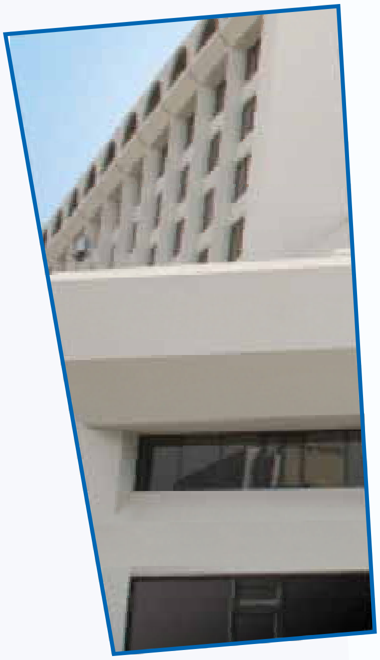
34th Annual Report 2013

PAKISTAN HOTELS DEVELOPERS LTD.



Regent Plaza

HOTEL & CONVENTION CENTRE

Mr. S. Ferozuddin Baweja - Founder

Vision and Mission

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

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

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

Contents

- Company Information 05
- Directors' Profile 07
- Notice of Meeting 09
- Chairman's Review 11
- Directors' Report 12
- Financial Highlights 14
- Graphical Presentation 15
- Statement of Compliance with the Code of Corporate Governance 17
- Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance 18
- Auditors' Report to the Members 19
- Balance Sheet 20
- Profit & Loss Account 22
- Statement of Comprehensive Income 23
- Cash Flow Statement 24
- Statement of Changes in Equity 25
- Notes to the Accounts 26
- Pattern of Shareholdings 49
- Categories of Shareholders 50
- Proxy Form

Company Information

Board of Directors:

Non-Executive Directors:

Mr. Mansoor F. Baweja	Chairman
Mst. Shahida Begum	Director
Mr. Mohsin Baweja	Director
Mr. Zaheer Baweja	Director

Executive Directors:

Mr. Muzaffar F. Baweja	Chief Executive Officer
Mr. Zubair Baweja	Managing Director

Independent Director:

Mr. M.A. Majeed

Audit Committee:

Mr. M.A. Majeed	Chairman
Mr. Mohsin Baweja	Member
Mr. Zaheer Baweja	Member

HR & R Committee

Mr. Mohsin Baweja	Chairman
Mr. Zubair Baweja	Member
Mr. M.A. Majeed	Member

Company Secretary:

Abdul Hafiz Khan (FCMA)

Chief Financial Officer:

Syed Haseen Anwer

Bankers:

Bank Al-Habib Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
MCB Bank Ltd.
National Bank of Pakistan
Silk Bank Ltd.
Summit Bank Ltd.

Auditors:

Haider Shamsi & Co.
Chartered Accountants

Legal Advisor:

Sofia Saeed Shah

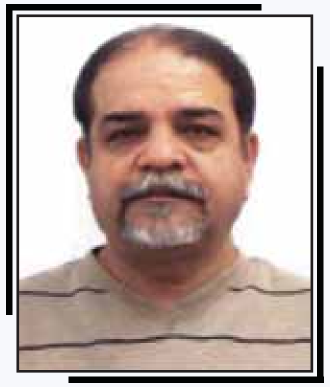
Independent Share Registrar

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

Registered Office:

Regent Plaza Hotel, Mezzanine Floor
195/2, Shahrah-E-Faisal, Karachi.

Directors' Profile



Mansoor Baweja
Chairman

Mr. Mansoor Baweja is the Chairman of the Board of Directors, appointed in April 2013. With 35 years of experience in the real estate, construction and hospitality industries, he brings extensive knowledge and perspective to the organization. Having been a founding member of Taj Mahal Hotels Limited and Taj Medical Complex Limited, he brings extra ordinary leadership qualities to the Board.

Mr. Mansoor Baweja oversees the strategic management and corporate governance of PHDL. He adds tremendous value through his involvement in various local and national business organizations.

Muzaffar F. Baweja
Chief Executive Officer

Mr. Muzaffar Baweja joined on 1st January, 1985 to the Board of Directors of Pakistan Hotels Developers Ltd., Owners and Operators of Five Star Hotel, Holiday Inn Crown Plaza, Karachi (Now Regent Plaza Hotel & Convention Centre). He has served as a General Manager / Director Operations during the year October, 1994 - December, 1998 in the hotel.

