PSL
PAKISTAN SERVICES LTD.
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E-mail: psl@hashoogroup.com

OWNERS AND OPERATORS OF

PC
Pearl-Continental
HOTELS & RESORTS

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

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Produced by TOPNOTCH Communications

Annual Report 2012 Pakistan Services Limited

PC
Pearl-Continental
HOTELS & RESORTS

Cultured like no other pearl in the world ™

ANNUAL REPORT 2012

PSL
PAKISTAN SERVICES LTD.

Pearl-Continental, Muzaffarabad

Contents

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.

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. Clive Anthony Webster

Corporate Profile/ Information

Pearl Continental Hotels, a chain owned and operated by Pakistan Services Limited, 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 1,526 rooms with registered office in Islamabad, Pakistan.

BOARD OF DIRECTORS

Mr. Sadruddin Hashwani	Chairman
Mr. Murtaza Hashwani	Chief Executive Officer
Ms. Sarah Hashwani	
Mr. M. A. Bawany	
Mr. Mansoor Akbar Ali	
Syed Sajid Ali	
Mr. Muhammad Rafique	
Mr. Bashir Ahmed	
Mr. Clive Anthony Webster	

AUDIT COMMITTEE

Mr. Sadruddin Hashwani
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

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.

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

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

Notice of Annual General Meeting

Notice is hereby given that the 53rd Annual General Meeting of Pakistan Services Limited will be held on Wednesday, 31 October 2012 at 11 A.M. at Marriott Hotel, Islamabad to transact the following business:

1. To confirm the Minutes of the Annual General Meeting held on 29 October 2011.
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 2012.
3. To appoint auditors for the year 2012-13 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: 27 September 2012

NOTES

i) A member entitled to attend and vote at the above Annual General Meeting may appoint another member as a proxy to attend and vote on his behalf. Proxies must be deposited with the Company not less than 48 hours before the time appointed to hold the Meeting.

ii) The Share Transfer Books of the Company will remain closed from 25 October 2012 to 31 October 2012 (both days inclusive).

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

CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated 26 January 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 or other share holder, 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 or other share holder, 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.

Chairman's Review

I am pleased to present the 53rd Annual Report of Pakistan Services Limited and its Audited Financial Statements together with Auditors' Report for the year ended 30 June 2012.

ECONOMIC ENVIRONMENT

The economy of Eurozone is contracting. The European Central Bank has stepped forward by floating a scheme to support Euro for secondary market purchases of bonds in case there are no ready investors for these. The arrangement is that a "European Stability Mechanism" has been devised with the primary goal of buying the debt when it is auctioned. This has become feasible after the highest court of Germany approved the plan for the establishment of a permanent rescue fund despite considerable opposition from within Germany. How much time has the new mechanism bought for the ailing economics of Europe is hard to say except to comment that the Eurozone has serious challenges ahead for resolving their fiscal woes.

Looking outside the Eurozone at North America or Japan or Far Eastern economies does not return a reassuring glimpse either, except for China which aims to maintain steady growth thus providing buoyancy to a world in troubled economic waters. China is holder of largest debt of the US and is expected to play an important role in stabilizing the European economies.

As for Pakistan, the money supply continues to expand with no end to borrowings from the banks and other financial institutions to make up for the budgetary deficit which is rapidly increasing. Tough times are ahead when the Foreign Exchange reserves of the country will come under further stress with yawning gap between imports and exports and payments becoming due to the lending agencies. The double digit inflation continues to rise and the reason for it requires no wizard to explain. The cost of energy undergoes changes so frequently that planning is a nightmare. The unsteady supply of gas and electrical energy has shown no improvement. The scheme for a large scale import of LPG to makeup for the deficiency in the natural gas will result in significant increase in the cost of gas if the shortfall is made up by the Synthetic Natural Gas (SNG).

Despite the hardships, Pakistanis have shown great resilience in braving the ill-effects of inflation and disruptions in energy supply and found their own innovative methods to address each set of challenge. As an example, a new industry is born for sale of UPS units, small generators and solar photo-voltaic cells for electricity generation to fill the "electricity off" gaps. There is also stress on energy saving and equipment for power factor improvement and substitution of conventional bulbs for lighting by LEDs. Of what we have seen, we are very hopeful that Pakistan will come out of its current predicament and move on the correct trajectory for economic recovery by resetting its priorities.

OVERALL PERFORMANCE

Our constant efforts to make advancements in marketing our available rooms capacity has made impressive gains which could not have been sustained, had it not been for the excellent performance of the Company's employees in all supporting roles of the hospitality industry. The result is good news that your Company has registered a total net revenue of Rs.5,673 million against Rs.5,017 million of the corresponding year registering a growth of Rs. 656 million during the year under report. The gross profit ratio for the year under report also increased to 42 percent from 40 percent in the previous year. The Company recorded profit before tax of Rs. 1,156 million during the year under report relative to Rs. 964 million last year showing increase of 20 percent. Profit after tax in 2010-11 was Rs. 669 million, which went up to Rs. 784 million during the year 2011-12.

Performance of Rooms Department

Revenue from Rooms Department for the year 2011-12 (exclusive of GST) was recorded at Rs.2,352 million as against Rs.2,069 million (exclusive of GST) of the preceding year thereby registering an increase of 14 percent with incremental amount of Rs.283 million. The average occupancy for the year under review was booked 58 percent as against 53 percent of last year. Further, the Average Daily Room Rate (ADR) increased to Rs.7,540 from Rs.7,440 of the preceding year, which contributed towards growth in this particular business segment.

Performance of Food & Beverage Department

This department also performed well during the year under report by registering revenue of Rs.3,043 million (exclusive of GST) as against Rs.2,689 million (exclusive of GST) of the last year, depicting growth of Rs.354 million i.e. 13 percent.

Performance of Other Related Services/License Fee/ Travel and Tour Division

Revenue from this segment during the year under review was Rs.278 million (exclusive of GST) as compared to Rs.258 million of the last year, making a marginal growth of Rs.20 million.

FUTURE PROSPECTS

What we have seen during the year under review is that the future prospects for the hospitality industry appear good. The younger generation is spurring their family members to move out and venture in to new places for leisure and relaxation. Then there is an increase in the number of national and international meetings, seminars and workshops that place demand on the hotel- rooms' capacity. On the political arena, there is surge of visitors from home and abroad in the provincial headquarters and the Federal Capital. The coming General Elections in the country are also expected to add to the hotel business.

The Company has a continuing programme to modernize its hotels and that includes the guestrooms, general facilities and engineering support infrastructure. The hotels are refurbished regularly to increase guest comfort; so are their restaurants. The development of Sakura (Japanese restaurant) at Pearl Continental Hotel, Lahore is a typical example of that.

I am very pleased to inform you that the reconstruction and rehabilitation work of Pearl Continental Hotel, Peshawar has now been completed after persistent dedicated and high-grade professional and technical expertise of our staff. The guestrooms and the bathrooms have been completely redone with best quality furnishings. The kitchen of this hotel has also been rebuilt and equipped with all the key equipment and machines with five walk-in freezers, ice-cube machine, dishwasher, ovens, and extensive cooking range. A new shopping arcade has been made and two modern conference rooms have also been created in this area. The Pearl Continental Hotel, Peshawar thus has now full capacity of 148 guestrooms including two suites: Royal and Presidential.

As for the upgrading of the engineering infrastructure, some noteworthy modernizations have been the installation of new 500 ton Absorption Chiller and latest electricity distribution network at Pearl Continental Hotel, Karachi. A modern Fire Alarm System has also been installed at this property. Two new Guest Elevators have been installed at Pearl Continental Hotel, Rawalpindi. The guestrooms and bathrooms as well as restaurants of Pearl Continental Hotel, Bhurban have been upgraded. In Muzaffarabad Pearl Continental Hotel, new safety systems such as Surge Arrestor, Lightning Protection Network, Fire Alarm System and Water Sprinkler System are now fully operational. Plans are also afoot to install new Fire Alarm System and Elevators at Pearl Continental Hotel, Peshawar. A 500 KVA Electricity Generator has also been added to the powerhouse of this property.

The resources utilized in the modernization of hotels of the Company will payback in the form of keeping us in the forefront of Pakistan's Hotel Industry to win major portion of the business in this sector.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Pakistan Services Limited, as a responsible corporate entity has accorded high priority to social welfare activities for the betterment of people of Pakistan.

Corporate Philanthropy:

The Company extended financial support to well-reputed NGOs with good track record of work in the sectors of education, healthcare and social welfare all over the country. Our guiding principles in discharging our social, ethical, and environmental obligations are unwavering. We are continuing to play active role in meeting the growing needs of the social welfare sector.

The main focus of Company's Corporate Philanthropy is to concentrate on healthcare, education, vocational training, rural development, environment conservation and strengthening of the civil society. We support Aga Khan Foundation, the Hashoo Foundation and Umeed-e-Noor Trust, who are all engaged in different projects of social welfare. Your Company is working for greater financial independence and self-reliance of individuals, families and communities. During the year under review it made an aggregate donation of Rs.131 million to the Aga Khan Foundation, the Aga Khan Planning and Building Services, the Hashoo Foundation and the Umeed-e-Noor Trust. We stand committed to enhance our share in the public welfare projects. Our cause is general uplift of masses and the deprived communities.

Energy Conservation

The Company continued to tighten controls over energy consumption during the year under report through latest technological means, training and changing the work habits of the individuals. Energy consumption reports are sent by each hotel to the Corporate Office where these returns are going to a computer database for strict monitoring and issue of advisories for corrective action. The entire programme of energy conservation and monitoring is under the close watch and direct control of a highly experienced and qualified consultant in the field. Some of the technological measures for energy savings are: installation of specially designed power factor correction units on or next to the major load centres, purchase of energy-efficient equipment and machines, removal of old electricity distribution network and replacing it with modern and safe electricity management switchgear and cabling, substitution of LEDs for standard lighting lamps, and controlling the waste of natural gas and LNG.

Environment Protection Measures

The Company ensures that its operational activities involving wastes: gaseous, liquid and solid are treated first before disposal to safeguard environment. We are cutting on waste of energy and water. High-efficiency machines and equipment are being deployed gradually. A pervasive environment improvement programme is a regular feature to promote horticulture, plantation and cleanliness of not only inside of the hotel premises but also its immediate surroundings.

Customer Protection Measures

Customers' feedback is lifeblood for the Company in the hospitality industry. It is obtained from customers through a Customer Survey Form (CSF), courtesy calls and visits to the clients. Based on customer feedback received/collected at individual property level, product quality and service standards are revised and further improved to respond to new demands.

Health, safety and security of our customers are of our key concerns and adequate institutional arrangements are in place at each hotel to address these. Comprehensive inspections of each property are carried out to detect any shortcomings and directives for corrective actions are issued, as necessary.

Employment of Special Persons

To comply with responsibilities in this stratum of CSR, the Company employs special persons at its different business locations providing them opportunities for living their lives in normal way. Not only this, the Company has an open door policy for recruitment of special persons.

Occupational Safety and Health

Occupational safety and health training programmes and workshops are conducted on regular basis to stress safe work practices and develop awareness for safety-first policy. The use of safety equipments in performance of duties is an established prerequisite. Any unsafe practice is strictly prohibited and checked. The purpose is to develop full proficiency of staff in the use of safety equipments and reduce emergency response time.

Safe working environment as well as umbrella of group-health and life insurance cover is provided to employees for their optimal performance.

Business Ethics and Anti-corruption Measures

The Company has zero tolerance policy for corrupt practices. There is monitoring at each tier to ensure that the employees are working within the framework of "Statement of Ethics and Business Practices (SEBP)". The SEBP is rigorously enforced throughout the Company.

Contribution to the National Exchequer

During the year under review your Company contributed a hefty amount of Rs.1,965 million compared to Rs.1,827 million during the last year to the national exchequer by way of customs duties, general sales tax, income tax and other provincial and federal government levies. In addition to these direct contributions, the Company's operations generate economic activities having multiplier effect for its employees and suppliers etc who in turn contribute to the national exchequer in the form of taxes and levies.

HIGHLIGHTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated revenue during the reporting year was recorded at Rs.5,767 million (exclusive of GST) as against Rs.5,111 million (exclusive of GST) of the last year. The consolidated profit before and after tax for the year 2011-12 was recorded at Rs.1,055 million and Rs.671 million, respectively.

The wholly-owned subsidiary company, M/s Pearl Tours and Travels (Private) Limited, engaged in the business of "Rent-a-Car" and "Package Tours", registered revenue of Rs.135.352 million during the year under report as compared to Rs. 143.740 million of 2010-11.

Another wholly owned subsidiary company, M/s Musafa International (Private) Limited (MIPL), is engaged in the project management business. It completed construction and development of underground parking located next to the Company's Pearl Continental Hotel, Karachi. During the year under review, MIPL earned revenue of Rs. 3.482 million during the year and incurred a loss after tax amounting to Rs.18.712 million.

The other two wholly owned subsidiary companies, M/s Pearl Continental Hotels (Private) Limited and M/s. Bhurban Resorts (Private) Limited remained non-operational during the financial year 2011-12 but earned after tax incomes of Rs. 0.622 million and Rs.0.780 million respectively on their funds placed in profit bearing bank accounts, Term Deposit Receipts and Government Treasury Bills.

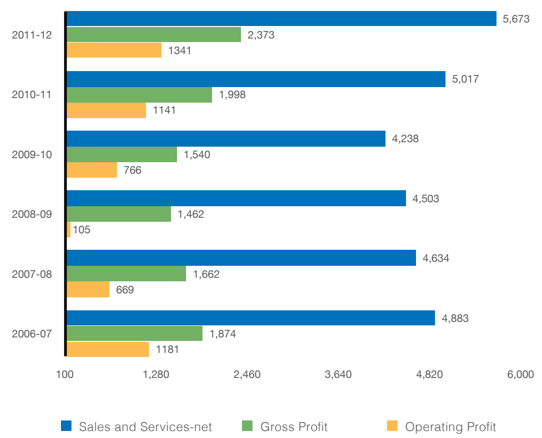
ACKNOWLEDGEMENT

Your Board of Directors expresses its gratitude to the shareholders, valued guests, customers and banks for their continued support and confidence in our business enterprise. Last but not the least I must acknowledge the commitment, hard work and professionalism of our most precious resource that is staff and consultants/technical experts, who made it possible for the Company not only to stay in the race but also win the race.

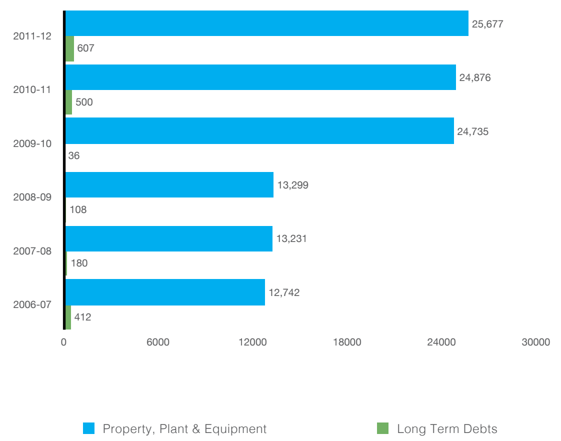
For and on behalf of Board of Directors

Sadruddin Hashwani
Chairman
Dubai: 27 Septembe 2012

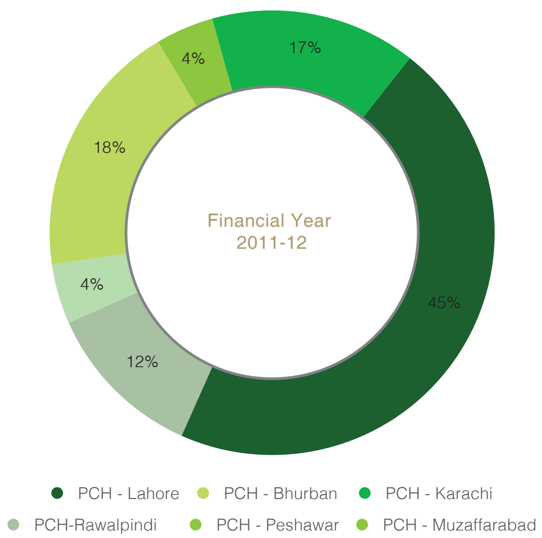
Trend Analysis-Sales & Services (Net) Gross Profit & Operating Profit (Rupees in million)



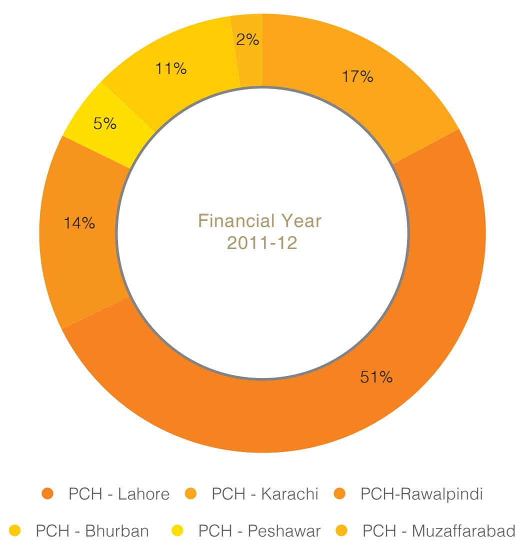
Property, Plant & Equipment (at cost including revaluation) v/s Long Term Debts (Rupees in million)



Rooms Revenue (Hotel Wise)



Food & Beverages Revenue (Hotel Wise)



Pearl Continental Hotel, Bhurban

Located at the foothills of the magnificent Himalayas at an elevation of over 2000 m, Pearl Continental Hotel, Bhurban offers a unique experience of defining reunion with Nature. Affectionately known as “the Paradise on Earth”, the Kashmir Valley is blessed with picture post-card perfection and attracts a cosmopolitan crowd soaking all that it has to offer. Intrinsic beauty, world class adventure sports and personalized luxury make it the most agreeable proposition.

Directors' Report

The Board of Directors ("the Board") of Pakistan Services Limited ("the Company") is pleased to present the 53rd Annual Report and the Audited Financial Statements along with the Auditors' Report thereon for the year ended 30 June 2012.

Summary of financial performance of the Company is as follows:

	(Rupees '000)
Profit from operations	1,119,097
Un-realized gain on re-measurement of investments	37,127
Profit before taxation	1,156,224
Taxation	(372,373)
Profit for the year	783,851

EARNINGS PER SHARE

Earnings per share for the year arrives at Rs. 24.10

COMPLIANCE STATEMENT

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

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result 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 preparation of 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 preparation of financial statements and any departure there from 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 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 2012.
- There are no statutory payments on account of taxes, duties, levies, and charges which are outstanding as on 30 June 2012 except for those disclosed in the financial statement.
- During the year, the Board held 4 meetings, the attendance record of the Directors is as follows:

Names of Directors	Attendance
Mr. Sadruddin Hashwani	01
Mr. Murtaza Hashwani	01
Ms. Sarah Hashwani	01
Mr. M.A. Bawany	04
Mr. Mansoor Akbar Ali	03
Syed Sajid Ali	03
Mr. Muhammad Rafique	04
Mr. Rolf Richard Bauer	04
Mr. Bashir Ahmed	04

- The leave of absence was granted to the members who could not attend the Board meetings 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 accounts for the year ended 30 June 2012 was Rs. 470.596 million.

- The pattern of shareholdings as required under section 236 of the Companies Ordinance, 1984 and Article (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 interalia with the financial and operating results and significant deviations from last year, significant future plans and other related matters of the Company.

CHANGE IN BOARD

The composition of the Board of Directors has changed due to the resignation of Mr. Rolf Richard Bauer. The Board wishes to place on record its appreciation for the services rendered by Mr. Rolf Richard Bauer and approves the appointment of Mr. Clive Anthony Webster to fill the casual vacancy.

PRINCIPAL BOARD COMMITTEES

Audit Committee

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

During the year, there had been 5 audit committee meetings, the attendance record of the members of the Audit Committee is as follows:

Names of Directors	Attendance
Mr. Sadruddin Hashwani	03
Ms. Sarah Hashwani	03
Mr. Mansoor Akbar Ali	05
Syed Sajid Ali	02

Human Resource & Remuneration Committee

The Committee 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 our human resource.

During the year, there had been 2 Human Resource & Remuneration Committee meetings, the attendance record of the members of the Human Resource & Remuneration Committee is as follows:

Names of Directors	Attendance
Mr. Sadruddin Hashwani	2
Mr. Murtaza Hashwani	2
Mr. M. A. Bawany	2
Mr. Bashir Ahmed	2

Directors' Training Program

As per clause (xi) of the Code of Corporate Governance during the year Mr. Muhammad Rafique Director of the Company completed prescribed training under Code of Corporate Governance conducted by Pakistan Institute of Corporate Governance.

