after tax by Rs.863 million more to the bottom-line.

The wholly-owned subsidiary company, M/s Pearl Tours and Travels (Private) Limited, engaged in the business of Rent-a-Car and arranging package tours, generated revenue of Rs.142 million during the year under report as compared to Rs.162 million of last year 2012-13. This shows nearly Rs.20 million shortfall in revenue in the reviewing year and attributable reason for decrease was deteriorating law & order situation in the country.

Another wholly owned subsidiary company, M/s Musafa International (Private) Limited (MIPL), doing project management business, has been merged with the parent company, effective September 26, 2013.

Besides above, the other wholly owned subsidiary companies, namely, M/s. Pearl Continental Hotels (Private) Limited and M/s. Bhurban Resorts (Private) Limited remained non-operational during the financial year 2013-14; some non-operational earnings of these entities were recorded from short-term investment activities.

During the year the Board of parent Company has proposed merger of M/s Bhurban Resorts (Private) Limited with it; completion of its legal, corporate and other formalities are underway.

ACKNOWLEDGEMENTS

On behalf of the Board, I place on record our appreciation of hard work and dedication of your Company's employees, cooperation of its bankers and loyalty of its valued guests for their constant confidence and unwavering patronage. Their joint support was very essential in enabling your Company to face off formidable challenges in the form of depressed market, energy shortages, rising operational costs, unsettled security situation, and several adverse factors. Not only that your Company withstood the pressure but it also managed to achieve excellent business results during the year 2013-14.

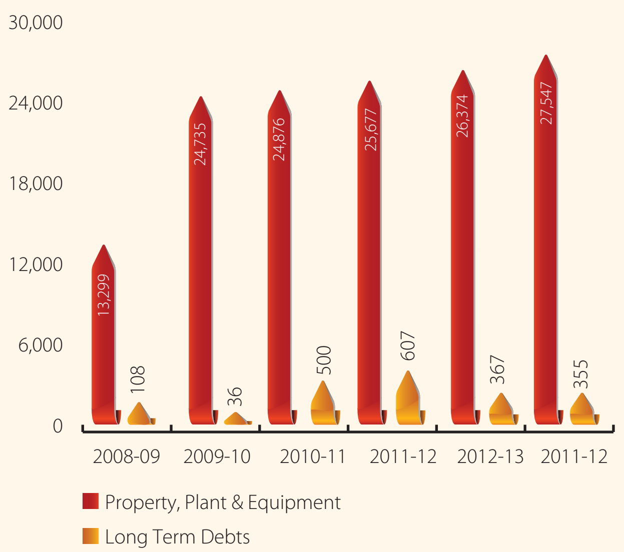
I also wish to express our gratitude to the worthy shareholders and stakeholders for their full support. We want to assure them that the Company will continue to strive hard to excel in its business across-the -board.

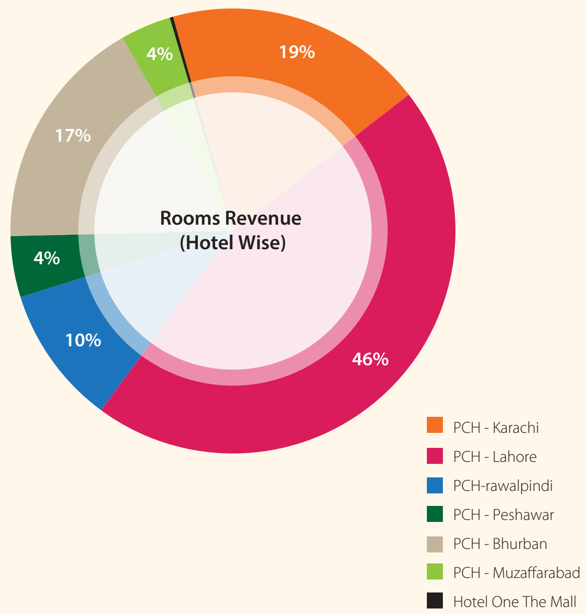
Let us join our hands and pray for the solidarity, stability and prosperity of Pakistan and sustained success of your Company.

For and on behalf of Board of Directors

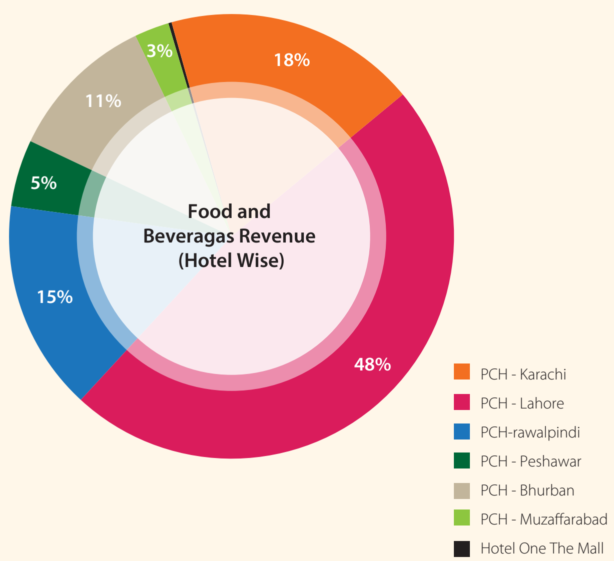
Sadruddin Hashwani
Chairman
Dubai: 24 September 2014

Property, Plant & Equipment v/s Long Term Debts (Rupees in million)





Trend Analysis - Sales & Services (Net), Gross Profit & Operating Profit (Rupees in million)



Multistory Car Parking Plaza at PC Lahore

The Pearl Continental Lahore is the most sought after hotel in the city which hosts number of finest restaurants, the most luxurious accommodation and of course halls for all occasions. Owing to all these attractions, the hotel mostly remains to be its full capacity. Although, PC Lahore was having ample parking space with impressive valet parking facilities, we decided to build a 6-story Parking Plaza within the premises of the hotel convenient to all.

The Secure and safe Pearl Continental Parking Plaza fully controlled 24/7 by the vigilant security, will prove to be one of the most advanced pre-fabricated structure, in fact, first of its kind in Pakistan build on modern and unique lines equipped with modern technologies and advanced parking & guiding system, enabling the drivers to quickly and conveniently find a parking spot, swift recovery of vehicles, easy to remember numbers/parking spot, wider ramps for easy drive between the floors. This car parking is well covered and protected with modern façade, high-speed-elevators for guest vertical transportations, wide staircase for emergency exit as well as for guests traveling between the parking floors. Going forward it will have Advanced Energy Efficient lighting system, fully safe and protected with IP controlled CCTV surveillance system, car-wheel stoppers to protect car against walls, high color epoxy coated floors, easy to wash & clean. This offers safe pedestrian walk ways, equipped with firefighting system. The vehicles to be parked in this plaza will be safe from harsh weather conditions, such as scorching Sun, heavy rains, dew and dust.

Besides addressing the parking issues, the guests arriving to attend banquet functions could be able to conveniently enter into the banquet halls instead of taking longer detours. Hotel & banquet guests are going to have the privilege of designated drop-off and to serving VIP & personalized receiving & seeing-off facilities. Traffic impact on the Atrium lobby will also reduce. Guests will certainly experience more comfort while moving between facilities, such as rooms, restaurants, conference rooms' facilities, and banquet facilities.

Destinations of the World (DOTW)

Tourism, being one of the fastest growing sectors of the global economy and developing countries alike, attempt to cash in on this expanding industry.

To know where to go, how to get there, the finest places to stay or what to see are the key issues while planning to travel anywhere DOTW is available all the way to provide with a complete travel package in an economical and very convenient manner.

Pakistan's travel industry, too, is not far behind than other parts of the word. Our outbound and inbound travelers in 2001, first saw the introduction of the prepaid travel concept through "Destinations of the World" – Pakistan, a national franchise of Dubai based Destination Management Company, for all ground related services including hotels, apartments, package tours, conference venues, themed events, meetings and incentive activities, city excursions and car rentals, etc., on preferential rates and through preferred suppliers.

With well over 60 percent of the market share, Destinations of the World-Pakistan, a Business to Business enterprise, continues to offer a one-window solution to its business partners (Travel Agents & Tour Operators) with competitive options, tailor-made customized travel solutions to suit both economy and star rated services.

Destinations of the World, a dedicated global wholesale company, today has 15 offices worldwide offering an inventory of around 100,000 ground service options in almost 7,500 cities of the world.

Linked to the DOTW Connect GDS (Global Distribution System) are nearly 450,000 travel agents and tour operators globally having instant access through the most innovative and seamless booking process.

Over 1,500 travel agents in Pakistan are currently linked to DOTW system, a number gradually increasing, serving their customers with both inbound and outbound travel needs with dynamic rates and inventory. The marketing efforts of DOTW-Pakistan has to date stretched its network of agents from eight major cities of the country to additional eight district townships. The travel agents and tour operators generate a very healthy outbound traffic through DOTW-Pakistan offices located in Karachi, Lahore, Faisalabad and Islamabad serving incentive groups, FITs, and both leisure and corporate movements.

DOTW connect provides 2.3 million room nights worldwide annually and generating over 3000 bookings per day through its system. The GDS, is a state-of-the-art online booking system that has been developed to seamlessly manage and meet the fast growing demands of our industry now and in the future. The system, besides being connected to 70 leading hotel brands, offers a wide range of key benefits to our customers including top deals and promotions in both star and no-star properties, and current listing of world events linked to rates and availability.

Despite the odds, DOTW-Pakistan continues to retain its imposing presence in the market both nationally and globally.

Directors' Report

The Board of Directors ("the Board") of Pakistan Services Limited ("the Company") is pleased to present the 55th Annual Report and the Audited Financial Statements of the Company for the year ended on 30 June 2014 along with the Auditors' Report thereon.

Summary of financial performance of the Company is as follows:

	(Rupees '000)
Profit from operations	**1,449,612**
Un-realized gain on re-measurement of investments	**427,168**
Profit before taxation	**1,876,780**
Taxation	**(473,411)**
Profit for the year	**1,403,369**

EARNINGS PER SHARE

Earnings per share for the year 2013-14 arrived at Rs.43.15

COMPLIANCE STATEMENT

The Board of the Company has throughout the year, as a matter of policy, complied with the "Code of Corporate Governance" as contained in the Listing of Regulations of the Karachi Stock Exchange Limited and is pleased to confirm that:

- The financial statements prepared by the management of the Company give an accurate picture of state of affairs of the Company, and results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements except changes for as already disclosed in the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.
- There has been no material departure from the best practices of transfer pricing.
- Key operating and financial data of the last six years in summarized form is annexed to this report.
- The Company is in phase of extensive BMR and expansion in its operations so the Board of Directors does not recommend dividend for the year ended 30 June 2014.
- As per clause (xi) of the Code of Corporate Governance four members of the Board of Directors have completed prescribed training under the Directors training program.
- There are no statutory payments on account of taxes, duties, levies, and charges which were outstanding as on 30 June 2014 except those disclosed in the financial statements.

Directors' Report

During the year, the Board held 6 meetings, the attendance record of the Directors is as follows:

Name of Directors	Attendance
Mr. Sadruddin Hashwani	5
Mr. Murtaza Hashwani	3
Ms. Sarah Hashwani	5
Mr. M.A. Bawany	6
Mr. Mansoor Akbar Ali	1
Syed Sajid Ali	3
Mr. Muhammad Rafique	6
Mr. Clive Anthony Webster	3
Mr. Bashir Ahmed	6
Mr. Ahmed Elsayed-Mohamed Youssef Aly	2

- The leave of absence was granted to the Directors who could not attend the Board meeting held during the year.
- The Directors, Chief Financial Officer, Company Secretary and their spouses and minor children have not traded in Company's shares during the year.
- The value of investment of provident fund as per audited accounts of Employees' Provident Fund-Pakistan Services Limited for the year ended on 30 June 2014 was Rs.612.701 million.
- The pattern of shareholding as required under section 236 of the Companies Ordinance, 1984 and Clause (xvi) of the Code of Corporate Governance is annexed to this report.
- The Directors fully endorse the contents of the Chairman's Review included in the Annual Report which deals inter alia with the financial and operating results and significant deviations from the last year, major future plans and other related matters of the Company.

Change in Board of Directors

At the extraordinary general meeting held on 28 March 2014, the shareholders of the Company elected nine directors for the term of next three years commencing from 29 March 2014. The names of the newly elected directors are as under:

Mr. Sadruddin Hashwani
Mr. Murtaza Hashwani
Ms. Sarah Hashwani
Mr. M. A. Bawany
Mr. Mansoor Akbar Ali
Syed Sajid Ali
Mr. Muhammad Rafique
Mr. Bashir Ahmed
Mr. Ahmed Elsayed-Mohamed Youssef Aly

The Board in its meeting held on March 28, 2014 re-appointed Mr. Murtaza Hashwani as the Chief Executive Officer (CEO) of the Company for the term of three years commencing from March 29, 2014 on the same remuneration and terms &

conditions approved for his immediate last tenure as CEO. The sub-committees of the Board have also been reconstituted in compliance with the provisions of Code of Corporate Governance 2012. Information pursuant to Section 218 of the Companies Ordinance, 1984 in respect of revised salary of Directors/Executives has already been circulated to the members and also attached to this report.

A causal vacancy occurred during the year as result of resignation of Mr. Clive Anthony Webster on January 31, 2014. Since the election of the Board members was due by March 28, 2014 so being within the prescribed time allowed for filling this position it remained vacant.

During the Board meeting of September 24, 2014 Mr. Murtaza Hashwani tendered his resignation from the position of the Chief Executive Officer (CEO) of the Company. The Board appreciated his commendable contributions made during his long tenure of this office. These eventually have contributed towards success of the Company. The Board accepted his resignation immediately effective from the day following the meeting. After deliberations, the Board decided to fill this position with Mr. Sadruddin Hashwani for the remaining term of the office of the CEO. The Board welcomed aboard and congratulated on assuming this important position.

PRINCIPAL BOARD COMMITTEES

Audit Committee

This Committee consists of four members including non-executive Director as its Chairman and is responsible to assist the Board in the management of business risk, internal controls and the conduct of the business in an effective and efficient manner. The Committee meets at least once in every quarter prior to the approval of interim financial results of the Company by the Board. The terms of reference of the Audit Committee have been adopted from Clause (xxix) of the Code of Corporate Governance.

During the year, there had been 4 Committee meetings, the attendance record of its members are as follows:

Name of Directors	Attendance
Mr. Sadruddin Hashwani	2
Mr. Ahmed Elsayed-Mohamed Youssef Aly*	1
Ms. Sarah Hashwani	3
Mr. Mansoor Akbar Ali	1
Syed Sajid Ali	2

*Mr. Ahmed Elsayed-Mohamed Youssef Aly was appointed as new Chairman of the Audit Committee by the Board.

Human Resource & Remuneration Committee

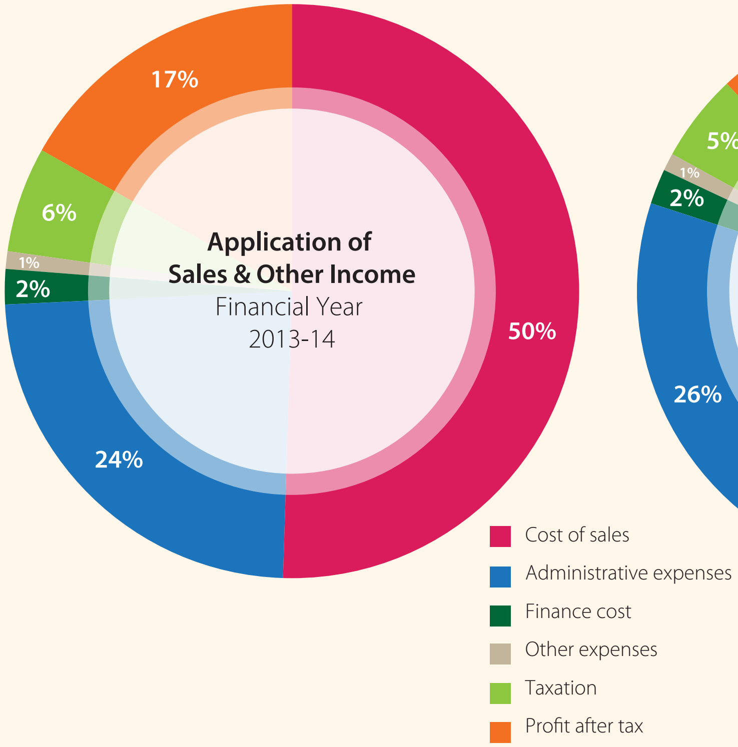
This Committee also consists of four members including non-executive Director as its Chairman. Its role is to assist the Board to enhance the level of competency and intellectual potential of Company's human resource.

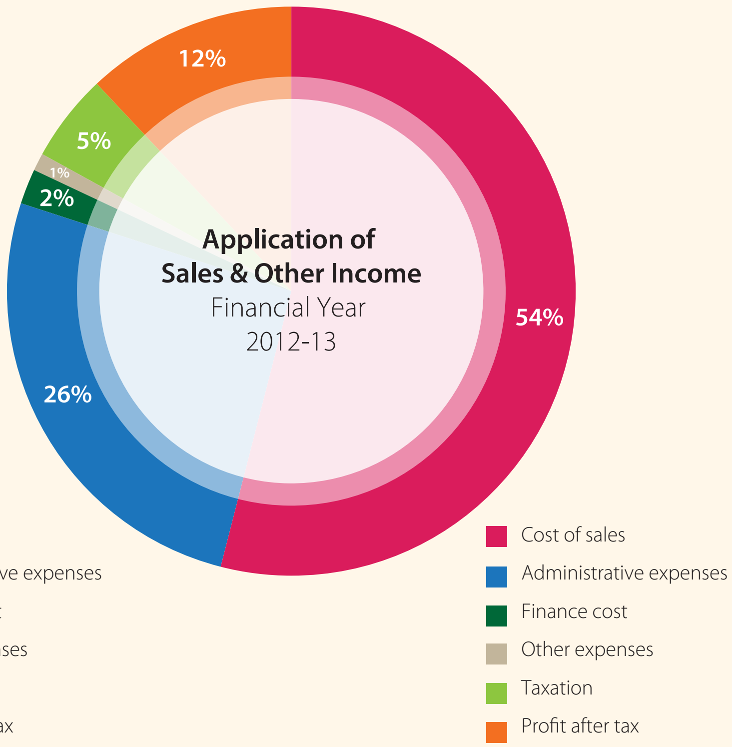
AUDITORS

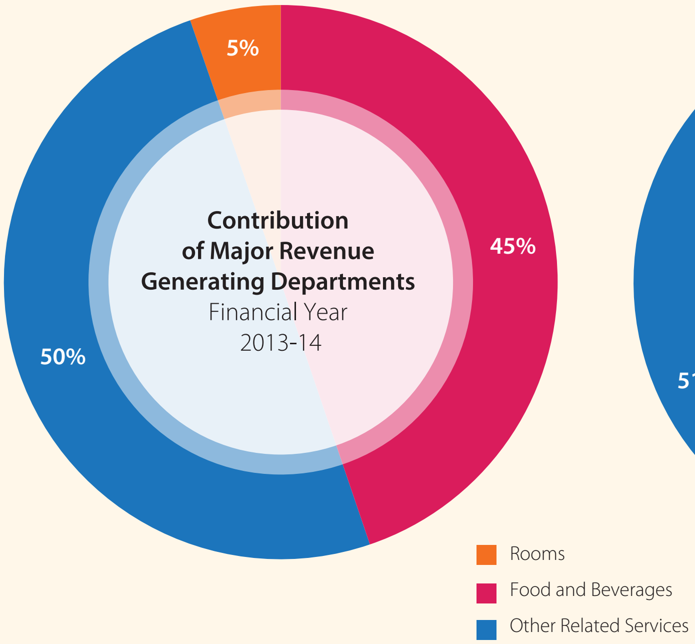
The retiring auditors, M/s KPMG Taseer Hadi & Co, Chartered Accountants being eligible, offer themselves for re-appointment as the Company's auditors. The Board, on the recommendation of the Audit Committee, has proposed appointment of M/s KPMG Taseer Hadi & Co, Chartered Accountants as auditors of the Company for the year ending 30 June 2015.

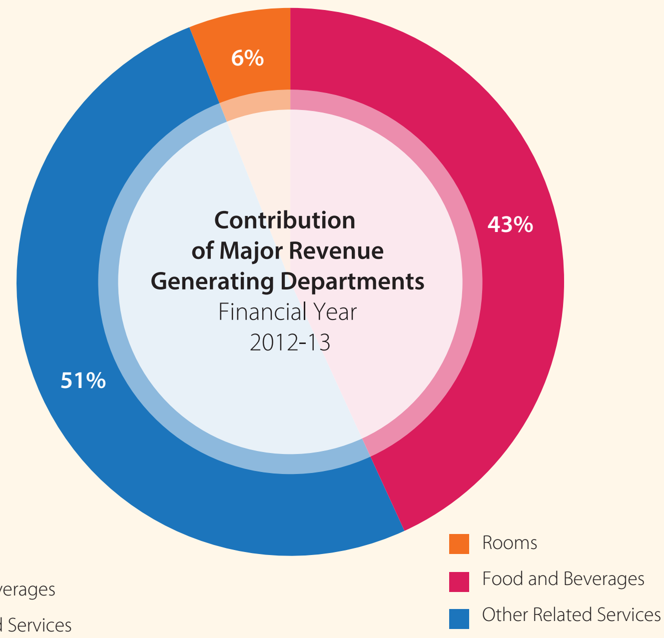
For and on behalf of the Board of Directors

Murtaza Hashwani
Chief Executive Officer
Dubai: 24 September 2014


17%
6%
1%
2%
24%
50%
Application of
Sales & Other Income
Financial Year
2013-14
Cost of sales
Administrative expenses
Finance cost
Other expenses
Taxation
Profit after tax


12%
5%
1%
2%
26%
54%
Application of
Sales & Other Income
Financial Year
2012-13
Cost of sales
Administrative expenses
Finance cost
Other expenses
Taxation
Profit after tax


5%
45%
50%
Contribution
of Major Revenue
Generating Departments
Financial Year
2013-14
Rooms
Food and Beverages
Other Related Services


6%
43%
51%
Contribution
of Major Revenue
Generating Departments
Financial Year
2012-13
Rooms
Food and Beverages
Other Related Services

Key operating and Financial Data

Based on Unconsolidated Financial Statements

		2014	2013	2012	2011	2010	2009
Profitability Ratios							
Gross profit ratio	%	**44.14**	43.35	42.83	39.84	36.34	32.46
Net profit to sales	%	**18.44**	13.04	13.61	13.33	10.10	(5.10)
EBIDTA margin to sales	%	**30.91**	24.70	27.16	27.26	23.98	8.03
Return on equity	%	**21.84**	17.29	18.50	19.36	15.37	(9.75)
Return on capital employed	%	**5.14**	3.42	3.10	2.74	1.84	(1.99)
Return on assets	%	**4.76**	3.20	2.91	2.55	1.68	(1.64)
Liquidity Ratios							
Current ratio		**1.63**	1.55	1.22	0.97	0.69	0.61
Quick / acid test ratio		**1.52**	1.44	1.12	0.89	0.63	0.55
Cash to current liabilities		**0.07**	0.06	0.08	0.04	0.03	0.03
Cash flow from operations to sales		**0.19**	0.14	0.12	0.16	0.04	0.17
Activity Turnover Ratios							
Inventory turnover	Days	**23**	23	21	19	19	19
Debtors turnover	Days	**42**	41	40	30	33	24
Creditors turnover	Days	**51**	25	23	33	32	43
Operating cycle	Days	**14**	39	38	16	20	-
Property, plant & equipment turnover	Times	**0.31**	0.30	0.26	0.23	0.19	0.42
Total assets turnover	Times	**0.26**	0.25	0.21	0.19	0.17	0.32
Investment / Market Ratios							
Earnings/ (loss) per share - basic and diluted	Rs	**43.15**	27.28	24.10	20.55	13.16	(7.07)
Price earning ratio		**11.39**	10.86	6.22	6.93	9.38	(16.00)
Dividend yield ratio	%	-	-	-	-	-	1.33
Dividend payout ratio	%	-	-	-	-	-	(21.23)
Dividend cover ratio		-	-	-	-	-	(4.71)
Cash Dividend	Rs	-	-	-	-	-	1.50
Market value per share at year end	Rs	**491.36**	296.10	150.00	142.50	123.48	113.05
Highest market value per share during the year	Rs	**520.00**	390.00	162.89	181.99	249.00	530.00
Lowest market value per share during the year	Rs	222.00	142.50	131.90	129.65	98.20	113.05
Breakup value per share (Including the effect of surplus on revaluation of property, plant & equipment).	Rs	**807.99**	772.31	745.04	721.33	700.77	337.63
Breakup value per share (Excluding surplus on revaluation of property, plant & equipment).	Rs	**197.56**	157.73	130.46	106.16	85.61	72.45
Capital Structure Ratios							
Financial leverage ratio		**0.02**	0.02	0.03	0.02	0.00	0.02
Debt : Equity (Including the effect of surplus on revaluation of property, plant & equipment)		**0.01**	0.01	0.03	0.02	0.00	0.01
Debt : Equity (Excluding surplus on revaluation of property, plant & equipment)		**0.06**	0.07	0.14	0.14	0.01	0.05
Interest cover ratio		**15.37**	9.17	7.26	6.44	4.75	0.51
Summary of Cash Flows							
Net cash flow from operating activities	(Rs.000)	**1,465,055**	920,364	667,313	786,691	171,993	764,035
Net cash flow from investing activities	(Rs.000)	**(1,325,932)**	(730,338)	(551,458)	(711,241)	(719,457)	(957,769)
Net cash flow from financing activities	(Rs.000)	**(10,227)**	(223,131)	262,219	428,000	(72,000)	(278,714)
Net change in cash and cash equivalents	(Rs.000)	**128,896**	(33,105)	378,074	503,450	(619,464)	(472,448)