The name of Holiday Inn Crown Plaza was changed in 1999 to Regent Plaza Hotel and Convention Centre and Mr. Muzaffar Baweja was designated as Managing Director of the Hotel.

He also served as General Manager with Taj Mahal Hotel, Karachi during the year July, 1993 - September, 1994. Under his leadership, professionalism and by the dint of his abilities of market penetration, Taj Mahal Hotel recorded highest revenue in 1993 - 1994.

He has extensive working experience in Hotel Marketing, Administration, Operations and Strategic Planning and is well known personality in the Hotel Industry. He was elected as the Chairman of Pakistan Hotels Association for the year 2006 - 2007. In his capacity as Chairman of the Association, he made proposal to the Government of Pakistan to frame a policy for the development of tourism sector in Pakistan which aimed to create employment opportunities, boost the hospitality business and to attract foreign investment for it's expansion in Pakistan. His creativity and dynamism has held the hotel in good stead during the economic crisis affecting the hospitality industry. The hotel has been accorded corporate excellence award by MAP.

Mr. Muzaffgar Baweja is a Commerce Graduate from the University of Karachi and has attended various technical and certificate courses including new Hotel Opening Program - Karachi, General Manager Program - France, Computer Science from Daytona Beach, Community College - Florida, Pakistan Institute of Tourism & Hotel Management - Karachi.

Zubair Baweja
Managing Director

Mr. Zubair Baweja was appointed to the Board of Directors in the year 2000.

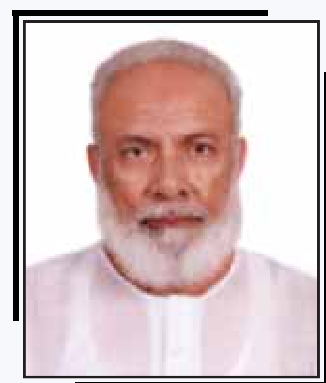
He is a 'Certified Director'.

Mr. Zubair Baweja an entrepreneur in hospitality industry has extensive experience in management and operations. After completing his MBA, he has worked in various roles in management.

Earlier in his career, he served as Director Operations at M/s. Taj Medical Complex, supervising operational performance of the business for 5 years. Moving to the hospitality business, he joined as Director, Foods & Beverages (F&B) at Holiday Inn Crown Plaza Karachi, where in a short span of around 2 years, he proved his salt and moved to take on further responsibility as an Executive Director for another 13 years.

Having understood the operations and management of the organization from ground up, he was promoted to lead Regent Plaza Hotel in the capacity of Managing Director, where he provides leadership & direction for the organization.

He also likes to participate in social welfare activities and is a trustee of The Roshni Trust, a charity school for less privileged children.



M.A. Majeed
Non-Executive Director

Mr. M.A. Majeed was appointed to the Board of Directors in 2013 as Non-Executive Director. He is also Chairman of Board of Audit Committee.

Mr. M.A. Majeed has about 30 years professional experience in Hotel Business, Human Resource and Administration fields.

Notice of 34th Annual General Meeting

Notice is hereby given that the 34th Annual General Meeting of **PAKISTAN HOTELS DEVELOPERS LIMITED** will be held on Monday 28th of October, 2013 at 10:30 a.m. at Registered Office of the Company 195/2, Regent Plaza Hotel, Main Shahrah-e-Faisal, Karachi to transact the following business:

1. To confirm the minutes of Extra-ordinary General Meeting held on 21st December, 2012.
2. To receive, consider and adopt the Audited Accounts for the year ended 30th June, 2013, together with the Directors' and Auditors' reports thereon.
3. To consider and approve payment of final cash dividend @ 40% i.e.(Rs.4.00 per share) as recommended by the Board of Directors and the interim cash dividend @30% i.e. (Rs.3.00 per share) already announced and paid in June, 2013 making a total cash dividend @70% i.e. (Rs.7.00 per share) for the year ended June 30, 2013.
4. To appoint Auditors for the year 2014 and to fix their remuneration.
5. Any other business with the permission of the Chair.