AUDITORS

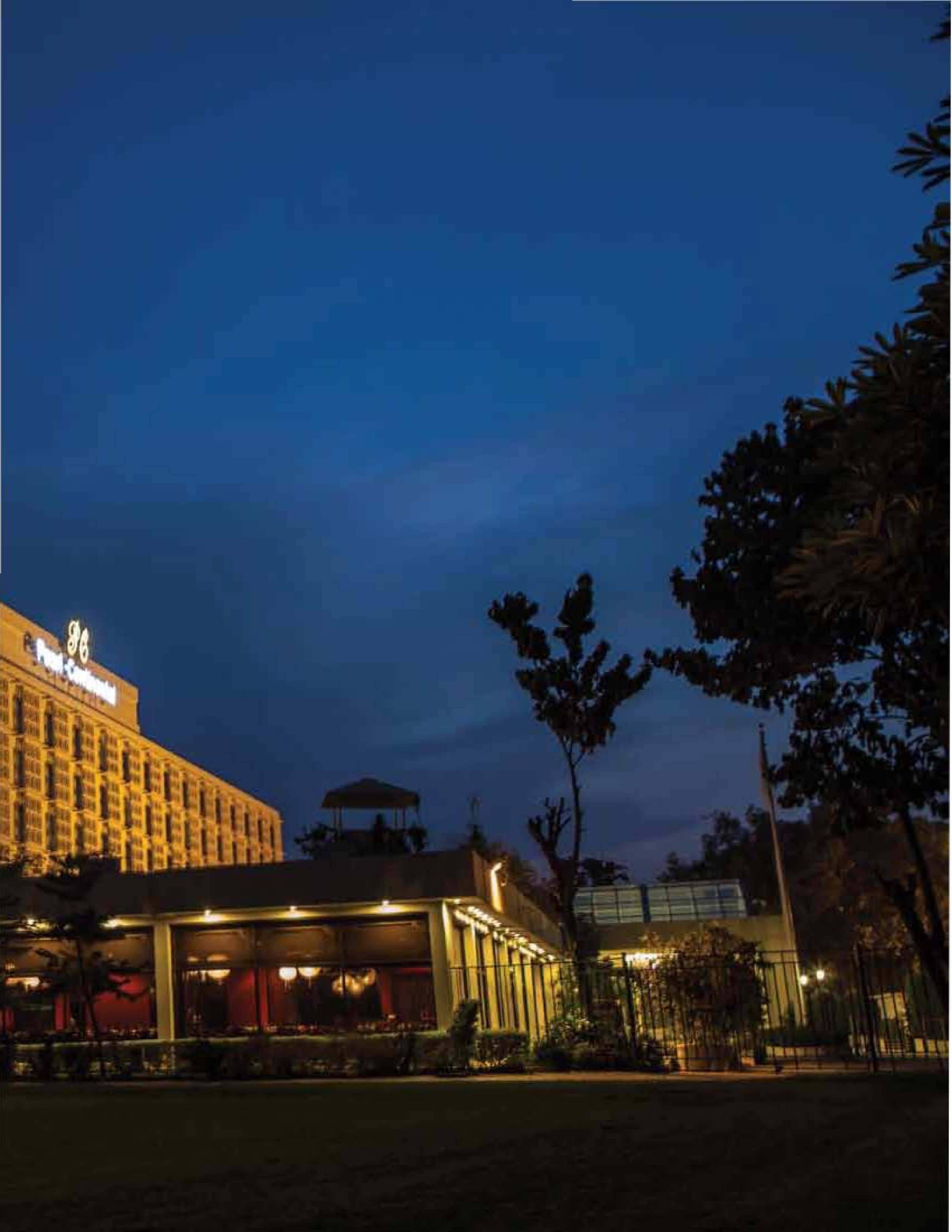
The retiring auditors, M/s KPMG Taseer Hadi & Co, Chartered Accountants being eligible, offer themselves for re-appointment as the Company's auditors. The Board, on the recommendation of the Audit Committee, has proposed appointment of M/s KPMG Taseer Hadi & Co, Chartered Accountants as auditors of the Company for the year ending 30 June 2013.

For and on behalf of the Board of Directors

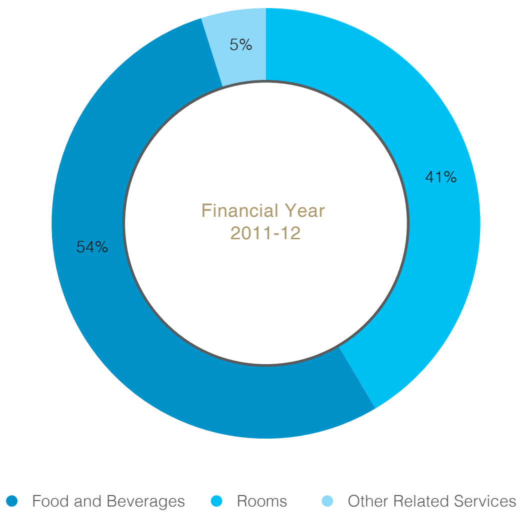
Murtaza Hashwani
Chief Executive
Dubai: 27 September 2012

Pearl Continental Hotel, Rawalpindi

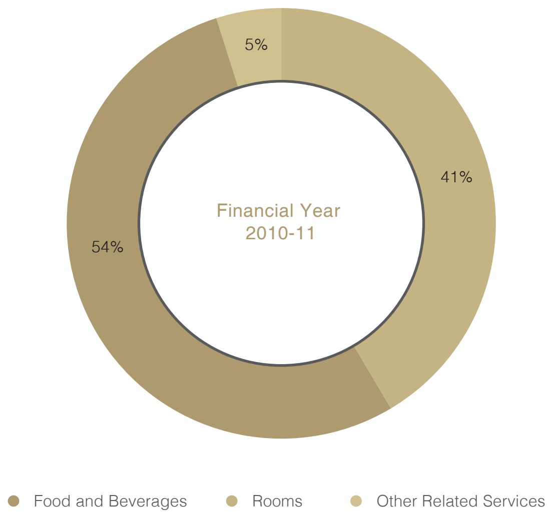
Located at ten minutes drive from the Benazir International Airport, Pearl Continental Hotel, Rawalpindi enjoys the status of the only deluxe hotel in the city. A distinct culture flourished on the Rawal Plateau as far back as 3000 years, attracting tourists from the world over. With its close proximity to the archaeological sites, historical monuments and fascinating hill stations, the hotel serves as a transit haven for the tourists. A blend of warm elegance and gracious hospitality, Pearl Continental Hotel, Rawalpindi has a distinctive character of its own.



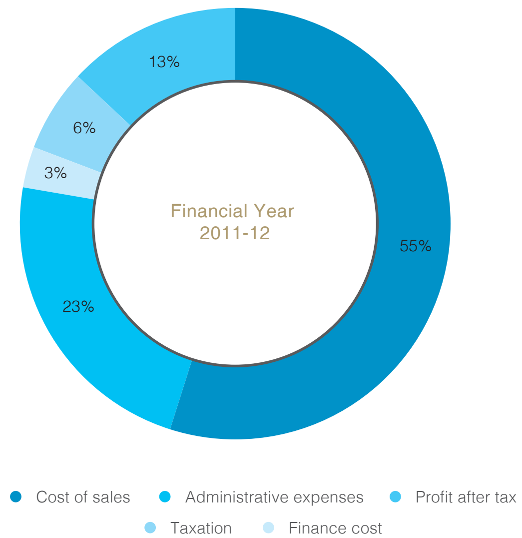
Contribution of Major Revenue Generating Departments



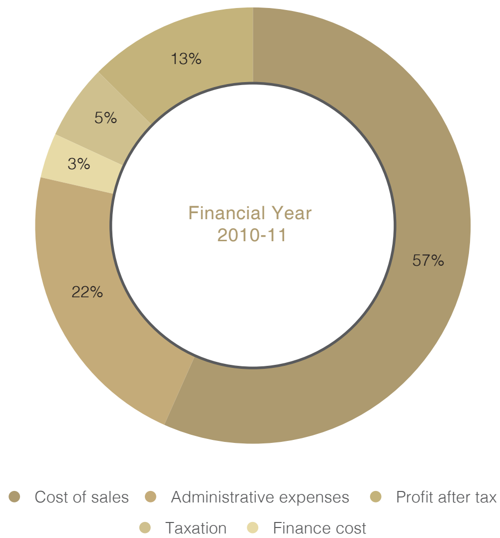
Contribution of Major Revenue Generating Departments



Application of Sales & Other Income



Application of Sales & Other Income



Key Operating and Financial Data

Based on Unconsolidated Financial Statements

		2012	2011	2010	2009	2008	2007
Profitability Ratios							
Gross profit ratio	%	**41.83**	39.84	36.34	32.46	35.86	38.38
Net profit to sales	%	**13.82**	13.33	10.10	(5.10)	6.56	13.13
EBIDTA margin to sales	%	**27.58**	27.26	23.98	8.03	19.10	27.95
Return on equity	%	**18.50**	19.36	15.37	(9.75)	11.53	27.13
Return on capital employed	%	**3.10**	2.74	1.84	(1.99)	2.55	5.42
Return on assets	%	**2.91**	2.55	1.68	(1.64)	2.15	4.81
Liquidity Ratios							
Current ratio		**1.21**	0.97	0.69	0.61	1.06	1.13
Quick / acid test ratio		**1.11**	0.89	0.63	0.55	1.00	1.07
Cash to current liabilities		**0.08**	0.04	0.03	0.03	0.12	0.36
Cash flow from operations to sales		**0.12**	0.16	0.04	0.17	0.17	0.21
Activity Turnover Ratios							
Inventory turnover	Days	**7**	6	6	5	6	3
Debtors turnover	Days	**40**	30	33	24	36	27
Creditors turnover	Days	**23**	33	32	43	16	11
Operating cycle	Days	**24**	3	7	(14)	26	19
Property, plant & equipment turnover	Times	**0.25**	0.23	0.19	0.42	0.43	0.45
Total assets turnover	Times	**0.21**	0.19	0.17	0.32	0.33	0.37
Investment / Market Ratios							
Earnings/ (loss) per share - basic and diluted	Rs	**24.10**	20.55	13.16	(7.07)	9.34	19.71
Price earning ratio		**6.22**	6.93	9.38	(16.00)	57.79	23.64
Dividend yield ratio	%	**-**	-	-	1.33	0.19	0.54
Dividend payout ratio	%	**-**	-	-	(21.23)	10.70	12.68
Dividend cover ratio		**-**	-	-	(4.71)	9.34	7.89
Cash Dividend	Rs	**-**	-	-	1.50	1.00	2.50
Stock Dividend	Rs	**-**	-	-	-	-	-
Market value per share at year end	Rs	**150.00**	142.50	123.48	113.05	540.00	466.00
Highest market value per share during the year	Rs	**162.89**	181.99	249.00	530.00	564.90	466.00
Lowest market value per share during the year	Rs	**131.90**	129.65	98.20	113.05	412.00	316.00
Breakup value per share*	Rs	**744.84**	721.33	700.77	337.63	346.20	337.85
Breakup value per share**	Rs	**130.26**	106.16	85.61	72.45	81.02	72.67
Capital Structure Ratios							
Financial leverage ratio		**0.03**	0.02	0.00	0.02	0.04	0.07
Weighted average cost of debt		**20.29**	18.42	16.59	22.22	17.00	27.00
Debt : Equity*		**0.03**	0.02	0.00	0.01	0.02	0.04
Debt : Equity**		**0.14**	0.14	0.01	0.05	0.07	0.17
Interest cover ratio		**7.26**	6.44	4.75	0.51	5.06	6.29
Summary of Cash Flows							
Net cash flow from operating activities	(Rs.000)	**667,313**	786,691	171,993	764,035	767,323	1,008,529
Net cash flow from investing activities	(Rs.000)	**(551,458)**	(711,241)	(719,457)	(957,769)	(1,024,238)	(644,734)
Net cash flow from financing activities	(Rs.000)	**262,219**	428,000	(72,000)	(278,714)	(367,636)	(380,852)
Net change in cash and cash equivalents	(Rs.000)	**378,074**	503,450	(619,464)	(472,448)	(624,551)	(17,057)

* Including the effect of surplus on revaluation of property, plant & equipment.

** Excluding surplus on revaluation of property, plant & equipment.

Horizontal Analysis

(Rupeess '000)	2012	12 Vs 11 %	2011	11 Vs 10 %	2010	10 Vs 09 %	2009	09 Vs 08 %	2008	08 Vs 07 %	2007
Balance Sheet											
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**	**0.00**	1,869,424	-	1,869,424	0.00	1,869,424	36.51	1,369,424	-	1,369,424
Unappropriated profit	**2,041,979**	**62.30**	1,258,128	113.39	589,596	264.70	161,664	(82.81)	940,288	40.57	668,892
	4,236,645	**22.70**	3,452,794	24.01	2,784,262	18.16	2,356,330	(10.57)	2,634,954	11.48	2,363,558
Surplus on revaluation of property, plant and equipment	**19,988,725**	**(0.10)**	20,007,770	-	20,007,770	131.98	8,624,854	-	8,624,854	-	8,624,854
Non Current Liabilities											
Long term financing	**583,333**	**16.67**	500,000	1288.89	36,000	(66.67)	108,000	(40.00)	180,000	(42.31)	312,000
Redeemable capital non-participatory, secured (term finance certificate)	**-**	**-**	-	-	-	-	-	-	-	(100.00)	99,940
Liabilities against assets subject to finance lease	**24,029**	**100.00**	-	-	-	-	-	-	-	-	-
Long term deposits	**49,884**	**(1.97)**	50,884	0.91	50,426	(39.11)	82,813	(2.43)	84,877	3.14	82,293
Deferred liabilities	**417,628**	**14.35**	365,219	0.11	364,810	(8.70)	399,588	0.84	396,250	15.31	343,640
	1,074,874	**17.33**	916,103	103.02	451,236	(23.57)	590,401	(10.70)	661,127	(21.09)	837,873
Current Liabilities											
Trade and other payables	**1,328,562**	**0.11**	1,327,119	8.80	1,219,783	(11.55)	1,379,077	7.57	1,281,978	24.10	1,032,980
Markup payable	**32,323**	**2.66**	31,484	21.80	25,849	(85.10)	173,528	24.56	139,316	6.27	131,098
Short term borrowings	**63,936**	**(83.62)**	390,233	(56.06)	888,088	15.75	767,230	53.45	500,000	100.00	-
Current portion of long term financing	**223,606**	**521.13**	36,000	(50.00)	72,000	-	72,000	(68.96)	231,940	(30.11)	331,880
Provision for taxation	**-**	**(100.00)**	47,339	61.98	29,225	20.24	24,306	(26.53)	33,081	100.00	-
	1,648,427	**(10.03)**	1,832,175	(18.02)	2,234,945	(7.50)	2,416,141	10.51	2,186,315	46.15	1,495,958
	26,948,671	**2.82**	26,208,842	2.87	25,478,213	82.15	13,987,726	(0.85)	14,107,250	5.89	13,322,243
Non Current Assets											
Property, plant and equipment	**22,507,365**	**2.35**	21,990,412	0.08	21,972,632	104.96	10,720,517	(0.36)	10,758,776	0.17	10,741,029
Advance for capital expenditure	**962,220**	**23.55**	778,817	2.71	758,289	9.31	693,712	557.89	105,445	100.00	-
Investment property	**47,000**	**(88.00)**	391,763	770.58	45,000	8.43	41,500	3.75	40,000	100.00	-
Long term investments	**1,315,377**	**7.60**	1,222,418	14.73	1,065,455	-	1,065,455	19.65	890,455	-	890,455
Advance for equity investment	**113,080**	**177.84**	40,700	(57.47)	95,700	100.00	-	-	-	-	-
Long term deposits	**13,385**	**0.02**	13,382	279.52	3,526	(2.41)	3,613	-	3,613	1.49	3,560
	24,958,427	**2.13**	24,437,492	2.08	23,940,602	91.15	12,524,797	6.16	11,798,289	1.40	11,635,044
Current Assets											
Stores, spare parts and loose tools	**101,538**	**17.90**	86,121	2.58	83,954	(3.02)	86,567	30.20	66,488	18.07	56,311
Stock in trade - food and beverages	**65,589**	**21.84**	53,833	21.15	44,435	3.66	42,867	(6.24)	45,721	56.79	29,161
Trade debts	**463,439**	**45.19**	319,190	7.31	297,459	30.16	228,534	(33.71)	344,743	27.89	269,567
Advances	**570,211**	**(5.43)**	602,955	685.85	76,726	(22.21)	98,626	(23.73)	129,314	(16.69)	155,213
Trade deposits and prepayments	**59,188**	**59.27**	37,163	55.41	23,913	(39.56)	39,565	(3.11)	40,834	48.96	27,413
Interest accrued	**7,729**	**(84.34)**	49,340	3.93	47,472	274.77	12,667	159.68	4,878	(65.54)	14,157
Other receivables	**30,724**	**(42.35)**	53,296	5.93	50,314	(56.66)	116,096	164.06	43,966	1.28	43,410
Other financial assets	**493,887**	**8.13**	456,760	(45.75)	841,941	9.86	766,398	(43.79)	1,363,457	146.10	554,025
Non current assets held for sale	**55,955**	**56.74**	35,700	100.00	-	-	-	-	-	-	-
Advance tax	**13,215**	**100.00**	-	-	-	-	-	-	-	-	-
Cash and bank balances	**128,769**	**67.25**	76,992	7.84	71,397	(0.30)	71,609	(73.43)	269,560	(49.89)	537,942
	1,990,244	**12.36**	1,771,350	15.20	1,537,611	5.10	1,462,929	(36.64)	2,308,961	36.85	1,687,199
	26,948,671	**2.82**	26,208,842	2.87	25,478,213	82.15	13,987,726	(0.85)	14,107,250	5.89	13,322,243
Profit and Loss Account											
Sales and services - net	**5,672,678**	**13.08**	5,016,601	18.37	4,238,232	(5.88)	4,502,934	(2.83)	4,633,937	(5.09)	4,882,700
Cost of sales and services	**3,299,775**	**9.33**	3,018,227	11.87	2,698,003	(11.29)	3,041,307	2.33	2,972,021	(1.22)	3,008,629
Gross profit	**2,372,903**	**18.74**	1,998,374	29.75	1,540,229	5.38	1,461,627	(12.05)	1,661,916	(11.32)	1,874,071
Administrative expenses	**1,370,759**	**17.65**	1,165,102	6.68	1,092,180	(1.52)	1,108,996	8.22	1,024,753	14.88	892,058
Other operating expenses	**-**	**(100.00)**	19,201	(8.91)	21,078	96.78	654,105	950.82	62,247	100.00	-
Other operating income	**338,821**	**3.61**	327,022	(3.63)	339,339	(16.52)	406,501	333.36	93,803	(52.79)	198,701
Operating profit	**1,340,965**	**17.52**	1,141,093	48.91	766,310	629.63	105,027	(84.29)	668,719	(43.36)	1,180,714
Finance cost	**184,741**	**4.34**	177,058	9.86	161,173	(21.96)	206,513	56.17	132,234	(29.58)	187,785
Profit / (loss) before taxation	**1,156,224**	**19.94**	964,035	59.31	605,137	(696.28)	(101,486)	(118.92)	536,485	(45.97)	992,929
Taxation	**372,373**	**26.01**	295,503	66.76	177,205	38.06	128,352	(44.81)	232,565	(33.88)	351,724
Profit / (loss) for the year	**783,851**	**17.25**	668,532	56.22	427,932	(286.19)	(229,838)	(175.62)	303,920	(52.60)	641,205
Earnings/ (loss) per share - basic and diluted (Rupees)	**24.10**	**17.25**	20.55	56.22	13.16	286.19	(7.07)	(175.62)	9.34	(52.60)	19.71