Horizontal Analysis

Balance Sheet

(Rupees'000)	2014	14 Vs 13 %	2013	13 Vs 12 %	2012	12 Vs 11 %	2011	11 Vs 10 %	2010	10 Vs 09 %	2009
Share Capital and Reserves											
Issued, subscribed and paid up share capital	325,242	-	325,242	-	325,242	-	325,242	-	325,242	-	325,242
Reserves	1,869,424	-	1,869,424	-	1,869,424	-	1,869,424	-	1,869,424	-	1,869,424
Unappropriated profit	4,230,956	44.13	2,935,427	43.75	2,048,291	62.30	1,258,128	113.39	589,596	264.70	161,664
	6,425,622	25.25	5,130,093	21.09	4,242,957	22.70	3,452,794	24.01	2,784,262	18.16	2,356,330
Surplus on revaluation of property, plant and equipment	19,853,565	(0.68)	19,988,725	-	19,988,725	(0.10)	20,007,770	-	20,007,770	131.98	8,624,854
Non Current Liabilities											
Long term financing	347,667	(0.67)	350,000	(40.00)	583,333	16.67	500,000	1,288.89	36,000	(66.67)	108,000
Liabilities against assets subject to finance lease	7,748	(53.47)	16,651	100.00	24,029	100.00	-		-		-
Long term deposits	-	-	-	-	-	(100.00)	50,884	0.91	50,426	(39.11)	82,813
Deferred liabilities	642,532	39.09	461,953	(5.89)	484,531	34.40	365,219	0.11	364,810	(8.70)	399,588
	997,947	20.44	828,604	(24.55)	1,091,893	19.88	916,103	103.02	451,236	(23.57)	590,401
Current Liabilities											
Trade and other payables	1,865,041	27.88	1,458,466	11.74	1,305,231	(1.65)	1,327,119	8.80	1,219,783	(11.55)	1,379,077
Markup payable	35,063	69.48	20,689	(35.99)	32,323	2.66	31,484	21.80	25,849	(85.10)	173,528
Short term borrowings	-	(100.00)	75,395	17.92	63,936	(83.62)	390,233	(56.06)	888,088	15.75	767,230
Current portion of long term financing	242,195	0.42	241,186	7.86	223,606	521.13	36,000	(50.00)	72,000	-	72,000
Provision for taxation	37,617	493.80	6,335	100.00	-	(100.00)	47,339	61.98	29,225	20.24	24,306
	2,179,916	20.97	1,802,071	10.89	1,625,096	(11.30)	1,832,175	(18.02)	2,234,945	(7.50)	2,416,141
	29,457,050	6.15	27,749,493	2.97	26,948,671	2.82	26,208,842	2.87	25,478,213	82.15	13,987,726
Non Current Assets											
Property, plant and equipment	24,328,755	5.84	22,987,048	2.13	22,507,365	2.35	21,990,412	0.08	21,972,632	104.96	10,720,517
Advance for capital expenditure	1,185,480	7.81	1,099,645	14.28	962,220	23.55	778,817	2.71	758,289	9.31	693,712
Investment property	45,000	(4.26)	47,000	-	47,000	(88.00)	391,763	770.58	45,000	8.43	41,500
Long term investments	279,360	(64.26)	781,635	(40.58)	1,315,377	7.60	1,222,418	14.73	1,065,455	-	1,065,455
Advance for equity investment	55,000	100.00	-	(100.00)	113,080	177.84	40,700	(57.47)	95,700	100.00	-
Long term deposits	20,335	(41.98)	35,049	161.85	13,385	0.02	13,382	279.52	3,526	(2.41)	3,613
	25,913,930	3.86	24,950,377	(0.03)	24,958,427	2.13	24,437,492	2.08	23,940,602	91.15	12,524,797
Current Assets											
Stores, spare parts and loose tools	145,619	12.21	129,770	27.80	101,538	17.90	86,121	2.58	83,954	(3.02)	86,567
Stock in trade - food and beverages	87,021	8.06	80,533	22.78	65,589	21.84	53,833	21.15	44,435	3.66	42,867
Trade debts	583,847	5.28	554,553	19.66	463,439	45.19	319,190	7.31	297,459	30.16	228,534
Advances	574,928	(2.25)	588,170	3.15	570,211	(5.43)	602,955	685.85	76,726	(22.21)	98,626
Trade deposits and prepayments	59,057	(17.94)	71,965	21.59	59,188	59.27	37,163	55.41	23,913	(39.56)	39,565
Interest accrued	7,610	16.90	6,510	(15.77)	7,729	(84.34)	49,340	3.93	47,472	274.77	12,667
Other receivables	28,130	(33.50)	42,302	37.68	30,724	(42.35)	53,296	5.93	50,314	(56.66)	116,096
Other financial assets	1,308,955	107.18	631,787	27.92	493,887	8.13	456,760	(45.75)	841,941	9.86	766,398
Non Current Assets held for sale	586,403	-	586,403	947.99	55,955	56.74	35,700	100.00	-	-	-
Advance tax	-	-	-	(100.00)	13,215	100.00	-	-	-	-	-
Cash and bank balances	161,550	50.81	107,123	(16.81)	128,769	67.25	76,992	7.84	71,397	(0.30)	71,609
	3,543,120	26.58	2,799,116	40.64	1,990,244	12.36	1,771,350	15.20	1,537,611	5.10	1,462,929
	29,457,050	6.15	27,749,493	2.97	26,948,671	2.82	26,208,842	2.87	25,478,213	82.15	13,987,726
Profit and Loss Account											
Sales and services - net	7,609,885	11.89	6,801,170	18.06	5,760,754	14.83	5,016,601	18.37	4,238,232	(5.88)	4,502,934
Cost of sales and services	4,251,249	10.33	3,853,039	17.00	3,293,237	9.11	3,018,227	11.87	2,698,003	(11.29)	3,041,307
Gross profit	3,358,636	13.92	2,948,131	19.48	2,467,517	23.48	1,998,374	29.75	1,540,229	5.38	1,461,627
Administrative expenses	1,963,093	7.18	1,831,583	24.99	1,465,373	25.77	1,165,102	6.68	1,092,180	(1.52)	1,108,996
Other operating expenses	55,273	(24.20)	72,919	100.00	-	(100.00)	19,201	(8.91)	21,078	(96.78)	654,105
Other operating income	667,149	80.86	368,879	8.87	338,821	3.61	327,022	(3.63)	339,339	(16.52)	406,501
Operating profit	2,007,419	42.12	1,412,508	5.34	1,340,965	17.52	1,141,093	48.91	766,310	629.63	105,027
Finance cost	130,639	(15.16)	153,988	(16.65)	184,741	4.34	177,058	9.86	161,173	(21.96)	206,513
Profit / (loss) before taxation	1,876,780	49.13	1,258,520	8.85	1,156,224	19.94	964,035	59.31	605,137	(696.28)	(101,486)
Taxation	473,411	27.47	371,384	(0.27)	372,373	26.01	295,503	66.76	177,205	38.06	128,352
Profit / (loss) for the year	1,403,369	58.19	887,136	13.18	783,851	17.25	668,532	56.22	427,932	(286.19)	(229,838)
Earnings/ (loss) per share - basic and diluted (Rupees)	43.15	58.19	27.28	13.18	24.10	17.25	20.55	56.22	13.16	(286.19)	(7.07)

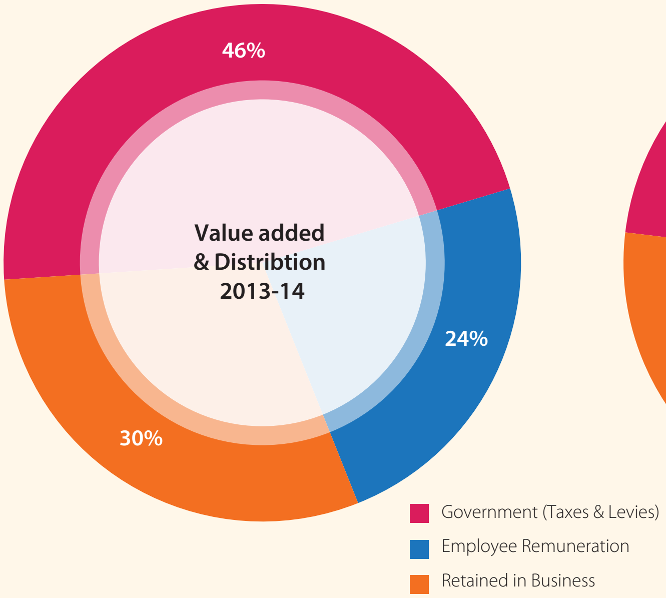
Vertical Analysis

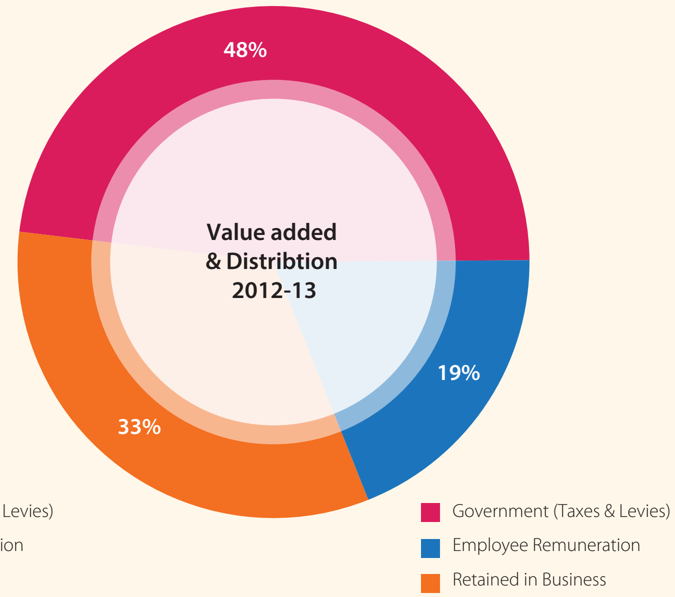
Balance Sheet

(Rupees'000)	2014	%	2013	%	2012	%	2011	%	2010	%	2009	%
Share Capital and Reserves												
Issued, subscribed and paid up share capital	**325,242**	**1.10**	325,242	1.17	325,242	1.21	325,242	1.24	325,242	1.28	325,242	2.33
Reserves	**1,869,424**	**6.35**	1,869,424	6.74	1,869,424	6.94	1,869,424	7.13	1,869,424	7.34	1,869,424	13.36
Unappropriated profit	**4,230,956**	**14.36**	2,935,427	10.58	2,048,291	7.58	1,258,128	4.80	589,596	2.31	161,664	1.16
	6,425,622	**21.81**	5,130,093	18.49	4,242,957	15.72	3,452,794	13.17	2,784,262	10.93	2,356,330	16.85
Surplus on revaluation of property, plant and equipment	**19,853,565**	**67.40**	19,988,725	72.03	19,988,725	74.17	20,007,770	76.34	20,007,770	78.53	8,624,854	61.66
Non Current Liabilities												
Long term financing - secured	**347,667**	**1.18**	350,000	1.26	583,333	2.16	500,000	1.91	36,000	0.14	108,000	0.77
Liabilities against assets subject to finance lease	**7,748**		16,651		24,029	0.09	-	-	-	-	-	-
Long term deposits	-	-	-	-	-	0.00	50,884	0.19	50,426	0.20	82,813	0.59
Deferred liabilities	**642,532**	**2.18**	461,953	1.66	484,531	1.82	365,219	1.39	364,810	1.43	399,588	2.86
	997,947	**3.39**	828,604	2.99	1,091,893	4.08	916,103	3.50	451,236	1.77	590,401	4.22
Current Liabilities												
Trade and other payables	**1,865,041**	**6.33**	1,458,466	5.26	1,305,231	4.84	1,327,119	5.06	1,219,783	4.79	1,379,077	9.86
Markup payable	**35,063**	**0.12**	20,689	0.07	32,323	0.12	31,484	0.12	25,849	0.10	173,528	1.24
Short term borrowings	-	-	75,395	0.27	63,936	0.24	390,233	1.49	888,088	3.49	767,230	5.49
Current portion of long term financing	**242,195**	**0.82**	241,186	0.87	223,606	0.83	36,000	0.14	72,000	0.28	72,000	0.51
Provision for taxation	**37,617**	**0.13**	6,335	0.02	-	-	47,339	0.18	29,225	0.11	24,306	0.17
	2,179,916	**7.40**	1,802,071	6.49	1,625,096	6.03	1,832,175	6.99	2,234,945	8.77	2,416,141	17.27
	29,457,050	**100.00**	27,749,493	100.00	26,948,671	100.00	26,208,842	100.00	25,478,213	100.00	13,987,726	100.00
Non Current Assets												
Property, plant and equipment	**24,328t755**	**82.59**	22,987,048	82.84	22,507,365	83.52	21,990,412	83.90	21,972,632	86.24	10,720,517	76.64
Advance for capital expenditure	**1,185,480**	**4.02**	1,099,645	3.96	962,220	3.57	778,817	2.97	758,289	2.98	693,712	4.96
Investment property	**45,000**	**0.15**	47,000	0.17	47,000	0.17	391,763	1.49	45,000	0.18	41,500	0.30
Long term investments	**279,360**	**0.95**	781,635	2.82	1,315,377	4.88	1,222,418	4.66	1,065,455	4.18	1,065,455	7.62
Advance for equity investment	**55,000**	**0.19**	-	-	113,080	0.42	40,700	0.16	95,700	0.38	-	-
Long term deposits	**20,335**	**0.07**	35,049	0.13	13,385	0.05	13,382	0.05	3,526	0.01	3,613	0.03
	25,913,930	**87.97**	24,950,377	89.91	24,958,427	92.61	24,437,492	93.24	23,940,602	93.96	12,524,797	89.54
Current Assets												
Stores, spare parts and loose tools	**145,619**	**0.49**	129,770	0.47	101,538	0.38	86,121	0.33	83,954	0.33	86,567	0.62
Stock in trade - food and beverages	**87,021**	**0.30**	80,533	0.29	65,589	0.24	53,833	0.21	44,435	0.17	42,867	0.31
Trade debts	**583,847**	**1.98**	554,553	2.00	463,439	1.72	319,190	1.22	297,459	1.17	228,534	1.63
Advances	**574,928**	**1.95**	588,170	2.12	570,211	2.12	602,955	2.30	76,726	0.30	98,626	0.71
Trade deposits and prepayments	**59,057**	**0.20**	71,965	0.26	59,188	0.22	37,163	0.14	23,913	0.09	39,565	0.28
Interest accrued	**7,610**	**0.03**	6,510	0.02	7,729	0.03	49,340	0.19	47,472	0.19	12,667	0.09
Other receivables	**28,130**	**0.10**	42,302	0.15	30,724	0.11	53,296	0.20	50,314	0.20	116,096	0.83
Other financial assets	**1,308,955**	**4.44**	631,787	2.28	493,887	1.83	456,760	1.74	841,941	3.30	766,398	5.48
Non Current Assets held for sale	**586,403**	**1.99**	586,403	2.11	55,955	0.21	35,700	0.14	-	-	-	-
Advance tax	-	-	-	-	13,215	0.05	-	-	-	-	-	-
Cash and bank balances	**161,550**	**0.55**	107,123	0.39	128,769	0.48	76,992	0.29	71,397	0.28	71,609	0.51
	3,543,120	**12.03**	2,799,116	10.09	1,990,244	7.39	1,771,350	6.76	1,537,611	6.04	1,462,929	10.46
	29,457,050	**100.00**	27,749,493	100	26,948,671	100.00	26,208,842	100.00	25,478,213	100.00	13,987,726	100.00
Profit and Loss Account												
Sales and services - net	**7,609,885**	**100.00**	6,801,170	100.00	5,760,754	100.00	5,016,601	100.00	4,238,232	100.00	4,502,934	100.00
Cost of sales and services	**4,251,249**	**(55.86)**	3,853,039	(56.65)	3,293,237	57.17	3,018,227	60.16	2,698,003	63.66	3,041,307	67.54
Gross profit	**3,358,636**	**44.14**	2,948,131	43.35	2,467,517	42.83	1,998,374	39.84	1,540,229	36.34	1,461,627	32.46
Administrative expenses	**1,963,093**	**25.80**	1,831,583	26.93	1,465,373	25.44	1,165,102	23.22	1,092,180	25.77	1,108,996	24.63
Other operating expenses	**55,273**	**0.73**	72,919	1.07	-	-	19,201	0.38	21,078	0.50	654,105	14.53
Other operating income	**667,149**	**8.77**	368,879	5.42	338,821	5.88	327,022	6.52	339,339	8.01	406,501	9.03
Operating profit	**2,007,419**	**26.38**	1,412,508	20.77	1,340,965	23.28	1,141,093	22.75	766,310	18.08	105,027	2.33
Finance cost	**130,639**	**1.72**	153,988	2.26	184,741	3.21	177,058	3.53	161,173	3.80	206,513	4.59
Profit / (loss) before taxation	**1,876,780**	**24.66**	1,258,520	18.50	1,156,224	20.07	964,035	19.22	605,137	14.28	(101,486)	(2.25)
Taxation	**473,411**	**6.22**	371,384	5.46	372,373	6.46	295,503	5.89	177,205	4.18	128,352	2.85
Profit / (loss) for the year	**1,403,369**	**18.44**	887,136	13.04	783,851	13.61	668,532	13.33	427,932	10.10	(229,838)	(5.10)
Earnings/ (loss) per share - basic and diluted (Rupees)	**43.15**		27.28		24.10		20.55		13.16		(7.07)	

Statement of Value Addition & its Distribution

	2013-14	2012-13
	(Rupees '000)	
VALUE ADDED		
Sales & Services (Inclusive of GST and other taxes)	**9,074,194**	8,144,249
Other operating income - net	**611,876**	295,960
	9,686,070	8,440,209
Cost of Sales and Other expenses (Excluding remuneration)	**(3,739,393)**	(3,790,229)
	5,946,677	4,649,980
DISTRIBUTION		
Employee Remuneration	**1,783,777**	1,531,283
Government (Taxes & Levies)	**2,759,531**	2,231,561
Retained in Business	**1,403,369**	887,136
	5,946,677	4,649,980





Statement of Compliance

Statement of Compliance with the Code of Corporate Governance For the year ended 30 June 2014

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 of listing regulations of the Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Director	1) Mr. Ahmed Elsayed Mohamed Youssef Aly
Executive Directors	1) Mr. Murtaza Hashwani 2) Mr. M.A.Bawany 3) Mr. Muhammad Rafique
Non-Executive Directors	1) Mr. Sadruddin Hashwani 2) Ms. Sarah Hashwani 3) Mr. Mansoor Akbar Ali 4) Syed Sajid Ali 5) Mr. Bashir Ahmed Adrali

The Independent director meets the criteria of independence under clause I (b) of the CCG.

2. The directors have confirmed that none of them is serving as director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A causal vacancy occurred during the period as result of resignation of Mr. Clive Anthony Webster on January 31, 2014. Since the remainder term of the board was less than 90 days (required for filling the casual vacancy) and the next election of Board members was held on March 28, 2014, casual vacancy was not required to be filled in.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed vision and mission statements, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and the decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and

Statement of Compliance

Statement of Compliance with the Code of Corporate Governance For the year ended 30 June 2014

working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board had made arrangements for orientation course for its directors to apprise them of their duties and responsibilities and four members of the Board have completed the prescribed training under Code of Corporate Governance. However during the year none of directors attended the training program.
10. There was no new appointment of CFO, Company Secretary and Head of Internal Audit.
11. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
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 four members, of whom three are non-executive directors and the chairman of the committee is an independent director.
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. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises four members, of whom two are non-executive directors including its Chairman.
18. The Board has set-up an effective internal audit function.
19. 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) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. 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 in this regard.
21. The 'closed period', prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/ price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the Code have been complied with except that a mechanism for annual evaluation of board and policy regarding level of materiality are currently under consideration of the Board and the Company expects to seek compliance by the end of next accounting year.For and on behalf of Board of Directors

Murtaza Hashwani
Chief Executive Officer
Dubai: 24 September 2014

Statement of Compliance

Statement of Compliance with the Best Practices on Transfer Pricing to the Members For the year ended 30 June 2014

The Company has fully complied with best practices on Transfer Pricing as contained in the Listing Regulations of the Karachi Stock Exchange Limited.

For and on behalf of Board of Directors

Murtaza Hashwani
Chief Executive Officer
Dubai: 24 September 2014

Unconsolidated Financial Statements

For the year ended 30 June 2014


Pearl Continental Hotel - Lahore

Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of Pakistan Services Limited ("the Company") as at 30 June 2014 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion-

(i) the unconsolidated balance sheet and unconsolidated 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 except for changes as mentioned in notes 3.8.1 and 3.8.3 to the financial statements 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 unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of the profit, its 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).

Date: 24 September 2014
Islamabad

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner:
Muhammad Rehan Chughtai

Review Report

To the Members On Statement Of Compliance with the Code Of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Pakistan Services Limited ("the Company") for the year ended 30 June 2014 to comply with the requirements of Listing Regulation No 35 (XI) of the Karachi Stock Exchange Limited, where the Company is listed. The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended 30 June 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

i. As stated in paragraph 09, none of the directors attended training program during the year; and

ii. As stated in paragraph 23, the Board of Directors is in the process of developing a mechanism of its own evaluation of performance and policy regarding level of materiality.

Date: 24 September 2014
Islamabad

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner:
Muhammad Rehan Chughtai

Unconsolidated Balance Sheet
As at 30 June 2014

	Note	2014	2013 Restated
		(Rupees'000)	
SHARE CAPITAL AND RESERVES			
Authorised share capital			
50,000,000 (2013: 50,000,000) ordinary shares of Rs. 10 each		**500,000**	500,000
Issued, subscribed and paid up share capital	4	**325,242**	325,242
Reserves	5	**1,869,424**	1,869,424
Unappropriated profit		**4,230,956**	2,935,427
		6,425,622	5,130,093
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	14.2	**19,853,565**	19,988,725
NON CURRENT LIABILITIES			
Long term financing - secured	6	**347,667**	350,000
Liabilities against assets subject to finance lease	7	**7,748**	16,651
Deferred liabilities	8	**642,532**	461,953
		997,947	828,604
CURRENT LIABILITIES			
Trade and other payables	9	**1,865,041**	1,458,466
Markup accrued		**35,063**	20,689
Short term borrowings - secured	10	-	75,395
Provision for taxation - net	11	**37,617**	6,335
Current portion of long term financing and liabilities against assets subject to finance lease	12	**242,195**	241,186
		2,179,916	1,802,071
		29,457,050	27,749,493
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

	Note	2014	2013
		(Rupees'000)	
NON CURRENT ASSETS			
Property, plant and equipment	14	**24,328,755**	22,987,048
Advance for capital expenditure	15	**1,185,480**	1,099,645
Investment property	16	**45,000**	47,000
Long term investments	17	**279,360**	781,635
Advance for equity investment	18	**55,000**	-
Long term deposits and prepayments		**20,335**	35,049
		25,913,930	24,950,377
CURRENT ASSETS			
Stores, spare parts and loose tools	19	**145,619**	129,770
Stock in trade - food and beverages		**87,021**	80,533
Trade debts	20	**583,847**	554,553
Advances	21	**574,928**	588,170
Trade deposits and prepayments	22	**59,057**	71,965
Interest accrued		**7,610**	6,510
Other receivables	23	**28,130**	42,302
Other financial assets	24	**1,308,955**	631,787
Non current assets held for sale	25	**586,403**	586,403
Cash and bank balances	26	**161,550**	107,123
		3,543,120	2,799,116
		29,457,050	27,749,493

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

Unconsolidated Profit and Loss Account
For the year ended 30 June 2014

	Note	2014	2013
		(Rupees'000)	
Sales and services - net	27	**7,609,885**	6,801,170
Cost of sales and services	28	**(4,251,249)**	(3,853,039)
Gross profit		**3,358,636**	2,948,131
Administrative expenses	29	**(1,963,093)**	(1,831,583)
Finance cost	30	**(130,639)**	(153,988)
Other income	31	**667,149**	368,879
Other expenses	32	**(55,273)**	(72,919)
Profit before taxation		**1,876,780**	1,258,520
Taxation	33	**(473,411)**	(371,384)
Profit after taxation		**1,403,369**	887,136
Earnings per share - basic and diluted (Rupees)	34	**43.15**	27.28

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

Unconsolidated Statement of Comprehensive Income
For the year ended 30 June 2014

	Note	2014	2013
		(Rupees'000)	
Profit for the year		**1,403,369**	887,136
Other comprehensive income for the year			
Items not to be reclassified to profit and loss account in subsequent periods			
Experience adjustments on defined benefit obligation	3.8.1	**(52,265)**	-
Tax effect on experience adjustments		**18,293**	-
		(33,972)	-
Total comprehensive income for the year		**1,369,397**	887,136

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

Unconsolidated Cash Flow Statement
For the year ended 30 June 2014

	Note	2014	2013
		(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operating activities before working capital changes	35	**1,943,043**	1,604,851
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		**(15,140)**	(28,232)
Stock in trade - food and beverages		**(6,488)**	(14,944)
Trade debts		**(41,650)**	(124,253)
Advances		**13,242**	(17,959)
Trade deposits and prepayments		**14,378**	(12,777)
Other receivables		**14,172**	(11,578)
Increase in trade and other payables		**47,574**	153,235
Cash generated from / (used in) operations		**26,088**	(56,508)
Staff retirement benefit - gratuity paid	8.1	**(27,022)**	(27,439)
Compensated leave absences paid	8.3	**(26,033)**	(24,700)
Income tax paid	11	**(321,530)**	(410,218)
Finance cost paid		**(129,491)**	(165,622)
Net cash generated from operating activities		**1,465,055**	920,364
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(1,117,772)**	(654,010)
Advance for capital expenditure		**(85,835)**	(241,780)
Proceeds from disposal of property, plant and equipment	14.4	**77,503**	28,038
Purchase of long term investments		**(14,767)**	(12,500)
Advance for equity investment		**(55,000)**	-
Purchase of other financial assets		**(250,000)**	-
Proceeds from maturity of other financial assets of MIPL		**3,330**	-
Dividend income received	31	**32,000**	27,225
Receipts of return on bank deposits, short term advance		**86,406**	86,853
Proceeds from disposal of non current assets held for sale		**-**	57,500
Long term deposits / prepayments		**(1,797)**	(21,664)
Net cash used in investing activities		**(1,325,932)**	(730,338)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		**(233,333)**	(216,667)
Proceeds from syndicated term finance		**250,000**	-
Payment of transaction cost of syndicated term loan		**(19,000)**	
Repayment of liabilities against assets subject to finance lease		**(7,894)**	(6,464)
Net cash used in financing activities		**(10,227)**	(223,131)
Net increase / (decrease) in cash and cash equivalents		**128,896**	(33,105)
Cash and cash equivalents at beginning of the year		**31,728**	64,833
Cash and cash equivalents transferred from MIPL under scheme of merger		**926**	-
Cash and cash equivalents at end of the year	36	**161,550**	31,728

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

PAKISTAN SERVICES LTD.