By order of the Board

(ABDUL HAFIZ KHAN)
Company Secretary

KARACHI: 7th October, 2013

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on the member's behalf. Proxies must be deposited with the Secretary of the Company or Independent Share Registrar Office not less than 48 hours before the meeting.
2. The share transfer books of the company shall remain closed from 21st October, 2013 to 28th October, 2013 (Both days inclusive). Transfers, complete in all respects, received at our Independent Share Registrar Office M/s. Technology Trade (Pvt) Ltd., Dagia House, 241-C, Block 2, P.ECH.S., Off: Shahrah-e-Quaideen, Karachi by 19th October, 2013 will be entitled to attend the meeting and will be treated in time to determine the entitlement of 40% cash dividend.
3. Shareholders are requested to notify the Company of any change in their addresses.
4. Shareholders are also requested to notify the Company their CNIC No.(Passport No. if Foreigner) as required by S.R.O.49(1)/2003 dated 15.01.2003 and Circular No.13/2004 dated 05.03.2004.

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

   a) For attending A.G.M.

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

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

   b) For appointing Proxies

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

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

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

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

   v) In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signatures

Chairman's Review

Before presenting the performance review, first of all we pray for the soul of our Ex-Chairman Mr. S.Ferozuddin Baweja the Founder of the Company as well as of Regent Plaza Hotel, who leaves us five months back due to his illness. The company attributes its success to the great leadership of S. Ferozuddin Baweja whose directions have helped company to rapidly achieve its great height. His impressive work especially in the Hotel Business will never be forgotten. May Almighty Allah bless and place him in Jannat ul Firdous 'Ameen.'

On behalf of the Board, I am pleased to welcome our esteemed shareholders to the 34th Annual General Meeting of the company and to present annual review of the result of the company's operation and audited financial statements for the year ended June 30, 2013.

Pakistan GDP growth in 2 012–13 was 3.5% against the target growth rate 5.5%. Thus the growth rate fell short by 2% in 2012-2013 due to problems like Law and order situation and shortage of power and gas and price hike. These problems hammered the overall economic sectors.

Alhamdo-Lillah, it is a matter of great pleasure that the Company's continuing operations have achieved net revenue of Rs.363.6 million against net revenue of Rs.341.7 million of corresponding period of last year.

The net revenue increased during the year by handsome amount of Rs.21.9 million. The growth in net revenue is 6%. The company has earned net profit before tax Rs.34.6 million. Room occupancy during the year is 23.83% as against 24.57% previous year.

The liquidity position of the company is sound. The company is free from loan and managed to finance all business expenditures from its own fund. The company's earnings per share is Rs.1.33.

The Board of Directors recommended final cash dividend Rs. 4/= per share in addition to already approved an interim cash dividend of Rs. 3/= per share for the year 2013. The Board of Directors appreciated the financial result of the company for the year 2013 and happily accorded approval for the payment of one month gross salary as bonus to employees for their hard work and in recognition of their contribution to companies profitability.

Executive Directors take home salaries have been recommended as under.

1	Chief Executive Officer	Rs.500,000/= per month
2	Managing Director	Rs.450,000/= per month

The management has decided to close Banquet Office at Bahadrabad due to its non profitability.

Head Office Bungalow vacated by the Tenant.

Code of Corporate Governance 2012 has been enforced in improving Governance of corporate affairs. Steps taken in this regard include appointment of an independent director on the Board, assigning offices of Chairman and CEO to different personnel, reconstitution of audit committee comprising non-executive directors with independent director being Chairman of the Audit Committee and formation of Human Resources and Remuneration Committee comprising of two non-executives and one executive director. The company also adopted Directors' training program by sending one of the director to attend the course organized by ICMAP. The mechanism for remuneration and performance evaluation has also been evolved.

Employees and management relationship continues to be cordial and depicts a will to maintain mutual respect, Co-existence and growth on the part of both parties.

I would like to appreciate the efforts and dedication of the officers, staff and workers of the company which enabled the management to run the company smoothly and efficiently during the year for profitable operation.

I express gratitude to our valued customers, creditors, banks, and shareholders for their continued Cooperation.

Mansoor Baweja
Chairman

KARACHI: 20th September, 2013

Directors' Report

The Directors of **PAKISTAN HOTELS DEVELOPERS LIMITED** are pleased to submit their report together with Audited Accounts of the Company for the year ended 30th June, 2013.