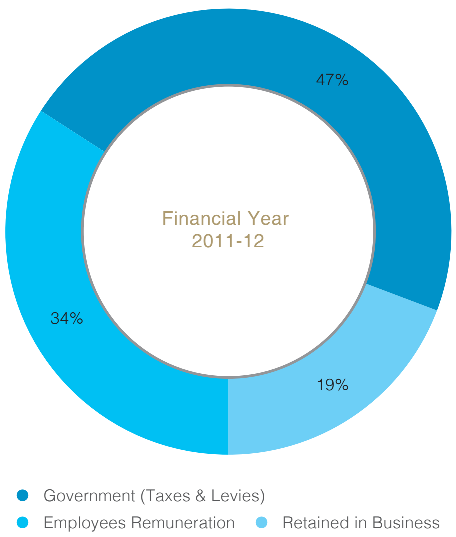
Vertical Analysis

(Rupees '000)	2012	%	2011	%	2010	%	2009	%	2008	%	2007	%
Balance Sheet												
Share Capital and Reserves												
Issued, subscribed and paid up share capital	**325,242**	**1.21**	325,242	1.24	325,242	1.28	325,242	2.33	325,242	2.31	325,242	2.44
Reserves	**1,869,424**	**6.94**	1,869,424	7.13	1,869,424	7.34	1,869,424	13.36	1,369,424	9.71	1,369,424	10.28
Unappropriated profit	**2,041,979**	**7.58**	1,258,128	4.80	589,596	2.31	161,664	1.16	940,288	6.67	668,892	5.02
	4,236,645	**15.72**	3,452,794	13.17	2,784,262	10.93	2,356,330	16.85	2,634,954	18.68	2,363,558	17.74
Surplus on revaluation of property, plant and equipment	**19,988,725**	**74.17**	20,007,770	76.34	20,007,770	78.53	8,624,854	61.66	8,624,854	61.14	8,624,854	64.74
Non Current Liabilities												
Long term financing	**583,333**	**2.16**	500,000	1.91	36,000	0.14	108,000	0.77	180,000	1.28	312,000	2.34
Redeemable capital non-participatory, secured (term finance certificate)	**-**	**0.00**	-	0.00	-	0.00	-	0.00	-	0.00	99,940	0.75
Liabilities against assets subject to finance lease	**24,029**	**0.09**	-	-	-	-	-	-	-	-	-	-
Long term deposits	**49,884**	**0.19**	50,884	0.19	50,426	0.20	82,813	0.59	84,877	0.60	82,293	0.62
Deferred liabilities	**417,628**	**1.55**	365,219	1.39	364,810	1.43	399,588	2.86	396,250	2.81	343,640	2.58
	1,074,874	**3.99**	916,103	3.50	451,236	1.77	590,401	4.22	661,127	4.69	837,873	6.29
Current Liabilities												
Trade and other payables	**1,328,562**	**4.93**	1,327,119	5.06	1,219,783	4.79	1,379,077	9.86	1,281,978	9.09	1,032,980	7.75
Markup payable	**32,323**	**0.12**	31,484	0.12	25,849	0.10	173,528	1.24	139,316	0.99	131,098	0.98
Short term borrowings	**63,936**	**0.24**	390,233	1.49	888,088	3.49	767,230	5.49	500,000	3.54	-	-
Current portion of long term financing	**223,606**	**0.83**	36,000	0.14	72,000	0.28	72,000	0.51	231,940	1.64	331,880	2.49
Provision for taxation	**-**	**-**	47,339	0.18	29,225	0.11	24,306	0.17	33,081	0.23	-	-
	1,648,427	**6.12**	1,832,175	6.99	2,234,945	8.77	2,416,141	17.27	2,186,315	15.50	1,495,958	11.23
	26,948,671	**100.00**	26,208,842	100.00	25,478,213	100.00	13,987,726	100.00	14,107,250	100.00	13,322,243	100.00
Non Current Assets												
Property, plant and equipment	**22,507,365**	**83.52**	21,990,412	83.90	21,972,632	86.24	10,720,517	76.64	10,758,776	76.26	10,741,029	80.62
Advance for capital expenditure	**962,220**	**3.57**	778,817	2.97	758,289	2.98	693,712	4.96	105,445	0.75	-	-
Investment property	**47,000**	**0.17**	391,763	1.49	45,000	0.18	41,500	0.30	40,000	0.28	-	-
Long term investments	**1,315,377**	**4.88**	1,222,418	4.66	1,065,455	4.18	1,065,455	7.62	890,455	6.31	890,455	6.68
Advance for equity investment	**113,080**	**0.42**	40,700	0.16	95,700	0.38	-	-	-	-	-	-
Long term deposits	**13,385**	**0.05**	13,382	0.05	3,526	0.01	3,613	0.03	3,613	0.03	3,560	0.03
	24,958,427	**92.61**	24,437,492	93.24	23,940,602	93.96	12,524,797	89.54	11,798,289	83.63	11,635,044	87.34
Current Assets												
Stores, spare parts and loose tools	**101,538**	**0.38**	86,121	0.33	83,954	0.33	86,567	0.62	66,488	0.47	56,311	0.42
Stock in trade - food and beverages	**65,589**	**0.24**	53,833	0.21	44,435	0.17	42,867	0.31	45,721	0.32	29,161	0.22
Trade debts	**463,439**	**1.72**	319,190	1.22	297,459	1.17	228,534	1.63	344,743	2.44	269,567	2.02
Advances	**570,211**	**2.12**	602,955	2.30	76,726	0.30	98,626	0.71	129,314	0.92	155,213	1.17
Trade deposits and prepayments	**59,188**	**0.22**	37,163	0.14	23,913	0.09	39,565	0.28	40,834	0.29	27,413	0.21
Interest accrued	**7,729**	**0.03**	49,340	0.19	47,472	0.19	12,667	0.09	4,878	0.03	14,157	0.11
Other receivables	**30,724**	**0.11**	53,296	0.20	50,314	0.20	116,096	0.83	43,966	0.31	43,410	0.33
Other financial assets	**493,887**	**1.83**	456,760	1.74	841,941	3.30	766,398	5.48	1,363,457	9.66	554,025	4.16
Non current assets held for sale	**55,955**	**0.21**	35,700	0.14	-	-	-	-	-	-	-	-
Advance tax	**13,215**	**0.05**	-	-	-	-	-	-	-	-	-	-
Cash and bank balances	**128,769**	**0.48**	76,992	0.29	71,397	0.28	71,609	0.51	269,560	1.91	537,942	4.04
	1,990,244	**7.39**	1,771,350	6.76	1,537,611	6.04	1,462,929	10.46	2,308,961	16.37	1,687,199	12.66
	26,948,671	**100.00**	26,208,842	100.00	25,478,213	100.00	13,987,726	100.00	14,107,250	100.00	13,322,243	100.0
Profit and Loss Account												
Sales and services - net	**5,672,678**	**100.00**	5,016,601	100.00	4,238,232	100.00	4,502,934	100.00	4,633,937	100.00	4,882,700	100.00
Cost of sales and services	**3,299,775**	**58.17**	3,018,227	60.16	2,698,003	63.66	3,041,307	67.54	2,972,021	64.14	3,008,629	61.62
Gross profit	**2,372,903**	**41.83**	1,998,374	39.84	1,540,229	36.34	1,461,627	32.46	1,661,916	35.86	1,874,071	38.38
Administrative expenses	**1,370,759**	**24.16**	1,165,102	23.22	1,092,180	25.77	1,108,996	24.63	1,024,753	22.11	892,058	18.27
Other operating expenses	**-**	**-**	19,201	0.38	21,078	0.50	654,105	14.53	62,247	1.34	-	-
Other operating income	**338,821**	**5.97**	327,022	6.52	339,339	8.01	406,501	9.03	93,803	2.02	198,701	4.07
Operating profit	**1,340,965**	**23.64**	1,141,093	22.75	766,310	18.08	105,027	2.33	668,719	14.43	1,180,714	24.18
Finance cost	**184,741**	**3.26**	177,058	3.53	161,173	3.80	206,513	4.59	132,234	2.85	187,785	3.85
Profit / (loss) before taxation	**1,156,224**	**20.38**	964,035	19.22	605,137	14.28	(101,486)	(2.25)	536,485	11.58	992,929	20.34
Taxation	**372,373**	**6.56**	295,503	5.89	177,205	4.18	128,352	2.85	232,565	5.02	351,724	7.20
Profit / (loss) for the year	**783,851**	**13.82**	668,532	13.33	427,932	10.10	(229,838)	(5.10)	303,920	6.56	641,205	13.13
Earnings/ (loss) per share - basic and diluted (Rupees)	**24.10**		20.55		13.16		(7.07)		9.34		19.71	

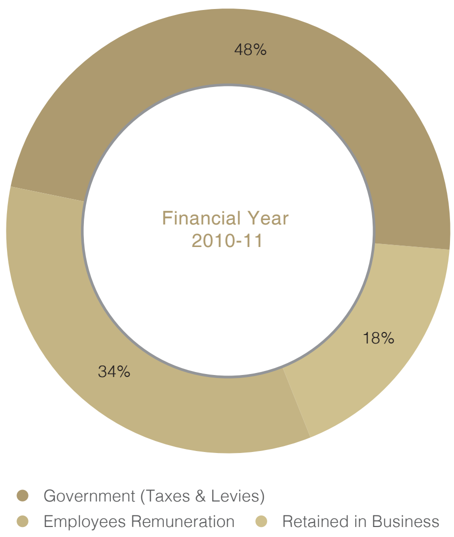
Statement of Value Addition & Its Distribution

	2011-12	2010-11
	(Rupees'000)	
VALUE ADDED		
Sales & Services (Inclusive of GST)	**6,794,566**	6,070,933
Other operating income-net	**338,821**	307,821
	7,133,387	6,378,754
Cost of Sales and Other expenses (Excluding remuneration)	**(2,946,876)**	(2,584,346)
	4,186,511	3,794,409
DISTRIBUTION		
Employees Remuneration	**1,437,578**	1,299,286
Government (Taxes & Levies)	**1,965,082**	1,826,591
Retained in Business	**811,309**	668,532
	4,213,969	3,794,409

Value Added & Distribution



Value Added & Distribution



Statement of Compliance

Statement of Compliance with the Code of Corporate Governance
For the year ended 30 June 2012

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 (Guarantee) 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 on its Board. At present the executive directors are not more than 75% of the elected directors including chief executive. The board includes:

Category		Names
Independent Directors		None
Executive Directors	1)	Mr. Murtaza Hashwani
	2)	Mr. M.A.Bawany
	3)	Syed Sajid Ali
	4)	Mr. Muhammad Rafique
	5)	Mr. Bashir Ahmed
Non-Executive Directors	1)	Mr. Sadruddin Hashwani
	2)	Ms. Sarah Hashwani
	3)	Mr. Mansoor Akbar Ali
	4)	Mr. Clive Anthony Webster

2. The directors have confirmed that none of them is serving as director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and to the best of our knowledge 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 casual vacancy was occurred on the Board on 27 September 2012 and was filled immediately.
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 these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions. There was no new appointment of the CEO of the Company during the year.
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 working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has been making arrangements for orientation course for its directors to apprise them of their duties and responsibilities. During the year Mr. Muhammad Rafique, Director of the Company has completed the prescribed training under Code of Corporate Governance, conducted by Pakistan Institute of Corporate Governance.

10. There was no new appointment of CFO, Company Secretary and Head of Internal Audit department during the year.

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 consists of four members, including non-executive director as its chairman.

16. The requirements described in the clauses xiii and xiv of the Code of Corporate Governance stands complied.

17. 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.

18. The Board has set-up an effective internal audit function.

19. The Board has formed an Human Resource & Remuneration Committee. It comprises four members, including non-executive Director as its Chairman.

20. 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 partner are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

22. We confirm that all other material principles contained in the Code have been complied with.

23. The Company maintains a list of related parties which is updated on a regular basis. All transactions with related parties are placed before the audit committee on quarterly basis and are approved by the Board of Directors.

For and on behalf of Board of Directors

Murtaza Hashwani
Chief Executive
Dubai: 27 September 2012

Statement of Compliance

Statement of Compliance with the Best Practices on Transfer Pricing to the Members
For the year ended 30 June 2012

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

For and on behalf of Board of Directors

Murtaza Hashwani
Chief Executive

Dubai: 27 September 2012

Unconsolidated Financial Statements

For the year ended 30 June 2012

Auditors' Report

To the Members

We have audited the annexed unconsolidated balance sheet of Pakistan Services Limited ("the Company") as at 30 June 2012 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 unconsolidated financial 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 polices consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the 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 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 2012 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 Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KPMG Taseer Hadi & Co.

Islamabad: 27 September 2012

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Pesnani

Review Report

To the Members on Directors' Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Directors' Statement of Compliance with the Best Practices ("the Statement") contained in the Code of Corporate Governance prepared by the Board of Directors of Pakistan Services Limited, ("the Company") to comply with the Listing Regulations No. 35 of Karachi Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement covers all risks or controls, or to form an opinion on the effectiveness of such internal control, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange Limited vide circular KSE/ N-269 dated 19 January 2009 requires the Company to place before the Board of Director for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2012.

Islamabad: 27 September 2012

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Pesnani

Unconsolidated Balance Sheet
As at 30 June 2012

	Note	2012	2011
		(Rupees'000)	
SHARE CAPITAL AND RESERVES			
Authorised share capital			
50,000,000 (2011: 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		**2,041,979**	1,258,128
		4,236,645	3,452,794
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	13.2	**19,988,725**	20,007,770
NON CURRENT LIABILITIES			
Long term financing - secured	6	**583,333**	500,000
Liabilities against assets subject to finance lease	7	**24,029**	-
Long term deposits		**49,884**	50,884
Deferred liabilities	8	**417,628**	365,219
		1,074,874	916,103
CURRENT LIABILITIES			
Trade and other payables	9	**1,328,562**	1,327,119
Markup accrued		**32,323**	31,484
Short term borrowings-secured	10	**63,936**	390,233
Current portion of long term borrowings	11	**223,606**	36,000
Provision for taxation	25	**-**	47,339
		1,648,427	1,832,175
		26,948,671	26,208,842
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 39 form an integral part of these unconsolidated financial statements.

	Note	2012	2011
		(Rupees'000)	
NON CURRENT ASSETS			
Property, plant and equipment	13	**22,507,365**	21,990,412
Advance for capital expenditure	14	**962,220**	778,817
Investment property	15	**47,000**	391,763
Long term investments	16	**1,315,377**	1,222,418
Advance for equity investment	17	**113,080**	40,700
Long term deposits		**13,385**	13,382
		24,958,427	24,437,492
CURRENT ASSETS			
Stores, spare parts and loose tools	18	**101,538**	86,121
Stock in trade - food and beverages		**65,589**	53,833
Trade debts	19	**463,439**	319,190
Advances	20	**570,211**	602,955
Trade deposits and prepayments	21	**59,188**	37,163
Interest accrued		**7,729**	49,340
Other receivables	22	**30,724**	53,296
Other financial assets	23	**493,887**	456,760
Non current assets held for sale	24	**55,955**	35,700
Advance tax - net	25	**13,215**	-
Cash and bank balances	26	**128,769**	76,992
		1,990,244	1,771,350
		26,948,671	26,208,842

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

Unconsolidated Profit and Loss Account
For the year ended 30 June 2012

	Note	2012	2011
		(Rupees'000)	
Sales and services - net	27	**5,672,678**	5,016,601
Cost of sales and services	28	**(3,299,775)**	(3,018,227)
Gross profit		**2,372,903**	1,998,374
Administrative expenses	29	**(1,370,759)**	(1,165,102)
Other operating expenses	30	**-**	(19,201)
Finance cost	31	**(184,741)**	(177,058)
Other operating income	32	**338,821**	327,022
Profit before taxation		**1,156,224**	964,035
Taxation	33	**(372,373)**	(295,503)
Profit after taxation		**783,851**	668,532
Earnings per share - basic and diluted (Rupees)	34	**24.10**	20.56

The annexed notes 1 to 39 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 2012

	2012	2011
	(Rupees'000)	
Profit for the year	**783,851**	668,532
Other comprehensive income for the year	**-**	-
Comprehensive income transferred to equity	**783,851**	668,532
Components of comprehensive income not reflected in equity		
Impairment loss on revalued assets	**(19,045)**	-
	764,806	668,532

The annexed notes 1 to 39 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 2012

	Note	2012	2011
		(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**1,156,224**	964,035
Adjustments for:			
Depreciation		**223,735**	226,211
Gain on disposal of property, plant and equipment		**(9,997)**	(708)
Provision for staff retirement benefit - gratuity		**43,628**	41,289
Provision for doubtful debts		**17,694**	17,273
Return on bank deposits, short term advance and certificates of investments		**(92,071)**	(77,410)
Finance cost		**184,741**	177,058
Dividend income		**(23,625)**	(13,053)
Unrealised gain on revaluation of investment property to fair value		**-**	(2,000)
Unrealised gain on remeasurement of investments to fair value - net		**(37,127)**	(89,818)
Unrealized impairment loss on non current assets held for sale		**-**	5,964
Impairment loss on investments in associated companies		**-**	13,237
		1,463,202	1,262,078
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		**(15,417)**	(2,167)
Stock in trade - food and beverages		**(11,756)**	(9,398)
Trade debts		**(161,943)**	(39,004)
Advances		**32,744**	(26,229)
Trade deposits and prepayments		**(22,025)**	(13,251)
Other receivables		**(10,887)**	(2,982)
Increase in current liabilities			
Trade and other payables		**1,443**	107,336
Cash (used in) /generated from operations		**(187,841)**	14,305
Staff retirement benefit - gratuity paid		**(18,677)**	(19,528)
Income tax paid		**(405,469)**	(298,741)
Finance cost paid		**(183,902)**	(171,423)
Net cash generated from operating activities		**667,313**	786,691
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(420,777)**	(280,826)
Additions to advance for capital expenditure		**(208,815)**	(27,488)
Purchase of investment property		**-**	(344,763)
Proceeds from disposal of property, plant and equipment		**18,010**	2,839
Purchase of long term investments		**(18,800)**	-
Advance for equity investment		**(113,080)**	(115,200)
Encashment of other financial assets		**-**	475,000
Short term advance extended		**-**	(500,000)
Dividend income received		**23,625**	13,053
Receipts of return on bank deposits, short term advance and certificates of investments		**133,682**	75,542
Proceeds from disposal of non current assets held for sale		**35,700**	-
Long term deposits		**(1,003)**	(9,398)
Net cash used in investing activities		**(551,458)**	(711,241)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		**(36,000)**	(72,000)
Proceeds from long term financing		**300,000**	500,000
Repayment of liabilities against assets subject to finance lease		**(1,781)**	-
Net cash generated from financing activities		**262,219**	428,000
Net increase in cash and cash equivalents		**378,074**	503,450
Cash and cash equivalents at beginning of the year		**(313,241)**	(816,691)
Cash and cash equivalents at end of the year		**64,833**	(313,241)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**128,769**	76,992
Running finance		**(63,936)**	(390,233)
		64,833	(313,241)

The annexed notes 1 to 39 form an integral part of these unconsolidated financial statements.

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

Unconsolidated Statement of Changes in Equity
For the year ended 30 June 2012

	Share capital	Capital reserve	Revenue reserves		Total equity
		Share premium	General reserve	Unappropriated profit	
	(Rupees'000)				
Balance at 30 June 2010	**325,242**	**269,424**	**1,600,000**	**589,596**	**2,784,262**
Changes in equity for the year ended 30 June 2011					
Total comprehensive income for the year					
Profit for the year	-	-	-	668,532	668,532
Total comprehensive income for the year	-	-	-	668,532	668,532
Balance at 30 June 2011	**325,242**	**269,424**	**1,600,000**	**1,258,128**	**3,452,794**
Changes in equity for the year ended 30 June 2012					
Total comprehensive income for the year					
Profit for the year	-	-	-	783,851	783,851
Total comprehensive income for the year	-	-	-	783,851	783,851
Balance at 30 June 2012	**325,242**	**269,424**	**1,600,000**	**2,041,979**	**4,236,645**

The annexed notes 1 to 39 form an integral part of these unconsolidated financial statements.

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2012

1 STATUS AND NATURE OF BUSINESS

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

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF MEASUREMENT

These unconsolidated 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;
- other financial assets at fair value through unconsolidated profit or loss have been recognised at fair value; and
- liability related to staff retirement benefit are measured at present value.

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

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. These unconsolidated financial statements are presented in Pakistan Rupee which is the Company's functional and presentation currency.

2.4 USE OF ESTIMATES AND JUDGMENTS

The preparation of unconsolidated 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 made by the management in the application of approved accounting standards that may have significant

effect on the unconsolidated financial statements and estimates with a significant risk of material adjustment in the next year are explained 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. 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.

2.4.2 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 Staff retirement benefit - gratuity

The present value of the obligation for gratuity depends 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.

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. Net realisable value is determined with reference to estimated selling price less estimated expenditures 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 annual basis.