Unconsolidated Statement of Changes in Equity
For the year ended 30 June 2014

	Share capital	Capital reserve	Revenue reserves		Total equity
		Share premium	General reserve	Unappropriated profit	
	(Rupees'000)				
Balance at 01 July 2012 - as previously reported	325,242	269,424	1,600,000	2,041,979	4,236,645
Effect of change in accounting policy (Note 3.8.1)	-	-	-	6,312	6,312
Balance at 01 July 2012 - restated	325,242	269,424	1,600,000	2,048,291	4,242,957
Total comprehensive income for the year					
Profit for the year	-	-	-	887,136	887,136
Total comprehensive income for the year	-	-	-	887,136	887,136
Balance at 30 June 2013- restated	**325,242**	**269,424**	**1,600,000**	**2,935,427**	**5,130,093**
Total comprehensive income for the year					
Profit for the year	-	-	-	**1,403,369**	**1,403,369**
Other comprehensive income for the year	-	-	-	**(33,972)**	**(33,972)**
Total comprehensive income for the year	-	-	-	**1,369,397**	**1,369,397**
Amount recognized pursuant to scheme of merger (Note 1.1.1)	-	-	-	**(73,868)**	**(73,868)**
Balance at 30 June 2014	**325,242**	**269,424**	**1,600,000**	**4,230,956**	**6,425,622**

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

PSL
PAKISTAN SERVICES LTD.

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2014

1 STATUS AND NATURE OF BUSINESS

Pakistan Services Limited ("the Company") was incorporated on 6th December 1958 in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) as a public limited company and is quoted on Karachi Stock Exchange Limited. The Company is principally engaged in the hotel business and owns and operates the chain of Pearl Continental Hotels in Pakistan and Azad Jammu & Kashmir. The Company also owns one small property in Lahore operating under budget hotel concept. The Company's registered office is situated at 1st Floor, NESPAK House, Sector G-5/2, Islamabad.

1.1 **Merger of Musafa International (Private) Limited with the Company**

Musafa International (Private) Limited ("MIPL") was subsidiary of the Company by virtue of its 100% shareholding as at 30 June 2013. Shareholders of the Company in their Extra Ordinary General Meeting held on 17 June 2013 approved the proposed Scheme of merger of MIPL with the Company. The Scheme was sanctioned by the Honourable High Court of Islamabad and submitted to the registrar on 26 September 2013 ("Effective Date").

The Scheme envisage the amalgamation by way of deemed transfer of all assets and liabilities of MIPL to the Company.

The merger and the transfer to and vesting of MIPL in the Company is deemed to have been so transferred and vested in the Company under this Scheme from the Effective Date and consequently, the financial results of MIPL have been amalgamated with the Company from 26 September 2013. The assets and liabilities and items of profit and loss of MIPL have been included in these unconsolidated financial statements from 26 September 2013 and therefore the comparative figures of unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity relates to the Company only.

1.1.1 Details of the assets and liabilities transferred by MIPL and used for amalgamation, on the basis of their respective book values on the Effective Date are presented below:

	Audited 26 September 2013 (Rupees'000)
Non current assets	381,765
Current assets	25,711
Total assets	**407,476**
Non current liabilities	-
Current liabilities	1,064
Total liabilities	**1,064**
Net assets	**406,412**

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2014

	Audited 26 September 2013 (Rupees'000)
Amount recorded in unappropriated profits is made up as follows:	
Cost of investment in MIPL	480,280
Net assets of MIPL as at 26 September 2013	(406,412)
Amount recognised in unappropriated profits	**(73,868)**

Breakup of amounts recorded in profit and loss account in respect of the Company and MIPL are as follows:

	PSL Operations (01 July 2013 to 30 June 2014)	MIPL Operations (26 September 2013 to 30 June 2014)	Total
Revenue	7,603,532	6,353	**7,609,885**
Expenses	(6,364,223)	(36,031)	**(6,400,254)**
Other income	667,149	-	**667,149**
Profit before tax	**1,906,458**	**(29,678)**	**1,876,780**

2 BASIS OF PREPARATION

2.1 **Statement of compliance**

These unconsolidated financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the 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 and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 **Basis of measurement**

These unconsolidated financial statements have been prepared under historical cost convention except for the following;

- certain items of property, plant and equipment have been measured at revalued amounts;
- investment property has been measured at fair value;
- held for trading investments have been recognised at fair value; and
- liability related to staff retirement gratuity and compensated absences is stated at present values determined through actuarial valuation.

The methods used to measure fair values are explained in the respective policy notes.

These financial statements are the separate financial statements of the Company in which investments in subsidiary companies, associate and jointly controlled entities are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

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 Company operates. These financial statements are presented in Pakistan Rupee which is the Company's functional and presentation currency. Amounts presented in Pakistan Rupee have been rounded off to nearest of thousand.

2.4 **Use of estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making 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 the accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

2.4.1 **Property, plant and equipment**

The Company reviews the residual values and useful lives of property, plant and equipment on regular basis. Fair value of property, plant and equipment is determined by independent surveyors on market value. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge, impairment, revaluation surplus and related deferred tax liability.

2.4.2 **Taxation**

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

2.4.3 **Employee benefits**

The present value of the obligation for gratuity and compensated absences depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge for the year include the discount rate, expected increase in eligible salary and mortality rate. Any changes in these assumptions will impact the carrying amount of obligations for gratuity and compensated absences.

2.4.4 **Stores, spare parts and loose tools and stock in trade**

The Company reviews the carrying value of stores, spare parts and loose tools and stock in trade to assess any diminution in the respective carrying values. Any change in estimates in future years might affect the carrying value of store, spares parts and loose tools and stock in trade. Net realisable value is determined with reference to estimated selling price less estimated cost of completion and expenditure to make the sales.

2.4.5 **Provision against trade debts, advances and other receivables**

The Company reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against, on a regular basis.

2.4.6 **Impairment of financial assets**

In making an estimate of future cash flows of the Company's financial assets including investments in subsidiaries, associates and joint ventures, the management considers estimated cash flows and their terminal value for impairment testing.

2.4.7 **Impairment of non-financial assets**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated using criteria given in respective accounting standards to determine the extent of impairment loss, if any.

2.4.8 **Fair value of investment property**

Fair value of investment property is determined using market value basis. Any change in the estimate might effect carrying amount of investment property with corresponding effect in unconsolidated profit and loss account.

2.4.9 **Fair value of investments - held for trading**

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date. Any change in the estimate might effect carrying amount of investments held for trading with corresponding effect in unconsolidated profit and loss account.

2.4.10 **Provision and contingencies**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost, if any.

Where 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, it is disclosed as contingent liability.

2.5 **Standards, interpretations and amendments to approved accounting standards that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on the Company's unconsolidated financial statements.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on the Company's unconsolidated financial statements.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are not likely to have an impact on the Company's unconsolidated financial statements.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments are not likely to have an impact on the Company's unconsolidated financial statements.

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments are not likely to have an impact on the Company's unconsolidated financial statements.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Company's unconsolidated financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. The Company is in the process of determining the impact, if any, of this standard.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The Company is in the process of determining the impact, if any, of this standard.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and / or unconsolidated structured entities, into one place. The Company is in the process of determining the impact, if any, of this standard.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The Company is in the process of determining the impact, if any, of this standard.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on the Company's unconsolidated financial statements.

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on the Company's unconsolidated financial statements.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards. The improvements are not likely to have an impact on the Company's unconsolidated financial statements:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these unconsolidated financial statements except for changes as identified in note 3.8.1 and 3.8.3.

3.1 Property, plant and equipment

Owned

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment loss, if any, except for land (free hold and lease hold) which is carried at revalued amount and capital work in progress and advance for capital expenditure which are carried at cost less impairment loss, if any. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs.

Surplus arising out of revaluation of fixed assets is treated in accordance with the requirements of Section 235 of the Companies Ordinance, 1984.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day to day servicing of property, plant and equipment is recognised in unconsolidated profit and loss account as incurred.

Depreciation is recognised in unconsolidated profit and loss account on diminishing balance method over the estimated useful lives of each part of an item of property, plant and equipment at rates given in note 13 to these unconsolidated financial statements. Land and capital work in progress are not depreciated. Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is acquired or capitalized while no depreciation is charged for the month in which property, plant and equipment is disposed off / derecognized.

Gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised in unconsolidated profit and loss account.

Capital work in progress and advance for capital expenditure are stated at cost less accumulated impairment losses, if any, and are transferred to the respective item of property, plant and equipment when available for intended use.

Leased

- Finance lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Assets acquired by way of finance lease are stated at amounts equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Outstanding obligations under the lease less finance charges allocated to the future periods are shown as liability. Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Company.

- Ijarah

Rentals payable under ijarah arrangement are charged to profit and loss account on a straight line basis over the term of the Ijarah lease arrangement.

3.2 **Long term investments**

All purchases and sale of investments are recognized using settlement date accounting that is, the date on which investments are delivered to or by the Company. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

3.2.1 **Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in unconsolidated profit and loss account.

3.2.2 **Investments in subsidiaries**

Investments in subsidiaries are initially recognised at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the unconsolidated profit and loss account.

3.2.3 **Investment in associates and jointly controlled entities**

Investments in associates and jointly controlled entities are initially recognised at cost. At subsequent reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense in the unconsolidated profit and loss account. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the unconsolidated profit and loss account.

3.3 **Stores, spare parts and loose tools**

Stores, spare parts and loose tools are valued at weighted average cost except for items in transit which are stated at cost incurred up to the unconsolidated balance sheet date less impairment, if any. For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence.

3.4 **Stock in trade**

Stock of food and beverages
These are stated at the lower of cost and net realisable value. Cost comprises of cost of purchases and other costs incurred in bringing the items to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses. The cost of stock of food and beverages is determined on a moving average basis.

Goods in transit
These are stated at cost, accumulated to the unconsolidated balance sheet date, less impairment losses, if any.

3.5 **Financial instruments**

Non-derivative financial assets

These are initially recognized on the date that they are originated i.e. on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. Investments are recognised on settlement date.

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company classifies non-derivative financial assets into the following categories: held to maturity, financial assets at fair value through profit or loss, available for sale investments and loans and receivables:

Held to maturity

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held to maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Held-to-maturity financial assets comprise debt securities.

Investments at fair value through profit or loss - Held for trading

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classified as held for trading and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in the unconsolidated profit and loss account. The Company recognizes the regular way purchase or sale of investments using settlement date accounting.

Available for sale

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available for sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Available for sale financial assets comprise equity securities and debt securities.

Loans and receivables

Loans and receivables comprise deposits, advances, cash and cash equivalents and trade and other receivables.

Deposits and trade and other receivables

Deposits and trade and other receivable are stated initially at the fair value, subsequent to initial recognition these are stated at their amortised cost as reduced by appropriate provision for impairment. Known impaired receivables are written off, while receivables considered doubtful of recovery are fully provided for.

The allowance for doubtful accounts is based on the Company's assessment of the collectability of counterparty accounts. The Company regularly reviews its debts and receivables that remain outstanding past their applicable payment terms and establishes allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term running finance and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Non-derivative financial liabilities

The Company initially recognises non derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Non derivative financial liabilities comprise markup bearing borrowings including long term financing, obligations under finance lease, short term borrowings and trade and other payables.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.6 **Borrowing costs**

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs. All other borrowing costs are charged to unconsolidated profit and loss account.

3.7 **Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.8 **Employee benefits**

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Company and measured on an undiscounted basis. The accounting policies for other employee benefits are described below:

3.8.1 **Gratuity (retirement benefit)**

The Company operates a defined benefit plan comprising an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to income. Actuarial valuations are carried out using the Projected Unit Credit Method.

IAS 19 (as revised in June 2011) "Employees Benefits" became effective during the year. The amendments to IAS 19 change accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the recognition of changes in defined benefit obligation and fair value of plan assets when they occur, and hence eliminate 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net-interest' amount under IAS 19 (as revised in June 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19 (as revised in June 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.
The Company has applied IAS 19 (as revised in June 2011) retrospectively in accordance with requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". This change has resulted in decrease in the balance of deferred liabilities - staff retirement benefit (gratuity) and deferred tax liability by amounts mentioned below with corresponding effect on equity.

Effect due to change in accounting policy is given below:	30 June 2013	01 July 2012
	(Rupees '000)	
Present value of defined benefit obligation - as previously reported	291,048	267,918
Effect of change in accounting policy	(9,711)	(9,711)
Present value of defined benefit obligation - as restated	281,337	258,207
Deferred tax liability - as previously reported	91,326	149,710
Effect of change in accounting policy	3,399	3,399
Deferred tax liability - as restated	94,725	153,109
Net effect of change in accounting policy on equity recognized in unappropriated profit	6,312	6,312

This change has also resulted in recognition of experience adjustments on defined benefit obligation amounting to Rs. 33.972 million, net of tax in other comprehensive income for the year ended 30 June 2014.

As the effect of this change was not considered material therefore third balance sheet was not presented.

3.8.2 **Provident fund (retirement benefit)**

The Company also operates a defined contribution provident fund scheme for permanent employees. Contributions to the fund are made monthly by the Company and employees at an agreed rate of salary, the fund is managed by its Trustee. The contributions of the Company are charged to unconsolidated profit and loss account currently.

3.8.3 **Compensated leave absences**

The Company provides for compensated absences on the unavailed balance of leaves of all its permanent employees in the period in which leave is earned. The provision is determined using the projected unit credit method.

Up to the last year, the Company was recognizing provision for compensated absences on the basis of accumulated leaves at reporting date and last drawn salary. During the year, the Company has changed its accounting policy in respect of compensated absences and now provision for compensated absences is being recognized using project unit credit method in accordance with the requirements of International Accounting Standard 19 "Employee Benefits". As the impact of this change in accounting policy on the opening balance of earliest period presented is not significant in overall context of the unconsolidated financial statements, the impact of Rs. 0.47 million due to change in accounting policy has been accounted for in current year's unconsolidated profit and loss account and comparative figures have not been restated.

3.9 **Taxation**

Current

The charge for current taxation is based on taxable income at current rates of taxation, after taking into consideration available tax credits, rebates and tax losses, if any, adjusted for prior year effects.

Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between carrying amounts of assets and liabilities in the unconsolidated financial statements and the corresponding tax bases used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, based on the tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax liabilities are recognized for all major 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, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

3.10 **Revenue recognition**

Room revenue is recognized as income on performance of services to the guests. Food and beverage sales are recognized on utilization of food and beverages services. Communication towers and other rental income and shop license fee is recognized in profit or loss on a straight-line basis over the term of the lease. Revenue from minor operating departments is recognized as and when services are provided to the customers. Privilege Club Card fee is recognised in the unconsolidated profit and loss account on a straight line basis over the term of the related card.

3.11 **Foreign currency translation**

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupee at the rate of exchange ruling on the unconsolidated balance sheet date and exchange differences, if any, are charged to income for the year.

3.12 **Finance income**

Finance income comprises interest income on funds invested and dividend income. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Income on investments is recognized on time proportion basis taking into account the effective yield of such securities.

Finance cost comprises interest expense on borrowings, credit card discount, exchange losses and bank charges.

3.13 **Dividend**

Dividend is recognized as a liability in the period in which it is declared.

3.14 **Impairment**

(i) Non-derivative financial assets

All financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers and economic conditions that correlate with defaults or the disappearance of an active market for a security.

The Company considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in as allowance against financial asset measured at amortized cost. Interest on the impaired asset is recognized only to the extent it is considered recoverable. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.15 **Earnings per share**

The Company presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

3.16 **Non current assets held for sale**

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less costs to sell.

4 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2014	2013		2014	2013
Number of shares			(Rupees'000)	
25,672,620	25,672,620	Ordinary shares of Rs.10 each - Fully paid in cash	**256,726**	256,726
362,100	362,100	- For consideration other than cash (against property)	**3,621**	3,621
6,489,450	6,489,450	- Fully paid bonus shares	**64,895**	64,895
32,524,170	32,524,170		**325,242**	325,242

As of the reporting date 2,407,636 (2013: 6,282,716) and 1,797,813 (2013: 1,798,313) ordinary shares of Rs. 10 each were held by associated companies and directors of the Company respectively.

5 RESERVES

	Note	2014	2013
		(Rupees'000)	
Capital reserve	5.1	**269,424**	269,424
General reserve		**1,600,000**	1,600,000
		1,869,424	1,869,424

5.1 Capital reserve represents share premium received in the years 1992, 1994 and 1996 on issue of 21,724,720 right shares at a premium of Rs. 15 each adjusted by Rs. 56.45 million issued as bonus shares in the years 2000 and 2004.

6 LONG TERM FINANCING - secured

	Note	2014	2013
		(Rupees'000)	
Term finance loans	6.1	**350,000**	583,333
Syndicated term loan	6.2	**250,000**	-
Transaction cost		**(19,000)**	-
		231,000	-
Current portion of long term financing	12	**(233,333)**	(233,333)
		347,667	350,000

6.1 This represents term finance loans carrying markup ranging from 3-month KIBOR plus 1.95% per annum to 2.50% per annum (2013: 3-month KIBOR plus 2.50% per annum to 2.75% per annum). These are secured against first pari passu equitable mortgage charge on land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 1,295 million (2013: Rs. 1,000 million), joint security against running finance, refer note 10.1; first pari passu equitable mortgage charge on land and building of Pearl Continental Hotel, Karachi for an amount of Rs. 428.57 million; ranking hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi to the extent of Rs. 734 million (2013: Rs. 734 million); hypothecation charge over plant, machinery, equipment and other movable properties of Pearl Continental Hotel, Karachi to the extent of Rs. 428.57 million and personal guarantees of directors of the Company. The loans are repayable in twelve equal quarterly installments of Rs. 41.667 million each commenced from September 2012 and eighteen equal quarterly installments of Rs. 16.667 million each commenced from October 2012.

6.2 During the year, the Company availed syndicated term finance facility of Rs. 250 million out of total syndicated limit of Rs. 1,800 million carrying markup of 6-month KIBOR plus 1.95% per annum payable semi-annually. This facility is secured against first pari passu equitable mortgage charge over Pearl Continental Hotel, Karachi with 25% margin over facility amount and first pari passu hypothecation charge over all present and future movable and immovable fixed assets of Pearl Continental Hotel, Karachi with 25% margin over facility amount. The loan is repayable in eight equal semi-annual installments commencing July 2016.

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	Present value of minimum lease	Financial charges for future periods	Total lease rentals
		2014 - (Rupees'000)		
Not later than one year	12	**8,862**	**1,696**	**10,558**
Later than one year and not later than five years		**7,748**	**520**	**8,268**
		16,610	**2,216**	**18,826**
		2013 - (Rupees'000)		
Not later than one year	12	7,853	2,608	10,461
Later than one year and not later than five years		16,651	2,133	18,784
		24,504	4,741	29,245

7.1 This represents utilised amount out of total lease finance facility of Rs. 50 million (2013: Rs. 50 million) availed for purchase of vehicles and carries markup equal to 3-month KIBOR plus 2.50% (2013: 3-month KIBOR plus 2.50%). The facility is secured against pari passu mortgage charge over land, building and fixed assets of Pearl Continental Hotel, Karachi for an amount of Rs. 71.43 million; hypothecation charge over plant, machinery, equipment and other movable properties of Pearl Continental Hotel, Karachi for an amount of Rs. 71.43 million and personal guarantee of a director of the Company and ownership of leased vehicles.

	Note	2014	2013 Restated
		(Rupees'000)	

8 DEFERRED LIABILITIES

	Note	2014	2013 Restated
Staff retirement benefit - gratuity	8.1	**358,802**	281,337
Deferred tax	8.2	**197,031**	94,725
Compensated leave absences	8.3	**86,699**	85,891
		642,532	461,953

8.1 Movement in the liability recognised in the balance sheet

	Note	2014	2013 Restated
Opening balance - as previously reported		-	267,918
Effect of change in accounting policy	3.8.1	-	(9,711)
Opening balance (2013 restated)		**281,337**	258,207
Charge for the year		**52,222**	50,569
Payments made during the year		**(27,022)**	(27,439)
Experience adjustments on defined benefit obligation	3.8.1	**52,265**	-
Closing balance		**358,802**	281,337

Reconciliation of liability recognised in the balance sheet

	2014	2013
Present value of defined benefit obligation	**358,802**	281,337

	2014	2013
	(Rupees'000)	
Charge to profit and loss account for the year		
Current service cost	**17,404**	17,002
Interest cost	**34,818**	33,567
	52,222	50,569

The latest actuarial valuation was carried out on 30 June 2014 using projected unit credit method.

	2014	2013
Actuarial assumption		
Discount rate	**13.25%**	13%
Expected increase in eligible salary	**13.25%**	13%
Mortality rate	**SLIC 2001-2005 Setback 1 year**	EFU (61-66) Mortality

For a change of 100 basis points, present value of defined benefit obligation as at 30 June 2014 would have been as follows:

	Increase	Decrease
	(Rupees'000)	
Discount rate	**336,493**	**383,959**
Salary increase rate	**383,959**	**335,913**

Historical information	**2014**	2013	2012	2011	2010
			(Rupees'000)		
Present value of defined benefit obligation	**358,802**	281,337	258,207	235,678	214,440
Experience adjustment on defined benefit obligation	**(52,265)**	-	2,422	523	(3,801)

	2014	**2013 Restated**
	(Rupees'000)	
8.2 **Deferred tax**		
Taxable temporary differences		
Accelerated tax depreciation	**415,361**	291,886
Less: deductible temporary differences		
Provision for staff retirement benefit	**125,581**	124,760
Impairment loss on investment in associated companies	**38,388**	24,792
Provision for bad and doubtful debts	**51,704**	44,787
Impairment loss in value of investment	**1,855**	1,802
Provision for stores, spare parts and loose tools	**802**	1,020
	218,330	197,161
	197,031	94,725
8.2.1 **Charge for the year is recognized as follows:**		
- Recognised in unconsolidated profit and loss account	**120,599**	(58,384)
- Recognised in unconsolidated statement of comprehensive income	**(18,293)**	-
	102,306	(58,384)

	2014	**2013**
	(Rupees'000)	
8.3 **Movement in the liability recognised in the balance sheet**		
Opening balance	**85,891**	73,215
Charge for the year	**26,841**	37,376
Payments made during the year	**(26,033)**	(24,700)
Closing balance	**86,699**	85,891

	2014	**2013**
Actuarial assumption		
Discount rate	**13.25%**	-
Expected increase in eligible salary	**13.25%**	-
Mortality rate	**SLIC 2001-2005**	-
	Setback 1 year	-

		Note	2014	2013
			(Rupees'000)	
9	**TRADE AND OTHER PAYABLES**			
	Creditors		**607,592**	265,424
	Accrued liabilities		**468,599**	452,249
	Advances from		**277,775**	189,151
	Shop deposits		**53,655**	51,016
	Unclaimed dividend		**3,534**	3,534
	Retention money		**54,413**	37,254
	Due to related parties - unsecured		**50,248**	84,226
	Federal excise duty		**5,685**	5,685
	Sales tax - net		**109,814**	140,606
	Bed tax		**60,710**	81,518
	Income tax deducted at source		**9,443**	5,523
	Un-earned income		**125,045**	116,733
	Other liabilities		**38,528**	25,547
			1,865,041	1,458,466
10	**SHORT TERM BORROWINGS - secured**			
	Running finance from banking companies	10.1	-	75,395

10.1 The Company has facilities amounting to Rs. 1,400 million (2013: 1,050 million) which are secured against pari-passu equitable mortgage charge on fixed assets and hypothecation charge on stock-in-trade, trade debts, receivables and all other moveable properties of Pearl Continental Hotel Karachi and Rawalpindi and lien on certain listed securities held by the Company, refer note 6.1. Mark-up rates range from 1-month KIBOR to 6-month KIBOR plus 1.5% to 2.5%. (2013: 1-month KIBOR to 6-month KIBOR plus 1.5% to 2.0%) per annum.