		(Rs. '000')	(Rs. '000')
Accounts:			
Total Revenue			372,841
Less:	Direct Cost	192,208	
	Other Managerial and Financial Expenses	107,301	299,509
			73,332
Less:	Statutory Depreciation		38,714
	Net operating profit before taxation		34,618
Less:	Taxation		10,679
	Profit after taxation		23,939
	Earning per share (Rupees)		1.33

Revenue increased by Rs.21.903 million which is 6.40% higher as compared to last year. The net profit after tax is Rs.23.939 million. The Directors have recommended 40% cash dividend to their shareholders in addition to 30% interim (i) cash dividend which has already been paid. The total cash dividend for the year 2013 is 70%.

The Foreign Exchange earning during the year was 0.154 million U.S. Dollars.

Chairman's Review:

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

Appointment of Auditors:

The retiring Auditors M/s. Haider Shamsi & Co., Chartered Accountants, being eligible, offer themselves for reappointment for the year 2013-14. The Audit Committee and Board of Directors of the Company have endorsed their appointment for shareholders' consideration in forthcoming Annual General Meeting.

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

Directors' Training Program

As per the requirements of SECP for Directors' Training Program for the purpose of developing directors' knowledge and skill relating to corporate matters, the Board accorded its approval for nomination of Mr. Zubair Baweja to attend the course from May 15 to May 19, 2013 at ICMAP, Karachi. He has successfully completed the course and was awarded a Certificate of "Certified Director".

Audit Committee

The Committee comprised of three members of whom two are from non-executive directors and one independent director (as reconstituted on 26th August, 2013 in Board Meeting).

Mr. M.A. Majeed	–	Independent Director
Mr. Mohsin Baweja	–	Non Executive Director
Mr. Zaheer Baweja	–	Non Executive Director

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

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

Attendance of Members at Audit Committee Meetings

During the financial year 2013, four meetings of the Audit Committee were held and the number of Meetings attended by each member is given hereunder.

Name	Number of Meetings	
	Held During Membership During the year	Attended
1. Mr. Aneeq Ahmed	02	02
2. Mrs. Muniza Zubair	04	04
3. Mr. Mudabbir Baweja	02	02
4. Mr. S.Ferozuddin Baweja	02	02
5. Mrs. Lubna Muzaffar	02	02

Pattern of Shareholding:

The specified pattern of Shareholding as at 30th June, 2013 as per Article (XIX) of the Code of Corporate Governance is annexed to this report.

Code of Corporate Governance:

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

The Directors confirm and state that the following have been complied.

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

b) Proper books of accounts of the company have been maintained.

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

d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from have adequately been disclosed and explained.

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

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

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

Board Meetings:

During the year ended 30th June, 2013, Eight (08) meetings of the Board of Directors were held. The attendance in the meeting is as follow:

Name of Director	Number of Meetings	
	Held During Directorship During the year	Attended
Mr. S.Ferozuddin Baweja	05	05
Mr. Muzaffar F.Baweja	08	08
Mr. Zubair Baweja	08	08
Mst. Shahida Begum	08	05
Mrs. Lubna Muzaffar	03	03
Mrs. Muniza Zubair	08	08
Mr. Mudabbir Muzaffar Baweja	08	08
Mr. Aneeq Ahmed	05	05
Mr. Mansoor F.Baweja	01	00

Election of Directors

During the year under review, Election of Directors held for another term of 3 years. In pursuance of Section 178(4) of the Companies Ordinance, 1984, seven persons had filed with the Company, notices of their intention to offer themselves for election as Directors of the Company at the Extraordinary General Meeting held on 21st December, 2012 at the Registered Office of the Company.

Since the number of candidates did not exceed the number of elected Directors fixed under section 178(1) of the Companies Ordinance, 1984, the same persons have been elected unopposed as Directors at the aforesaid Extra Ordinary General Meeting for a term of three years from 21.12.2012 to 20.12.2015.

Change in Board of Directors

During the financial year 2012-13, Mr. Mansoor F.Baweja has been appointed as Director in the Board meeting held on 27th April, 2013 to fill the casual vacancy caused by the sad demise of Former Director / Chairman, Mr. S.Ferozuddin Baweja. He was also co-opted as Chairman of the Board.

Staff Benefits

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

Appointment of Actuarial Consultant

M/s. Nauman Associates Consulting Actuaries has been appointed for the year to comply the requirement of IAS 19 calculations for Gratuity Scheme as at 30th June, 2013.