2.4.6 Impairment of financial assets

In making an estimates in future cash flows from the Company's financial assets including investments in subsidiaries and associates, the management considers estimated future dividend stream and their terminal value.

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 2012:

Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy is to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial gains / losses amounting to Rs. 9.711 million at 30 June 2012 would need to be recognized in other comprehensive income.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

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.

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations.

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

The amendments in IAS 16 would result in reclassification of certain plant specific spares amounting to Rs. Nil at 30 June 2012 as property, plant and equipment when the amended standard becomes applicable. The other amendments have no impact on financial statements of the Company. The amendments have no impact on financial statements of the Company.

IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

Owned

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

Surplus arising on revaluation is credited to the surplus on revaluation of property, plant and equipment account. Deficit arising on subsequent revaluation of property, plant and equipment is adjusted against the balance in the above mentioned surplus account. The surplus on revaluation of depreciable property, plant and equipment to the extent of incremental depreciation charged on the related assets, if any, is transferred to equity net of deferred tax.

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.

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 is 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

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.

3.2 Investments

All purchases and sale of investments are recognized using settlement date accounting. Settlement date 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.

When the use of a property changes, it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

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.

3.2.4 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 profit and loss account.

The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

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 Trade debts and other receivables

Trade debts and other receivables are recognized at original invoice amount less allowance for estimated irrecoverable amounts. Known bad debts are written off, when identified.

3.6 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.7 Markup bearing borrowings

Markup bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, markup bearing borrowings are stated at original cost less repayments, while the difference between the cost (reduced for periodic payments) and redemption value is recognised in the unconsolidated profit and loss account over the period of the borrowings on an effective markup basis.

3.8 Borrowing costs

Borrowing 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 profit and loss.

3.9 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.

3.10 Staff retirement 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 policy for staff retirement benefits is described below;

Gratuity

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. The Company’s policy for the recognition of actuarial gains and losses is based on the “minimum 10% corridor” approach. Latest valuation was conducted as at 30 June 2012.

The amount recognised in the unconsolidated balance sheet represents the present value of defined benefit obligations adjusted for actuarial gains and losses, unrecognised past service cost and interest cost.

Provident fund

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

3.11 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.

3.12 Revenue recognition

Revenue from rooms, food and beverages and other related services, excluding Privilege Club Card fee income, is recognised on the performance of service. Privilege Club Card fee income is recognised in the unconsolidated profit and loss account on a straight line basis over the term of the related card. Shop license fee are recognised on accrual basis.

3.13 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.

3.14 Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. These are derecognized when the Company ceases to be a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at fair value. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

3.15 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 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.

3.16 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are set off in the unconsolidated balance sheet, only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.17 Dividend

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

3.18 Impairment

Non financial assets

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment losses are recognized as expense in the unconsolidated profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and 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. For non-financial assets, financial assets measured at amortized cost, available-for-sale financial assets that are debt securities, the reversal is recognised in unconsolidated profit and loss account, except when impairment loss relates to a revalued assets in which case it shall be treated as a revaluation decrease.

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

3.19 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.

3.20 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.

3.21 Cash and cash equivalents

For the purpose of unconsolidated cash flow statement 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

2012	2011		Note	2012	2011
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	Ordinary shares of Rs. 10 each issued for consideration other than cash against property		**3,621**	3,621
6,489,450	6,489,450	Ordinary shares of Rs. 10 each issued as fully paid bonus shares		**64,895**	64,895
32,524,170	32,524,170			**325,242**	325,242

5 RESERVES

	Note	2012	2011
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. 56,446,908 issued as bonus shares in the years 2000 and 2004. This reserve can be utilised by the Company for the purposes specified in Section 83(2) of the Companies Ordinance, 1984.

6 LONG TERM FINANCING - secured

	Note	2012	2011
		(Rupees'000)	
From banking companies:			
Habib Bank Limited		**-**	36,000
The Bank of Punjab	6.1	**500,000**	500,000
Askari Bank Limited	6.2	**300,000**	-
		800,000	536,000
Current portion of long term financing		**(216,667)**	(36,000)
		583,333	500,000

6.1 This represents term finance loan of Rs. 500 million (2011: Rs. 500 million) which carries markup equal to 3-month KIBOR plus 2.75% (2011: 3-month KIBOR plus 2.75%) per annum and is secured against first pari passu equitable motgage charge on land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 667 million; ranking hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi to the extent of Rs. 667 million and personal guarantees of the sponsor directors of the Company. The loan is repayable in twelve equal quarterly installments of Rs. 41.667 million each which will commence from September 2012.

6.2 This represents term finance loan of Rs. 300 million (2011: Rs. Nil) which carries markup equal to 3-month KIBOR plus 2.50% per annum (2011: Nil) and is secured against pari passu mortgage charge over land, building, and fixed assets of Pearl Continental Hotel, Karachi for an amount of Rs. 428.57 million; hypothecation charge over plant, machinery, equipment and other movable properties of Pearl Continental Hotel, Karachi for an amount of Rs. 428.57 million and personal guarantee of a sponsor director of the Company. The loan is repayable in eighteen equal quarterly installments of Rs. 16.667 million each which will commence from October 2012.

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2012			2011
	Present value of minimum lease payments	**Financial charges for future periods**	**Total lease rentals**	Total lease rentals
	(Rupees'000)			
Not later than one year	**6,939**	**3,989**	**10,928**	-
Later than one year and not later than five years	**24,029**	**6,371**	**30,400**	-
	30,968	**10,360**	**41,328**	-

7.1 This represents utilised amount of lease finance facility of Rs. 50 million (2011: Rs. Nil) for purchase of vehicles which carries markup equal to 3- month KIBOR plus 2.50% (2011: Nil). 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 sponsor director of the Company and ownership of leased vehicles.

8 DEFERRED LIABILITIES

	Note	2012	2011
		(Rupees'000)	
Staff retirement benefit - gratuity	8.1	**267,918**	242,967
Deferred tax	8.2	**149,710**	122,252
		417,628	365,219

8.1 Movement in the liability recognised in the balance sheet

	2012	2011
Opening balance	**242,967**	221,206
Charge for the year	**43,628**	41,289
Payments made during the year	**(18,677)**	(19,528)
Closing balance	**267,918**	242,967

Reconciliation of the liability recognised in the balance sheet

	2012	2011
Present value of defined benefit obligation	**258,207**	235,678
Actuarial gains unrecognised	**9,711**	7,289
Net liability at end of the year	**267,918**	242,967

Charge to profit and loss account for the year

	2012	2011
Current service cost	**15,346**	18,167
Interest cost	**28,282**	23,122
	43,628	41,289

The latest actuarial valuation was carried out on 30 June 2012 using projected unit credit method.

Actuarial assumption	**2012**	2011
Discount rate	**13%**	12%
Expected increase in eligible salary	**13%**	12.50%
Mortality rate	**EFU (61-66) Mortality Table**	EFU (61-66) Mortality Table

Historical information

	2012	2011	2010	2009	2008
(Rupees'000)	**267,918**	242,967	221,206	224,066	216,286

8.2 Deferred tax

	2012	2011
	(Rupees'000)	
Taxable temporary differences		
Accelerated tax depreciation	**280,892**	238,509
	280,892	238,509
Less: deductible temporary differences		
Provision for staff retirement benefit	**93,771**	85,038
Provision for bad and doubtful debts	**34,506**	28,314
Impairment loss in value of investment	**1,855**	1,855
Provision for stores, spare parts and loose tools	**1,050**	1,050
	131,182	116,257
	149,710	122,252

The liability for deferred tax has been calculated at tax rate of 35% (2011: 35%).

		2012	2011
		(Rupees'000)	

9 TRADE AND OTHER PAYABLES

	2012	2011
Creditors	**212,370**	280,762
Accrued liabilities	**486,016**	489,892
Advances from customers	**171,269**	134,296
Unclaimed dividend	**3,534**	3,534
Retention money	**40,261**	38,646
Due to related parties - unsecured	**36,506**	15,984
Federal excise duty	**5,796**	5,685
Sales tax - net	**125,410**	109,906
Bed tax	**85,319**	85,428
Property tax	**6,626**	8,718
Income tax deducted at source	**2,734**	3,355
Un-earned income	**110,728**	103,630
Other liabilities	**41,993**	47,283
	1,328,562	1,327,119

10 SHORT TERM BORROWINGS - secured

	2012 Facility limit Rupees in million	2011 Facility limit Rupees in million	2012	2011
Running finance from banking companies				
National Bank of Pakistan	**650**	650	**3,623**	200,822
Habib Bank Limited	**350**	350	**538**	139,188
Soneri Bank Limited	**100**	100	**59,775**	223
The Bank of Punjab	**50**	50	**-**	50,000
			63,936	390,233

10.1 Above facilities are secured against first 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. Mark-up rates ranges from 1-month KIBOR to 6 - month KIBOR plus 2.5% to 3%.

11 CURRENT PORTION OF LONG TERM BORROWINGS

	Note	2012	2011
		(Rupees'000)	
Current portion of long term financing	6	**216,667**	36,000
Current portion of liabilities against assets subject to finance lease	7	**6,939**	-
		223,606	36,000

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 The income tax assessments of the Company have been finalized and returns have been filed up to and including the tax year 2011. 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 (2011: Rs. 73.165 million) would arise against the Company for which no provision has been recognised by the Company in the books. 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.

	2012	2011
	(Rupees'000)	
12.1.2 Guarantees	**108,478**	100,824
12.2 Commitments		
Commitments for capital expenditure	**277,957**	75,940

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 2010	9,881,790	10,280,265	641,045	821,758	2,232,625	606,225	134,483	137,263	152,196	-	24,887,650
Additions during the year	-	-	319	5,295	32,548	33,081	8,091	15,443	193,009	-	287,786
Disposals	-	-	-	-	-	-	-	(4,185)	-	-	(4,185)
Transfer	-	-	24,817	-	31,034	35,873	-	-	(91,724)	-	-
Transfer to non current assets held for sale	(41,664)	-	-	-	-	-	-	-		-	(41,664)
Balance at 30 June 2011	**9,840,126**	**10,280,265**	**666,181**	**827,053**	**2,296,207**	**675,179**	**142,574**	**148,521**	**253,481**	**-**	**25,129,587**
Balance at 01 July 2011	9,840,126	10,280,265	666,181	827,053	2,296,207	675,179	142,574	148,521	253,481	-	25,129,587
Additions during the year	-	-	-	148	64,049	67,680	17,241	7,800	290,470	31,550	478,938
Disposals	-	-	-	-	(17,485)	(12,862)	(15,604)	(351)	-	-	(46,302)
Transfer from Investment property (Note 15)	297,020		40,674	-	4,361	2,408	300				344,763
Transfer from CWIP	-	-	-	204,121	49,577	121,241	13,556	-	(388,495)	-	-
Impairment loss on revalued assets	-	(19,045)	-	-	-	-	-	-	-	-	(19,045)
Transfer to non current assets held for sale (Note 13.3)	-	(55,955)	-	-	-	-	-	-	-	-	(55,955)
Balance at 30 June 2012	**10,137,146**	**10,205,265**	**706,855**	**1,031,322**	**2,396,709**	**853,646**	**158,067**	**155,970**	**155,456**	**31,550**	**25,831,986**
Depreciation											
Balance at 01 July 2010	-	-	385,557	377,462	1,574,968	409,861	93,880	73,290	-	-	2,915,018
Charge for the year	-	-	25,785	44,618	101,793	31,119	12,877	10,019	-	-	226,211
On disposals	-	-	-	-	-	-	-	(2,054)	-	-	(2,054)
Balance at 30 June 2011	-	-	**411,342**	**422,080**	**1,676,761**	**440,980**	**106,757**	**81,255**	-	-	**3,139,175**
Balance at 01 July 2011	-	-	411,342	422,080	1,676,761	440,980	106,757	81,255	-	-	3,139,175
Charge for the year	-	-	26,339	43,415	91,261	40,804	11,137	10,216	-	563	223,735
On disposals	-	-	-	-	(14,804)	(9,475)	(13,782)	(228)	-	-	(38,289)
Balance at 30 June 2012	-	-	**437,681**	**465,495**	**1,753,218**	**472,309**	**104,112**	**91,243**	-	**563**	**3,324,621**
Carrying value - 2012	**10,137,146**	**10,205,265**	**269,174**	**565,827**	**643,491**	**381,337**	**53,955**	**64,727**	**155,456**	**30,987**	**22,507,365**
Carrying value - 2011	9,840,126	10,280,265	254,839	404,973	619,446	234,199	35,817	67,266	253,481	-	21,990,412
Rates of depreciation per annum	-	-	10 %	10 %	15 %	15 %	30%	15%	-	15%	

13.1 This includes construction work on expansion of Pearl Continental Hotel Peshawar amounting to Rs. 72.081 million (2011: Rs. 72.081 million), which is under suspension due to a dispute with the Military Estate Office.

13.2 Surplus on revaluation of property, plant and equipment

Freehold and lease hold land having cost of Rs.112.621 million were revalued on 30 June 2010 by M/s. Engineering Pakistan International (Private) Limited and M/s Iqbal A.Nanjee & Co. (Private) Limited (independent valuers) based on existing use basis method, resulting in additional revaluation surplus of Rs. 11,363.87 million. The revaluation resulted in a cumulative surplus of Rs. 20,007.77 million which has been included in the book value of respective land and credited to the surplus on revaluation of property, plant and equipment. Adjustment amounting to Rs. 19.045 million was made during the year as a result of transfer of revlaued land to non current assets held for sale, resulting in net revaluation suplus of Rs. 19,988.72 million as of the balance sheet date.
Had the aforementioned revaluation not carried out, the book values of the freehold and leasehold land would have been Rs. 353.686 million (2011: Rs. 112.621 million).

13.3 This represents carrying value of piece of land held for sale following the management's decision. A buyer has been identified and the parties have entered into an initial agreement for sale which is expected to be finalised and executed within next twelve months (refer note - 24).

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

	Note	2012	2011
		(Rupees'000)	
Cost of sales and services	28	**201,362**	203,591
Administrative expenses	29	**22,373**	22,620
		223,735	226,211

13.5 Detail of disposal of property, plant and equipment:

Description	Cost	Accumulated depreciation	Carrying value	Sale proceeds	Gain on disposal	Mode of disposal	Purchaser
	----------(Rupees'000)----------						
Computers	15,604	13,782	1,822	5,151	3,329	Insurance Claim	PICIC Insurance Limited
Furniture, fixture, fittings and office equipments	12,862	9,475	3,387	6,095	2,708	Insurance Claim	PICIC Insurance Limited
Plant & machinery	17,485	14,804	2,681	6,364	3,683	Insurance Claim	PICIC Insurance Limited
Vehicles	351	228	123	400	277	Insurance Claim	PICIC Insurance Limited
2012	**46,302**	**38,289**	**8,013**	**18,010**	**9,997**		
2011	4,185	2,054	2,131	2,839	708		

14 ADVANCE FOR CAPITAL EXPENDITURE

	Note	2012	2011
		(Rupees'000)	
Purchase of land	14.1	**626,820**	626,820
Purchase of apartment	14.2	**40,509**	40,509
Malir Delta Land	14.3	**190,537**	84,000
Advance for purchase of fixed assets		**4,354**	27,488
Multan land	14.4	**100,000**	-
		962,220	778,817

14.1 This represents amount paid to M/s Associated Builders (Private) Limited, a related party, for purchase of 7.29 acres of land in Gwadar. The provisional allotment letters were issued in the name of Company on 03 September 2008. Since the project is delayed, the Company has applied for refund of this advance.

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 Company, in order to safeguard its interest is considering the option for appropriate legal remedies.

14.3 This includes amount of Rs.80 million paid for purchase of 113.34 acres of land from Ms. Seema D/o John Hector Gill and wife of Riaz Ullah under an Agreement to Sell and by execution of a General Power of Attorney and stamp duty and partial capital value tax. During the year the Company made further payments towards Town committee fee, registration fee, stamp duty and regularization of the land as per the value assessed by the Land Regularization Committee established by the Government of Sindh under the Sindh Ordinance, 2001. Balance amount of Rs. 236.125 million is payable to Land Regularization Department which is included in commitments for capital expenditure (Note 12.2).

14.4 This represents amount paid to M/s Pearl Real Estate Holdings (Private) Limited , a related party, for purchase of a piece of land measuring 8,303 square yards in Multan for construction of a hotel.

	Note	**2012**	2011
		(Rupees'000)	
15 INVESTMENT PROPERTY			
Opening balance		**391,763**	45,000
Purchased during the year		**-**	344,763
Transferred to property, plant and equipment	15.1	**(344,763)**	-
		47,000	389,763
Unrealised gain on re-measurement of investment property to fair value	15.2	**-**	2,000
Closing balance		**47,000**	391,763

15.1 This property was purchased by the Company last year and was let out on lease. Effective 01 January 2012, the Company decided to operate and run the property itself. Accordingly, this has now been transferred to property, plant and equipment.

15.2 The investment property is a piece of land held for commercial purposes. On 30 June 2012, 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. Fair value of investment property is based on independent valuer's judgment about average prices prevalent on the said date and has been prepared on openly available/ provided information after making relevant inquiries from the market. Valuation was carried out by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

16 LONG TERM INVESTMENTS

	% of holding	Note	2012	2011
			(Rupees'000)	
Investments in related parties				
Subsidiary companies - at cost - unquoted				
Pearl Continental Hotels (Private) Limited	100%	16.1	**5,000**	5,000
Bhurban Resorts (Private) Limited	100%	16.2	**10,000**	10,000
Pearl Tours and Travels (Private) Limited - (PTTL)	100%	16.3	**38,460**	5,000
Musafa International (Private) Limited	100%	16.4	**354,700**	295,200
			408,160	315,200
Associated undertaking - at cost - unquoted				
Hashoo Group Limited - British Virgin Island				
98,000 (2011: 98,000) ordinary shares of US$ 100 each	14%		**586,403**	586,403
Hotel One (Private) Limited- Pakistan				
500,000 (2011: 500,000) ordinary shares of Rs.100 each	31%		**36,762**	50,000
Impairment loss			**-**	(13,237)
			36,762	36,763
Investment in jointly controlled entity			**623,165**	623,166
Pearl Continental Hotels Limited - UAE				
95 (2011: 95) ordinary shares of US$ 50,000 each	50%		**284,052**	284,052
Other investments				
Available for sale - unquoted company				
Malam Jabba Resorts Limited			**1,000**	1,000
Impairment loss			**(1,000)**	(1,000)
			-	-
			1,315,377	1,222,418

16.1 Pearl Continental Hotels (Private) Limited

500,000 (2011: 500,000) ordinary shares of Rs. 10 each.
Break-up value per share based on audited financial statements for the year ended 30 June 2012 was Rs. 17.51 (2011: Rs. 16.21).

16.2 Bhurban Resorts (Private) Limited

1,000,000 (2011: 1,000,000) ordinary shares of Rs. 10 each.
Break-up value per share based on audited financial statements for the year ended 30 June 2012 was Rs. 13.43 (2011: Rs.12.59).

16.3 Pearl Tours and Travels (Private) Limited

3,846,000 (2011: 500,000) ordinary shares of Rs. 10 each.
Break-up value per share based on audited financial statements for the year ended 30 June 2012 was Rs. 23.50 (2011: Rs. 103.38).

16.4 Musafa International (Private) Limited

3,547,000 (2011: 2,952,000) ordinary shares of Rs. 100 each.
Break-up value per share based on audited financial statements for the year ended 30 June 2012 was Rs. 95.81 (2011: Rs. 101.31).

17 ADVANCE FOR EQUITY INVESTMENT

This represents advance given to M/s Musafa International (Private) Limited a wholly owned subsidiary of the Company for issuance of 1,130,800 ordinary shares of Rs. 100 each.