		2014	2013
		(Rupees'000)	
11	**PROVISION FOR TAXATION - net**		
	Opening balance	**6,335**	(13,215)
	Income tax paid during the year	**(321,530)**	(410,218)
	Charge for the year	**352,812**	429,768
	Closing balance	**37,617**	6,335

	Note	2014	2013
		(Rupees'000)	
12 CURRENT PORTION OF LONG TERM FINANCING AND LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Current portion of long term financing	6	**233,333**	233,333
Current portion of liabilities against assets subject to finance lease	7	**8,862**	7,853
		242,195	241,186

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 The income tax assessments of the Company have been finalized and returns have been filed up to and including the tax year 2013. However for the assessment year 1999-2000, an appeal is pending with the Appellate Tribunal, Inland Revenue. In case of adverse decision of the appeal, the tax liability of Rs. 73.165 million (2013: Rs. 73.165 million) may arise against the Company for which no provision has been recognised by the Company. These comprise of disallowances of certain expenses and arbitrary additions to the income of the Company. Based on appellate history and merits, the Company is confident of a favorable outcome of the appeal. Therefore, the Company considers that provision against this tax liability is not required.

	2014	2013
	(Rupees'000)	
13.1.2 Guarantees (secured, refer Note 6.1	**182,524**	178,736

This includes guarantee of Rs.50 million (2013: 50 million), issued on behalf of a subsidiary company.

13.2 Commitments

Commitments for capital expenditure	**978,665**	65,757

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14 PROPERTY, PLANT AND EQUIPMENT

	Owned assets									Leased assets	
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Furniture, fixture, fittings and office equipment	Computers	Vehicles	Capital work in progress (Note 14.1)	Vehicles	Total
	Rupees'000										
Cost / revalued amounts											
Balance at 01 July 2012	10,317,291	10,025,120	750,319	987,858	2,396,709	853,646	158,067	155,970	155,456	31,550	25,831,986
Additions during the year / transfer from advance for capital expenditure	216,574	-	66,735	-	92,818	196,743	12,258	2,197	168,830	2,210	758,365
Disposals	-	-	-	-	(1,324)	-	(90)	(34,072)	-	-	(35,486)
Transfer from CWIP	-	-	-	44,377	41,275	53,566	4,511	-	(143,729)	-	-
Balance at 30 June 2013	10,533,865	10,025,120	817,054	1,032,235	2,529,478	1,103,955	174,746	124,095	180,557	33,760	26,554,865
Balance at 01 July 2013	**10,533,865**	**10,025,120**	**817,054**	**1,032,235**	**2,529,478**	**1,103,955**	**174,746**	**124,095**	**180,557**	**33,760**	**26,554,865**
Additions during the year / transfer from advance for capital expenditure	**-**	**-**	**13,328**	**3,957**	**154,210**	**111,942**	**12,885**	**3,162**	**1,205,720**	**-**	**1,505,204**
Carrying amount of assets transferred upon amalgamation of MIPL	**-**	**-**	**-**	**344,357**	**37,374**	**34**	**-**	**-**	**-**	**-**	**381,765**
Disposals	**(180,145)**	**-**	**(43,767)**	**-**	**-**	**(596)**	**(94)**	**(26,581)**	**-**	**-**	**(251,183)**
Transfer from CWIP	**-**	**-**	**560,694**	**25,295**	**48,307**	**97,041**	**11,176**	**-**	**(742,513)**	**-**	**-**
Balance at 30 June 2014	**10,353,720**	**10,025,120**	**1,347,309**	**1,405,844**	**2,769,369**	**1,312,376**	**198,713**	**100,676**	**643,764**	**33,760**	**28,190,651**
Depreciation											
Balance at 01 July 2012	-	-	466,590	436,586	1,753,218	472,309	104,112	91,243	-	563	3,324,621
Charge for the year	-	-	29,538	53,703	95,348	60,090	15,865	8,567	-	4,602	267,713
On disposals	-	-	-	-	(379)	-	(31)	(24,107)	-	-	(24,517)
Balance at 30 June 2013	-	-	496,128	490,289	1,848,187	532,399	119,946	75,703	-	5,165	3,567,817
Balance at 01 July 2013	**-**	**-**	**496,128**	**490,289**	**1,848,187**	**532,399**	**119,946**	**75,703**	**-**	**5,165**	**3,567,817**
Charge for the year	**-**	**-**	**36,179**	**76,986**	**113,895**	**89,850**	**17,289**	**6,447**	**-**	**4,006**	**344,652**
On disposals	**-**	**-**	**(31,163)**	**-**	**-**	**(36)**	**(70)**	**(19,304)**	**-**	**-**	**(50,573)**
Balance at 30 June 2014	**-**	**-**	**501,144**	**567,275**	**1,962,082**	**622,213**	**137,165**	**62,846**	**-**	**9,171**	**3,861,896**
Carrying value - 2014	**10,353,720**	**10,025,120**	**846,165**	**838,569**	**807,287**	**690,163**	**61,548**	**37,830**	**643,764**	**24,589**	**24,328,755**
Carrying value - 2013	10,533,865	10,025,120	320,926	541,946	681,291	571,556	54,800	48,392	180,557	28,595	22,987,048
Rates of depreciation per annum	-	-	10%	10%	15%	15%	30%	15%	-	15%	

14.1 This represent civil works carried out at various hotel properties. This also includes borrowing cost of Rs. 13.226 million (2013: Nil) capitalised during the year @ 12.09% per annum.

14.2 **Surplus on revaluation of property, plant and equipment**

Freehold and leasehold land were revalued on 30 June 2010 by M/s. Engineering Pakistan International (Private) Limited and M/s. Iqbal A. Nanjee & Company (Private) Limited, an independent valuer, based on market value basis method.

Had the aforementioned revaluation not carried out, the book values of freehold and leasehold land would have been Rs. 525.28 million (2013: Rs. 570.26 million).

14.3 **Depreciation charge for the year has been allocated as follow:**

	Note	2014	2013
		(Rupees'000)	
Cost of sales and services	28	**310,187**	240,942
Administrative expenses	29	**34,465**	26,771
		344,652	267,713

14.4 **Detail of disposal of property, plant and equipment:**

Description	Cost / revalued amount	Carrying value	Sale proceeds	Mode of disposal	Purchaser
	---------------------------(Rupees'000)	------------------------			
Vehicle	1,568	712	712	Negotiation	Mr. Bashir Ahmed ***
Vehicle	1,521	589	1,150	Auction	Mr. Muhammad Asif
Vehicle	1,003	273	859	Auction	Mr. Muhammad Rafique ***
Vehicle	555	178	460	Auction	S.M. Raza Kazi
Vehicle	404	123	391	Auction	Mr. Muhammad Amir Abbasi
Vehicle	879	227	852	Auction	Mr. Misbah Uddin
Vehicle	600	218	540	Auction	Mr. Sajid Anis **
Vehicle	1,322	270	950	Auction	Mr. Ejaz Nabi
Vehicle	627	246	610	Auction	M/s Kash Distributers (Pvt.) Ltd
Vehicle	965	158	425	Auction	Mr. Muhammad Aslam
Vehicle	865	141	345	Auction	Mr. Muhammad Aslam
Vehicle	886	226	610	Auction	Mr. Muhammad Aslam
Vehicle	1,238	372	593	Auction	Mr. Muhammad Aslam
Vehicle	854	315	625	Auction	Mr. Muhammad Aslam
Vehicle	585	234	560	Auction	Mr Saeed Ahmed Makhdoom
Vehicle	878	332	839	Auction	Mr. Shafiq-Ur-Rehman
Land,	180,145	180,145*			
Building including fixture	44,363	13,164	58,150	Negotiation	Mr. Sadruddin Hashwani ****
Vehicle	550	98	205	Auction	Mr. Osama Aslam
Vehicle	399	89	195	Auction	Mr. Muhammad Abbas Ali
Vehicle	469	96	340	Auction	Mr. Muhammad Aslam
Vehicle	886	226	575	Auction	Mr. Muhammad Aslam
Vehicle	846	254	675	Auction	Mr. Muhammad Aslam
Vehicle	886	226	630	Auction	Mr. Muhammad Aslam
Vehicle	846	254	755	Auction	Mr. Muhammad Aslam
Vehicle	1,287	313	805	Auction	Mr. Babar Iqbal Danawala
Vehicle	886	215	760	Auction	Mr. Abdul Ghafoor
Vehicle	404	123	362	Auction	Mr. Irfan Ishfaq
Vehicle	404	123	362	Auction	Mr. Irfan Ishfaq
Vehicle	404	123	377	Auction	Mr. Irfan Ishfaq
Vehicle	795	177	555	Auction	Mr. Muhammad Hamid Hafeez
Vehicle	846	264	824	Auction	Mr. Shafiq-Ur-Rehman
Aggregate of other items with individual book values not exceeding Rs. 50 thousand	2,017	106	1,412		
2014	**251,183**	**200,610**	**77,503**		
2013	35,486	10,969	28,038		

**** Director and Chairman of the Company
*** Director of the Company
** Executive of the Company
* These represent carrying value of revalued amounts.

		Note	2014	2013
			(Rupees'000)	
15	**ADVANCE FOR CAPITAL EXPENDITURE**			
	Purchase of land	15.1	**666,820**	626,820
	Purchase of apartment	15.2	**40,509**	40,509
	Malir Delta Land	15.3	**381,656**	379,156
	Advance for purchase of fixed assets		**96,495**	53,160
			1,185,480	1,099,645

15.1 This includes amount of Rs. 626.820 million (2013: 626.820 million) paid to M/s Associated Builders (Private) Limited, a related party, for purchase of tourist site land measuring 7.29 acres in Gwadar. Development work on land is in progress and therefore land will be handed over to the Company upon completion of such work.

15.2 This represents amount paid to M/s Creek Marina (Private) Limited ("the developer") for purchase of an apartment. The developer failed to complete the construction within time frame stipulated in the agreement. The Company, in order to safeguard its interest has filed a case for recovery of its investment.

15.3 This represents amount paid for purchase of 113.34 acres of land and fee for regularization of land as per the value assessed by the Land Regularization Committee established by the Government of Sindh under the Sindh Ordinance, 2001. Last year, the Honourable High Court of Sindh at Karachi dismissed the Constitution Petition filed by the Company challenging the impugned order of the Accountability Court Karachi declaring that any transfer of title or creation of any third party interest in the said land was declared void. The Company being aggrieved and dissatisfied with this impugned judgment for dismissal of its Constitution Petition has filed an Appeal (CPLA) in the Honourable Supreme Court of Pakistan which is pending. Though the management is hopeful for favourable outcome of this matter, in the eventuality of an adverse outcome, the management, on the basis of legal opinion, believes that the Company will seek recovery of purchase consideration and land regularization fee paid to the seller and Land Regularization Department respectively.

		2014	2013
		(Rupees'000)	
16	**INVESTMENT PROPERTY**		
	Opening balance	**47,000**	47,000
	Loss on remeasurement of investment property to fair value	**(2,000)**	-
		45,000	47,000

16.1 On 30 June 2014, an exercise was carried out by the independent valuer to calculate the fair value of investment property. To assess the land prices, market research was carried out in the area around the plot where the investment property is situated.

17 LONG TERM INVESTMENTS

	% of holding	Note	2014	2013
			(Rupees'000)	
Investments in related parties				
Subsidiary companies - at cost - unquoted				
Pearl Continental Hotels (Private) Limited	100%	17.1	**5,000**	5,000
Bhurban Resorts (Private) Limited	100%	17.2	**10,000**	10,000
Pearl Tours and Travels (Private) Limited	100%	17.3	**53,227**	38,460
Musafa International (Private) Limited	100%	17.4	**-**	480,280
			68,227	533,740
Associated undertaking - at cost - unquoted				
Hashoo Group Limited - British Virgin Island				
98,000 (2013: 98,000) ordinary shares of US$ 100 each			**-**	586,403
Less: Transferred to non-current asset held for sale		24.1	**-**	(586,403)
Hotel One (Private) Limited - Pakistan				
500,000 (2013: 500,000) ordinary shares of Rs. 100 each	17.85%		**50,000**	50,000
Impairment loss		17.5 & 32	**(50,000)**	(13,238)
			-	36,762
Investment in jointly controlled entity				
Pearl Continental Hotels Limited - UAE				
95 (2013: 95) ordinary shares of US$ 50,000 each	50%		**211,133**	284,052
Impairment loss		32	**-**	(72,919)
			211,133	211,133
Other investments				
Available for sale - unquoted company				
Malam Jabba Resorts Limited			**1,000**	1,000
Impairment loss			**(1,000)**	(1,000)
			-	-
			279,360	781,635

17.1 Pearl Continental Hotels (Private) Limited

Break-up value per share based on audited financial statements for the year ended 30 June 2014 was Rs. 19.22 (2013: Rs. 18.41).

17.2 Bhurban Resorts (Private) Limited

Break-up value per share based on audited financial statements for the year ended 30 June 2014 was Rs. 14.71 (2013: Rs.14.10).

The Board of Directors of Bhurban Resorts (Private) Limited through resolution dated 28 April 2014 have proposed the merger of Bhurban Resorts (Private) Limited into the Company for which shareholders' and Islamabad High Court approval is awaited. Accordingly, accounting adjustments relating to merger have not been incorporated in theses unconsolidated financial statements.

17.3 **Pearl Tours and Travels (Private) Limited**

During the year, the Company made investment in M/s Pearl Tours and Travels (Private) Limited against issuance of 1,467,700 ordinary shares of Rs. 10 each.

Break-up value per share based on audited financial statements for the year ended 30 June 2014 was Rs. 19.13 (2013: Rs. 24.37).

17.4 **Musafa International (Private) Limited**

As explained in note 1.1, pursuant to the approval of the Scheme of Amalgamation by the Islamabad High Court, all assets and liabilities of MIPL have been transferred to the Company effective 26 September 2013. Accordingly the cost of the Company's investment in MIPL has been eliminated against net assets of MIPL as at 26 September 2013 and the residual amount has been recognised in unappropriated profit.

17.5 **Hotel One (Private) Limited - Pakistan**

During the year, the Company has recognised further impairment of Rs. 36.762 million (2013: Nil) against its investment in M/s Hotel One (Private) Limited.

18 ADVANCE FOR EQUITY INVESTMENT

This represents advance given to M/s Pearl Tours and Travels (Private) Limited, a wholly owned subsidiary of the Company against issuance of 5,500,000 ordinary shares of Rs. 10 each. M/s Pearl Tours and Travels (Private) Limited is in the process of completing necessary filing documents for issuance of shares.

19 STORES, SPARE PARTS AND LOOSE TOOLS

	2014	2013
	(Rupees'000)	
Stores	**102,691**	101,191
Spare parts and loose tools	**45,218**	31,578
	147,909	132,769
Provision for obsolescence	**(2,290)**	(2,999)
	145,619	129,770

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		Note	2014	2013
			(Rupees'000)	
20	**TRADE DEBTS**			
	Considered good			
	Due from related parties - unsecured	20.1	**15,314**	11,606
	Others		**568,533**	542,947
			583,847	554,553
	Considered doubtful		**147,728**	131,727
			731,575	686,280
	Provision against doubtful debts		**(147,728)**	(131,727)
			583,847	554,553
20.1	**Due from related parties - unsecured**			
	Pearl Tours and Travels (Private) Limited		**2,803**	1,754
	Hashwani Hotels Limited		**261**	276
	Hashoo Foundation		**487**	249
	Hotel One (Private) Limited		**3,789**	4,947
	Hashoo Holdings (Private) Limited		**3**	-
	Jubilee General Insurance Company Limited		**196**	2
	Ocean Pakistan Limited		**1,065**	1,121
	OPI Gas (Private) Limited		**1**	14
	Pearl Communications (Private) Limited		**128**	128
	Pearl Real Estate Holdings (Private) Limited		**31**	-
	Trans Air Travels (Private) Limited		**1,225**	719
	Tejari Pakistan (Private) Limited		**148**	328
	Zahdan Technologies (Private) Limited		**1,897**	2,036
	Zahdan Retail (Private) Limited		**3,276**	-
	Zaver Petroleum Corporation Limited		**4**	32
			15,314	11,606
20.2	**Age analysis of due to related parties is as follows:**			
	Past due by 30 days		**2,577**	1,043
	Past due by 31 to 90 days		**1,268**	2,954
	Past due over 90 days		**6,994**	4,218
	Past due over 1 year		**4,475**	3,391
			15,314	11,606
21	**ADVANCES, considered good**			
	Advances to:			
	- Employees		**3,265**	2,943
	- Suppliers and contractors		**71,663**	85,227
	- Related party - secured	21.1	**500,000**	500,000
			574,928	588,170

21.1 This represents short term advance of Rs. 500 million (2013: Rs. 500 million) extended to a related party M/s Hashwani Hotels Limited, carrying markup rate of 1-year KIBOR plus 3% (2013: 1-year KIBOR plus 3%) per annum and secured against ranking charge on Karachi Marriott Hotel.

		Note	2014	2013
			(Rupees'000)	
22	**TRADE DEPOSITS AND PREPAYMENTS**			
	Trade deposits		**16,043**	13,017
	Prepayments		**43,014**	58,948
			59,057	71,965
23	**OTHER RECEIVABLES**			
	Due from Pearl Tours and Travels (Private) Limited, subsidiary company		-	14,767
	Other		**28,130**	27,535
			28,130	42,302
24	**OTHER FINANCIAL ASSETS**			
	Held to maturity			
	Letter of placements / Certificate of investments		**5,300**	5,300
	Certificate of Musharaka	24.1	**5,000**	-
	Provision for impairment loss		**(5,300)**	(5,300)
			5,000	-
	Available for sale - unquoted			
	National Technology Development Corporation Limited		**200**	200
	Indus Valley Solvent Oil Extraction Limited		**500**	500
	Impairment loss		**(700)**	(700)
			-	-
	Financial assets at fair value through profit or loss - held for trading			
	Short term investments in shares of listed companies / units of mutual funds	24.2	**1,303,955**	631,787
			1,308,955	631,787

24.1 This carries interest rate of 8.75% per annum and will mature in September 2014.

24.2 **Short term investments in shares of listed companies / mutual funds**

	No. of ordinary shares of Rs. 10 each		2014	2013
	2014	2013	(Rupees'000)	
Pakistan Telecommunication Company Limited	**350,000**	350,000	**8,915**	7,767
Lotte Chemical Pakistan Limited	**150,000**	150,000	**1,079**	1,143
Fauji Fertilizer Bin Qasim Limited	**50,000**	50,000	**1,989**	1,877
Jubilee General Insurance Company Limited - an associated company (Note 24.2.1)	**11,902,500**	10,350,000	**1,041,469**	621,000
	No. of mutual fund units			
	2014	2013		
Faysal Money Market Fund	**1,114,929**	-	**112,418**	-
UBL Liquidity Plus Fund	**560,673**	-	**56,273**	-
NAFA Government Security Liquid Fund	**8,137,466**	-	**81,812**	-
			1,303,955	631,787

24.2.1 Increase in number of shares represents bonus shares received during the year. Out of total shares held by the Company, 3,000,000 (2013: 5,000,000) ordinary shares are placed / lien marked as security against running finance facility of the Company (Note 10.1).

	Note	2014	2013
		(Rupees'000)	
25 NON CURRENT ASSETS HELD FOR SALE			
Opening balance		**586,403**	55,955
Held for sale assets sold during the year		-	(55,955)
Transfer from long term investments	25.1	-	586,403
		586,403	586,403

25.1 The Company has agreed to sell 98,000 shares in Hashoo Group Limited - British Virgin Island for total consideration of USD 5.99 million. Accordingly, these have been classified as asset held for sale as required by International Financial Reporting Standard 5 - Non-current Assets Held for Sale and Discontinued Operations. The sale is expected to be finalised within the next financial year.

26 CASH AND BANK BALANCES	Note	2014	2013
		(Rupees'000)	
Cash in hand		**34,511**	65,624
Cash at bank:			
Current accounts - Local currency		**69,422**	339
Deposit accounts - Local currency	26.1	**50,984**	40,908
- Foreign currency	26.2	**6,633**	252
		127,039	41,499
		161,550	107,123

26.1 Deposit accounts carry interest rate ranging from 5% to 9.40% (2013: 5% to 9%) per annum.

26.2 This comprising USD 67,308 (2013: USD 2,527) deposited with bank and carries interest rates ranging from 0.20% to 0.25% (2013: 0.20% to 0.25%) per annum.

	Note	2014	2013
		(Rupees'000)	
27 SALES AND SERVICES - net			
Rooms		**4,022,944**	3,466,216
Food and beverages		**4,471,691**	4,059,324
Other related services	27.1	**514,047**	523,196
Shop license fees		**24,258**	12,205
		9,032,940	8,060,941
Discounts and commissions		**(136,940)**	(126,376)
Sales tax		**(1,286,115)**	(1,133,395)
		7,609,885	6,801,170

27.1 This includes Privilege Club Cards fee and revenue from telephone, laundry and other ancillary services.

	Note	2014	2013
28 COST OF SALES AND SERVICES			
Food and beverages			
Opening balance		**80,533**	65,589
Purchases during the year		**1,392,577**	1,280,074
Closing balance		**(87,021)**	(80,533)
Consumption during the year		**1,386,089**	1,265,130
Direct expenses			
Salaries, wages and benefits	28.1	**964,204**	880,233
Heat, light and power		**820,102**	736,768
Repairs and maintenance		**257,486**	271,664
Depreciation	14.3	**310,187**	240,942
Guest supplies		**211,554**	172,147
Linen, china and glassware		**83,159**	93,641
Communication and other related services		**69,469**	60,009
Banquet and decoration		**56,980**	57,189
Transportation		**43,786**	34,674
Uniforms		**25,419**	20,091
Music and entertainment		**11,126**	9,248
Others		**11,688**	11,303
		4,251,249	3,853,039

28.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 48.371 million (2013: Rs. 45.533 million).

			2014	2013
		Note	(Rupees'000)	
29	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	29.1	**819,573**	651,050
	Rent, rates and taxes		**132,491**	170,809
	Security and protective services		**193,152**	169,542
	Advertisement and sales promotion		**85,239**	79,197
	Repairs and maintenance		**33,836**	37,629
	Heat, light and power		**92,031**	82,935
	Travelling and conveyance		**94,510**	115,732
	Depreciation	14.3	**34,465**	26,771
	Communications		**22,168**	25,373
	Printing and stationery		**36,771**	33,359
	Legal and professional charges		**59,680**	65,421
	Insurance		**91,011**	44,437
	Entertainment		**7,764**	6,837
	Subscriptions		**17,646**	14,998
	Laundry and dry cleaning		**7,781**	6,629
	Uniforms		**6,008**	5,400
	Auditors' remuneration	29.2	**2,099**	1,808
	Provision against doubtful debts		**16,001**	33,139
	Donations	29.3	**165,828**	225,000
	Vehicle rentals and registration charges	29.4	**30,688**	23,600
	Franchise fee		**9,233**	8,486
	Miscellaneous		**5,118**	3,431
			1,963,093	1,831,583

29.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 29.794 million (2013: Rs. 26.567 million).

		2014	2013
		(Rupees'000)	
29.2	**Auditors' remuneration**		
	Annual audit fee	**1,210**	1,080
	Audit of consolidated financial statements	**224**	200
	Half yearly review	**470**	428
	Special reports and certificates	**195**	100
		2,099	1,808

29.3 **Donations**

Out of total amount of Rs.165.828 million (2013: Rs. 225 million), donations amounting to Rs.43 million (2013: Rs. 115 million) includes the following in which directors or their spouse have interest:

Name	Interest in Donee	Name and address of Donee	2014	2013
			(Rupees'000)	
Mr. Sadruddin Hashwani	Patron-in-Chief	Hashoo Foundation	**43,000**	115,000
Ms. Sarah Hashwani	Chairperson	House # 7-A, Street # 65, F-8/3, Islamabad		
			43,000	115,000

29.4 This includes Ijarah payments of Rs. 30.065 million (2013: Rs. 22.17 million) and vehicles registration charges under an Ijarah (lease) agreement. As required under IFAS 2 " IJARAH" (notified through SRO 43(1) / 2007 by Securities & Exchange Commission of Pakistan) ujrah payments under an Ijarah (lease) agreement are recognized as an expense in the profit and loss account on straight line basis over the term of Ijarah. The amount of future ujrah payments and the periods in which these will be due are as follows:

	2014	2013
	(Rupees'000)	
Within one year	**35,185**	27,547
After one but not more than five years	**62,467**	71,174
	97,652	98,721

30 FINANCE COST

	2014	2013
Markup on long term financing	**58,869**	92,288
Markup on short term borrowings	**10,261**	13,458
Markup on liabilities against assets subject to finance lease	**2,437**	3,656
Credit cards, bank and other charges	**59,072**	44,586
	130,639	153,988

31 OTHER INCOME

	2014	2013
Income from financial assets		
Return on bank deposits / Certificate of musharika	**22,689**	9,856
Exchange gain - net	**1,081**	1,722
Dividend income	**32,000**	27,225
Unrealised gain on remeasurement of investments to fair value - net	**427,168**	137,900
Interest on short term advance to related party	**64,747**	75,778
	547,685	252,481
Income from non financial assets		
Concessions and commissions	**6,097**	4,113
Gain on disposal of property, plant and equipment	**12,052**	17,069
Gain on disposal of non current assets held for sale	-	1,545
Liabilities written back	**7,174**	2,651
Communication towers and other rental income	**45,239**	40,516
Scrap sales	**12,738**	7,973
Insurance claims	**435**	1,175
Others - net	**35,729**	41,356
	119,464	116,398
	667,149	368,879

		Note	2014	2013
			(Rupees'000)	
32	**OTHER EXPENSES**			
	Impairment loss on investment in jointly controlled entity	17	-	72,919
	Impairment loss on investment in associated undertaking	17.5	**36,762**	-
	Loss on remeasurement of investment property to fair value	16	**2,000**	-
	Impairment loss on long term utility deposits		**16,511**	-
			55,273	72,919
33	**TAXATION**			
	Provision for taxation			
	- Current		**356,178**	433,516
	- Prior		**(3,366)**	(3,748)
			352,812	429,768
	- Deferred		**120,599**	(58,384)
			473,411	371,384
33.1	**Relationship between accounting profit and tax expense is as follows:**			
	Accounting profit for the year		**1,876,780**	1,258,520
	Tax charge @ 34% (2013: 35%)		**638,105**	440,482
	Tax effect of permanent differences		**(12,116)**	2,258
	Tax effect of exempt income		**(143,972)**	(48,265)
	Tax effect of income subject to lower taxation		**(11,295)**	(16,657)
	Tax effect of change in tax rate		**6,055**	(2,686)
	Prior years' tax charge		**(3,366)**	(3,748)
			473,411	371,384

		2014	2013
34	**EARNINGS PER SHARE**		
	Profit for the year (Rupees '000)	**1,403,369**	887,136
	Weighted average number of ordinary shares (Numbers)	**32,524,170**	32,524,170
	Earnings per share - basic (Rupees)	**43.15**	27.28

There is no dilution effect on the basic earnings per share of the Company.