Independent Share Registrar

M/s. Technology Trade (Pvt) Ltd. is the Independent Share Registrar of the Company since 21st August, 2008.

Financial Highlights:

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

For & on behalf of Board of Directors

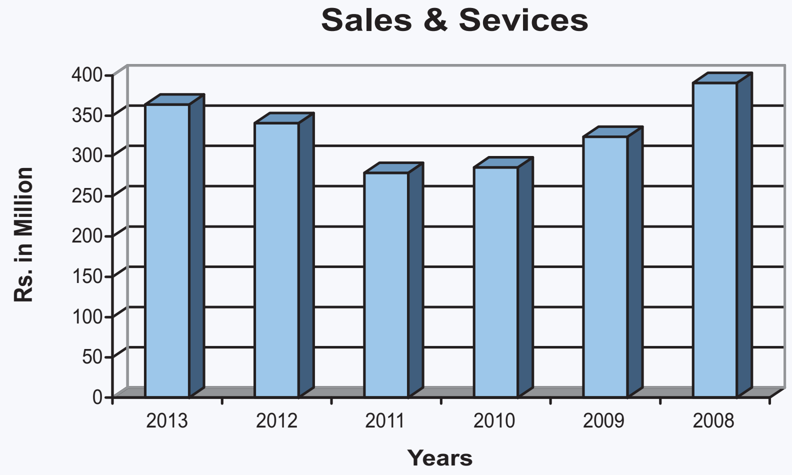
KARACHI: 20th September, 2013

MUZAFFAR F.BAWEJA
Chief Executive Officer

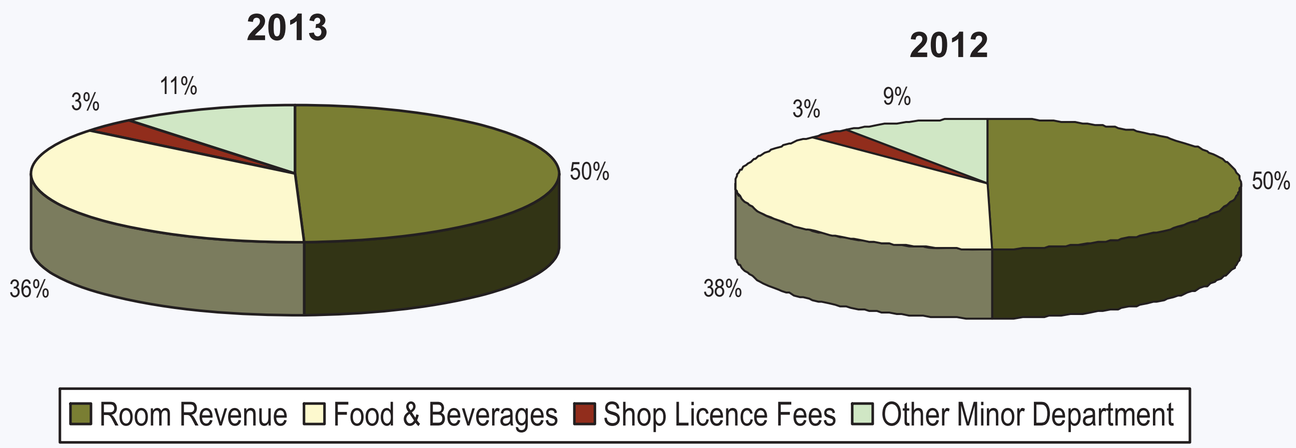
Financial Highlights

	2013	2012	2011	2010	2009	2008
	.... Rupees '000					
Sales and services	**363,639**	341,736	278,522	286,020	323,813	390,531
Profit before tax	**34,618**	38,723	670	24,164	16,778	118,446
Finance cost	**878**	851	658	2,429	258	420
PBIT	**35,496**	39,574	1,328	26,593	17,036	118,866
Profit / (loss) after tax	**23,939**	31,623	658	17,824	(5,818)	72,253
Financial position						
Current assets	**214,717**	205,296	163,219	146,684	102,400	150,561
Less: Current liabilities	**82,016**	50,281	42,956	42,361	44,678	43,972
Net working capital	**132,701**	155,015	120,263	104,323	57,722	106,589
Fixed assets - net	**2,269,854**	2,301,552	2,337,872	2,358,123	2,398,223	2,436,112
Other non-current assets	**3,087**	2,450	2,450	2,450	2,450	2,450
TOTAL	**2,405,642**	2,459,017	2,460,585	2,464,896	2,458,395	2,545,151
Other non-current liabilities	**188,262**	193,576	199,767	204,736	216,059	224,997
Shareholders equity	**2,217,380**	2,265,441	2,260,818	2,260,160	2,242,336	2,320,154
Statistics						
Number of rooms	**413**	413	413	413	413	413
Room occupancy %	**23.83**	24.57	21.34	21.60	26.65	37.54
Number of employees	**186**	237	203	237	262	268
Earning per share (Rs.)	**1.33**	1.76	0.04	0.99	(0.32)	4.01
Break up value per share (Rs.)	**123.19**	125.86	125.60	125.56	124.57	128.90
Market value per share (Rs.)	**38.00**	30.07	29.22	25.50	27.27	85.70
Dividend per share (Rs.)	**7.00**	2.50	—	—	—	4.00
Ratios						
ROCE (%)	**1.60**	1.75	0.06	1.18	0.76	5.12