18 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2012	2011
		(Rupees'000)	
Stores		**81,886**	66,677
Spare parts and loose tools		**22,651**	22,443
		104,537	89,120
Provision for obsolescence		**(2,999)**	(2,999)
		101,538	86,121

19 TRADE DEBTS

	Note	2012	2011
Considered good			
Due from related parties - unsecured	19.1	**8,535**	10,169
Others		**454,904**	309,021
		463,439	319,190
Considered doubtful		**98,588**	80,894
		562,027	400,084
Provision against doubtful debts		**(98,588)**	(80,894)
		463,439	319,190

19.1 Due from related parties

	2012	2011
Pearl Tours and Travels (Private) Limited	**2,266**	3,895
Hashwani Hotels Limited	**261**	366
Hashoo (Private) Limited	**-**	42
Hashoo Foundation	**784**	-
Hotel One (Private) Limited	**3,674**	4,148
Jubilee General Insurance Company Limited (New Jubilee Insurance Company Limited)	**-**	104
Ocean Pakistan Limited (Orient Petroleum Inc.)	**727**	733
OPI Gas (Private) Limited	**14**	-
Net - 21 (Private) Limited	**-**	153
Pearl Communications (Private) Limited	**127**	69
Trans Air Travels (Private) Limited	**635**	593
Tejari Pakistan Limited	**19**	66
Zaver Petroleum Corporation Limited	**28**	-
	8,535	10,169

20 ADVANCES

	Note	2012	2011
Considered good			
Advances to:			
Employees		**1,780**	2,575
Suppliers and contractors		**68,431**	100,380
Related party	20.1	**500,000**	500,000
		570,211	602,955

20.1 This represents short term advance of Rs. 500 million (2011: Rs. 500 million) extended to related party M/s Hashwani Hotels Limited rolled over for a further one year period and carries markup rate of 1-year KIBOR plus 3% (2011: 1-year KIBOR plus 3%) per annum payable on 28 May 2013.

21 TRADE DEPOSITS AND PREPAYMENTS

	2012	2011
	(Rupees'000)	
Trade deposits	**12,479**	9,520
Prepayments	**46,709**	27,643
	59,188	37,163

22 OTHER RECEIVABLES

	2012	2011
Due from subsidiary - Pearl Tours and Travels (Private) Limited	**10,000**	33,461
Other receivables	**20,724**	19,835
	30,724	53,296

23 OTHER FINANCIAL ASSETS

	Note	2012	2011
		(Rupees'000)	
Held to maturity			
Letter of placements/ certificate of investments		**5,300**	5,300
Provision for impairment loss		**(5,300)**	(5,300)
		-	-
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	23.1	**493,887**	456,760
		493,887	456,760

23.1 Short term investments in shares of listed companies

	Note	2012	2011
Pakistan Telecommunication Company Limited 350,000 (2011: 350,000) ordinary shares		**4,791**	4,977
Lotte Pakistan PTA Limited 150,000 (2011: 150,000) ordinary shares		**1,055**	2,075
Fauji Fertilizer Bin Qasim Limited 50,000 (2011: 50,000) ordinary shares		**2,041**	2,108
Jubilee General Insurance Company Limited 9,000,000 (2011: 7,500,000) ordinary shares	23.1.1	**486,000**	447,600
		493,887	456,760

23.1.1 Increase in number of shares represents bonus shares received during the year. Out of total shares held by the Company, 5,000,000 (2011: 5,000,000) ordinary shares are placed/ lien marked as security against running finance facility mounting to Rs. 100 million availed by the Company from Soneri Bank Limited (refer note - 10.1).

24 NON CURRENT ASSETS HELD FOR SALE

	Note	2012	2011
		(Rupees'000)	
Opening balance		**35,700**	-
Transfer from property, plant and equipment	13.3	**55,955**	41,664
Impairment loss on non current assets held for sale		**-**	(5,964)
Held for sale assets sold during the year		**(35,700)**	-
	24.1	**55,955**	35,700

24.1 This represents carrying value of freehold land held for sale under agreement executed during the year which are expected to be finalised and executed within the next twelve months.

25 ADVANCE TAX - net

	2012	2011
	(Rupees'000)	
Opening balance	**(47,339)**	(29,225)
Income tax paid during the year	**405,469**	298,741
Charge for the year	**(344,915)**	(316,855)
Closing balance	**13,215**	(47,339)

		Note	2012	2011
26	**CASH AND BANK BALANCES**		**(Rupees'000)**	
	Cash in hand		**29,486**	15,831
	Cash at bank:			
	Current accounts - Local currency		**26,516**	34,508
	Deposit accounts - Local currency	26.1	**56,481**	19,252
	- Foreign currency	26.2	**16,286**	7,401
			99,283	61,161
			128,769	76,992

26.1 Deposit accounts carry interest rate ranging from 5% to 11.25% (2011: 5% to 11%) per annum.

26.2 This comprising USD 173,254 (2011: USD 86,261) deposited with bank and carries interest rates ranging from 0.25% to 0.75% (2011: 0.25% to 0.75%) per annum.

		Note	2012	2011
27	**SALES AND SERVICES - net**		**(Rupees'000)**	
	Rooms		**2,762,767**	2,458,933
	Food and beverages		**3,549,462**	3,161,456
	Other related services	27.1	**315,894**	299,323
	Shop license fees		**7,868**	7,076
			6,635,991	5,926,788
	Discounts and commissions		**(10,685)**	(12,391)
	Sales tax		**(952,628)**	(897,796)
			5,672,678	5,016,601

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

		Note	2012	2011
28	**COST OF SALES AND SERVICES**		**(Rupees'000)**	
	Food and beverages			
	Opening balance		**53,833**	44,435
	Purchases during the year		**1,110,803**	1,036,758
			1,164,636	1,081,193
	Closing balance		**(65,589)**	(53,833)
	Consumption during the year		**1,099,047**	1,027,360
	Direct expenses			
	Salaries, wages and benefits	28.1	**771,682**	696,390
	Heat, light and power		**588,785**	474,792
	Repairs and maintenance		**259,871**	287,241
	Depreciation	13.4	**201,362**	203,591
	Guest supplies		**144,557**	120,662
	Linen, china and glassware		**72,945**	67,667
	Communication and other related services		**61,266**	53,546
	Banquet and decoration		**44,663**	39,247
	Transportation		**21,851**	14,738
	Uniforms		**17,104**	17,155
	Music and entertainment		**7,281**	6,766
	Others		**9,361**	9,072
			3,299,775	3,018,227

28.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 39.442 million (2011: Rs. 38.140 million).

29 ADMINISTRATIVE EXPENSES

	Note	2012	2011
		(Rupees'000)	
Salaries, wages and benefits	29.1	**665,896**	602,896
Rent, rates and taxes		**111,252**	90,920
Advertisement and sales promotion		**33,829**	25,300
Repairs and maintenance		**33,089**	42,070
Heat, light and power		**71,119**	57,196
Travelling and conveyance		**95,577**	69,962
Depreciation	13.4	**22,373**	22,620
Communications		**25,226**	22,420
Printing and stationery		**26,352**	22,927
Legal and professional charges		**58,621**	45,138
Insurance		**43,078**	30,506
Entertainment		**7,241**	8,166
Subscriptions		**7,086**	6,915
Laundry and dry cleaning		**4,823**	4,116
Uniforms		**4,842**	4,555
Auditors' remuneration	29.2	**1,894**	1,931
Provision against doubtful debts		**17,694**	17,273
Donations	29.3	**131,000**	88,737
Franchise fee		**6,851**	-
Miscellaneous		**2,916**	1,454
		1,370,759	1,165,102

29.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 24.239 million (2011: Rs. 21.403 million).

29.2 Auditors' remuneration

	2012	2011
	(Rupees'000)	
Annual audit fee	**980**	980
Audit of consolidated financial statements	**175**	175
Half yearly review	**428**	380
Special reports and certificates	**311**	230
Out of pocket expenses	**-**	166
	1,894	1,931

29.3 DONATIONS

Out of total amount of Rs.131 million (2011: Rs. 88.737 million), donations amounting to Rs. 80.20 million (2011: Rs. 38.050 million) include the following in which directors or their spouse have interest:

Name	Interest in Donee	Name and address of Donee	2012	2011
			(Rupees'000)	
Mrs. Noori Hashwani mother of Mr. Murtaza Hashwani	Chairperson	Umeed-e-Noor Trust House # 7, Street # 72, F- 8/3, Islamabad	**200**	-
Mr. Sadruddin Hashwani Ms. Sarah Hashwani	Patron-in-Chief Chairperson	Hashoo Foundation House # 7-A, Street # 65, F-8/3, Islamabad	**80,000**	38,050
			80,200	38,050

	Note	2012	2011
		(Rupees'000)	

30 OTHER OPERATING EXPENSES

	Note	2012	2011
Impairment loss on investment in associated company	16	**-**	13,237
Impairment loss on non current assets held for sale	24	**-**	5,964
		-	19,201

31 FINANCE COST

		2012	2011
Exchange risk fee		**11,093**	11,063
Markup on long term financing		**99,896**	13,402
Markup on short term borrowings		**44,303**	126,048
Markup on liabilities against assets subject to finance lease		**1,604**	-
Credit cards discount, bank and other charges		**27,845**	26,545
		184,741	177,058

32 OTHER OPERATING INCOME

	Note	2012	2011
Income from financial assets			
Return on bank deposits		**6,683**	3,860
Exchange gain-net		**3,417**	2,226
Dividend income		**23,625**	13,053
Unrealised gain on re-measurement of investments to fair value-net		**37,127**	89,818
Interest on short term advance to related party		**85,388**	3,817
Return on certificates of investments		**-**	73,550
		156,240	186,324
Income from non financial assets			
Concessions and commissions		**2,596**	1,875
Gain on disposal of property, plant and equipment	13.5	**9,997**	708
Unrealised gain on revaluation of investment property to fair value		**-**	2,000
Liabilities written back		**81,285**	59,440
Communication towers and other rental income		**41,319**	26,448
Rental income from investment property		**7,500**	9,435
Scrap sales		**8,163**	8,541
Insurance claims		**1,280**	1,025
Others - net		**30,441**	31,226
		182,581	140,698
		338,821	327,022

33 TAXATION

		2012	2011
Provision for taxation - current		**341,921**	328,846
Provision for taxation - prior		**2,994**	(11,991)
		344,915	316,855
- Deferred		**27,458**	(21,352)
		372,373	295,503

Relationship between accounting profit and tax expense is as follows:

		2012	2011
Accounting profit for the year		**1,156,224**	964,035
Tax charge @ 35% (2011: 35%)		**404,678**	337,412
Tax effect of permanent differences		**(17,153)**	(17,649)
Tax effect of income subject to lower taxation		**(18,146)**	(12,269)
Prior years' tax charge		**2,994**	(11,991)
		372,373	295,503

	2012	2011
	(Rupees'000)	

34 EARNINGS PER SHARE

	2012	2011
Profit for the year (Rupees '000)	**783,851**	668,532
Weighted average number of ordinary shares (Numbers)	**32,524,170**	32,524,170
Earnings per share - basic (Rupees)	**24.10**	20.56

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

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2012			2011		
	Chief Executive	**Directors**	**Executives**	Chief Executive	Directors	Executives
	(Rupees'000)					
Managerial remuneration	**12,000**	**47,208**	**146,702**	12,000	42,978	113,101
Contribution to provident fund	**-**	**1,005**	**4,716**	-	806	3,735
Provision for gratuity	**-**	**1,008**	**9,503**	-	961	7,849
	12,000	**49,221**	**160,921**	12,000	44,745	124,685
Number of Persons	**1**	**5**	**79**	1	6	67

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

36 FINANCIAL INSTRUMENTS

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

Credit risk
Liquidity risk
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.

36.1 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:

	2012	2011
	(Rupees'000)	
Long term deposits	**13,385**	13,382
Trade deposits	**12,479**	9,520
Trade debts	**463,439**	319,190
Advances	**500,000**	500,000
Interest accrued	**7,729**	49,340
Other receivables	**30,724**	53,296
Other financial assets	**493,887**	456,760
Bank balances	**99,283**	61,161
	1,620,926	1,462,649

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:

	2012	2011
	(Rupees'000)	
From related parties	**508,534**	547,447
From government institutions	**34,305**	20,064
From foreign embassies	**407**	917
Banks and financial institutions	**600,899**	563,444
Others	**476,781**	330,777
	1,620,926	1,462,649

Impairment losses

The aging of trade debts at the reporting date was:

	2012		2011	
	Gross	**Impairment**	Gross	Impairment
	(Rupees'000)		(Rupees'000)	
Aging				
Past due 0-30 days	**277,216**	**-**	211,993	-
Past due 30-60 days	**63,934**	**-**	46,471	-
Past due 60-90 days	**40,752**	**-**	19,473	-
Past due 90-360 days	**81,538**	**-**	41,253	-
Over 360 days	**98,588**	**98,588**	80,894	80,894
	562,028	**98,588**	400,084	80,894

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

	2012	2011
	(Rupees'000)	
Opening balance	**80,894**	63,621
Provision made during the year	**17,694**	17,273
Closing balance	**98,588**	80,894

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.

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

	2012	2011
	(Rupees'000)	
Opening balance	**(5,300)**	(5,300)
Provision made during the year	**-**	-
Closing balance	**(5,300)**	(5,300)

An impairment loss of Rs. 5,300 thousand in respect of held-to-maturity investments was recognised during the year 2011 owing to significant financial difficulties being experienced by the issuer of these securities.

The company has no collateral in respect of financial assets exposed to credit risk.

36.2 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
	(Rupees'000)			
2012				
Long term financing	**800,000**	**1,028,750**	**323,542**	**705,208**
Liabilities against assets subject to finance lease	**30,968**	**41,328**	**10,928**	**30,400**
Long term deposits	**49,884**	**49,884**	**49,884**	**-**
Trade and other payables	**1,046,565**	**1,046,565**	**1,046,565**	**-**
Markup payable	**32,323**	**32,323**	**32,323**	**-**
Short term borrowings	**63,936**	**63,936**	**-**	**-**
	2,023,676	**2,262,786**	**1,463,242**	**735,608**
2011				
Long term financing	536,000	774,206	127,956	646,250
Long term deposits	50,884	50,884	50,884	-
Trade and other payables	1,089,193	1,089,193	1,089,193	-
Markup payable	31,484	31,484	31,484	-
Short term borrowings	390,233	390,233	-	-
	2,097,794	2,336,000	1,299,517	646,250

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.

36.3 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.

36.3.1 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.

	2012		2011	
	Rupees'000	**USD'000**	Rupees'000	USD'000
Bank Balance	**16,286**	**173**	7,401	86

The following significant exchange rate applied during the year:	**Average rates**		Balance sheet date rate	
	2012	2011	**2012**	2011
US Dollars	**90**	85	**94**	86

Sensitivity Analysis

A 5 % strengthening of the functional currency against USD at 30 June 2012 would have decreased profit and loss by Rs. 814 thousand (2011: Rs. 370 thousand). A 5 % weakening of the functional currency against USD at 30 June 2012 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

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 the interest rate profile of the Company's interest bearing financial instruments was:

	2012	2011	**2012**	2011
	Effective interest rates		**(Rupees'000)**	
Fixed rate instruments Financial assets	**5% to 11.25%**	5% to 11%	**72,767**	26,653
Variable rate instruments Financial liabilities	**KIBOR + (2.5% to 3%)**	KIBOR + (1.75% to 3%)	**894,904**	926,233
			894,904	926,233

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, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect 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) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Profit or loss	
	100 basis points increase	**100 basis points decrease**
Cash flow sensitivity (net)	**(Rupees'000)**	
30 June 2012	**(8,221)**	**8,221**
30 June 2011	(8,995)	8,995

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. 3,210 thousand after tax (2011: an increase of Rs. 2,969 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 2011 and assumes that all other variables remain the same.

The Company does not enter into commodity contracts other than to meet its expected usage and sale requirements; such contracts are not settled net.

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	2012		2011	
		Carrying amount	**Fair values**	Carrying amount	Fair values
		(Rupees'000)			
Assets carried at amortised cost					
Deposits	21	**25,864**	**25,864**	22,902	22,902
Trade debts	19	**463,439**	**463,439**	319,190	319,190
Advances	20	**500,000**	**500,000**	500,000	500,000
Interest accrued		**7,729**	**7,729**	49,340	49,340
Other receivables	22	**30,724**	**30,724**	53,296	53,296
Cash and bank balances	26	**128,769**	**128,769**	76,992	76,992
		1,156,525	**1,156,525**	1,021,720	1,021,720
Assets carried at fair value					
Financial assets at fair value through profit or loss - held for trading	23	**493,887**	**493,887**	456,760	456,760
Liabilities carried at amortised cost					
Long term financing	6	**800,000**	**800,000**	536,000	536,000
Liabilities against assets subject to finance lease	7	**30,968**	**30,968**		
Long term deposits		**49,884**	**49,884**	50,884	50,884
Trade and other payables	9	**1,046,565**	**1,046,565**	1,089,193	1,089,193
Markup accrued		**32,323**	**32,323**	31,484	31,484
Short term borrowings	10	**63,936**	**63,936**	390,233	390,233
		2,023,676	**2,023,676**	2,097,794	2,097,794

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).

30 June 2012	Level 1	Level 2 Rupees '000	Level 3
Assets carried at fair value			
Financial assets at fair value through profit or loss - held for trading	**493,887**	-	-
30 June 2011			
Assets carried at fair value			
Financial assets at fair value through profit or loss - held for trading	456,760	-	-

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

36.4 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.

36.5 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 an optimal capital structure, the Company adjusts distributions to shareholders, capitalization of accumulated profits and issue of fresh equity.

37 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors and 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 shown elsewhere in the notes to the unconsolidated financial statements. Transactions with related parties are as follows:

	Note	2012	2011
		(Rupees'000)	
Transactions with subsidiary companies			
Sales		**533**	745
Services provided		**3,849**	5,075
Services availed		**36,912**	43,870
Advance extended during the year		**10,000**	-
Investment made during the period		**92,960**	74,500
Advance for equity investment		**113,080**	40,700
Transactions with associated undertakings			
Sales		**1,222**	1,847
Services provided		**13,706**	15,622
Services availed		**61,179**	45,373
Purchases		**173,777**	153,639
Purchase of air tickets		**20,941**	16,505
Purchase of property, plant and equipment		**44,578**	1,904
Advance for purchase of land		**100,000**	-
Contribution to the defined contribution plan		**20,054**	18,255
Purchase of investment property		**-**	322,000
Short term advance		**-**	500,000
Dividend received		**22,500**	12,000
Donation	29.3	**80,200**	38,050
Markup on short term advance		**85,388**	3,817
Transactions with key management personnel			
Remuneration and allowances	37.1	**61,221**	56,745

37.1 Compensation to key management personnel

	2012	2011
Salaries and other benefits	**59,208**	54,978
Contribution to provident fund	**1,005**	806
Provision for gratuity	**1,008**	961
	61,221	56,745

38 CAPACITY

Pearl Continental Hotels	Note	No. of rooms letable in 2012	2011	Average occupancy 2012 %	2011 %
-Karachi		**286**	286	**58**	45
-Lahore		**607**	607	**60**	52
-Rawalpindi		**193**	193	**66**	83
-Peshawar	38.1	**78**	67	**62**	40
-Bhurban		**190**	190	**58**	58
-Muzaffarabad		**102**	102	**33**	24

38.1 There were 144 rooms operational on 30 June 2012

39 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 27 September 2012.