	Note	2014	2013
		(Rupees'000)	

35 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES

	Note	2014	2013
Profit before taxation		**1,876,780**	1,258,520
Adjustments for:			
Depreciation	14.3	**344,652**	267,713
Gain on disposal of property, plant and equipment	31	**(12,052)**	(17,069)
Gain on disposal of non current assets held for sale	31	-	(1,545)
Provision for staff retirement benefit - gratuity	8.1	**52,222**	50,569
Provision for compensated absences	8.3	**26,841**	37,376
Provision for doubtful debts	29	**16,001**	33,139
Return on bank deposits	31	**(22,689)**	(9,856)
Interest on short term advance to related party	31	**(64,747)**	(75,778)
Finance cost	30	**130,639**	153,988
Dividend income	31	**(32,000)**	(27,225)
Unrealised gain on remeasurement of investments to fair value	31	**(427,168)**	(137,900)
Impairment loss on investment in associated undertaking	17.5	**36,762**	-
Impairment loss on investment in jointly controlled entity	17	-	72,919
Impairment loss on long term deposits	32	**16,511**	-
Impairment loss on investment property	16	**2,000**	-
Reversal of provision for obsolescence in stores, spares and loose tools		**(709)**	-
		1,943,043	1,604,851

36 CASH AND CASH EQUIVALENTS

	Note	2014	2013
Cash and bank balances	26	**161,550**	107,123
Running finance	10	-	(75,395)
		161,550	31,728

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2014			2013		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees'000)					
Managerial remuneration	**12,000**	**56,619**	**190,491**	12,000	62,680	173,069
Provident fund contribution	**-**	**1,352**	**6,012**	-	1,257	5,477
Provision for gratuity	**-**	**6,849**	**14,278**	-	4,878	21,781
Meeting fee	**-**	**555***	**-**	-	90*	-
	12,000	**65,375**	**210,781**	12,000	68,905	200,327
Number of persons	**1**	**5**	**114**	1	5	95

* This includes Rs. 195,000 (2013: Rs. 15,000) paid to non-executive directors of the Company.

In addition to the above, Chairman, Chief Executive and certain Executives are provided with the Company maintained vehicles, medical expenses, bonus, compensated leave absences and leave passage as per the Company's policy. The Chairman does not draw any salary.

38 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated and subsidiary companies, directors as well as their close family members, companies with common directorship, executives, key management personnel, major shareholders and staff retirement fund of the Company. Balances with related parties are disclosed in notes 4, 9, 15, 17, 18, 20, 21 and 23 to the unconsolidated financial statements. Other transactions with related parties are as follows:

	2014	2013
	(Rupees'000)	
Transactions with subsidiary companies		
Sales	**1,508**	736
Services provided	**1,749**	3,174
Services availed	**49,194**	45,356
Sale of property, plant and equipment	**201**	-
Advances	-	4,767
Advance for equity investment	**55,000**	-
Investment made during the year	**14,767**	125,580

	Note	2014	2013
		(Rupees'000)	
Transactions with associated undertakings			
Sales		**1,279**	2,917
Services provided		**2,641**	3,226
Services availed		**103,576**	97,247
Purchases		**108,888**	146,648
Purchase of air tickets		**24,772**	24,197
Franchise fee - income		**2,218**	2,387
Franchise and management fee - expense		**9,233**	8,486
Purchase of property, plant and equipment		**12,330**	234,105
Consultancy and Management services for construction		**145,637**	-
Sale of property, plant and equipment		-	945
Advance for purchase of property, plant and equipment		-	1,818
Contribution to defined contribution plan		**25,899**	23,113
Dividend income		**31,050**	27,000
Donation		**58,000**	115,000
Interest income on advance		**64,747**	75,778
Accrued interest on advance		**6,255**	6,008
Transactions with key management personnel			
Remuneration and allowances including staff retirement benefits	38.1	**88,450**	86,730
Sale of property, plant and equipment - carrying value		**194,294**	306
Personal guarantee to banks against the Company's borrowings (Notes 6 and 7)			

38.1 **Compensation to key management personnel**

	2014	2013
Salaries and other benefits	**68,619**	74,680
Contribution to provident fund	**1,352**	1,257
Provision for gratuity	**6,849**	4,878
Compensated absences	**7,301**	3,760
Bonus	**3,774**	2,065
Meeting fee	**555**	90
	88,450	86,730
Number of persons	**6**	6

39 FINANCIAL INSTRUMENTS

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

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

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

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

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

39.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company's credit risk exposures are categorised under the following headings:

Counterparties

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

Receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment terms and conditions are offered. Credit limits are established for each customer, which are regularly reviewed and approved by the management. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Cash investment

The Company limits its exposure to credit risk by only investing in liquid securities, bank deposits and with counterparties that have a good credit rating. Given these good credit ratings, management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

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

	2014	2013
	(Rupees'000)	
Long term deposits	**20,335**	35,049
Trade deposits	**16,043**	13,017
Trade debts	**583,847**	554,553
Advances	**500,000**	500,000
Interest accrued	**7,610**	6,510
Other receivables	**28,130**	42,302
Other financial assets	**5,000**	-
Bank balances	**127,039**	41,499
	1,288,004	1,192,930

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for financial assets at the reporting date by type of counter party was:

	2014	2013
From related parties	**515,314**	511,606
From government institutions	**61,631**	38,899
From foreign embassies	**4,208**	2,186
Banks and financial institutions	**139,649**	48,009
Others	**567,202**	592,230
	1,288,004	1,192,930

Impairment losses

The aging of trade debts at the reporting date was:

	2014		2013	
	Gross	Impairment	Gross	Impairment
	(Rupees'000)		(Rupees'000)	
Past due 0-30 days	**262,929**	-	308,246	-
Past due 30-60 days	**117,738**	-	88,524	-
Past due 60-90 days	**62,678**	-	53,338	-
Past due 90-360 days	**140,502**	-	104,445	-
Over 360 days	**147,728**	**147,728**	131,727	131,727
	731,575	**147,728**	686,280	131,727

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

	2014	2013
	(Rupees'000)	
Opening balance	**131,727**	98,588
Provision made during the year	**16,001**	33,139
Closing balance	**147,728**	131,727

Based on past experience, the Company believes that no impairment allowance is necessary in respect of trade receivables past due. Allowance for impairment includes Rs. 4.48 million (2013: Rs. 3.39 million) provided against due from related parties.

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

39.2 **Liquidity risk**

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

There were no defaults on loans payable during the year.

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

	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year and up to five years
2014	(Rupees'000)			
Long term financing	**581,000**	**734,698**	**296,343**	**438,355**
Liabilities against assets subject to finance lease	**16,610**	**18,826**	**10,558**	**8,268**
Trade and other payables	**1,276,569**	**1,276,569**	**1,276,569**	**-**
Markup payable	**35,063**	**35,063**	**35,063**	**-**
	1,909,242	**2,065,156**	**1,618,533**	**446,623**
2013				
Long term financing	583,333	689,515	293,625	395,890
Liabilities against assets subject to finance lease	24,504	29,245	10,461	18,784
Trade and other payables	919,250	919,250	919,250	-
Markup payable	20,689	20,689	20,689	-
Short term borrowings	75,395	75,395	75,395	-
	1,623,171	1,734,094	1,319,420	414,674

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

The contractual cash flows relating to long and short term borrowings have been determined on the basis of expected mark up rates. The mark up rates have been disclosed in notes 6, 7 and 10 to these unconsolidated financial statements.

39.3 **Market risk**

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

a) Currency risk

The PKR is the functional currency of the Company and as a result currency exposures arise from transactions and balances in currencies other than the Pakistan Rupees.

	2014		2013	
	Rupees'000	**USD'000**	Rupees'000	USD'000
Bank Balance	**6,633**	**67.31**	252	2.53

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2014	2013	**2014**	2013
US Dollars	**102.70**	96.85	**98.55**	99.70

Sensitivity Analysis

A 5% strengthening of the functional currency against USD at 30 June 2014 would have decreased profit and loss by Rs. 331.67 thousand (2013: Rs. 12.61 thousand). A 5 % weakening of the functional currency against USD at 30 June 2014 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

b) Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Company has long term Pakistan Rupees based loans and running finance arrangement at variable rates. The local currency loans have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR).

Profile

At the reporting date, interest rate profile of the Company's interest bearing financial instruments was:

	2014	2013	2014	2013
	Effective interest rates		(Rupees'000)	
Fixed rate instruments				
Financial assets	**0.2% to 9.40%**	0.2% to 9%	**57,617**	41,160
Variable rate instruments				
Financial assets	**1-year KIBOR plus 3%**		**500,000**	500,000
Financial liabilities	**KIBOR + (1.5% to 2.5%)**	KIBOR + (1.5% to 2.75%)	**(597,610)**	(683,232)
			(97,610)	(183,232)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not effect profit or loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit and loss by Rs. 0.976 million (2013: 1.83 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

Other market price risk

The primary goal of the Company's investment strategy is to maximize investment returns on surplus funds. The Company adopts a policy of ensuring to minimize its price risk by investing in securities having sound market performance. Certain investments are designated at held for trading because their performance is actively monitored and these are managed on a fair value basis. Equity price risk arises from investments at fair value through profit and loss.

Sensitivity analysis – equity price risk

For quoted investments classified as held for trading, a 1 percent increase in market price at reporting date would have increased profit or loss by Rs. 13,040 thousand (2013: Rs. 6,317 thousand); an equal change in the opposite direction would have decreased profit or loss by the same amount. The analysis is performed on the same basis for 2013 and assumes that all other variables remain the same.

Fair value of financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note	2014 Carrying amount	2014 Fair values	2013 Carrying amount	2013 Fair values
		(Rupees'000)			
Assets carried at amortised cost - Loans and receivables					
Deposits		**36,378**	**36,378**	48,066	48,066
Trade debts - net of provision	20	**583,847**	**583,847**	554,553	554,553
Advances	21	**500,000**	**500,000**	500,000	500,000
Interest accrued		**7,610**	**7,610**	6,510	6,510
Other receivables	23	**28,130**	**28,130**	42,302	42,302
Other financial assets		**5,000**	**5,000**	-	-
Cash and bank balances	26	**161,550**	**161,550**	107,123	107,123
		1,322,515	**1,322,515**	1,258,554	1,258,554
Assets carried at fair value					
Financial assets at fair value through profit or loss - held for trading	24	**1,303,955**	**1,303,955**	631,787	631,787
Liabilities carried at amortised cost					
Long term financing	6	**581,000**	**581,000**	583,333	583,333
Liabilities against assets subject to finance lease	7	**16,610**	**16,610**	24,504	24,504
Trade and other payables	9	**1,276,569**	**1,276,569**	919,250	919,250
Markup accrued		**35,063**	**35,063**	20,689	20,689
Short term borrowings	10	**-**	**-**	75,395	75,395
		1,909,242	**1,909,242**	1,623,171	1,623,171

The basis for determining fair values is as follows:

For fixed rate instruments since there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assets carried at fair value	Level 1	Level 2	Level 3
		Rupees '000	
2014			
Financial assets at fair value through profit or loss - held for trading	**1,303,955**	**-**	**-**
2013			
Financial assets at fair value through profit or loss - held for trading	631,787	-	-

The carrying value of financial assets and liabilities reflected in unconsolidated financial statements approximate their respective fair values.

39.4 **Determination of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Investment at fair value through profit and loss account - held for trading

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Non - derivative financial assets
The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

39.5 **Capital risk management**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business. The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions to maximize the return. In order to maintain or adjust the optimal capital structure , the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or / and issue new shares.

The Company is not subject to externally imposed capital requirements. Further there was no change during the year in the management's approach towards capital management.

40 APPLICATION OF IFRIC INTERPRETATION 12 "SERVICE CONCESSION ARRANGEMENTS"

Securities and Exchange Commission of Pakistan through its S.R.O. NO 24 (I)/2012, dated 16 January 2012 has exempted the application of IFRIC 12 - "Service Concession Arrangements", for Companies in Pakistan. Consequently, the Company is not required to account for its arrangement under Build, Operate and Transfer agreement with City District Government Karachi for developing and operating an underground parking facility in Karachi under IFRIC 12. If the Company were to follow IFRIC 12, the effect on the financial statements would have been as follows:

	2014	2013
	(Rupees'000)	
Increase in profit after tax for the year	**16,029**	18,995
Derecognition of property, plant and equipment	**(350,874)**	(392,017)
Recognition of intangible asset	**459,315**	476,327
Recognition of financial liability	**(29,650)**	(29,806)
Increase in taxation obligations	**27,334**	19,076
Increase in unappropriated profits	**51,457**	35,428

41 CAPACITY

	Note	No. of rooms letable in 2014	2013	Average occupancy 2014 %	2013 %
Pearl Continental Hotel					
- Karachi		**286**	286	**75**	73
- Lahore		**607**	607	**69**	68
- Rawalpindi		**193**	193	**60**	73
- Peshawar		**148**	148	**36**	42
- Bhurban		**190**	190	**66**	67
- Muzaffarabad		**102**	102	**50**	43
- Hotel One The Mall, Lahore	41.1	**32**	32	**72**	73

41.1 This is a budget hotel owned and operated by the Company.

42 NUMBER OF EMPLOYEES

	2014	2013
Number of employees at the year end	**3,463**	3,594
Average number of employees during the year	**3,537**	3,502

43 EMPLOYEES' PROVIDENT FUND

	Note	2014	2013
		(Rupees'000)	
Size of the fund		612,701	524,988
Cost of investment made		508,404	481,758
Percentage of investment made		83%	92%
Fair value of investments	43.1	596,242	508,404

	2014		2013	
43.1 **Fair value of investments made:**	**(Rupees'000)**	**%**	**(Rupees'000)**	**%**
Listed shares	**144,957**	**24%**	86,309	17%
Mutual funds	**157,179**	**27%**	28,921	6%
Term Finance Certificates				
- Listed	**30,987**	**5%**	41,272	8%
- Unlisted	**-**	**0%**	22,448	4%
Treasury bills	**34,930**	**6%**	329,454	65%
Special Savings Certificates	**228,189**	**38%**	-	0%
	596,242	**100%**	508,404	100%

All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

44 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on 24 September 2014.

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

Pattern of Shareholdings
As at 30 June 2014

NO. OF SHAREHOLDERS	SHAREHOLDINGS				NO.OF SHARES HELD
626	Shareholding from	1	to	100	14,842
215	Shareholding from	101	to	500	45,603
32	Shareholding from	501	to	1000	21,704
39	Shareholding from	1001	to	5000	90,133
8	Shareholding from	5001	to	10000	50,979
9	Shareholding from	10001	to	100000	275,414
5	Shareholding from	100001	to	1000000	2,063,808
6	Shareholding from	1000001	to	2000000	8,656,244
3	Shareholding from	2000001	to	3000000	8,636,188
4	Shareholding from	3000001	to	4000000	12,669,255
947					**32,524,170**

Categories of Shareholders:	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	1,797,813	5.53
Associated Companies, undertaking and related parties	2,407,636	7.40
CDC-Trustee National Investment (UNIT)	1,104,551	3.40
Trustee National Bank of Pakistan	77,708	0.24
Banks, Development Financial Institutions and Non-Banking Financial Institutions	418,947	1.29
Modarabas and Mutual Funds	19,600	0.06
Insurance Companies	28,815	0.09
Foreign Investors	24,758,493	76.12
Individual:		
Local	209,872	0.65
Others:		
Galadari Invest International	1,052,085	3.23
President of Pakistan	336,535	1.03
Pakistan International Airlines Corporation	172,913	0.54
Kaizen Construction (Private) Limited	66,575	0.20
Asian Co-Operative Society Limited	47,088	0.14
National Investment Trust Limited	21,146	0.07
Other Joint Stock Companies	4,392	0.01
Securities & Exchange Commission of Pakistan	1	-

Disclosure to Pattern of Shareholdings
As at 30 June 2014

SHAREHOLDERS	SHARES HELD
ASSOCIATED COMPANIES:	
Hashoo Holdings (Private) Limited	5,504
Zaver Petroleum Corporation Limited	1,648,832
Hashoo (Private) Limited	300
OPI Gas (Private) Limited	753,000
NIT/ ICP:	
CDC-Trustee National Investment (UNIT)	1,104,551
Trustee National Bank of Pakistan	77,708
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN:	
Mr. Sadruddin Hashwani	1,785,163
Mr. Murtaza Hashwani	2,500
Ms. Sarah Hashwani	500
Mr. M. A. Bawany	2,875
Mr. Mansoor Akber Ali	2,500
Syed Sajid Ali	500
Mr. Muhammad Rafique	3,125
Mr. Bashir Ahmed	650
PUBLIC SECTOR COMPANIES & CORPORATIONS:	
Pakistan International Airlines Corporation	172,913
President of Pakistan	336,535
Securities & Exchange Commission of Pakistan	1
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE, COMPANIES, INSURANCE COMPANIES:	
National Bank of Pakistan	418,921
The Bank of Punjab, Treasury Division	26
Alpha Insurance Co. Limited	28,815
MODARBAS & MUTUAL FUNDS:	
CDC - Trustee AKD Index Tracker Fund	6,200
Golden Arrow Selected Stocks Fund Limited	13,400
FOREIGN INVESTORS:	
Greenley Investments Limited	1,163,890
Amcorp Investments Limited	1,906,260
Dominion Hospitality Investments Limited	3,150,000
Orient Drilling & Oilfield Services Limited	2,971,188
Ocean Pakistan Limited	3,170,000
Penoramic International General Trading	382,900
Bexley Services Limited	3,179,255
Castle Participations INC.	3,170,000
Sharan Associates S.A	2,760,000
Brickwood Investment Holdings S.A	2,905,000
OTHERS:	
Galadari Invest International	1,052,085
National Investment Trust Limited	21,146
Asian Co-Operative Society Limited	47,088
Kaizen Construction (Private) Limited	66,575
Other Joint stock Companies	4,392
INDIVIDUAL	209,872
TOTAL	**32,524,170**

Consolidated Financial Statements

For the year ended 30 June 2014

Directors' Report Consolidated

The Board of Directors of Pakistan Services Limited, the Parent Company is pleased to present their report together with Audited Consolidated Financial Statements for the year ended on June 30, 2014.

The financial results of the Consolidated Financial Statements for the year ended on June 30, 2014 are as under:

	(Rupees '000)
Profit before taxation	**1,836,650**
Taxation	**(502,141)**
Profit after taxation	**1,334,509**

Earnings per share

Earnings per share for the year arrives at Rs. 41.03

During the period under review; M/s Pearl Tours & Travels (Private) Limited which is engaged in the business of rent a car and arrangement of tour packages, has generated revenue of Rs. 142 million as compared to Rs. 162 million of last year which shows 12% decline in the revenue. During the year under review the Company recorded loss after tax of Rs. 5.394 million as compared to profit after tax of Rs.3.361 million achieved in last year.

Wholly owned subsidiary company, M/s Musafa International (Private) Limited, doing project management business, has been merged with the parent company, effective September 26, 2013.

The other two subsidiaries M/s Pearl Continental Hotels (Private) Limited and M/s Bhurban Resorts (Private) Limited remained non-operational during the year 2013-14.

During the year the Board of Parent Company has proposed merger of M/s Bhurban Resorts (Private) Limited with it; completion of its legal, corporate and other formalities are underway

The directors fully endorse the contents of the Chairman's Review included in the Annual Report which deals interalia with the financial and operating results along with significant deviations from last year, significant future plans and other related matters of the Parent Company.

Murtaza Hashwani
Chief Executive Officer
Dubai: 24 September 2014

Auditors' Report on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Pakistan Services Limited and its subsidiary companies as at 30 June 2014 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Pakistan Services Limited and its subsidiary companies. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Pakistan Services Limited and its subsidiary companies as at 30 June 2014 and the results of their operations for the year then ended.

Date: 24 September 2014
Islamabad

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner:
Muhammad Rehan Chughtai

Consolidated Balance Sheet
As at 30 June 2014

	Note	2014	2013 Restated
		(Rupees'000)	
SHARE CAPITAL AND RESERVES			
Authorised share capital			
50,000,000 (2013: 50,000,000) ordinary shares of Rs. 10 each		**500,000**	500,000
Issued, subscribed and paid up share capital	4	**325,242**	325,242
Reserves	5	**2,617,504**	2,574,085
Unappropriated profit		**3,632,865**	2,328,002
		6,575,611	5,227,329
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	13.2	**19,853,565**	19,988,725
NON CURRENT LIABILITIES			
Long term financing - secured	6	**347,667**	350,000
Liabilities against assets subject to finance lease - secured	7	**20,949**	16,651
Deferred liabilities	8	**575,879**	373,133
		944,495	739,784
CURRENT LIABILITIES			
Trade and other payables	9	**1,894,235**	1,457,944
Markup accrued		**35,476**	20,689
Short term borrowings - secured	10	-	75,395
Provision for taxation - net	24	**10,815**	-
Current portion of long term financing and liabilities against assets subject to finance lease	11	**249,663**	243,081
		2,190,189	1,797,109
		29,563,860	27,752,947
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

PSL
PAKISTAN SERVICES LTD.