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

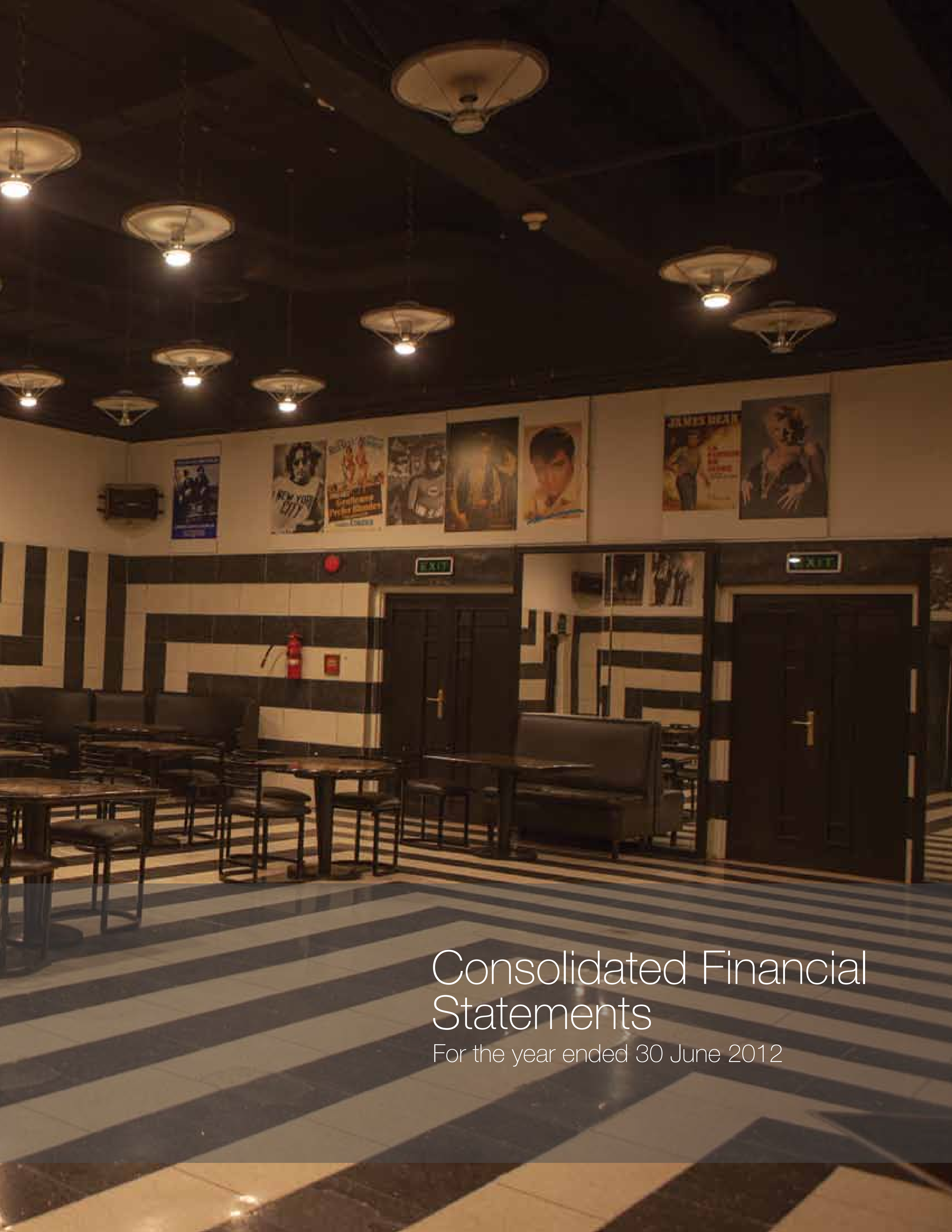
Pattern of Shareholdings
As at 30 June 2012

NO. OF SHAREHOLDERS	SHAREHOLDINGS				NO.OF SHARES HELD
670	Shareholding from	1	to	100	15,443
227	Shareholding from	101	to	500	47,232
33	Shareholding from	501	to	1000	22,289
38	Shareholding from	1001	to	5000	86,001
7	Shareholding from	5001	to	10000	44,779
2	Shareholding from	10001	to	15000	23,816
2	Shareholding from	15001	to	20000	35,328
2	Shareholding from	20001	to	25000	44,589
1	Shareholding from	25001	to	30000	28,815
1	Shareholding from	45001	to	50000	47,088
1	Shareholding from	65001	to	70000	68,273
1	Shareholding from	75001	to	80000	78,169
1	Shareholding from	125001	to	130000	126,185
2	Shareholding from	170001	to	175000	346,139
1	Shareholding from	335001	to	340000	336,535
1	Shareholding from	380001	to	385000	382,900
1	Shareholding from	415001	to	420000	418,460
1	Shareholding from	1050001	to	1055000	1,052,085
1	Shareholding from	1095001	to	1100000	1,100,000
1	Shareholding from	1100001	to	1105000	1,104,551
1	Shareholding from	1495001	to	1500000	1,498,232
1	Shareholding from	1695001	to	1700000	1,698,000
1	Shareholding from	1710001	to	1715000	1,714,853
1	Shareholding from	2095001	to	2100000	2,100,000
1	Shareholding from	2150001	to	2155000	2,151,705
1	Shareholding from	2310001	to	2315000	2,312,260
1	Shareholding from	2970001	to	2975000	2,971,188
1	Shareholding from	3145001	to	3150000	3,150,000
2	Shareholding from	3165001	to	3170000	6,340,000
1	Shareholding from	3175001	to	3180000	3,179,255
1,005					**32,524,170**

Categories of Shareholders:	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	1,793,776	5.52
Associated Companies, undertaking and related parties	7,791,886	23.96
National Bank of Pakistan (Trustee Department)	1,104,551	3.40
Banks, Development Financial Institutions and Non-Banking Financial Institutions	688,599	2.12
Insurance Companies	28,815	0.09
Foreign Investors	16,740,443	51.47
General Public:		
a. Local	218,462	0.67
b. Foreign	-	-
Others		
Galadari Invest International	1,052,085	3.23
President of Pakistan (Ministry of Housing & Workers, Govt. of Pakistan)	336,535	1.03
Pakistan International Airlines Corporation	172,913	0.53
Kaizen Construction (Private) Limited	42,975	0.13
Asian Co-operative Society Limited	47,088	0.14
National Investment Trust Limited	21,146	0.06
Penoramic International General Trading	382,900	1.18
Bagh-E-Korangi (Private) Limited	2,100,000	6.46
Other Joint Stock Companies	1,995	0.01
Securities & Exchange Commission of Pakistan	1	-

Disclosure to Pattern of Shareholdings
As at 30 June 2012

SHAREHOLDERS	SHARES HELD
ASSOCIATED COMPANIES:	
Bagh-e-Landhi Properties (Private) Limited	2,312,260
Hashoo Holdings (Private) Limited	131,689
Nadia Estate (Private) Limited	1,698,000
Zaver Petroleum Corporation Limited	1,498,232
Murtaza Construction Corporation (Private) Limited	2,151,705
NIT/ ICP:	
National Bank of Pakistan (Trustee Department)	1,104,551
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN:	
Mr. Sadruddin Hashwani	1,714,853
Mr. Murtaza Hashwani	68,273
Mr. Muhammad Rafique	3,125
Mr. M. A. Bawany	2,875
Mr. Mansoor Akber Ali	2,500
Mr. Bashir Ahmed	650
Ms. Sarah Hashwani	500
Syed Sajid Ali	500
Mr. Rolf Richard Bauer	500
EXECUTIVE:	-
PUBLIC SECTOR COMPANIES & CORPORATIONS:	
Pakistan International Airlines Corporation	172,913
President of Pakistan (Ministry of Housing & Workers, Govt. of Pakistan)	336,535
Securities & Exchange Commission of Pakistan	1
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE, COMPANIES, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS:	
National Bank of Pakistan	496,629
The Bank of Punjab	173,226
The Bank of Khyber	18,744
Alpha Insurance Co. Limited	28,815
FOREIGN INVESTORS:	
Ocean Pakistan Limited (Orient Petroleum International Inc.)	3,170,000
Orient Drilling & Oilfield Services Limited	2,971,188
Dominion Hospitality Investments Limited	3,150,000
Bexley Services Limited	3,179,255
Castle Participations Inc.	3,170,000
Sharan Associates S.A	1,100,000
OTHERS:	
Galadari Invest International	1,052,085
Kaizen Construction (Private) Limited	42,975
Asian Co-operative Society Limited	47,088
National Investment Trust Limited	21,146
Penoramic International General Trading	382,900
Bagh-E-Korangi (Private) Limited	2,100,000
Other Joint stock Companies	1,995
GENERAL PUBLIC:	218,462
TOTAL	**32,524,170**



Consolidated Financial Statements

For the year ended 30 June 2012

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 30 June 2012.

The financial results of the Consolidated Financial Statements for the year ended 30 June 2012 are as under:

	(Rupees '000)
Profit before taxation	1,054,623
Taxation	(383,959)
Profit after taxation	670,664

Earnings per share

Earnings per share for the year arrives at Rs. 20.62

During the period under review; M/s Pearl Tours & Travels (Private) Limited (PTTL) which is engaged in the business of rent a car and arrangement of tour packages, has generated revenue of Rs. 135.352 million as compared to Rs. 143.740 million of last year which shows 6% decline in the revenue. During the period under review the company recorded profit after tax Rs. 5.224 million as compared to profit after tax of Rs. 0.657 million in last year.

Wholly owned Company M/s Musafa International (Private) Limited (MIPL), principally engaged in project management business, recorded loss after tax amounting to Rs. 18.712 million during the year under report.

The two other subsidiaries M/s Pearl Continental Hotels (Private) Limited and M/s Bhurban Resorts (Private) Limited remained non-operational during the year 2011-12.

The directors of the Parent Company 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 and it's subsidiaries.

Murtaza Hashwani
Chief Executive
Dubai: 27 September 2012

Auditors' Report
To the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Pakistan Services Limited ("the Parent Company") and its subsidiary companies (the "Group") as at 30 June 2012 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 unconsolidated financial statements of the Parent Company and its subsidiaries companies except for Musafa International (Private) Limited which was audited by another firm of auditors whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company is based solely on the report of such other auditors.

These financial statements are the responsibility of the Parent 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 ("the Parent Company") and its subsidiary companies ("the Group") as at 30 June 2012 and the results of their operations, changes in equity and cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

KPMG Taseer Hadi & Co.

Islamabad: 27 September 2012

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Pesnani

Consolidated Balance Sheet
As at 30 June 2012

	Note	2012	2011
		(Rupees'000)	
SHARE CAPITAL AND RESERVES			
Authorised share capital			
50,000,000 (2011: 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	**2,564,890**	2,401,872
Unappropriated profit		**1,842,756**	1,172,092
		4,732,888	3,899,206
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	13.2	**19,988,725**	20,007,770
NON CURRENT LIABILITIES			
Long term financing - secured	6	**583,333**	500,000
Liabilities against assets subject to finance lease - secured	7	**26,024**	7,996
Long term deposits		**49,884**	50,884
Deferred liabilities	8	**431,512**	369,458
		1,090,753	928,338
CURRENT LIABILITIES			
Trade and other payables	9	**1,333,092**	1,368,282
Markup accrued		**32,323**	31,484
Short term borrowings - secured	10	**63,936**	390,233
Current portion of long term borrowings	11	**229,595**	51,764
Provision for taxation	24	**-**	29,692
		1,658,946	1,871,455
		27,471,312	26,706,769
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

	Note	2012	2011
		(Rupees'000)	
NON CURRENT ASSETS			
Property, plant and equipment	13	**23,016,357**	22,353,007
Advance for capital expenditure	14	**962,220**	840,405
Investment property	15	**47,000**	391,763
Long term investments	16	**1,852,348**	1,749,031
Long term deposits		**17,048**	17,045
		25,894,973	25,351,251
CURRENT ASSETS			
Stores, spare parts and loose tools	17	**101,538**	86,121
Stock in trade - food and beverages		**65,589**	53,833
Trade debts	18	**484,135**	332,043
Advances	19	**573,255**	604,871
Trade deposits and prepayments	20	**65,056**	39,222
Interest accrued		**8,364**	49,591
Other receivables	21	**22,957**	26,541
Other financial assets	22	**24,884**	9,160
Non current assets held for sale	23	**55,955**	35,700
Advance tax - net	24	**33,816**	-
Cash and bank balances	25	**140,790**	118,436
		1,576,339	1,355,518
		27,471,312	26,706,769

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

Consolidated Profit and Loss Account
For the year ended 30 June 2012

	Note	2012	2011
		(Rupees'000)	
Sales and services - net	26	**5,766,609**	5,110,651
Cost of sales and services	27	**(3,368,665)**	(3,077,084)
Gross profit		**2,397,944**	2,033,567
Administrative expenses	28	**(1,411,206)**	(1,193,454)
Other operating expenses	29	**(8,720)**	(5,964)
Finance cost	30	**(186,705)**	(181,610)
Other operating income	31	**293,061**	282,328
		1,084,374	934,867
Share of (loss) / profit in equity accounted investments	16.1 &16.2	**(29,751)**	84,170
Profit before taxation		**1,054,623**	1,019,037
Taxation	32	**(383,959)**	(300,929)
Profit after taxation		**670,664**	718,108

The annexed notes 1 to 37 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 2012

	2012	2011
	(Rupees'000)	
Profit for the year	**670,664**	718,108
Other comprehensive income for the year		
Exchange gain on translation of long term investments	**149,042**	156,462
Exchange gain on translation of capital reserve	**13,976**	147,221
Comprehensive income transferred to equity	**833,682**	1,021,791
Components of comprehensive income not reflected in equity		
Impairment loss on revalued assets	**(19,045)**	-
	814,637	1,021,791

The annexed notes 1 to 37 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 2012

	Note	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		(Rupees'000)	
Profit before taxation		**1,054,623**	1,019,037
Adjustments for:			
Depreciation		**251,471**	240,017
Gain on disposal of property, plant and equipment		**(20,175)**	(1,754)
Provision for staff retirement benefit - gratuity		**43,628**	41,289
Provision for doubtful debts		**18,204**	18,621
Return on bank deposits, short term advance and certificates of investments		**(94,961)**	(83,524)
Share of loss/ (profit) on equity accounted investments		**29,751**	(84,170)
Finance cost		**186,705**	181,610
Dividend income		**(1,125)**	(1,053)
Unrealised gain on revaluation of investment property to fair value		**-**	(2,000)
Unrealized Impairment loss on non current assets held for sale		**-**	5,964
Impairment loss / (gain) on investments in associated companies		**7,448**	(52,236)
Unrealized loss / (gain) on remeasurement of investment to fair value		**1,272**	(419)
		1,476,841	1,281,382
Working capital changes			
(Increase) / Decrease in current assets			
Stores, spare parts and loose tools		**(15,417)**	(2,167)
Stock in trade - food and beverages		**(11,756)**	(9,398)
Trade debts		**(170,296)**	(37,397)
Advances		**31,616**	(27,130)
Trade deposits and prepayments		**(25,834)**	(14,073)
Other receivables		**3,584**	(4,715)
(Decrease) / Increase in current liabilities			
Trade and other payables		**(35,190)**	128,261
Cash (used in) /generated from operations		**(223,293)**	33,381
Staff retirement benefit - gratuity paid		**(18,677)**	(19,528)
Income tax paid		**(410,364)**	(303,479)
Finance cost paid		**(185,866)**	(175,975)
Net cash generated from operating activities		**638,641**	815,781
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(539,137)**	(355,326)
Additions to advance for capital expenditure		**(208,815)**	(73,911)
Purchase of investment property		**-**	(344,763)
Proceeds from disposal of property, plant and equipment		**34,005**	5,350
Purchase of other financial assets		**(16,996)**	-
Encashment of other financial assets		**-**	475,000
Short term advance extended		**-**	(500,000)
Dividend income received		**23,625**	13,053
Receipts of return on bank deposits, short term advance and certificates of investments		**136,188**	81,405
Proceeds from disposal of non current assets held for sale		**35,700**	-
Long term deposits		**(1,003)**	(8,412)
Net cash used in investing activities		**(536,433)**	(707,604)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - repayments		**(36,000)**	(72,000)
Proceeds from long term financing-disbursements		**300,000**	500,000
Repayment of liabilities against assets subject to finance lease		**(17,557)**	(19,814)
Net cash generated from financing activities		**246,443**	408,186
Net increase in cash and cash equivalents		**348,651**	516,363
Cash and cash equivalents at beginning of the year		**(271,797)**	(788,160)
Cash and cash equivalents at end of the year		**76,854**	(271,797)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**140,790**	118,436
Running finance		**(63,936)**	(390,233)
		76,854	(271,797)

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

Consolidated Statement of Changes in Equity
For the year ended 30 June 2012

	Share capital	Capital reserve		Revenue reserves			Total equity
		Share premium	Share of associate's capital reserve	General reserve	Exchange gain on translation of long term investments	Unappropriated profit	
	(Rupees'000)						
Balance at 30 June 2010	**325,242**	**269,424**	**-**	**1,600,000**	**228,765**	**453,984**	**2,877,415**
Changes in equity for the year ended 30 June 2011							
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	718,108	718,108
Other comprehensive income for the year	-	-	147,221	-	156,462	-	303,683
Total comprehensive income for the year	-	-	147,221	-	156,462	718,108	1,021,791
Balance at 30 June 2011	**325,242**	**269,424**	**147,221**	**1,600,000**	**385,227**	**1,172,092**	**3,899,206**
Changes in equity for the year ended 30 June 2012							
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	670,664	670,664
Other comprehensive income for the year	-	-	13,976	-	149,042	-	163,018
Total comprehensive income for the year	-		13,976	-	149,042	670,664	833,682
Balance at 30 June 2012	**325,242**	**269,424**	**161,197**	**1,600,000**	**534,269**	**1,842,756**	**4,732,888**

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

Notes to the Consolidated Financial Statements
For the year ended 30 June 2012

1 THE GROUP AND ITS OPERATIONS

Pakistan Services Limited ("the Parent Company") was incorporated in 1958 in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) as a public limited company and is quoted on Karachi Stock Exchange (Guarantee) 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 and Kashmir. The Parent Company's registered office is situated at 1st Floor, NESPAK House, Sector G-5/2, Islamabad.

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%
Musafa International (Private) Limited	Project management	100%

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

All material inter-company balances, transactions and resulting unrealized profits/ (losses) have been eliminated.

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

Associates are those entities in which the group has significant influence, but not 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.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the group companies share of the income and expenses and equity movements of equity accounted investees, after adjustment to align the accounting policies with those of the group companies, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the group companies share of losses exceeds their interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the group companies have an obligation or have made payments on behalf of the investee.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group companies' interest in the investee. Unrealised losses are eliminated in the same way as unrealised 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 less accumulated depreciation;
- investment property have been measured at fair value;
- other financial assets at fair value through profit or loss have been recognised at fair value; and
- liability related to staff retirement benefit are measured at present value.

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 Rupees which is the group's functional and presentation currency.

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 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 explained 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 Staff retirement benefit - gratuity

The present value of the obligation for gratuity depends 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.

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

The group reviews the net realisable value of stores, spare parts and loose tools and stock in trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditures 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 in future cash flows from the group's financial assets including investments in subsidiaries and associates, the management considers estimated future dividend stream and their terminal value.

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 2012:

Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on consolidated financial statements of the group.

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Parent Company's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial gains / losses amounting to Rs.9,711 million at 30 June 2012 would need to be recognized in consolidated other comprehensive income.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on consolidated financial statements of the group.

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on consolidated financial statements of the group.

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on consolidated financial statements of the group.

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.

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations.

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period which is the preceding period is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there

has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
The amendments in IAS 16 would result in reclassification of certain plant specific spares amounting to Rs. Nil at 30 June 2012 as property, plant and equipment when the amended standard becomes applicable. The other amendments have no impact on financial statements of the Parent Compant. The amendments have no impact on consolidated financial statements of the Group.

IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on consolidated financial statements of the group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

Owned

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment loss, if any, except for land which is stated at revalued amount and capital work in progress, which is stated at cost less impairment loss, if any. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs.

Surplus arising on revaluation is credited to the surplus on revaluation of property, plant and equipment account. Deficit arising on subsequent revaluation of property, plant and equipment is adjusted against the balance in the above mentioned surplus account. The surplus on revaluation of depreciable property, plant and equipment to the extent of incremental depreciation charged on the related assets, if any, is transferred to consolidated statement of comprehensive income net of deferred tax.

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. 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.

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 is 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

Leases in term of which the group assumes substantially all risk 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.

3.2 Investments

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the group. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the group 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 consolidated profit and loss account.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.2.2 Investment 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 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 profit and loss account.
The group recognizes the regular way purchase or sale of financial assets using settlement date accounting.

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 upto the consolidated 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 consolidated balance sheet date, less impairment losses, if any.

3.5 Trade debts and other receivables

Trade debts and other receivables are recognized at original invoice amount less allowance for estimated irrecoverable amounts. Known bad debts are written off, when identified.

3.6 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the group.

3.7 Markup bearing borrowings

Markup bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, markup bearing borrowings are stated at original cost less repayments, while the difference between the cost (reduced for periodic payments) and redemption value is recognised in the consolidated profit and loss account over the period of the borrowings on an effective markup basis.

3.8 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs relate to the acquisition, construction or production of a qualifying asset in which case such costs 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.

3.9 Provisions

A provision is 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.

3.10 Staff retirement 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;

Gratuity

The group 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. The group's policy for the recognition of actuarial gains and losses is based on the "minimum 10% corridor" approach. Latest valuation was conducted as at 30 June 2012. The amount recognised in the consolidated balance sheet represents the present value of defined benefit obligations adjusted for actuarial gains and losses, unrecognised past service cost and interest cost.

Provident fund

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

3.11 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 consolidated 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.

3.12 Revenue recognition

Revenue from rooms, food and beverages and other related services, excluding Privilege Club Card fee income, is recognised on the performance of service. Privilege Club Card fee income is recognised in the consolidated profit and loss account on a straight line basis over the term of the related card. Shop license fee are recognised on accrual basis. Vehicle rental income, income from tour packages and commission on pilgrimage tours is recognized on the performance of services.

3.13 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 consolidated balance sheet date and exchange differences, if any, are charged to income for the year.

3.14 Financial assets and liabilities

Financial assets and liabilities are recognized when the group becomes a party to the contractual provisions of the instrument. These are derecognized when the group ceases to be a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at fair value. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

3.15 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 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.

3.16 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are set off in the consolidated balance sheet, only when the group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.17 Segment reporting

Each of the group's hotel qualify 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.

3.18 Dividend

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

3.19 Impairment

Non financial assets

The carrying amount of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment losses are recognized as expense in the consolidated profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and 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. For non-financial assets, financial assets measured at amortized cost, available-for-sale financial assets that are debt securities, the reversal is recognised in consolidated profit and loss account, except when impairment loss relates to a revalued assets in which case it shall be treated as a revaluation decrease.

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

3.20 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.

3.21 Cash and cash equivalents

For the purpose of consolidated cash flow statement, 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. Cash and cash equivalents are carried in the consolidated balance sheet at cost.

4 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2012	2011		Note	2012	2011
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	Ordinary shares of Rs. 10 each issued for consideration other than cash against property		**3,621**	3,621
6,489,450	6,489,450	Ordinary shares of Rs. 10 each issued as fully paid bonus shares		**64,895**	64,895
32,524,170	32,524,170			**325,242**	325,242

5 RESERVES

	Note	2012	2011
Capital reserve - Share premiun	5.1	**269,424**	269,424
- Share of associate's capital reserve		**161,197**	147,221
Revenue - General reserve		**1,600,000**	1,600,000
- Exchange gain on translation of long term investments		**534,269**	385,227
		2,564,890	2,401,872

5.1 Capital reserve represents share premium received in the years 1992, 1994 and 1996 on the issue of 21,724,720 right shares at a premium of Rs. 15 each adjusted by Rs. 56,446,908 issued as bonus shares in the years 2000 and 2004. This reserve can be utilised by the Parent Company for the purposes specified in Section 83(2) of the Companies Ordinance, 1984.

6 LONG TERM FINANCING - secured

	Note	2012	2011
		(Rupees'000)	
From banking companies:			
Habib Bank Limited		**-**	36,000
The Bank of Punjab	6.1	**500,000**	500,000
Askari Bank Limited	6.2	**300,000**	-
		800,000	536,000
Current portion of long term financing		**(216,667)**	(36,000)
		583,333	500,000

6.1 This represents term finance loan of Rs. 500 million (2011: Rs. 500 million) which carries markup equal to 3-month KIBOR plus 2.75% (2011: 3-month KIBOR plus 2.75%) per annum and is secured against first pari passu equitable motgage charge on land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 667 million; ranking hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi to the extent of Rs. 667 million and personal guarantees of the sponsor directors of the Parent Company. The loan is repayable in twelve equal quarterly installments of Rs. 41.667 million each which will commence from September 2012.

6.2 This represents term finance loan of Rs. 300 million (2011: Rs. Nil) which carries markup equal to 3-month KIBOR plus 2.50% per annum (2011: Nil) and is secured against pari passu mortgage charge over land, building, and fixed assets of Pearl Continental Hotel, Karachi for an amount of Rs. 428.57 million; hypothecation charge over plant, machinery, equipment and other movable properties of Pearl Continental Hotel, Karachi for an amount of Rs. 428.57 million and personal guarantee of a sponsor director of the Parent Company. The loan is repayable in eighteen equal quarterly installments of Rs. 16.667 million each which will commence from October 2012.

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - secured

	2012			2011		
	Present value of minimum lease payments	Financial charges for future periods	Total lease rentals	Present value of minimum lease payments	Financial charges for future periods	Total lease rentals
	(Rupees'000)					
Not later than one year	**12,928**	**4,332**	**17,260**	15,764	1,925	17,689
Later than one year and not later than five years	**26,024**	**6,376**	**32,400**	7,996	391	8,387
	38,952	**10,708**	**49,660**	23,760	2,316	26,076

7.1 This represents utilised amount of lease finance facility of Rs. 50 million (2011: Rs. Nil) for purchase of vehicles which carries markup equal to 3- month KIBOR plus 2.50% (2011: Nil). 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 sponsor director of the Parent Company and ownership of leased vehicles.

8 DEFERRED LIABILITIES

	Note	2012	2011
		(Rupees'000)	
Staff retirement benefit - gratuity	8.1	**267,918**	242,967
Deferred tax	8.2	**163,594**	126,491
		431,512	369,458

8.1 Movement in the liability recognised in the balance sheet

	2012	2011
Opening balance	**242,967**	221,206
Charge for the year	**43,628**	41,289
Payments made during the year	**(18,677)**	(19,528)
Closing balance	**267,918**	242,967

Reconciliation of the liability recognised in the balance sheet

	2012	2011
Present value of defined benefit obligation	**258,207**	235,678
Actuarial gains unrecognised	**9,711**	7,289
Net liability at end of the year	**267,918**	242,967

Charge to profit and loss account for the year

	2012	2011
Current service cost	**15,346**	18,167
Interest cost	**28,282**	23,122
	43,628	41,289

The latest actuarial valuation was carried out on 30 June 2012 using projected unit credit method.

Actuarial assumption	2012	2011
Discount rate	**13%**	12%
Expected increase in eligible salary	**13%**	12.50%
Mortality rate	**EFU (61-66) Mortality Table**	EFU (61-66) Mortality Table

Historical information

	2012	2011	2010	2009	2008
(Rupees'000)	**267,918**	242,967	221,206	224,066	216,286

8.2 Deferred tax

	2012	2011
	(Rupees'000)	
Taxable temporary differences		
Accelerated tax depreciation	**294,445**	247,045
Share in profit of associate	**6,835**	3,829
	301,280	250,874
Less: deductible temporary differences		
Provision for staff retirement benefit	**93,771**	85,039
Provision for bad and doubtful debts	**38,681**	32,310
Unabsorbed tax losses	**2,329**	4,129
Impairment loss in value of investment	**1,855**	1,855
Provision for stores, spare parts and loose tools	**1,050**	1,050
	137,686	124,383
	163,594	126,491

The liability for deferred tax has been calculated at tax rate of 35% (2011: 35%).

9 TRADE AND OTHER PAYABLES

	2012	2011
Creditors	**228,638**	300,516
Accrued liabilities	**493,027**	496,784
Advances from customers	**171,335**	135,888
Unclaimed dividend	**3,534**	3,534
Retention money	**44,136**	45,860
Due to related parties - unsecured	**13,815**	21,549
Federal excise duty	**5,796**	5,685
Sales tax - net	**125,410**	109,906
Bed tax	**85,319**	85,428
Property tax	**6,626**	8,718
Income tax deducted at source	**2,734**	3,499
Un-earned income	**110,728**	103,630
Other liabilities	**41,994**	47,285
	1,333,092	1,368,282

10 SHORT TERM BORROWINGS - secured

	2012	2011		
	Facility limit			
Running finance from banking companies	**Rupees in million**			
National Bank of Pakistan	**650**	650	**3,623**	200,822
Habib Bank Limited	**350**	350	**538**	139,188
Soneri Bank Limited	**100**	100	**59,775**	223
The Bank of Punjab	**50**	50	**-**	50,000
			63,936	390,233

10.1 Above facilities are secured against first 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. Mark-up rates ranges from 1-month KIBOR to 6-month KIBOR plus 2.5% to 3%.

		Note	2012	2011
11	**CURRENT PORTION OF LONG TERM BORROWINGS**		(Rupees'000)	
	Current portion of long term financing	6	**216,667**	36,000
	Current portion of liabilities against assets subject to finance lease	7	**12,928**	15,764
			229,595	51,764

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 2011. 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 (2011: Rs. 73.165 million) would 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.

		2012	2011
		(Rupees'000)	
12.1.2	**Guarantees**	**109,113**	101,459
12.2	**Commitments**		
	Commitments for capital expenditure	**277,957**	97,940

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 2010	9,881,790	10,280,265	641,044	821,758	2,232,822	612,629	135,215	203,045	368,645	81,487	25,258,700
Additions during the year	-	-	319	5,295	32,548	33,092	8,231	15,443	260,398	5,100	360,426
Disposals	-	-	-	-	-	-	-	(8,496)	-	-	(8,496)
Transfer	-	-	24,817	-	31,034	35,873	-	40,867	(91,724)	(40,867)	-
Transfer to non current assets held for sale	(41,664)	-	-	-	-	-	-	-	-	-	(41,664)
Balance at 30 June 2011	**9,840,126**	**10,280,265**	**666,180**	**827,053**	**2,296,404**	**681,594**	**143,446**	**250,859**	**537,319**	**45,720**	**25,568,966**
Balance at 01 July 2011	9,840,126	10,280,265	666,180	827,053	2,296,404	681,594	143,446	250,859	537,319	45,720	25,568,966
Additions during the year	3,523	-	5,600	124,250	110,189	68,062	17,444	7,800	290,470	31,550	658,888
Disposals	-	-	-	-	(17,485)	(14,224)	(15,604)	(18,851)	-	-	(66,164)
Transfer from Investment property (Note 15)	297,020	-	40,674	-	4,361	2,408	300	-	-	-	344,763
Transfer from CWIP	-	-	-	485,980	54,140	118,657	13,556	-	(672,333)	-	-
Impairment loss on revalued assets	-	(19,045)	-	-	-	-	-	-	-	-	(19,045)
Transfer to non current assets held for sale (Note 13.3)	-	(55,955)	-	-	-	-	-	-	-	-	(55,955)
Balance at 30 June 2012	**10,140,669**	**10,205,265**	**712,454**	**1,437,283**	**2,447,609**	**856,497**	**159,142**	**239,808**	**155,456**	**77,270**	**26,431,453**
Depreciation											
Balance at 01 July 2010	-	-	385,559	377,461	1,575,164	412,750	95,390	111,780	-	22,738	2,980,842
Charge for the year	-	-	25,785	44,618	101,793	31,478	13,000	17,529	-	5,814	240,017
On disposals	-	-	-	-	-	-	-	(4,900)	-	-	(4,900)
Adjustments	-	-	-	-	-	-	-	17,063	-	(17,063)	-
Balance at 30 June 2011	-	-	**411,344**	**422,079**	**1,676,957**	**444,228**	**108,390**	**141,472**	-	**11,489**	**3,215,959**
Balance at 01 July 2011	-	-	411,344	422,079	1,676,957	444,228	108,390	141,472	-	11,489	3,215,959
Charge for the year	-	-	26,526	56,947	93,663	41,146	11,266	16,225	-	5,698	251,471
On disposals	-	-	-	-	(14,804)	(10,005)	(13,782)	(13,743)	-	-	(52,334)
Balance at 30 June 2012	-	-	**437,870**	**479,026**	**1,755,816**	**475,369**	**105,874**	**143,954**	-	**17,187**	**3,415,096**
Carrying value - 2012	**10,140,669**	**10,205,265**	**274,584**	**958,257**	**691,793**	**381,128**	**53,268**	**95,854**	**155,456**	**60,083**	**23,016,357**
Carrying value - 2011	9,840,126	10,280,265	254,836	404,974	619,447	237,366	35,056	109,387	537,319	34,231	22,353,007
Rates of depreciation per annum	-	-	10%	10%	15%	15%	30%	15%	-	15%	

13.1 This includes construction work on expansion of Pearl Continental Hotel Peshawar amounting to Rs. 72.081 million (2011: Rs. 72.081 million), which is under suspension due to a dispute with the Military Estate Office.

13.2 Surplus on revaluation of property, plant and equipment

Freehold and lease hold land having cost of Rs. 112.621 million were revalued on 30 June 2010 by M/s. Engineering Pakistan International (Private) Limited and M/s Iqbal A.Nanjee & Co. (Private) Limited (independent valuers) based on existing use basis method, resulting in additional revaluation surplus of Rs. 11,363.87 million. The revaluation resulted in a cumulative surplus of Rs. 20,007.77 million which has been included in the book value of respective land and credited to the surplus on revaluation of property, plant and equipment. Adjustment amounting to Rs. 19.045 million was made during the year as a result of transfer of revlaued land to non current assets held for sale, resulting in net revaluation suplus of Rs. 19,988.72 million as of the balance sheet date.

Had the aforementioned revaluation not carried out, the book values of the freehold and leasehold land would have been Rs. 357.209 million (2011: Rs. 353.686 million).

13.3 This represents carrying value of piece of land held for sale following the management's decision. A buyer has been identified and the parties have entered into an initial agreement for sale which is expected to be finalised and executed within next twelve months (refer note - 23).

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

	Note	2012	2011
		(Rupees'000)	
Cost of sales and services	27	**227,918**	216,016
Administrative expenses	28	**23,553**	24,001
		251,471	240,017

13.5 Detail of disposal of property, plant and equipment:

Description	Cost	Accumulated depreciation	Carrying value	Sale proceeds	Gain on disposal	Mode of disposal	Purchaser
	(Rupees'000)						
Computers	15,604	13,782	1,822	5,151	3,329	Insurance Claim	PICIC Insurance Limited
Furniture, fixture, fittings and office equipments	12,862	9,475	3,387	6,095	2,708	Insurance Claim	PICIC Insurance Limited
Plant & machinery	17,485	14,804	2,681	6,364	3,683	Insurance Claim	PICIC Insurance Limited
Vehicle	351	228	123	400	277	Insurance Claim	PICIC Insurance Limited
Vehicle	835	469	366	908	542	Auction	Mr. Dalat Nazir
Vehicle	999	811	188	705	517	Auction	Mr.Zulqernain Ismail
Vehicle	415	212	203	556	353	Auction	Mr.Sheikh Abdul Rasheed
Vehicle	1,549	1,105	444	750	306	Auction	Mr.Sheikh Abdul Rasheed
Vehicle	1,195	861	334	360	26	Auction	Mr.Ali Ahmed
Vehicle	845	458	387	751	364	Auction	Mr.Muhammad Arif
Vehicle	658	357	301	811	510	Auction	Mr.Sajawal Khan
Vehicle	1,246	912	334	1,052	718	Auction	Mr.Muhammad Zafar
Vehicle	834	501	333	730	397	Auction	Mr.Imtiaz Haq
Vehicle	725	406	319	633	314	Auction	Mr.Sajawal Khan
Vehicle	1,169	1,009	160	867	707	Auction	Mr.Rizwan Mazhar
Vehicle	1,169	1,009	160	927	767	Auction	Mr.Rizwan Mazhar
Vehicle	999	828	171	705	534	Auction	Mr.Sajawal Khan
Vehicle	999	828	171	681	510	Auction	Mr.Sajawal Khan
Vehicle	999	828	171	703	532	Auction	Mr.Sajawal Khan
Vehicle	736	442	294	850	556	Auction	Mr.Ghulam Qadir
Vehicle	400	372	28	933	905	Auction	Mr.Tariq Zaman
Vehicle	731	442	289	763	474	Auction	Mr.Sajawal Khan
Vehicle	999	833	166	645	479	Auction	Hashoo Foundation
Vehicle	998	832	166	625	459	Auction	Hashoo Foundation
Furniture, fixture, fittings and office equipments	1,362	530	832	1,040	208	Auction	Various
2012	**66,164**	**52,334**	**13,830**	**34,005**	**20,175**		
2011	8,496	4,900	3,596	5,350	1,754		

14 ADVANCE FOR CAPITAL EXPENDITURE

	Note	2012	2011
		(Rupees'000)	
Purchase of land	14.1	**626,820**	626,820
Purchase of apartment	14.2	**40,509**	40,509
Malir Delta Land	14.3	**190,537**	84,000
Advance for purchase of fixed assets		**4,354**	89,076
Multan land	14.4	**100,000**	-
		962,220	840,405

14.1 This represents amount paid to M/s Associated Builders (Private) Limited, a related party, for purchase of 7.29 acres of land in Gwadar. The provisional allotment letters were issued in the name of Parent Company on 03 September 2008. Since the project is delayed, the Parent Company has applied for refund of this advance.

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 is considering the option for appropriate legal remedies.

14.3 This includes amount of Rs. 80 million paid for purchase of 113.34 acres of land from Ms. Seema D/o John Hector Gill and wife of Riaz Ullah under an Agreement to Sell and by execution of a General Power of Attorney and stamp duty and partial capital value tax. During the year the Company made further payments towards Town committee fee, registration fee, stamp duty and regularization of the land as per the value assessed by the Land Regularization Committee established by the Government of Sindh under the Sindh Ordinance, 2001. Balance amount of Rs. 236.125 million is payable to Land Regularization Department which is included in commitments for capital expenditure (Note 12.2).

14.4 This represents amount paid to M/s Pearl Real Estate Holdings (Private) Limited , a related party, for purchase of a piece of land measuring 8,303 square yards in Multan for construction of a hotel.

15 INVESTMENT PROPERTY

	Note	2012	2011
		(Rupees'000)	
Opening balance		**391,763**	45,000
Purchased during the year		**-**	344,763
Transferred to property, plant and equipment	15.1	**(344,763)**	-
		47,000	389,763
Unrealised gain on remeasurement of investment property to fair value	15.2	**-**	2,000
Closing balance		**47,000**	391,763

15.1 This property was purchased by the Parent Company last year and was let out on lease. Effective 01 January 2012, the Parent Company decided to operate and run the property itself. Accordingly, this has now been transferred to property, plant and equipment.

15.2 The investment property is a piece of land held for commercial purposes. On 30 June 2012, 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. Fair value of investment property is based on independent valuer's judgment about average prices prevalent on the said date and has been prepared on openly available/ provided information after making relevant inquiries from the market. Valuation was carried out by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

16 LONG TERM INVESTMENTS

	% of holding	Note	2012	2011
			(Rupees'000)	
Associated undertaking - unquoted				
Hashoo Group Limited - British Virgin Island			**1,008,653**	876,053
98,000 (2011: 98,000) ordinary shares of US$ 100 each	14%			
Hotel One (Private) Limited - Pakistan				
500,000 (2011: 500,000) ordinary shares of Rs.100 each	31%		**28,739**	36,762
			1,037,392	912,815
Associated undertaking - quoted				
Jubilee General Insurance Company Limited		16.1.1		
9,000,000 (2011: 7,500,000) ordinary shares	7.6%	&16.1.2	**486,000**	447,600
			1,523,392	1,360,415
Investment in jointly controlled entity				
Pearl Continental Hotels Limited - UAE				
95 (2011: 95) ordinary shares of US$ 50,000 each	50%	16.2	**328,956**	388,616
Other investments				
Available for sale - unquoted company				
Malam Jabba Resorts Limited			**1,000**	1,000
Impairment loss			**(1,000)**	(1,000)
			-	-
			1,852,348	1,749,031

16.1 Investment in associated undertaking

	2012	2011
Cost of investment	**1,534,083**	1,534,083
Post acquisition loss brought forward	**(80,809)**	(155,054)
Share of profit for the year	**62,078**	86,245
Dividend received	**(22,500)**	(12,000)
	39,578	74,245
Accumulated impairment losses	**(513,437)**	(505,988)
Exchange reserve	**382,780**	265,908
Exchange gain on capital reserve	**161,197**	147,221
Balance as at 30 June	**1,523,392**	1,360,415

Summarised financial information of associates is as follows;

	Non current assets	Non current liabilities	Current assets	Current liabilities	Revenues	Expenses	Profit
				(Rupees'000)			
2012	**12,797,541**	**(4,574,188)**	**5,141,612**	**(2,449,908)**	**3,168,165**	**(2,346,221)**	**821,944**
2011	9,955,888	(4,272,090)	4,527,516	(2,471,253)	2,914,074	2,460,564	449,825

The reporting date of Hashoo Group Limited and Jubilee General Insurance Company Limited is 31 December while reporting date of Hotel One (Private) Limited is 30 June. For the purpose of applying equity method of accounting, assets, liabilities and profit and losss account are based on the financial statements of the year/ period ended 30 June 2012.

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

16.1.2 Out of total shares held by the Parent Company, 5,000,000 (2011: 5,000,000) ordinary shares are placed/ lien marked as security against short term loan facility amounting to Rs. 100 million from Soneri Bank Limited (refer note - 10.1)

		2012	2011
		(Rupees'000)	
16.2	**Investment in associated undertaking**		
	Cost of investment	**284,052**	284,052
	Investment acquired during the year	**-**	-
	Post acquisition loss brought forward	**(14,756)**	(12,681)
	Share of loss for the year	**(91,829)**	(2,075)
	Exchange reserve	**151,489**	119,320
	Balance as at 30 June	**328,956**	388,616

Summarised financial information of jointly controlled entity is as follows:

	Non current assets	Non current liabilities	Current assets	Current liabilities	Revenues	Expenses	Profit
				(Rupees'000)			
2012	**-**	**-**	**663,146**	**(8,724)**	**-**	**1,254**	**1,254**
2011	46,740	-	740,123	(9,466)	-	3,685	(3,685)

The reporting date of Pearl Continnetal Hotels Limited is 31 December. For the purpose of applying equity method of accounting, assets, liabilites and profit and loss account are based on the financial statements of the period ended 30 June 2012.