	Note	2014	2013
		(Rupees'000)	
NON CURRENT ASSETS			
Property, plant and equipment	13	**24,448,055**	23,449,336
Advance for capital expenditure	14	**1,185,480**	1,099,645
Investment property	15	**45,000**	47,000
Long term investments	16	**1,245,897**	859,751
Long term deposits and prepayments		**23,004**	35,049
		26,947,436	25,490,781
CURRENT ASSETS			
Stores, spare parts and loose tools	17	**145,619**	129,770
Stock in trade - food and beverages		**87,021**	80,533
Trade debts	18	**610,178**	570,770
Advances	19	**577,428**	590,273
Trade deposits and prepayments	20	**61,272**	77,970
Interest accrued		**7,940**	7,202
Other receivables	21	**28,272**	28,794
Other financial assets	22	**287,592**	32,652
Non current assets held for sale	23	**622,198**	597,203
Advance tax - net	24	-	17,726
Cash and bank balances	25	**188,904**	129,273
		2,616,424	2,262,166
		29,563,860	27,752,947

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

Consolidated Profit and Loss Account
For the year ended 30 June 2014

	Note	2014	2013
		(Rupees'000)	
Sales and services - net	26	**7,701,528**	6,922,021
Cost of sales and services	27	**(4,362,538)**	(4,012,612)
Gross profit		**3,338,990**	2,909,409
Administrative expenses	28	**(1,966,490)**	(1,839,584)
Finance cost	29	**(132,776)**	(154,326)
Other income	30	**547,070**	291,410
Other expenses	31	**(41,826)**	(458,046)
		1,744,968	748,863
Share of profit / (loss) in equity accounted investments - net	16.1 &16.2	**91,682**	(73,045)
Profit before taxation		**1,836,650**	675,818
Taxation	32	**(502,141)**	(204,185)
Profit after taxation		**1,334,509**	471,633

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2014

	2014	2013
	(Rupees'000)	
Profit for the year	**1,334,509**	471,633
Other comprehensive income for the year		
Items not to be reclassified to profit and loss account in subsequent periods		
Experience adjustments on defined benefit obligation (Note 3.8.1)	**(52,265)**	-
Related deferred tax effect	**18,293**	-
	(33,972)	-
Items to be reclassified to profit and loss account in subsequent periods		
Exchange (loss) / gain on translation of long term investments in equity accounted investees	**(5,233)**	68,101
Surplus on remeasurement of available for sale securities	**48,652**	14,364
Share of experience adjustments on defined benefit obligation of associate	**(183)**	-
Related deferred tax effect	**4,509**	(14,458)
	47,745	68,007
Total other comprehensive income for the year	**13,773**	68,007
Total comprehensive income for the year	**1,348,282**	539,640

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

Consolidated Cash Flow Statement
For the year ended 30 June 2014

	Note	2014	2013
		(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operating activities before working capital changes	33	**1,948,699**	1,616,546
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		**(15,140)**	(28,232)
Stock in trade - food and beverages		**(6,488)**	(14,944)
Trade debts		**(56,488)**	(120,918)
Advances		**12,845**	(17,018)
Trade deposits and prepayments		**16,698**	(12,914)
Other receivables		**297**	(5,837)
Increase in trade and other payables		**62,656**	148,183
Cash generated from / (used) in operations		**14,380**	(51,680)
Staff retirement benefit - gratuity paid	8.1	**(27,022)**	(27,439)
Compensated leave absences paid	8.3	**(26,033)**	(24,700)
Income tax paid	24	**(326,325)**	(415,153)
Finance cost paid		**(131,215)**	(165,960)
Net cash generated from operating activities		**1,452,484**	931,614
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(1,170,483)**	(664,863)
Additions to advance for capital expenditure		**(85,835)**	(241,780)
Proceeds from disposal of property, plant and equipment	13.4	**86,465**	29,837
Purchase of other financial assets		**(251,571)**	(4,868)
Proceeds on maturity of other financial assets		**3,330**	-
Dividend received		**32,000**	27,225
Receipts of return on bank deposits, short term advance and certificates of investments		**89,808**	89,580
Proceeds from disposal of non current assets held for sale		-	57,500
Long term deposits		**(4,466)**	(18,001)
Net cash used in investing activities		**(1,300,752)**	(725,370)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - repayments		**(233,333)**	(216,667)
Proceeds from long term financing - disbursements		**250,000**	-
Initial payment of transaction cost		**(19,000)**	-
Repayment of liabilities against assets subject to finance lease		**(14,373)**	(12,553)
Net cash used in financing activities		**(16,706)**	(229,220)
Net increase / (decrease) in cash and cash equivalents		**135,026**	(22,976)
Cash and cash equivalents at beginning of the year		**53,878**	76,854
Cash and cash equivalents at end of the year	34	**188,904**	53,878

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

PAKISTAN SERVICES LTD.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2014

	Share capital	Capital reserve		Revenue reserves				Total equity
		Share premium	Share of associate's capital reserve	General reserve	Exchange translation reserve (net of tax)	Surplus on remeasurement of available for sale securities	Unappropriated profit	
	(Rupees'000)							
Balance at 01 July 2012 - as previously reported	325,242	269,424	147,221	1,600,000	409,384	80,049	1,850,057	4,681,377
Effect of change in accounting policy (Note 3.8.1)	-	-	-	-	-	-	6,312	6,312
Balance at 01 July 2012 - restated	325,242	269,424	147,221	1,600,000	409,384	80,049	1,856,369	4,687,689
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	471,633	471,633
Other comprehensive income for the year	-	-	-	-	53,643	14,364	-	68,007
Total comprehensive income for the year	-	-	-	-	53,643	14,364	471,633	539,640
Balance at 30 June 2013 - restated	325,242	269,424	147,221	1,600,000	463,027	94,413	2,328,002	5,227,329
Total comprehensive income for the year								
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**1,334,509**	**1,334,509**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**(5,233)**	**48,652**	**(29,646)**	**13,773**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(5,233)**	**48,652**	**1,304,863**	**1,348,282**
Balance at 30 June 2014	**325,242**	**269,424**	**147,221**	**1,600,000**	**457,794**	**143,065**	**3,632,865**	**6,575,611**

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

PAKISTAN SERVICES LTD.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2014

1 THE GROUP AND ITS OPERATIONS

1.1 Pakistan Services Limited ("the Parent Company") was incorporated on 6th December 1958 in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) as a public limited company and is quoted on Karachi Stock Exchange Limited. The Parent Company is principally engaged in hotel business and owns and operates the chain of Pearl Continental Hotels in Pakistan and Azad Jammu & Kashmir. The Parent Company also owns one small property in Lahore operating under budget hotel concept. The Parent Company's registered office is situated at 1st Floor, NESPAK House, Sector G-5/2, Islamabad.

1.2 As at the year end, the Parent Company has the following subsidiaries:

Subsidiary companies	Nature of business	Holding
Pearl Tours and Travels (Private) Limited	Rent-a-car, tour packages and travel related work	100%
Pearl Continental Hotels (Private) Limited	Non-operational	100%
Bhurban Resorts (Private) Limited	Non-operational	100%

1.3 Consequent to the approval of Honourable High Court of Islamabad, effective 26 September 2013, M/s Musafa International (Private) Limited which was previously 100% owned subsidiary, has been merged into the Parent Company.

1.4 The Board of Directors of M/s Bhurban Resorts (Private) Limited through resolution dated 28 April 2014 have proposed the merger of M/s Bhurban Resorts (Private) Limited into the Parent Company for which shareholders' and Islamabad High Court approval is awaited. Accordingly, accounting adjustments relating to merger have not been incorporated in these consolidated financial statements.

2 BASIS OF PREPARATION

2.1 **Statement of compliance**

These consolidated financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the 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 and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 **Basis of consolidation**

These consolidated financial statements include the financial statements of the Parent Company and the Subsidiary Companies together constituting "the Group".

Subsidiaries

Subsidiaries are those enterprises in which the Parent Company directly or indirectly controls, beneficially owns or holds more than 50 percent of the voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of the subsidiary companies are included in the consolidated financial statements from the date the control commences until the date the control ceases. The financial statements of the subsidiary companies have been consolidated on a line-by-line basis.

Investments in associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and required unanimous consent for strategic financial and operating decisions.

Interests in associates and jointly controlled entities

Interests in associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost which includes transactions costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control exists.

Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra group transactions are eliminated. Unrealised gains arising from transactions with equity accounted investments are eliminated against the investment to the extent of the Group's interest in investee. Unrealised losses are eliminated in the same way as unreliased gains, but only to the extent that there is no evidence of impairment.

2.3 **Basis of measurement**

These consolidated financial statements have been prepared on the historical cost basis except for the following;

- certain item of property, plant and equipment have been measured at revalued amounts;
- investment property has been measured at fair value;
- held for trading investments have been measured at fair value; and
- liability related to staff retirement gratuity and compensated absences is measured at values determined through actuarial valuation.

The methods used to measure fair values are explained in the respective policy notes.

2.4 **Functional and presentation currency**

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pakistan Rupee which is the Group's functional and presentation currency. Amounts presented in Pakistan Rupee have been rounded off to the nearest of thousand.

2.5 **Use of estimates and judgments**

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

2.5.1 **Property, plant and equipment**

The Group reviews the residual values and useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

2.5.2 **Taxation**

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

2.5.3 **Employee benefits**

The present value of the obligation for gratuity and compensated absences depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge for the year include the discount rate, expected increase in eligible salary and mortality rate. Any changes in these assumptions will impact the carrying amount of obligations for gratuity and compensated absences.

2.5.4 **Stores, spare parts and loose tools and stock in trade**

The Group reviews the carrying value of stores, spare parts and loose tools and stock in trade to assess any diminution in the respective carrying values. Any change in estimates in future years might affect the carrying value of store, spares parts and loose tools and stock in trade. Net realisable value is determined with reference to estimated selling price less estimated cost of completion and expenditure to make the sales.

2.5.5 **Provision against trade debts, advances and other receivables**

The Group reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

2.5.6 **Impairment of financial assets**

In making an estimates of future cash flows from the Group's financial assets including investments in associates and joint ventures, the management considers estimated cash flows and their terminal value for impairment testing.

2.5.7 **Impairment of non-financial assets**

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated using criteria given in respective accounting standards to determine the extent of impairment loss, if any.

2.5.8 **Fair value of investment property**

Fair value of investment property is determined using market value basis, any change in the fair value might affect carrying amount of investment property with corresponding affect in consolidated profit and loss account.

2.5.9 **Fair value of investments - held for trading**

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date. Any change in the estimate might effect carrying amount of investments held for trading with corresponding effect in consolidated profit and loss account.

2.5.10 **Provision and contingencies**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost, if any.

Where 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, it is disclosed as contingent liability.

2.6 **Standards, interpretations and amendments to approved accounting standards that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Group's consolidated financial statements.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Group's consolidated financial statements.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment is not likely to have an impact on Group's consolidated financial statements.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments are not likely to have an impact on Group's consolidated financial statements.

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments are not likely to have an impact on Group's consolidated financial statements.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Group's consolidated financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. The Group is in the process of determining the impact, if any, of this standard.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The standard is not likely to have an impact on Group's consolidated financial statements.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or consolidated structured entities, into one place. The Group is in the process of determining the impact, if any, of this standard.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The Group is in the process of determining the impact, if any, of this standard.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The standard is not likely to have an impact on Group's consolidated financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The standard is not likely to have an impact on Group's consolidated financial statements.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The amendments are not likely to have an impact on Group's consolidated financial statements. The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for changes as identified in note 3.8.1 and 3.8.3.

3.1 Property, plant and equipment

Owned

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment loss, if any, except for land (free hold and lease hold) which is carried at revalued amount and capital work in progress and advance for capital expenditure which are carried at cost less impairment loss, if any. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs.

Surplus arising out of revaluation of fixed assets is treated in accordance with the requirements of Section 235 of the Companies Ordinance, 1984.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day to day servicing of property, plant and equipment is recognised in consolidated profit and loss account as incurred.

Depreciation is recognised in consolidated profit and loss account on diminishing balance method over the estimated useful lives of each part of an item of property, plant and equipment at rates given in note 13 to these consolidated financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is acquired or capitalized while no depreciation is charged for the month in which property, plant and equipment is disposed off / derecognized.

Gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised in consolidated profit and loss account.

Capital work in progress and advance for capital expenditure are stated at cost less accumulated impairment losses, if any, and are transferred to the respective item of property, plant and equipment when available for intended use.

Leased

- Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Assets acquired by way of finance lease are stated at amounts equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Outstanding obligations under the lease less finance charges allocated to the future periods are shown as liability. Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Group.

- Ijarah

Rentals payable under Ijarah arrangement are charged to consolidated profit and loss account on a straight line basis over the term of the Ijarah lease arrangement.

3.2 **Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in consolidated profit and loss account.

3.3 **Stores, spare parts and loose tools**

Stores, spare parts and loose tools are valued at weighted average cost except for items in transit which are stated at cost incurred up to the balance sheet date less impairment, if any. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Group reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence

3.4 **Stock in trade**

Stock of food and beverages

These are stated at the lower of cost and net realisable value. Cost comprises of cost of purchases and other costs incurred in bringing the items to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses. The cost of stock of food and beverages is determined on a moving average basis.

Goods in transit

These are stated at cost, accumulated to the balance sheet date, less impairment losses, if any.

3.5 **Financial instruments**

Non-derivative financial assets

These are initially recognized on the date that they are originated i.e. on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. Investments are recognised on settlement date.

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or when the Group transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group classifies non-derivative financial assets into the following categories: held to maturity, financial assets at fair value through profit or loss - held for trading, available for sale investments and loans and receivables.

3.5.1 **Investments at fair value through profit or loss - held for trading**

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classified as held for trading and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in the consolidated profit and loss account. The Group recognizes the regular way purchase or sale of investments using settlement date accounting.

3.5.2 **Held to maturity investments**

Investments with fixed or determinable payments and fixed maturity and where the Group has positive intent and ability to hold investments to maturity are classified as investments held to maturity. These are initially recognized at cost being fair value of consideration given inclusive of transaction costs and are subsequently carried at amortized cost using the effective interest rate method, less any impairment losses.

3.5.3 **Loans and receivables**

Loans and receivables include deposits, trade debts, advances, other receivables, other financial assets and cash and cash equivalents.

These are initially recognized at cost being fair value of consideration given inclusive of transaction costs and are subsequently carried at amortized cost using the effective interest rate method, less any impairment losses. Gain or loss is also recognized in consolidated profit and loss account when loans and receivables are derecognized or impaired, and through the amortization process. Known impaired receivables are written off, while receivables considered doubtful of recovery are fully provided for.

3.5.4 **Available for sale**

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available for sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to consolidated profit and loss account. Available for sale financial assets comprise equity securities and debt securities.

Non-derivative financial liabilities

The Group initially recognises non-derivative financial liabilities on the date that they are originated or the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Non derivative financial liabilities comprise markup bearing borrowings including long term financing, obligations under finance lease, short term borrowings and trade and other payables.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.6 **Borrowing costs**

Borrowings which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs. All other borrowing costs are charged to consolidated profit and loss account.

3.7 **Provisions**

Provisions are recognized in the consolidated balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre tax rate that reflects current market assessment of the time value of the money and the risk specific to the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.8 **Employee benefits**

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Group and measured on an undiscounted basis. The accounting policy for staff retirement benefits is described below;

3.8.1 **Gratuity (retirement benefit)**

The Parent Company operates a defined benefit plan comprising an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to consolidated profit and loss. Actuarial valuations are carried out using the Projected Unit Credit Method.

IAS 19 (as revised in June 2011) “Employees Benefits” became effective during the year. The amendments to IAS 19 change accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the recognition of changes in defined benefit obligation and fair value of plan assets when they occur, and hence eliminate ‘corridor approach’ permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a ‘net-interest’ amount under IAS 19 (as revised in June 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19 (as revised in June 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

The Parent Company has applied IAS 19 (as revised in June 2011) retrospectively in accordance with requirements of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. This change has resulted in decrease in the balance of deferred liabilities - staff retirement benefit (gratuity) and increase in deferred tax liability by amounts mentioned below with corresponding effect on equity.

Effect due to change in accounting policy is given below:

	30 June 2013	01 July 2012
	(Rupees"000)	
Present value of defined benefit obligation - as previously reported	291,048	267,918
Effect of change in accounting policy	(9,711)	(9,711)
Present value of defined benefit obligation - as restated	281,337	258,207
Deferred tax liability - as previously reported	2,506	215,106
Effect of change in accounting policy	3,399	3,399
Deferred tax liability - as restated	5,905	218,505
Net effect of change in accounting policy on equity recognized in unappropriated profit	6,312	6,312

This change has also resulted in recognition of experience adjustments on defined benefit obligation amounting to Rs. 33.972 million, net of tax in other comprehensive income for the year ended 30 June 2014.

As the effect of this change was not considered material therefore third balance sheet was not presented.

3.8.2 **Provident fund (retirement benefit)**

The Parent Company also operates a defined contribution provident fund scheme for permanent employees. Contributions to the fund are made monthly by the Parent Company and employees at an agreed rate of salary. The fund is managed by its trustees. The contributions of the Parent Company are charged to consolidated profit and loss account currently.

3.8.3 **Compensated leave absences**

The Parent Company provides for compensated absences on the unavailed balance of leaves of all its permanent employees in the period in which leave is earned. The provision is determined using the projected unit credit method.

Up to the last year, the Parent Company was recognizing provision for compensated absences on the basis of accumulated leaves at reporting date and last drawn salary. During the year, the Parent Company has changed its accounting policy in respect of compensated absences and now provision for compensated absences is being recognized using project unit credit method in accordance with the requirements of International Accounting Standard 19 "Employee Benefits". As the impact of this change in accounting policy on the opening balance of earliest period presented is not significant in overall context of the consolidated financial statements, the impact of Rs. 0.47 million due to change in accounting policy has been accounted for in current year's consolidated profit and loss account and comparative figures have not been restated.

3.9 **Taxation**

Current

The charge for current taxation is based on taxable income at current rates of taxation, after taking into consideration available tax credits, rebates and tax losses, if any, adjusted for prior year effects.

Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, based on the tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax liabilities are recognized for all major 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, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and these relate to income taxes levied by the same tax authority.

3.10 **Revenue recognition**

Room revenue is recognized as income on performance of services to the guests. Food and beverage sales are recognized on utilization of food and beverages services. Communication towers and other rental income and shop license fee is recognized in consolidated profit and loss account on a straight-line basis over the term of the lease. Revenue from minor operating departments is recognized as and when services are provided to the customers. Privilege Club Card fee is recognised in the consolidated profit and loss account on a straight line basis over the term of the related card. Vehicle rental income, income from tour packages and commission on pilgrimage tours is recognized on the performance of services.

3.11 **Foreign currency**

Foreign currency transactions

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupees at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are included in consolidated profit and loss for the year.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Pakistan Rupees at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Pakistan Rupees at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the exchange translation reserve in equity. When a foreign operation is disposed off in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to consolidated profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to consolidated profit or loss.

3.12 **Finance income**

Finance income comprises interest income on funds invested, dividend income, exchange gain and changes in the fair value of financial assets at fair value through profit or loss. Income on bank deposits and advances is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Income on investments is recognized on time proportion basis taking into account the effective yield of such securities. Dividend income on equity investments is recognized when the right to receive the payment is established. Foreign currency gains and losses are reported on a net basis.

3.13 **Segment reporting**

Each of the Group's hotel qualifies as a separate segment in accordance with IFRS 8 Operating Segments, however, these have not been presented as separate segments and have been aggregated in the consolidated financial statements as they have similar economic characteristics, products, services and type of customers.

3.14 **Dividend**

Dividend is recognized as a liability in the period in which it is declared.

3.15 **Impairment**

(i) Non-derivative financial assets

All financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers and economic conditions that correlate with defaults or the disappearance of an active market for a security.

The Group considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in as allowance against financial asset measured at amortized cost. Interest on the impaired asset is recognized only to the extent it is considered recoverable. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in consolidated profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.16 **Non current assets held for sale**

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter the assets, are measured at the lower of their carrying amount and fair value less costs to sell.

3.17 **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances, term deposit receipts maturing within three months of the balance sheet date, other short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value and running finance under markup arrangements.

4 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2014	2013		2014	2013
Number of shares			(Rupees'000)	
		Ordinary shares of Rs.10 each :		
25,672,620	25,672,620	- Fully paid in cash	**256,726**	256,726
362,100	362,100	- For consideration other than cash against property	**3,621**	3,621
6,489,450	6,489,450	- Fully paid bonus shares	**64,895**	64,895
32,524,170	32,524,170		**325,242**	325,242

As of the reporting date 2,407,636 (2013: 6,282,716) and 1,797,813 (2013: 1,798,313) ordinary shares of Rs. 10 each were held respectively by associated companies and directors of the Parent Company.

5 RESERVES

		Note	2014	2013
			(Rupees'000)	
Capital reserve	- Share premium	5.1	**269,424**	269,424
	- Share of associate's capital reserve		**147,221**	147,221
Revenue	- General reserve		**1,600,000**	1,600,000
	- Exchange translation reserve		**457,794**	463,027
	- Surplus on remeasurement of available for sale securities		**143,065**	94,413
			2,617,504	2,574,085

5.1 Capital reserve represents share premium received in the years 1992, 1994 and 1996 on issue of 21,724,720 right shares at a premium of Rs. 15 each adjusted by Rs. 56.45 million issued as bonus shares in the years 2000 and 2004.

6 LONG TERM FINANCING - secured

	Note	2014	2013
		(Rupees'000)	
Term finance loans	6.1	**350,000**	583,333
Syndicated term loan	6.2	**250,000**	-
Transaction cost		**(19,000)**	-
		231,000	-
Current portion of long term financing	11	**(233,333)**	(233,333)
		347,667	350,000

6.1 This represents term finance loans carrying markup ranging from 3-month KIBOR plus 1.95% per annum to 2.50% per annum (2013: 3-month KIBOR plus 2.50% per annum to 2.75% per annum). These are secured against first pari passu equitable mortgage charge on land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 1,295 million (2013: Rs. 1,000 million), joint security against running finance, refer note 10.1; first pari passu equitable mortgage charge on land and building of Pearl Continental Hotel, Karachi for an amount of Rs. 428.57 million; ranking hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi to the extent of Rs. 734 million (2013: Rs. 734 million); hypothecation charge over plant, machinery, equipment and other movable properties of Pearl Continental Hotel, Karachi to the extent of Rs. 428.57 million and personal guarantees of directors of the Parent Company. The loans are repayable in twelve equal quarterly installments of Rs. 41.667 million each commenced from September 2012 and eighteen equal quarterly installments of Rs. 16.667 million each commenced from October 2012.

6.2 During the year, the Parent Company availed syndicated term finance facility of Rs. 250 million out of total syndicated limit of Rs. 1,800 million carrying markup of 6-month KIBOR plus 1.95% per annum payable semi-annually. This facility is secured against first pari passu equitable mortgage charge over Pearl Continental Hotel, Karachi with 25% margin over facility amount and first pari passu hypothecation charge over all present and future movable and immovable fixed assets of Pearl Continental Hotel, Karachi with 25% margin over facility amount. The loan is repayable in eight equal semi-annual installments commencing July 2016.

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - secured

	Note	Present value of minimum lease payments	Financial charges for future periods	Total lease rentals
		2014 - (Rupees'000)		
Not later than one year	11	**16,330**	**3,611**	**19,941**
Later than one year and not later than five years		**20,949**	**1,716**	**22,665**
		37,279	**5,327**	**42,606**
		2013 - (Rupees'000)		
Not later than one year	11	9,748	2,617	12,365
Later than one year and not later than five years		16,651	5,530	22,181
		26,399	8,147	34,546

7.1 This represents utilised amount out of total lease finance facilities of Rs. 100 million (2013: Rs. 100 million) availed by the Parent Company and a subsidiary for purchase of vehicles. These carries markup ranging from 3-month KIBOR plus 2.50% per annum to 6- month KIBOR plus 1.45% per annum (2013: 3-month KIBOR plus 2.50% per annum). These facilities are secured against pari passu mortgage charge over land, building and fixed assets of Pearl Continental Hotel, Karachi for an amount of Rs. 71.43 million; hypothecation charge over plant, machinery, equipment and other movable properties of Pearl Continental Hotel, Karachi for an amount of Rs. 71.43 million, personal guarantee of a director of the Parent Company, ownership of leased vehicles and guarantee of Rs. 50 million (2013: Rs. 50 million) by the Parent Company.

	Note	2014	2013 Restated
		(Rupees'000)	

8 DEFERRED LIABILITIES

	Note	2014	2013 Restated
Staff retirement benefit - gratuity	8.1	**358,802**	281,337
Deferred tax	8.2	**130,378**	5,905
Compensated leave absences	8.3	**86,699**	85,891
		575,879	373,133

8.1 Movement in the liability recognised in the balance sheet

	Note	2014	2013 Restated
Opening balance - as previously reported		-	267,918
Effect of change in accounting policy	3.8.1	-	(9,711)
Opening balance (2013 restated)		**281,337**	258,207
Charge for the year		**52,222**	50,569
Payments made during the year		**(27,022)**	(27,439)
Experience adjustments on defined benefit obligation		**52,265**	-
Closing balance		**358,802**	281,337

Reconciliation of liability recognised in the balance sheet

	2014	2013 Restated
Present value of defined benefit obligation	**358,802**	281,337

Charge to profit and loss account for the year

	2014	2013 Restated
Current service cost	**17,404**	17,002
Interest cost	**34,818**	33,567
	52,222	50,569

The latest actuarial valuation was carried out on 30 June 2014 using projected unit credit method.

Actuarial assumption	**2014**	2013
Discount rate	**13.25%**	13%
Expected increase in eligible salary	**13.25%**	13%
Mortality rate	**SLIC 2001-2005 Setback 1 year**	EFU (61-66)

For a change of 100 basis points, present value of defined benefit obligation as at 30 June 2014 would have been as follows:

	Increase	Decrease
	(Rupees'000)	
Discount rate	**336,493**	**383,959**
Salary increase rate	**383,959**	**335,913**

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Historical information	**2014**	2013	2012	2011	2010
			(Rupees'000)		
Present value of defined benefit obligation	358,802	281,337	258,207	235,678	214,440
Experience adjustment on defined benefit obligation	(52,265)	-	2,422	523	(3,801)

		2014	**2013 Restated**
		(Rupees'000)	
8.2	**Deferred tax liability - net**		
	Taxable temporary differences		
	Accelerated tax depreciation	**415,361**	305,373
	Exchange translation reserve	**157,828**	153,319
		573,189	458,692
	Less: deductible temporary differences		
	Provision for staff retirement benefit	**125,581**	124,760
	Provision for bad and doubtful debts and other receivables	**56,736**	49,233
	Unabsorbed tax losses and depreciation	**3,375**	1,816
	Impairment loss in value of investment	**1,855**	1,802
	Provision for stores, spare parts and loose tools	**802**	1,020
	Share in loss of equity accounted investments	**100,444**	118,420
	Write down of investment to its net selling price (non-current assets held for sale)	**154,018**	155,736
		442,811	452,787
		130,378	5,905
8.2.1	Charge for the year is recognized as follows:		
	- Recognised in consolidated profit and loss account	**147,275**	(227,058)
	- Recognised in consolidated statement of comprehensive income	**(22,802)**	-
		124,473	(227,058)
8.3	**Movement in the liability recognised in the balance sheet**		
	Opening balance	**85,891**	73,215
	Charge for the year	**26,841**	37,376
	Payments made during the year	**(26,033)**	(24,700)
	Closing balance	**86,699**	85,891

Actuarial assumption

	2014	**2013**
Discount rate	**13.25%**	-
Expected increase in eligible salary	**13.25%**	-
Mortality rate	**SLIC 2001-2005**	-
	Setback 1 year	-

		Note	2014	2013
			(Rupees'000)	
9	**TRADE AND OTHER PAYABLES**			
	Creditors		**615,413**	271,020
	Accrued liabilities		**477,037**	460,522
	Advances from customers		**284,842**	189,219
	Unclaimed dividend		**3,534**	3,534
	Retention money		**54,413**	37,704
	Shop deposits		**53,655**	51,016
	Due to related parties - unsecured		**54,341**	69,281
	Federal excise duty		**5,685**	5,685
	Sales tax - net		**109,814**	140,606
	Bed tax		**60,710**	81,518
	Income tax deducted at source		**11,324**	5,546
	Un-earned income		**125,045**	116,733
	Other liabilities		**38,422**	25,560
			1,894,235	1,457,944
10	**SHORT TERM BORROWINGS - secured**			
	Running finance from banking companies	10.1	-	75,395

10.1 The Parent Company has facilities amounting to Rs. 1,400 million (2013: 1,050 million) which are secured against pari-passu equitable mortgage charge on fixed assets and hypothecation charge on stock-in-trade, trade debts, receivables and all other moveable properties of Pearl Continental Hotel Karachi and Rawalpindi and lien on certain listed securities held by the Parent Company, refer note 6.1. Mark-up rates range from 1-month KIBOR to 6-month KIBOR plus 1.5% to 2.5% per annum (2013: 1-month KIBOR to 6-month KIBOR plus 1.5% to 2.0% per annum).