		Note	2012	2011
			(Rupees'000)	
17	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		**81,886**	66,677
	Spare parts and loose tools		**22,651**	22,443
			104,537	89,120
	Provision for obsolescence		**(2,999)**	(2,999)
			101,538	86,121
18	**TRADE DEBTS**			
	Considered good			
	Due from related parties - unsecured	18.1	**8,712**	7,890
	Others		**475,423**	324,153
			484,135	332,043
	Considered doubtful		**106,574**	88,370
			590,709	420,413
	Provision against doubtful debts		**(106,574)**	(88,370)
			484,135	332,043
18.1	**Due from related parties - unsecured**			
	Hashwani Hotels Limited		**2,548**	1,825
	HOAP Foundation		**7**	7
	Hashoo (Private) Limited		**-**	42
	Hashoo Foundation		**784**	-
	Hotel One (Private) Limited		**3,673**	4,148
	Jubilee General Insurance Company Limited (New Jubilee Insurance Company Limited)		**-**	104
	Ocean Pakistan Limited (Orient Petroleum Inc.)		**727**	733
	OPI Gas (Private) Limited		**14**	-
	Pearl Continental Hotels Limited		**-**	153
	Pearl Communications (Private) Limited		**127**	69
	Zaver Petroleum Corporation Limited		**28**	-
	Trans Air Travels (Private) Limited		**785**	743
	Tejari Pakistan Limited		**19**	66
			8,712	7,890

		Note	2012	2011
19	**ADVANCES**		(Rupees'000)	
	Considered good			
	Advances to:			
	Employees		**4,659**	4,464
	Suppliers and contractors		**68,596**	100,407
	Related party	19.1	**500,000**	500,000
			573,255	604,871

19.1 This represents short term advance of Rs. 500 million (2011: Rs. 500 million) extended to related party M/s Hashwani Hotels Limited rolled over for a further one year period and carries markup rate of 1-year KIBOR plus 3% (2011: 1-year KIBOR plus 3%) per annum payable on 28 May 2013.

		Note	2012	2011
20	**TRADE DEPOSITS AND PREPAYMENTS**		(Rupees'000)	
	Trade deposits		**14,148**	10,684
	Prepayments		**50,908**	28,538
			65,056	39,222
21	**OTHER RECEIVABLES**			
	Other receivables - considered good		**26,903**	26,541
	- considered doubtful		**-**	3,946
			26,903	30,487
	Provision for doubtful receivables		**(3,946)**	(3,946)
			22,957	26,541
22	**OTHER FINANCIAL ASSETS**			
	Held to maturity			
	Letter of placements / certificate of investments		**22,296**	5,300
	Provision for impairment loss		**(5,300)**	(5,300)
			16,996	-
	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	**7,888**	9,160
			24,884	9,160
22.1	**Short term investments in shares of listed companies**			
	Pakistan Telecommunication Company Limited 350,000 (2011: 350,000) ordinary shares		**4,791**	4,977
	Lotte Pakistan PTA Limited 150,000 (2011: 150,000) ordinary shares		**1,055**	2,075
	Fauji Fertilizer Bin Qasim Limited 50,000 (2011: 50,000) ordinary shares		**2,041**	2,108
			7,887	9,160
23	**NON CURRENT ASSETS HELD FOR SALE**			
	Opening balance		**35,700**	-
	Transfer from property, plant and equipment	13.3	**55,955**	41,664
	Impairment loss on non current assets held for sale		**-**	(5,964)
	Held for sale assets sold during the year		**(35,700)**	-
		23.1	**55,955**	35,700

23.1 This represents carrying value of freehold land held for sale under agreement executed during the year which are expected to be finalised and executed within the next twelve months.

		Note	2012	2011
24	**ADVANCE TAX - net**		**(Rupees'000)**	
	Opening balance		**(29,692)**	(14,464)
	Income tax paid during the year		**410,364**	303,479
	Charge for the year		**(346,856)**	(318,707)
	Closing balance		**33,816**	(29,692)
25	**CASH AND BANK BALANCES**			
	Cash in hand		**29,834**	16,212
	Cash at bank:			
	Current accounts - Local currency		**27,529**	34,799
	Deposit accounts - Local currency	25.1	**67,134**	59,952
	- Foreign currency	25.2	**16,293**	7,473
			110,956	102,224
			140,790	118,436

25.1 Deposit accounts carry interest rate ranging from 5% to 11.25% (2011: 5% to 11%) per annum.

25.2 This comprising USD 173,254 (2011: USD 86,261) deposited with bank and carries interest rates ranging from 0.25% to 0.75% (2011: 0.25% to 0.75%) per annum.

		Note	2012	2011
26	**SALES AND SERVICES - net**		**(Rupees'000)**	
	Rooms		**2,758,918**	2,453,858
	Food and beverages		**3,548,929**	3,160,711
	Other related services	26.1	**340,244**	331,766
	Vehicle rental		**72,911**	67,427
	Parking fee		**1,052**	-
	Shop license fees		**7,868**	7,076
			6,729,922	6,020,838
	Discounts and commissions		**(10,685)**	(12,391)
	Sales tax		**(952,628)**	(897,796)
			5,766,609	5,110,651

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

		Note	2012	2011
27	**COST OF SALES AND SERVICES**		**(Rupees'000)**	
	Food and beverages			
	Opening balance		**53,833**	44,435
	Purchases during the year		**1,110,270**	1,036,013
			1,164,103	1,080,448
	Closing balance		**(65,589)**	(53,833)
	Consumption during the year		**1,098,514**	1,026,615
	Direct expenses			
	Salaries, wages and benefits	27.1	**772,889**	696,390
	Heat, light and power		**588,785**	474,792
	Repairs and maintenance		**262,131**	289,202
	Depreciation	13.4	**227,918**	216,016
	Guest supplies		**144,557**	120,662
	Linen, china and glassware		**72,945**	67,667
	Communication and other related services		**61,285**	53,546
	Banquet and decoration		**44,663**	39,247
	Transportation		**11,345**	8,157
	Uniforms		**17,104**	17,155
	Music and entertainment		**7,311**	6,766
	Insurance		**3,679**	3,763
	Vehicle operating expense		**38,228**	39,530
	Vehicle rental and clearance charges		**2,042**	1,639
	Hotel booking		**3,949**	5,893
	Others		**11,320**	10,044
			3,368,665	3,077,084

27.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 39.442 million (2011: Rs. 38.140 million).

28 ADMINISTRATIVE EXPENSES

	Note	2012	2011
		(Rupees'000)	
Salaries, wages and benefits	28.1	**709,723**	639,939
Rent, rates and taxes		**112,965**	92,562
Advertisement and sales promotion		**34,698**	26,102
Repairs and maintenance		**33,109**	42,079
Heat, light and power		**74,844**	60,648
Travelling and conveyance		**78,345**	49,544
Depreciation	13.4	**23,553**	24,001
Communications		**26,904**	24,037
Printing and stationery		**27,035**	23,523
Legal and professional charges		**60,518**	45,361
Insurance		**43,491**	30,571
Entertainment		**7,284**	8,176
Subscriptions		**7,204**	7,058
Laundry and dry cleaning		**4,823**	4,116
Uniforms		**4,842**	4,555
Auditors' remuneration	28.2	**2,235**	2,309
Provision against doubtful debts		**18,204**	18,621
Donations	28.3	**131,000**	88,737
Franchise fee		**6,851**	-
Miscellaneous		**3,578**	1,515
		1,411,206	1,193,454

28.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 24.239 million (2011: Rs. 21.403 million).

28.2 Auditors' remuneration

	2012	2011
	(Rupees'000)	
KPMG Taseer Hadi & Co.		
Annual audit fee	**1,294**	1,240
Audit of consolidated financial statements	**175**	175
Half yearly review	**428**	380
Special reports and certificates	**311**	230
Out of pocket expenses	**12**	269
Sandhu & Co.		
Annual audit fee	**15**	15
	2,235	2,309

28.3 DONATIONS

Out of total amount of Rs. 131 million (2011: Rs. 88.737 million), donations amounting to Rs. 80.20 million (2011: Rs. 38.050 million) include the following in which directors of the Parent Compant or their spouse have interest:

Name	Interest in Donee	Name and address of Donee	2012	2011
			(Rupees'000)	
Mrs. Noori Hashwani mother of Mr. Murtaza Hashwani	Chairperson	Umeed-e-Noor Trust House # 7, Street # 72, F- 8/3, Islamabad	**200**	-
Mr. Sadruddin Hashwani Ms. Sarah Hashwani	Patron-in-Chief Chairperson	Hashoo Foundation House # 7-A, Street # 65, F-8/3, Islamabad	**80,000**	38,050
			80,200	38,050

		Note	2012	2011
			(Rupees'000)	
29	**OTHER OPERATING EXPENSES**			
	Unrealised loss on re-measurement of investments to fair value - net		**1,272**	-
	Impairment loss on investment in associated companies		**7,448**	-
	Impairment loss on non current assets held for sale	23	**-**	5,964
			8,720	5,964
30	**FINANCE COST**			
	Exchange risk fee		**11,093**	11,063
	Markup on long term financing		**99,896**	13,402
	Markup on short term borrowings		**44,303**	126,048
	Markup on liabilities against assets subject to finance lease		**3,421**	4,329
	Credit cards discount, bank and other charges		**27,992**	26,768
			186,705	181,610
31	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Return on bank deposits		**9,573**	6,157
	Exchange gain - net		**3,527**	2,238
	Dividend income		**1,125**	1,053
	Unrealised gain on remeasurement of investments to fair value - net		**-**	419
	Reversal of impairment loss on investment in associated companies		**-**	52,236
	Interest on short term advance to related party		**85,388**	3,817
	Return on certificates of investments		**-**	73,550
			99,613	139,470
	Income from non financial assets			
	Concessions and commissions		**2,596**	1,875
	Gain on disposal of property, plant and equipment	13.5	**20,175**	1,754
	Unrealised gain on revaluation of investment property to fair value		**-**	2,000
	Liabilities written back		**81,285**	59,440
	Communication towers and other rental income		**41,319**	26,340
	Rental income from investment property		**7,500**	9,543
	Scrap sales		**8,163**	8,541
	Insurance claims		**1,280**	1,025
	Others - net		**31,130**	32,340
			193,448	142,858
			293,061	282,328
32	**TAXATION**			
	Provision for taxation - current		**343,862**	330,698
	Provision for taxation - prior		**2,994**	(11,991)
			346,856	318,707
	- Deferred		**37,103**	(17,778)
			383,959	300,929
	Relationship between accounting profit and tax expense is as follows:			
	Accounting profit for the year		**1,054,623**	1,019,037
	Tax charge @ 35% (2011: 35%)		**369,118**	356,662
	Tax effect of permanent differences		**16,709**	(2,014)
	Tax effect of income subject to lower taxation		**(18,146)**	(12,269)
	Tax effect of income not yet received		**(134)**	-
	Tax effect of share of loss in associate		**13,418**	(29,459)
	Prior years' tax charge		**2,994**	(11,991)
			383,959	300,929

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2012			2011		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees'000)					
Managerial remuneration	12,000	47,208	152,469	12,000	42,978	116,445
Contribution to provident fund	-	1,005	4,716	-	806	3,735
Provision for gratuity	-	1,008	9,503	-	961	7,849
	12,000	49,221	166,688	12,000	44,745	128,029
Number of Persons	1	5	83	1	6	67

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

34. FINANCIAL INSTRUMENTS

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

Credit risk
Liquidity risk
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 and 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.

34.1 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. The group's review includes external ratings, where available, and in some cases bank references. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the Credit Control Committee; these limits are reviewed quarterly. Customers that fail to meet the group's benchmark creditworthiness may transact with the group only on a prepayment basis or by obtaining bank guarantee.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. 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 and only 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:

	2012	2011
	(Rupees'000)	
Long term deposits	**17,048**	17,045
Trade deposits	**14,148**	10,684
Trade debts	**484,135**	332,043
Advances	**500,000**	500,000
Interest accrued	**8,364**	49,591
Other receivables	**22,957**	26,541
Other financial assets	**24,884**	9,160
Bank balances	**110,956**	102,224
	1,182,492	1,047,288

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:

From related parties	**514,826**	512,968
From government institutions	**34,305**	20,064
From foreign embassies	**407**	917
Banks and financial institutions	**144,204**	157,158
Others	**488,750**	356,181
	1,182,492	1,047,288

Impairment losses

The aging of trade and other receivables at the reporting date was:

	2012		2011	
	Gross	**Impairment**	Gross	Impairment
	(Rupees'000)		(Rupees'000)	
Aging				
Past due 0-30 days	**301,666**	**-**	237,037	-
Past due 30-60 days	**68,821**	**-**	47,529	-
Past due 60-90 days	**48,492**	**-**	24,639	-
Past due 90-360 days	**88,113**	**-**	49,379	-
Over 360 days	**110,520**	**110,520**	92,316	92,316
	617,612	**110,520**	450,900	92,316

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

	2012	2011
	(Rupees'000)	
Opening balance	**92,316**	73,695
Provision made during the year	**18,204**	18,621
Closing balance	**110,520**	92,316

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 overdue balances against which impairment has not been recorded have reasonable prospects of recovery.

	2012	2011
	(Rupees'000)	
Opening balance	**-**	(5,300)
Provision made during the year	**-**	-
Closing balance	**-**	(5,300)

An impairment loss of Rs. 5,300 thousand in respect of held to maturity investments was recognised during the year 2010 owing to significant financial difficulties being experienced by the issuer of these securities.

The group has no collateral in respect of financial assets exposed to credit risk.

34.2 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, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The 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 payable 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
2012	(Rupees'000)			
Long term financing	**800,000**	**1,028,750**	**323,542**	**705,208**
Liabilities against assets subject to finance lease	**38,952**	**49,660**	**17,260**	**32,400**
Long term deposits	**49,884**	**49,884**	**49,884**	**-**
Trade and other payables	**1,051,028**	**1,051,028**	**1,051,028**	**-**
Markup accrued	**32,323**	**32,323**	**32,323**	**-**
Short term borrowings	**63,936**	**63,936**	**-**	**-**
	2,036,123	**2,275,581**	**1,474,037**	**737,608**
2011				
Long term financing	536,000	774,206	127,956	646,250
Liabilities against assets subject to finance lease	23,760	26,076	17,689	8,387
Long term deposits	50,884	50,884	50,884	-
Trade and other payables	1,128,764	1,128,764	1,128,764	-
Markup accrued	31,484	31,484	31,484	-
Short term borrowings	390,233	390,233	-	-
	2,161,125	2,401,647	1,356,777	654,637

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 financing 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

34.3 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.

34.3.1 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.

	2012		2011	
	Rupees'000	**USD'000**	Rupees'000	USD'000
Bank Balance	**16,293**	**173**	7,473	87.9

The following significant exchange rate applied during the year:	**Average rates**		**Balance sheet date rate**	
	2012	2011	**2012**	2011
US Dollars	**90**	85	**94**	86

Sensitivity Analysis

A 5 % strengthening of the functional currency against USD at 30 June 2012 would have decreased profit and loss by Rs. 814 thousand (2011: Rs. 374 thousand). A 5 % weakening of the functional currency against USD at 30 June 2012 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

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 PKR 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 the interest rate profile of the group's interest bearing financial instruments was:

	2012	2011	2012	2011
	Effective interest rates		(Rupees'000)	
Fixed rate instruments				
Financial assets	**5% to 11.25%**	5% to 11%	**100,423**	67,425
Variable rate instruments				
Financial liabilities	**KIBOR + (2.5% to 3%)**	KIBOR + (1.75% to 3%)	**902,888**	949,993

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, and the group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect 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) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Profit or loss	
	100 basis points increase	100 basis points decrease
Cash flow sensitivity (net)	(Rupees'000)	
30 June 2012	**(8,025)**	**8,025**
30 June 2011	(8,826)	8,826

Other market price risk

The primary goal of the group's investment strategy is to maximise investment returns on surplus funds. The group adopts a policy of ensuring to minimize its price risk by investing in fixed rate investments like TDRs and COIs. Certain investments are designated at fair value through profit or loss 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. 51 thousand after tax (2011: an increase of Rs. 60 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 2011 and assumes that all other variables remain the same.

The group does not enter into commodity contracts other than to meet its expected usage and sale requirements; such contracts are not settled net.

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	2012		2011	
		Carrying amount	**Fair values**	Carrying amount	Fair values
		(Rupees'000)			
Assets carried at amortised cost					
Deposits	20	**31,196**	**31,196**	27,729	27,729
Trade debts - net of provision	18	**484,135**	**484,135**	332,043	332,043
Advances	19	**500,000**	**500,000**	500,000	500,000
Interest accrued		**8,364**	**8,364**	49,591	49,591
Other receivables	21	**22,957**	**22,957**	26,541	26,541
Cash and bank balances	25	**140,790**	**140,790**	118,436	118,436
		1,187,442	**1,187,442**	1,054,340	1,054,340
Assets carried at fair value					
Financial assets at fair value through profit or loss - held for trading	22	**7,888**	**7,888**	9,160	9,160
Liabilities carried at amortised cost					
Long term financing	6	**800,000**	**800,000**	536,000	536,000
Liabilities against assets subject to finance lease	7	**38,952**	**38,952**	23,760	23,760
Long term deposits		**49,884**	**49,884**	50,884	50,884
Trade and other payables	9	**1,051,028**	**1,051,028**	1,128,764	1,128,764
Markup accrued		**32,323**	**32,323**	31,484	31,484
Short term borrowings	10	**63,936**	**63,936**	390,233	390,233
		2,036,123	**2,036,123**	2,161,125	2,161,125

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).

	Level 1	Level 2	Level 3
30 June 2012		**Rupees '000**	
Assets carried at fair value			
Financial assets at fair value through profit or loss - held for trading	**7,888**	**-**	**-**
30 June 2011			
Assets carried at fair value			
Financial assets at fair value through profit or loss - held for trading	9,160	-	-

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

34.4 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.

34.5 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. 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.

35 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors and close family members, companies with common directorship, executives, key management personnel, major shareholders and staff retirement fund of the group. Balances with related parties are shown elsewhere in the notes to the consolidated financial statements. Transactions with related parties are as follows:

	Note	2012	2011
		(Rupees'000)	
Transactions with associated undertakings			
Sales		**1,222**	1,847
Services provided		**22,647**	22,136
Services availed		**61,884**	49,049
Purchases		**174,545**	154,057
Purchase of air tickets		**29,319**	16,505
Purchase of property, plant and equipment		**44,578**	1,904
Advance for purchase of land		**100,000**	-
Contribution to the defined contribution plan		**20,054**	18,255
Purchase of investment property		**-**	322,000
Short term advance		**-**	500,000
Donation	28.3	**80,200**	38,050
Markup on short term advance		**85,388**	3,817
Transactions with key management personnel			
Remuneration and allowances	35.1	**61,221**	56,745

35.1 Compensation to key management personnel

	2012	2011
Salaries and other benefits	**59,208**	54,978
Contribution to provident fund	**1,005**	806
Provision for gratuity	**1,008**	961
	61,221	56,745

36 CAPACITY

	Note	No. of rooms letable in		Average occupancy	
		2012	2011	**2012**	2011
Pearl Continental Hotels				**%**	**%**
-Karachi		**286**	286	**58**	45
-Lahore		**607**	607	**60**	52
-Rawalpindi		**193**	193	**66**	83
-Peshawar	36.1	**78**	67	**62**	40
-Bhurban		**190**	190	**58**	58
-Muzaffarabad		**102**	102	**33**	24

36.1 There were 144 rooms operational on 30 June 2012

37 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Parent Company in their meeting held on 27 September 2012.

Murtaza Hashwani
Chief Executive

M.A. Bawany
Director

Note

Pakistan Services Limited

Form of Proxy
For the year ended 30 June 2012

I / We____of__________________ being a member of Pakistan Services Limited hereby appoint Mr./ M/s.____

of ______________________________________ failing whom Mr./ 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 Wednesday, 31 October 2012 at 11:00 a.m. at Marriott Hotel, Islamabad, and any adjournment thereof.

Dated this ________ day of ________ 2012.

____
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:

1. 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.

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

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

4. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted along with proxy form to the Company.