		Note	2014	2013
			(Rupees'000)	
11	**CURRENT PORTION OF LONG TERM FINANCING AND LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**			
	Current portion of long term financing	6	**233,333**	233,333
	Current portion of liabilities against assets subject to finance lease	7	**16,330**	9,748
			249,663	243,081

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies - Parent Company

12.1.1 The income tax assessments of the Parent Company have been finalized and returns have been filed up to and including the tax year 2013. However for the assessment year 1999-2000, an appeal is pending with the Appellate Tribunal, Inland Revenue. In case of adverse decision of the appeal, the tax liability of Rs. 73.165 million (2013: Rs. 73.165 million) may arise against the Parent Company for which no provision has been recognised by the Parent Company in the books. These comprise of disallowances of certain expenses and arbitrary additions to the income of the Parent Company. Based on appellate history and merits, the Parent Company is confident of a favorable outcome of the appeal. Therefore, the Parent Company considers that provision against this tax liability is not required.

		2014	2013
		(Rupees'000)	
12.1.2	**Guarantees (secured, refer Note 6.1)**	**182,525**	178,737
12.2	**Commitments**		
	Commitments for capital expenditure	**978,665**	65,757

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13 PROPERTY, PLANT AND EQUIPMENT

	Owned assets									Leased assets	
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Furniture, fixture, fittings and office equipment	Computers	Vehicles	Capital work in progress (Note 13.1)	Vehicles	Total
	Rupees'000										
Cost / revalued amounts											
Balance at 01 July 2012	10,320,814	10,025,120	755,918	1,393,819	2,447,609	856,497	159,142	239,808	155,456	77,270	26,431,453
"Additions during the year / transfer from advance for capital expenditure"	216,866	-	66,787	-	92,818	196,970	12,477	12,259	168,830	2,210	769,217
Disposals	-	-	-	-	(1,324)	(38)	(111)	(35,742)	-	-	(37,215)
Transfer from CWIP	-	-	-	44,377	41,275	53,566	4,511	-	(143,729)	-	-
Transfer from leased assets to owned assets	-	-	-	-	-	-	-	40,620	-	(40,620)	-
Balance at 30 June 2013	10,537,680	10,025,120	822,705	1,438,196	2,580,378	1,106,995	176,019	256,945	180,557	38,860	27,163,455
Balance at 1st July 2013	**10,537,680**	**10,025,120**	**822,705**	**1,438,196**	**2,580,378**	**1,106,995**	**176,019**	**256,945**	**180,557**	**38,860**	**27,163,455**
Additions during the year / transfer from advance for capital expenditure	-	-	**13,328**	**3,957**	**154,210**	**112,939**	**12,929**	**54,261**	**1,205,720**	**25,253**	**1,582,597**
Disposals	**(180,145)**	-	**(43,767)**	-	-	**(744)**	**(105)**	**(37,147)**	-	-	**(261,908)**
Transfer from CWIP			**560,694**	**25,295**	**48,307**	**97,041**	**11,176**		**(742,513)**	-	-
Transfer from leased assets to owned assets	-	-	-	-	-	-	-	**5,100**	-	**(5,100)**	-
Transfer to non current assets held for sale	**(3,815)**	-	**(5,652)**	-	-	-	-	-	-	-	**(9,467)**
Balance at 30 June 2014	**10,353,720**	**10,025,120**	**1,347,308**	**1,467,448**	**2,782,895**	**1,316,231**	**200,019**	**279,159**	**643,764**	**59,013**	**28,474,677**
Depreciation											
Balance at 01 July 2012	-	-	466,779	450,117	1,755,816	475,369	105,874	143,954	-	17,187	3,415,096
Charge for the year	-	-	69,325	53,703	102,199	60,301	16,046	17,386	-	5,810	324,770
On disposals	-	-	-	-	(379)	(14)	(49)	(25,305)	-	-	(25,747)
Adjustment	-	-	-	-	-	-	-	16,002	-	(16,002)	-
Balance at 30 June 2013	-	-	536,104	503,820	1,857,636	535,656	121,871	152,037	-	6,995	3,714,119
Charge for the year	-	-	**36,630**	**85,816**	**115,351**	**90,125**	**17,441**	**19,544**	-	**7,060**	**371,967**
On disposals	-	-	**(31,163)**	-	-	**(131)**	**(79)**	**(26,909)**	-	-	**(58,282)**
Transfer from leased assets to owned assets	-	-	-	-	-	-	-	**1,953**	-	**(1,953)**	-
Transfer to non current asset held for sale	-	-	**(1,182)**	-	-	-	-	-	-	-	**(1,182)**
Balance at 30 June 2014	-	-	**540,389**	**589,636**	**1,972,987**	**625,650**	**139,233**	**146,625**	-	**12,102**	**4,026,622**
Carrying value - 2014	**10,353,720**	**10,025,120**	**806,919**	**877,812**	**809,908**	**690,581**	**60,786**	**132,534**	**643,764**	**46,911**	**24,448,055**
Carrying value - 2013	10,537,680	10,025,120	286,601	934,376	722,742	571,339	54,148	104,908	180,557	31,865	23,449,336
Rates of depreciation per annum	-	-	10%	10%	15%	15%	30%	15%	-	15%	

13.1 This represents civil works carried out at various hotel properties. This also includes borrowing cost of Rs. 13.226 million (2013: Nil) capitalised during the year @ 12.09% per annum.

13.2 **Surplus on revaluation of property, plant and equipment**

Freehold and leasehold land were revalued on 30 June 2010 by M/s. Engineering Pakistan International (Private) Limited and M/s. Iqbal A. Nanjee & Company (Private) Limited, an independent valuer, based on market value basis method.

Had the aforementioned revaluation not carried out, the book values of freehold and leasehold land would have been Rs. 525.28 million (2013: Rs. 574.075 million).

13.3 Depreciation charge for the year has been allocated as follows:

	Note	2014	2013
		(Rupees'000)	
Cost of sales and services	27	**335,799**	296,905
Administrative expenses	28	**36,168**	27,865
		371,967	324,770

13.4 Detail of disposal of property, plant and equipment:

Description	Cost / revalued amount	Carrying value	Sale proceeds	Mode of disposal	Purchaser
	----------------(Rupees'000)	----------------	----------------		
Vehicle	1,568	712	712	Negotiation	Mr. Bashir Ahmed ***
Vehicle	1,521	589	1,150	Auction	Mr. Muhammad Asif
Vehicle	1,003	273	859	Auction	Mr. Muhammad Rafique ***
Vehicle	555	178	460	Auction	S.M. Raza Kazi
Vehicle	404	123	391	Auction	Mr. Muhammad Amir Abbasi
Vehicle	879	227	852	Auction	Mr. Misbah Uddin
Vehicle	600	218	540	Auction	Mr. Sajid Anis **
Vehicle	1,322	270	950	Auction	Mr. Ejaz Nabi
Vehicle	627	246	610	Auction	M/s Kash Distributers (Pvt.) Ltd
Vehicle	965	158	425	Auction	Mr. Muhammad Aslam
Vehicle	865	141	345	Auction	Mr. Muhammad Aslam
Vehicle	886	226	610	Auction	Mr. Muhammad Aslam
Vehicle	1,238	372	593	Auction	Mr. Muhammad Aslam
Vehicle	854	315	625	Auction	Mr. Muhammad Aslam
Vehicle	585	234	560	Auction	Mr Saeed Ahmed Makhdoom
Vehicle	878	332	839	Auction	Mr. Shafiq-Ur-Rehman
Land	180,145	180,145*			
Building including fixture"	44,363	13,164	58,150	Negotiation	Mr. Sadruddin Hashwani ****
Vehicle	550	98	205	Auction	Mr. Osama Aslam
Vehicle	399	89	195	Auction	Mr. Muhammad Abbas Ali
Vehicle	469	96	340	Auction	Mr. Muhammad Aslam
Vehicle	886	226	575	Auction	Mr. Muhammad Aslam
Vehicle	846	254	675	Auction	Mr. Muhammad Aslam
Vehicle	886	226	630	Auction	Mr. Muhammad Aslam
Vehicle	846	254	755	Auction	Mr. Muhammad Aslam
Vehicle	1,287	313	805	Auction	Mr. Babar Iqbal Danawala
Vehicle	886	215	760	Auction	Mr. Abdul Ghafoor
Vehicle	404	123	362	Auction	Mr. Irfan Ishfaq
Vehicle	404	123	362	Auction	Mr. Irfan Ishfaq
Vehicle	404	123	377	Auction	Mr. Irfan Ishfaq
Vehicle	795	177	555	Auction	Mr. Muhammad Hamid Hafeez
Vehicle	846	264	824	Auction	Mr. Shafiq-Ur-Rehman
Vehicle	466	141	374	Auction	Sajawal Khan
Vehicle	953	295	723	Auction	Sajawal Khan
Vehicle	999	207	773	Auction	Sajawal Khan
Vehicle	999	207	773	Auction	Sajawal Khan
Vehicle	722	254	800	Auction	Ali Ahmed Jan
Vehicle	1,658	335	1,285	Auction	Kash Distributors (Pvt) Ltd
Vehicle	961	191	875	Auction	Mian Khalid
Vehicle	961	191	819	Auction	Abrar Hussain
Vehicle	201	191	300	Auction	Raja Noman
Vehicle	1,522	540	1,350	Auction	M/s PICIC Insurance Limited
Vehicle	1,080	390	825	Auction	M/s PICIC Insurance Limited
Aggregate of other items with individual book values not exceeding Rs. 50 thousand	2,220	180	1,477		
2014	**261,908**	**203,626**	**86,465**		
2013	37,215	11,468	29,837		

**** Director and Chairman of the Parent Company
*** Director of the Parent Company
** Executive of the Parent Company
* This represents carrying value of revalued amount

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	Note	2014	2013
		(Rupees'000)	

14 ADVANCE FOR CAPITAL EXPENDITURE

	Note	2014	2013
Purchase of land	14.1	**666,820**	626,820
Purchase of apartment	14.2	**40,509**	40,509
Malir Delta Land	14.3	**381,656**	379,156
Advance for purchase of fixed assets		**96,495**	53,160
		1,185,480	1,099,645

14.1 This includes amount of Rs. 626.820 million (2013: 626.820 million) paid to M/s Associated Builders (Private) Limited, a related party, for purchase of tourist site land measuring 7.29 acres in Gwadar. Development work on land is in progress and therefore land will be handed over to the Parent Company upon completion of such work.

14.2 This represents amount paid to M/s Creek Marina (Private) Limited ("the developer") for purchase of an apartment. The developer failed to complete the construction within time frame stipulated in the agreement. The Parent Company, in order to safeguard its interest has filed a case for recovery of its investment.

14.3 This represents amount paid for purchase of 113.34 acres of land and fee for regularization of land as per the value assessed by the Land Regularization Committee established by the Government of Sindh under the Sindh Ordinance, 2001. Last year, the Honourable High Court of Sindh at Karachi dismissed the Constitution Petition filed by the Parent Company challenging the impugned order of the Accountability Court Karachi declaring that any transfer of title or creation of any third party interest in the said land was declared void. The Parent Company being aggrieved and dissatisfied with this impugned judgment for dismissal of its Constitution Petition has filed an Appeal (CPLA) in the Honourable Supreme Court of Pakistan which is pending. Though the management is hopeful for favourable outcome of this matter, in the eventuality of an adverse outcome, the management, on the basis of legal opinion, believes that the Parent Company will seek recovery of purchase consideration and land regularization fee paid to the seller and Land Regularization Department respectively.

	2014	2013
	(Rupees'000)	

15 INVESTMENT PROPERTY

	2014	2013
Opening balance	**47,000**	47,000
Loss on remeasurement of investment property to fair value	**(2,000)**	-
	45,000	47,000

15.1 On 30 June 2014, an exercise was carried out by the independent valuer to calculate the fair value of investment property. To assess the land prices, market research was carried out in the area around the plot where the investment property is situated.

	% of holding	Note	2014	2013
			(Rupees'000)	
16 LONG TERM INVESTMENTS				
Associated undertaking - unquoted				
Hashoo Group Limited - British Virgin Island			-	1,055,249
98,000 (2013: 98,000) ordinary shares of US$ 100 each	14%			
Less: Transferred to non current assets held for sale		23	-	(1,055,249)
Hotel One (Private) Limited	17.85%			
500,000 (2013: 500,000) ordinary shares of Rs. 100 each			-	27,617
			-	27,617
Associated undertaking - quoted				
Jubilee General Insurance Company Limited - an associated company	7.6%	16.1.1, 16.1.2 & 16.1.3		
11,902,500 (2013: 10,350,000) ordinary shares			**1,041,469**	621,000
			1,041,469	648,617
Investment in jointly controlled entity				
Pearl Continental Hotels Limited - UAE	50%			
95 (2013: 95) ordinary shares of US$ 50,000 each		16.2	**204,428**	211,134
Other investments				
Available for sale - unquoted company				
Malam Jabba Resorts Limited			**1,000**	1,000
Impairment loss			**(1,000)**	(1,000)
			-	-
			1,245,897	859,751
16.1 Investment in associated undertaking				
Cost of investment			**947,679**	1,534,083
Less: transfer to non current assets held for sale		23	-	(586,404)
			947,679	947,679
Share of equity brought forward			**323,696**	692,299
Share of profit for the year - net			**93,155**	58,694
Share of surplus on remeasurement of available for sale securities for the year			**48,652**	14,364
Share of exchange translation reserve for the year			-	54,184
Share of experience adjustments on defined benefit obligation of associate			**(183)**	-
Dividend received			**(31,050)**	(27,000)
Less: transfer to non current assets held for sale		23	-	(468,845)
			110,574	(368,603)
			434,270	323,696
Impairment losses				
Openining balance			**(622,758)**	(702,990)
Loss recognised during the year		16.1.4	**(22,030)**	-
Loss reversed during the year		16.1.3	**304,308**	80,232
			(340,480)	(622,758)
Balance as at 30 June			**1,041,469**	1,235,021

Summarised financial information of associates is as follows:

	Non Current assets	Non Current liabilities	Current assets	Current liabilities	Revenues	Expenses	Profit
				(Rupees'000)			
2014	**8,169,170**	**(6,888,269)**	**7,257,597**	**(3,532,583)**	**5,145,670**	**(4,079,299)**	**1,066,371**
2013	6,343,632	(5,147,945)	6,025,174	(2,855,504)	4,552,885	(3,674,978)	877,908

The reporting date of M/s Jubilee General Insurance Company Limited is 31 December while reporting date of M/s Hotel One (Private) Limited is 30 June. For the purpose of applying equity method of accounting, assets, liabilities and profit and loss account are based on the audited financial statements of the period ended 30 June 2014.

16.1.1 Increase in number of shares represents bonus shares received during the year.

16.1.2 Out of total shares, 3,000,000 (2013: 5,000,000) ordinary shares are placed / lien marked as security against running finance facility amounting to Rs. 100 million availed by the Parent Company (refer note - 10.1).

16.1.3 This represents impairment loss on investment in Jubilee General Insurance Company Limited ("JGI") reversed during the year on the basis of management's assessment of recoverable amount. Management estimate for recoverable amount is based on fair market value of the equity securities of investee company quoted on the stock exchange where investee company is listed. Market value per share of JGI as at 30 June 2014 was Rs. 87.5 (2013: Rs. 60).

16.1.4 This represents impairment loss recognised on the investment in Hotel One (Private) Limited, based on the management's assessment of the recoverable amount.

	2014	2013
	(Rupees'000)	
16.2 Investment in jointly controlled entity		
Cost of investment	**284,052**	284,052
Post acquisition loss brought forward	**(72,918)**	44,904
Share of loss for the year	**(1,473)**	(131,739)
Share of exchange translation reserve for the year	**(5,233)**	13,917
	(6,706)	(117,822)
	(79,624)	(72,918)
Balance as at 30 June	**204,428**	211,134

Summarised financial information of jointly controlled entity is as follows:

	Non Current assets	Non Current liabilities	Current assets	Current liabilities	Revenues	Expenses	Loss
				(Rupees'000)			
2014	-	-	**430,199**	**(14,553)**	-	**(1,477)**	**(1,477)**
2013	-	-	430,520	(11,744)	-	(263,479)	(263,479)

The reporting date of Pearl Continental Hotels Limited - UAE is 31 December. For the purpose of applying equity method of accounting, assets, liabilities and profit and loss account are based on the audited financial statements of the period ended 30 June 2014.

		Note	2014	2013
			(Rupees'000)	
17	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		**102,691**	101,191
	Spare parts and loose tools		**45,218**	31,578
			147,909	132,769
	Provision for obsolescence		**(2,290)**	(2,999)
			145,619	129,770
18	**TRADE DEBTS**			
	Considered good			
	Due from related parties - unsecured	18.1	**19,644**	11,952
	Others		**590,534**	558,818
			610,178	570,770
	Considered doubtful		**157,395**	140,315
			767,573	711,085
	Provision against doubtful debts		**(157,395)**	(140,315)
			610,178	570,770
18.1	**Due from related parties - unsecured**			
	Hashwani Hotels Limited		**7,237**	2,219
	Hashoo Foundation		**487**	249
	Hotel One (Private) Limited		**3,789**	4,947
	Hashoo Holdings (Private) Limited		**3**	-
	Jubilee General Insurance Company Limited		**196**	2
	Ocean Pakistan Limited		**1,065**	1,121
	OPI Gas (Private) Limited		**1**	14
	Pearl Communications (Private) Limited		**128**	128
	Pearl Real Estate Holdings (Private) Limited		**31**	-
	Trans Air Travels (Private) Limited		**1,375**	869
	Tejari Pakistan (Private) Limited		**148**	328
	Zahdan Technologies (Private) Limited		**1,897**	2,036
	Zahdan Retail (Private) Limited		**3,276**	-
	Zaver Petroleum Corporation Limited		**4**	32
	HOAP Foundation		**7**	7
			19,644	11,952
18.2	**Age analysis of due to related parties is as follows:**			
	Past due by 30 days		**3,088**	1,128
	Past due by 31 to 90 days		**4,024**	2,954
	Past due over 90 days		**7,902**	4,324
	Past due over 01 year		**4,630**	3,546
			19,644	11,952

		2014	2013
19 ADVANCES, Considered good	**Note**	**(Rupees'000)**	
Advances to:			
Employees		**5,607**	5,046
Suppliers and contractors		**71,821**	85,227
Related party - secured	19.1	**500,000**	500,000
		577,428	590,273

19.1 This represents short term advance of Rs. 500 million (2013: Rs. 500 million) extended to a related party M/s Hashwani Hotels Limited, carrying markup rate of 1-year KIBOR plus 3% per annum (2013: 1-year KIBOR plus 3% per annum) and secured against ranking charge on Karachi Marriott Hotel.

		2014	2013
	Note	**(Rupees'000)**	
20 TRADE DEPOSITS AND PREPAYMENTS			
Trade deposits		**18,143**	16,227
Prepayments		**43,129**	61,743
		61,272	77,970
21 OTHER RECEIVABLES			
Other receivables - considered good		**28,272**	28,794
- considered doubtful		**4,713**	4,488
		32,985	33,282
Provision for doubtful receivables		**(4,713)**	(4,488)
		28,272	28,794
22 OTHER FINANCIAL ASSETS			
Loans and receivables			
Letter of placements / Certificate of investments / Treasury bills		**25,406**	27,165
Provision for impairment loss		**(5,300)**	(5,300)
		20,106	21,865
Held to maturity			
Certificate of Musharika purchased during the year		**5,000**	-
Available for sale - unquoted			
National Technology Development Corporation (Private) Limited		**200**	200
Indus Valley Solvent Oil Extraction Limited		**500**	500
Impairment loss		**(700)**	(700)
		-	-
Financial assets at fair value through profit or loss - held for trading			
Short term investments in shares of listed companies	22.1	**262,486**	10,787
		287,592	32,652

22.1 Short term investments in shares of listed companies / mutual funds

	No. of ordinary shares of Rs. 10 each 2014	2013	2014 (Rupees'000)	2013
Pakistan Telecommunication Company Limited	**350,000**	350,000	**8,915**	7,767
Lotte Chemical Pakistan Limited	**150,000**	150,000	**1,079**	1,143
Fauji Fertilizer Bin Qasim Limited	**50,000**	50,000	**1,989**	1,877
	No. of mutual funds units			
	2014	2013		
	1,114,929	-	**112,418**	-
Faysal Money Market Fund	**560,673**	-	**56,273**	-
UBL Liquidity Plus Fund	**8,137,466**	-	**81,812**	-
NAFA Government Security Liquid Fund			**262,486**	10,787

	Note	2014 (Rupees'000)	2013
23 NON CURRENT ASSETS HELD FOR SALE			
Opening balance		**597,203**	55,955
Transfer from property, plant and equipment		**7,000**	-
Transfer from long term investments	16.1 & 23.1	**-**	1,055,249
Adjustment to remeasure the investment to its net selling price	30	**17,995**	(458,046)
		17,995	597,203
Held for sale assets sold during the year		**-**	(55,955)
		622,198	597,203

23.1 The Parent Company has agreed to sell 98,000 shares in Hashoo Group Limited - British Virgin Island for total consideration of US$ 5.99 million. Accordingly, these have been classified as asset held for sale as required by International Financial Reporting Standard 5 - Non-current Assets Held for Sale and Discontinued Operations. The sale is expected to be finalised within the next financial year.

	Note	2014	2013
		(Rupees'000)	

24 (PROVISION FOR TAXATION) / ADVANCE TAX - net

Opening balance		**17,726**	33,816
Income tax paid during the year		**326,325**	415,153
Charge for the year		**(354,866)**	(431,243)
Closing balance		**(10,815)**	17,726

25 CASH AND BANK BALANCES

	Note		
Cash in hand		**34,882**	66,099
Cash at bank :			
Current accounts - Local currency		**90,442**	1,291
Deposit accounts - Local currency	25.1	**56,863**	61,547
- Foreign currency	25.2	**6,717**	336
		154,022	63,174
		188,904	129,273

25.1 Deposit accounts carry interest rate ranging from 5% to 9.40% (2013: 5% to 9%) per annum.

25.2 This represents US$ 68,160 (2013: US$ 3,371) deposited with bank carrying interest rate ranging from 0.20% to 0.75% per annum (2013: 0.2% to 0.75% per annum).

	Note	2014	2013
		(Rupees'000)	

26 SALES AND SERVICES - net

	Note		
Rooms		**4,021,195**	3,463,042
Food and beverages		**4,470,183**	4,058,588
Other related services	26.1	**509,022**	538,841
Vehicle rental		**92,592**	105,582
Parking fee		**7,333**	3,534
Shop license fees		**24,258**	12,205
		9,124,583	8,181,792
Discounts and commissions		**(136,940)**	(126,376)
Sales tax		**(1,286,115)**	(1,133,395)
		7,701,528	6,922,021

26.1 This includes Privilege Club Cards fee and revenue from telephone, laundry and other ancillary services.

		Note	2014	2013
			(Rupees'000)	
27	**COST OF SALES AND SERVICES**			
	Food and beverages			
	Opening balance		**80,533**	65,589
	Purchases during the year		**1,391,069**	1,279,338
	Closing balance		**(87,021)**	(80,533)
	Consumption during the year		**1,384,581**	1,264,394
	Direct expenses			
	Salaries, wages and benefits	27.1	**1,007,000**	923,032
	Heat, light and power		**820,402**	739,515
	Repairs and maintenance		**260,075**	274,104
	Depreciation	13.3	**335,799**	296,905
	Guest supplies		**211,554**	172,147
	Linen, china and glassware		**83,159**	93,641
	Communication and other related services		**69,486**	60,073
	Banquet and decoration		**56,980**	57,189
	Transportation		**18,793**	17,015
	Uniforms		**25,419**	20,091
	Music and entertainment		**11,126**	9,248
	Insurance		**4,579**	3,917
	Vehicle operating expense		**47,684**	47,934
	Vehicle rentals and registration charges		**14,185**	16,554
	Others		**11,716**	16,853
			4,362,538	4,012,612

27.1 Salaries, wages and benefits include staff retirement benefit amounting to Rs. 48.371 million (2013: Rs. 45.533 million).

		Note	2014	2013
28	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	28.1	**831,487**	664,864
	Rent, rates and taxes		**134,204**	172,563
	Security and protective services		**193,152**	169,542
	Advertisement and sales promotion		**85,465**	79,511
	Repairs and maintenance		**33,836**	37,629
	Heat, light and power		**96,471**	86,999
	Travelling and conveyance		**72,815**	97,644
	Depreciation	13.3	**36,168**	27,865
	Communications		**24,105**	27,036
	Printing and stationery		**37,785**	34,089
	Legal and professional charges		**59,958**	66,398
	Insurance		**91,011**	44,437
	Entertainment		**7,764**	6,837
	Subscriptions		**17,678**	14,998
	Laundry and dry cleaning		**7,781**	6,629
	Uniforms		**6,008**	5,400
	Auditors' remuneration	28.2	**2,585**	2,133
	Provision against doubtful trade debts and other receivable		**17,305**	34,283
	Donations	28.3	**165,828**	225,000
	Vehicle rentals and registration charges	28.4	**30,688**	23,600
	Franchise fee		**9,233**	8,486
	Miscellaneous		**5,163**	3,641
			1,966,490	1,839,584

28.1 Salaries, wages and benefits include staff retirement benefit amounting to Rs. 29.794 million (2013: Rs. 26.567 million).

	2014	2013
	(Rupees'000)	

28.2 Auditors' remuneration

	2014	2013
KPMG Taseer Hadi & Co. Chartered Accountants		
Annual audit fee	**1,671**	1,375
Audit of consolidated financial statements	**224**	200
Half yearly review	**470**	428
Special reports and certificates	**195**	100
Sandhu & Co. Chartered Accountants		
Annual audit fee	**25**	15
Special reports and certificates	**-**	15
	2,585	2,133

28.3 Donations

Out of total amount of Rs.165.828 million (2013: Rs. 225 million), donations amounting to Rs. 43 million (2013: Rs. 115 million) includes the following in which directors or their spouse have interest:

Name	Interest in Donee	Name and address of Donee	2014	2013
			(Rupees'000)	
Mr. Sadruddin Hashwani	Patron-in-Chief	Hashoo Foundation	**43,000**	115,000
Ms. Sarah Hashwani	Chairperson	House # 7-A, Street # 65, F-8/3, Islamabad		
			43,000	115,000

28.4 This includes Ijarah payments of Rs. 30.065 million (2013: Rs. 22.17 million) and vehicles registration charges under an Ijarah (lease) agreement. As required under IFAS 2 " IJARAH" (notified through SRO 43(1) / 2007 by Securities & Exchange Commission of Pakistan) ujrah payments under an Ijarah (lease) agreement are recognized as an expense in the profit and loss account on straight line basis over the term of Ijarah. The amount of future Ijarah payments and the periods in which these will be due are as follows:

	2014	2013
	(Rupees'000)	
Within one year	**35,185**	27,547
After one but not more than five years	**62,467**	71,174
	97,652	98,721

		Note	2014	2013
			(Rupees'000)	
29	**FINANCE COST**			
	Markup on long term financing, secured		**58,869**	92,288
	Markup on short term borrowings, secured		**10,261**	13,458
	Markup on liabilities against assets subject to finance lease, secured		**4,423**	3,834
	Credit cards, bank and other charges		**59,223**	44,746
			132,776	154,326
30	**OTHER INCOME**			
	Income from financial assets			
	Return on bank deposits / Certificate of musharika		**25,799**	12,504
	Exchange gain - net		**1,031**	1,850
	Dividend income		**950**	225
	Unrealised gain on remeasurement of investments to fair value - net		**6,699**	2,900
	Interest on short term advance to related party		**64,747**	75,914
			99,226	93,393
	Income from non financial assets			
	Concessions and commissions		**6,097**	4,113
	Gain on disposal of property, plant and equipment		**17,999**	18,369
	Gain on disposal of non current assets held for sale		**-**	1,545
	Liabilities written back		**7,174**	2,651
	Communication towers and other rental income		**45,239**	40,516
	Reversal of impairment loss on associate	16.1.3	**304,308**	80,232
	Adjustment to remeasure the investment to its net selling price	23	**17,995**	-
	Scrap sales		**12,738**	7,973
	Insurance claims		**435**	1,175
	Others - net		**35,859**	41,443
			447,844	198,017
			547,070	291,410
31	**OTHER EXPENSES**			
	Impairment loss on investment in associated undertaking	16.1.4	**22,030**	-
	Loss on remeasurement of investment property to fair value	15	**2,000**	-
	Impairment loss on long term utility deposits		**16,511**	-
	Adjustment to write down the non current asset held for sale to its net selling price		**1,285**	-
	Adjustment to write down the investment to its net selling price		**-**	458,046
			41,826	458,046

		Note	2014	2013
			(Rupees'000)	
32	**TAXATION**			
	Provision for taxation			
	- current		**358,232**	435,007
	- Prior years'		**(3,366)**	(3,764)
			354,866	431,243
	- Deferred		**147,275**	(227,058)
			502,141	204,185
	Relationship between accounting profit and tax expense is as follows:			
	Accounting profit for the year		**1,836,650**	675,818
	Tax charge @ 34% (2013: 35%)		**624,461**	236,536
	Tax effect of permanent differences		**4,914**	(4,840)
	Tax effect of exempt income		**(106,508)**	(1,555)
	Tax effect of income subject to lower taxation		**(23,698)**	(26,627)
	Tax effect of change in tax rate		**6,338**	4,435
	Prior years' tax		**(3,366)**	(3,764)
			502,141	204,185
33	**CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES**			
	Profit before taxation		**1,836,650**	675,818
	Adjustments for:			
	Depreciation	13.3	**371,967**	324,772
	Gain on disposal of property, plant and equipment	30	**(17,999)**	(18,369)
	Gain on disposal of non current assets held for sale	30	**-**	(1,545)
	Provision for staff retirement benefit - gratuity	8.1	**52,222**	50,569
	Provision for compensated absences	8.3	**26,841**	37,376
	Provision for doubtful debts	28	**17,305**	34,283
	Return on bank deposits	30	**(25,799)**	(12,504)
	Interest on short term advance to related party	30	**(64,747)**	(75,914)
	Share of (gain) / loss on equity accounted investments	16.1 & 16.2	**(91,682)**	73,045
	Finance cost	29	**132,776**	154,326
	Dividend income	30	**(950)**	(225)
	Reversal of impairment on investments in associated companies	30	**(304,308)**	(80,232)
	Adjustment to write down the investment to its net selling price	30	**(17,995)**	-
	Unrealized gain on remeasurement of investment to fair value	30	**(6,699)**	(2,900)
	Impairment loss on investment in jointly controlled entity	31	**22,030**	-
	Impairment loss on investment property	31	**2,000**	-
	Impairment loss on transfer of asset to held for sale	31	**1,285**	-
	Impairment loss on long term utility deposits		**16,511**	-
	Adjustment to write down the investment to its net selling price	31	**-**	458,046
	Reversal of provision for obsolescence in stores, spares and loose tools		**(709)**	-
			1,948,699	1,616,546

	Note	2014	2013
		(Rupees'000)	

34 CASH AND CASH EQUIVALENTS

	Note	2014	2013
Cash and bank balances	25	**188,904**	129,273
Running finance	10	**-**	(75,395)
		188,904	53,878

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2014			2013		
	Chief Executive	**Directors**	**Executives**	Chief Executive	Directors	Executives
	(Rupees'000)					
Managerial remuneration	**12,000**	**56,619**	**197,905**	12,000	62,680	179,376
Contribution to provident fund	**-**	**1,352**	**6,012**	-	1,257	5,477
Retirement benefits	**-**	**6,849**	**14,278**	-	4,878	21,781
Meeting fee	**-**	**555 ***	**-**	-	90 *	-
	12,000	**65,375**	**218,195**	12,000	68,905	206,634
Number of Persons	**1**	**5**	**119**	1	5	99

* This includes Rs. 195,000 (2013: Rs. 15,000) paid to non-executive directors of the Parent Company.

35.1 In addition to the above, Chairman, Chief Executive and certain Executives are provided with Group maintained vehicles, medical expenses, bonus, compensated leave absences and leave passage as per the Group's policy. The Chairman does not draw any salary.

36 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated and subsidiary companies, directors as well as their close family members, companies with common directorship, executives, key management personnel, major shareholders and staff retirement fund. Balances with related parties are disclosed in notes 4, 9, 14, 16, 18, and 19 to the consolidated financial statements. Transactions with related parties are as follows:

	Note	2014	2013
		(Rupees'000)	
Transactions with associated undertakings			
Sales		**1,279**	2,917
Services provided		**14,821**	16,118
Services availed		**103,881**	99,050
Purchases		**110,110**	146,953
Purchase of air tickets		**24,822**	29,682
Franchise fee - income		**2,218**	2,387
Franchise and management fee - expense		**9,233**	8,486
Purchase of property, plant and equipment		**12,330**	234,105
Consultancy and management services for construction		**145,637**	-
Sale of property, plant and equipment		**-**	945
Advance for purchase of property, plant and equipment		**-**	1,818
Contribution to defined contribution plan		**25,899**	23,113
Dividend income		**31,050**	27,000
Donation		**58,000**	115,000
Interest income on advance		**64,747**	75,778
Accrued interest on advance		**6,255**	6,008
Transactions with key management personnel			
Remuneration and allowances including staff retirement benefits	36.1	**88,450**	86,730
Sale of property, plant and equipment - carrying value		**194,294**	306
Personal guarantee to Bank against the Parent Company's borrowings	6 & 7		

36.1 Compensation to key management personnel

	2014	2013
Salaries and other benefits	**68,619**	74,680
Contribution to provident fund	**1,352**	1,257
Provision for gratuity	**6,849**	4,878
Compensated absences	**7,301**	3,760
Bonus	**3,774**	2,065
Meeting fee	**555**	90
	88,450	86,730

37 FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk.

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

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

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

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

37.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Group maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed. The Group's credit risk exposures are categorised under the following headings:

Counterparties
The Group conducts transactions with the following major types of counterparties:

Receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. Credit limits are established for each customer, which are regularly reviewed and approved by the management. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Cash investment

The Group limits its exposure to credit risk by only investing in liquid securities, bank deposits and with counterparties that have a good credit rating. Given these good credit ratings, management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

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

	2014	2013
	(Rupees'000)	
Long term deposits	**16,415**	23,496
Trade deposits	**18,143**	16,227
Trade debts	**610,178**	570,770
Advances	**500,000**	500,000
Interest accrued	**7,940**	7,202
Other receivables	**28,272**	28,794
Other financial assets	**25,106**	21,865
Bank balances	**154,022**	63,174
	1,360,076	1,231,528

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for financial assets at the reporting date by type of counter party was:

	2014	2013
	(Rupees'000)	
From related parties	**514,474**	508,562
From government institutions	**61,631**	38,899
From foreign embassies	**4,208**	2,186
Banks and financial institutions	**187,068**	92,241
Others	**592,695**	589,640
	1,360,076	1,231,528

Impairment losses

The aging of trade debts at the reporting date was:

	2014		2013	
	Gross	Impairment	Gross	Impairment
	(Rupees'000)			
Aging	**270,576**	-	307,988	-
Past due 0-30 days	**122,910**	-	92,257	-
Past due 30-60 days	**66,540**	-	61,539	-
Past due 60-90 days	**150,152**	-	108,986	-
Past due 90-360 days	**157,395**	**157,395**	140,315	140,315
Over 360 days	**767,573**	**157,395**	711,085	140,315

	2014	2013
	(Rupees'000)	

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

	2014	2013
Opening balance	**140,315**	106,575
Provision made during the year	**17,081**	33,740
Closing balance	**157,396**	140,315

Further, provision of Rs. 0.22 million has been made in respect of other receivables. Based on past experience, management of the Group believes that no impairment allowance is necessary in respect of trade receivables past due. Allowance for impairment includes Rs. 5.17 million (2013: Rs. 3.39 million) provided against due from related parties.

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

Based on past experience and negotiations, management of the Group believes that over due balances against which impairment has not been recorded have reasonable prospect of recovery.

37.2 **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, prudent fund management practices and the ability to close out market positions due to dynamic nature of the business. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. There were no defaults on loans during the year.

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

	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year and up to five years
2014	(Rupees'000)			
Long term financing	**581,000**	**734,698**	**296,343**	**438,355**
Liabilities against assets subject to finance lease	**37,279**	**42,606**	**19,941**	**22,665**
Trade and other payables	**1,296,815**	**1,296,815**	**1,296,815**	-
Markup payable	**35,476**	**35,476**	**35,476**	-
Short term borrowings	-	-	-	-
	1,950,570	**2,109,595**	**1,648,575**	**461,020**
2013				
Long term financing	583,333	689,515	293,625	395,890
Liabilities against assets subject to finance lease	26,399	34,546	12,365	22,181
Trade and other payables	918,637	918,637	918,637	-
Markup payable	20,689	20,689	20,689	-
Short term borrowings	75,395	75,395	75,395	-
	1,624,453	1,738,782	1,320,711	418,071

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

The contractual cash flows relating to long term and short term borrowings have been determined on the basis of expected mark up rates. The mark up rates have been disclosed in notes 6, 7 and 10 to these consolidated financial statements.

37.3 **Market risk**

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

a) Currency risk

The Pakistan Rupee is the functional currency of the Group and as a result currency exposures arise from transactions and balances in currencies other than the Pakistan Rupee.

	2014		2013	
	Rupees'000	**USD'000**	Rupees'000	USD'000
Bank Balance	**6,717**	**68.16**	336	3.37

The following significant exchange rate applied during the year:

	Average rates		**Balance sheet date rate**	
	2014	2013	**2014**	2013
US Dollars	**102.70**	96.85	**98.55**	99.70

Sensitivity Analysis

A 5 % strengthening of the functional currency against US$ at 30 June 2014 would have decreased profit and loss by Rs. 335 thousand (2013: Rs. 17 thousand). A 5 % weakening of the functional currency against US$ at 30 June 2014 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

b) Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Group has long term Pakistan Rupees based loans and running finance arrangement at variable rates.

Profile

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	2014	2013	2014	2013
	Effective interest rates		(Rupees'000)	
Fixed rate instruments				
Financial assets	**0.2% to 9.40%**	0.2% to 9%	**63,580**	61,883
Variable rate instruments				
	1-year KIBOR plus 3%		**500,000**	500,000
Financial assets	**KIBOR +**	KIBOR +	**(618,279)**	(685,127)
Financial liabilities	**(1.5% to 2.5%)**	(1.5% to 2.75%)	**(118,279)**	(185,127)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect consolidated profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit and loss by Rs. 1.18 million (2013: Rs. 1.85 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

c) Other market price risk

The primary goal of the Group's investment strategy is to maximize investment returns on surplus funds. The Group adopts a policy of ensuring to minimize its price risk by investing in securities having sound market performance. Certain investments are designated at held for trading because their performance is actively monitored and these are managed on a fair value basis. Equity price risk arises from investments at fair value through profit and loss.

Sensitivity analysis – equity price risk

For quoted investments classified as held for trading, a 1% increase in market price at reporting date would have increased profit or loss by Rs. 2,625 thousand (2013: Rs. 108 thousand); an equal change in the opposite direction would have decreased profit or loss after tax by the same amount. The analysis is performed on the same basis for 2013 and assumes that all other variables remain the same.

Fair value of financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note	2014 Carrying amount	2014 Fair values	2013 Carrying amount	2013 Fair values
		(Rupees'000)			
Assets carried at amortised cost - Loans and receivables					
		41,147	**41,147**	51,276	51,276
Deposits	18	**610,178**	**610,178**	570,770	570,770
Trade debts	19	**500,000**	**500,000**	500,000	500,000
Advances		**7,940**	**7,940**	7,202	7,202
Interest accrued	21	**28,272**	**28,272**	28,794	28,794
Other receivables		**287,592**	**287,592**	32,652	32,652
Other financial assets	25	**188,904**	**188,904**	129,273	129,273
Cash and bank balances		**1,664,033**	**1,664,033**	1,319,967	1,319,967
Assets carried at fair value					
Financial assets at fair value through profit or loss - held for trading	22	**11,983**	11,983	10,787	10,787
Liabilities carried at amortised cost					
	6	**581,000**	581,000	583,333	583,333
Long term financing					
Liabilities against assets	7	**37,279**	37,279	26,399	26,399
subject to finance lease	9	**1,296,815**	1,296,815	918,637	918,637
Trade and other payables		**35,476**	35,476	20,689	20,689
Markup accrued	10	**-**	-	75,395	75,395
Short term borrowings		**1,950,570**	1,950,570	1,624,453	1,624,453

The basis for determining fair values is as follows:

For fixed rate instruments since there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assets carried at fair value	Level 1	Level 2 Rupees '000	Level 3
2014			
Financial assets at fair value through profit or loss - held for trading	262,486	-	-
2013			
Financial assets at fair value through profit or loss - held for trading	10,787	-	-

The carrying value of financial assets and liabilities reflected in consolidated financial statements approximate their respective fair values.

37.4 **Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Investment at fair value through profit and loss account - held for trading

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

37.5 **Capital risk management**

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business. The Group manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions to maximize the return. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or / and issue new shares.

The Group is not subject to externally imposed capital requirements. Further there was no change during the year in the management's approach towards capital management.

38 APPLICATION OF IFRIC INTERPRETATION 12 "SERVICE CONCESSION ARRANGEMENTS"

Securities and Exchange Commission of Pakistan through its S.R.O. NO 24 (I)/2012, dated 16 January 2012 has exempted the application of IFRIC 12 - "Service Concession Arrangements", for Companies in Pakistan. Consequently, the Group is not required to account for its arrangement under Build, Operate and Transfer agreement with City District Government Karachi for developing and operating an underground parking facility in Karachi under IFRIC 12. If the Group were to follow IFRIC 12, the effect on the financial statements would have been as follows:

	2014	2013
	(Rupees'000)	
Increase in profit after tax for the year	**16,029**	18,995
Derecognition of property, plant and equipment	**(350,874)**	(392,017)
Recognition of intangible asset	**459,315**	476,327
Recognition of financial liability	**(29,650)**	(29,806)
Increase in taxation obligations	**27,334**	19,076
Increase in unappropriated profits	**51,457**	35,428

39 CAPACITY

	Note	No. of rooms letable in		Average occupancy	
		2014	2013	2014 %	2013 %
Pearl Continental Hotel					
- Karachi		**286**	286	**75**	73
- Lahore		**607**	607	**69**	68
- Rawalpindi		**193**	193	**60**	73
- Peshawar		**148**	148	**36**	42
- Bhurban		**190**	190	**66**	67
- Muzaffarabad		**102**	102	**50**	43
- Hotel One The Mall, Lahore	39.1	**32**	32	**72**	73

39.1 This is a budget hotel owned and operated by the Company.

40 NUMBER OF EMPLOYEES

	2014	2013
Number of employees at the year end	**3,658**	3,782
Average number of employees during the year	**3,731**	3,680

41 EMPLOYEES' PROVIDENT FUND

	Note	2014	2013
		(Rupees'000)	
Size of the fund		**612,701**	524,988
Cost of investment made		**508,404**	481,758
Percentage of investment made		**83%**	92%
Fair value of investments	41.1	**596,242**	508,404

41.1 **Fair value of investments made:**

	2014		2013	
	Fair Value (Rupees'000)	**%**	**Fair Value (Rupees'000)**	**%**
Listed shares	**144,957**	**24%**	86,309	17%
Mutual funds	**157,179**	**27%**	28,921	6%
Term Finance Certificates				
- Listed	**30,987**	**5%**	41,272	8%
- Unlisted	**-**	**-**	22,448	4%
Treasury bills	**34,930**	**6%**	329,454	65%
Special Savings Certificates	**228,189**	**38%**	-	-
	596,242	**100%**	508,404	100%

All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

42 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Parent Company in its meeting held on 24 September 2014.

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

Pakistan Services Limited
Form of Proxy
For the year ended 30 June 2014

I / We____of____________________ being a member of Pakistan Services

Limited here by appoint Mr./Ms./ M/s.____of____________

_______________________________failing whom Mr. /Ms./ M/s._________________________________ of_______________

as my proxy to attend and act for me, and on my behalf, at the Annual General Meeting of the Company to be held on Thursday, 30 October

2014 at 11:00 a.m. at Marriott Hotel, Islamabad, and any adjournment thereof.

Dated this __________ day of _________ 2014.

____

Specimen Signature of Proxy

Folio No. ___________________________

Participant I.D. No. __________________

Sub Account No. ____________________

Revenue
Stamp Rs. 5/=

____

Signature of Shareholder

Folio No. __________________________

Participant I.D. No. ________________

Sub Account No. ___________________

____

Specimen Signature of Alternate Proxy

Folio No. ___________________________

Participant I.D. No. __________________

Sub Account No. ____________________

Note:

i) If a member is unable to attend the Meeting, he / she may appoint another member as his / her proxy and send this form to Pakistan Services Limited, 1st Floor, NESPAK House, Sector G-5/2, Islamabad. to reach not less than 48 hours before the time appointed for holding the meeting.

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

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

iv) In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

TECHNOLOGY TRADE (PVT.) LTD.

Dagia House, 241-C, Block-2,
P.E.C.H.S., Off: Shahrah-e-Quaideen,
Karachi.
Tel: (+92-21) 4391316-7 & 19, 4387960-61
Fax: (+92-21) 4391318
For open Ended Funds : (+92-21) 4313207

Dear Shareholder,

SUBJECT: DIVIDEND MANDATE OPTION

1. It is to inform you that under section 250 of the Companies Ordinance, 1984 a shareholder may, if so desire, directs a company to pay dividend through his/her/its bank account.
2. In pursuance of the directions given by the Securities and Exchange Commission of Pakistan vide Circular Number 18 of 2012 dated June 5, 2012, we on behalf of our client M/S. PAKISTAN SERVICES LIMITED hereby give you the opportunity to authorize the Company to directly credit in your bank account cash dividend, if any, declared by the Company in future.

[PLEASE NOTE THAT THIS DIVIDEND MANDATE IS OPTIONAL AND NOT COMPULSORY. IN CASE YOU DO NOT WISH YOUR DIVIDEND TO BE DIRECTLY CREDITED INTO YOUR BANK ACCOUNT THEN THE SAME SHALL BE PAID TO YOU THROUGH THE DIVIDEND WARRANTS.]

3. In case you wish the cash dividend declared by the Company, if any, is directly credited in your bank account, instead of issuance of dividend warrants then please provide the information mentioned on the attached Form and return the same to us on the following address.

ADDRESS: Technology Trade (Pvt.) Ltd. - Dagia House, 241-C, Block-2, PECHS, Off: Shahra-e-Quaideen, Karachi.

NOTE : THE SHAREHOLDER WHO HOLD SHARES IN PHYSICAL FORM ARE REQUESTED TO SUBMIT THE ATTACHED DIVIDEND MANDATE FORM AFTER DULY FILLED ALONG WITH COPY OF CNIC TO THE SHARE REGISTRAR.
THE SHAREHOLDER WHO HOLDS THE SHARES IN DEMAT FORM (CDC ACCOUNT) ARE REQUESTED TO SUBMIT THE ATTACHED DIVIDEND MANDATE FORM AFTER DULY FILLED INTO THEIR PARTICIPANT/INVESTOR ACCOUNT SERVICES.

4. COMPLIANCE WITH THE REQUIREMENT OF INSERTION OF CNIC NUMBER ON DIVIDEND WARRANTS

In pursuance with the Securities and Exchange Commission of Pakistan ("SECP") Notification No SRO.831 (1)/2012 of July 5th, 2012 in supersession of earlier notification No. SRO 779 (1)/2011 of August 18, 2011, SECP directed all listed companies to mention Computerized National Identity Card (CNIC) / NTN numbers of the registered members on the dividend warrant.

As per the said Notification of Securities and Exchange Commission of Pakistan (SECP), you are requested to send us a copy of your Computerized National Identity Card (CNIC) / NTN Number (other than Individual) / Passport Number (for non-resident only) WITHIN TEN DAYS FROM THE RECEIPT OF THIS LETTER. It is important that the requisite copy of the above document may please be sent along with the lower portion of this letter duly filled, to our Share Registrar, M/s. Technology Trade (Pvt.) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Off Shahrah-e-Quaideen, Karachi.

In case of non-receipt of copy of valid CNIC and non-compliance of the above-mentioned SRO of SECP, the Company may be constrained to withhold dispatch of dividend warrants if issued.

Your compliance will facilitate us in complying with the directives of SECP.

Regards,

GENERAL MANAGER

Dividend Mandate Form

To,

The Share Registrar
Pakistan Services Limited
Dagia House, 241-C,
Block-2, PECHS,
Off: Shahra-e-Quaideen, Karachi.

I Mr, / Ms, / Mrs, ________________________ S/o, D/o, W/o, ________________________ hereby authorize **PAKISTAN SERVICES LIMITED** to directly credit cash dividend declared by it, if any, in the below mentioned bank account.

(i) Shareholder's detail	
Name of the Shareholder	
Folio No. / CDC Participants ID A/C No.	
CNIC No. *	||||| - ||||||| -	
Passport No. (in case of foreign shareholder) **	
Land Line Phone Number	
Cell Number	

(ii) Shareholder's bank detail	
Title of The Bank Account	
Bank Account Number	
Bank's Name,	
Branch Name and Address	

2. It is stated that the above-mentioned information is correct, that I will intimate the changes in the above-mentioned information to the company and the concerned Share Registrar as soon as these occur.

____
Signature of the Shareholder

*Please attach attested photocopy of the CNIC.
**Please attach attested photocopy of the Passport.

PAKISTAN SERVICES LTD.

1st Floor, NESPAK House, Sector G-5/2, Islamabad
Tel: +92 51-2272890-8, Fax: +92 51-2878636
E-mail: psl@hashoogroup.com
Website: www.psl.com.pk

OWNERS AND OPERATORS OF

Pearl-Continental
HOTELS & RESORTS

KARACHI
Tel: +92 21-111-505-505
Fax: +92 21-35681835
E-mail: pchk@hashoogroup.com

LAHORE
Tel: +92 42-111-505-505
Fax: +92 42-36362760
E-mail: pchl@hashoogroup.com

RAWALPINDI
Tel: +92 51-111-505-505
Fax: +92 51-5563927
E-mail: pchr@hashoogroup.com

PESHAWAR
Tel: +92 91-111-505-505
Fax: +92 91-5276465
E-mail: pchp@hashoogroup.com

BHURBAN
Tel: +92-51-3355700-30
Fax: +92 51-3355574
E-mail: pchb@hashoogroup.com

MUZAFFARABAD
Tel: +92 5822 438000-14
Fax: +92 5822 438046
E-mail: pchm@hashoogroup.com