ROA (%)	**1.00**	1.29	0.03	0.72	(0.24)	2.84
Current ratio	**2.62**	4.08	3.80	3.46	2.29	3.42
Net profit margin (%)	**6.58**	9.25	0.24	6.23	(1.80)	18.50

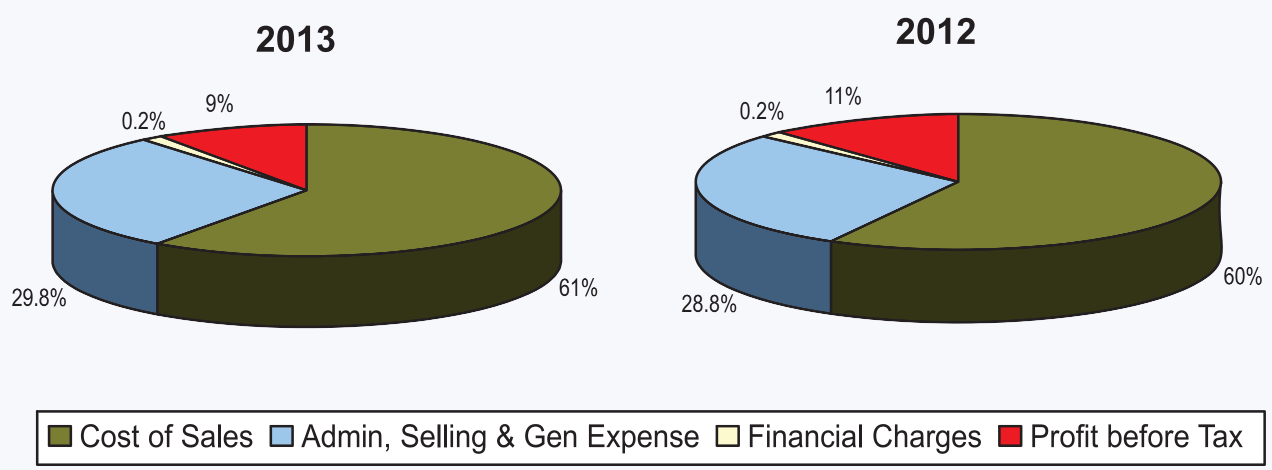
Graphical Presentation



Department Revenue Contribution



Application of Revenue & Other Income



Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Stock Exchanges in Pakistan 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 CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board constitutes the following Directors.

Executive Directors	**Non-Executive Directors**
Mr. Muzaffar Baweja	Mst. Shahida Begum
Mr. Zubair Baweja	Mr. Mansoor F.Baweja
	Mr. Mohsin Baweja
	Mr. Zaheer Baweja
	Mr. M.A. Majeed – Independent

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Four casual vacancies occurred on the Board. One which occurred on 06.04.2013 due to the death of the former Chairman was filled-up by the induction of new director immediately. Three casual vacancies created by the resignation were filled-up within time.
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/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/Shareholders.
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 arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities. Mr. Zubair Baweja, Managing Director was sent for Directors Training Program learning at ICMAP, Karachi.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including the remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG 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 CCG.
15. The Board has formed an Audit Committee. It comprises 3 members, of whom 2 are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises 3 members of whom two are non-executive directors and the chairman of the committee is also non-executive director.
18. The Board has set up an effective internal audit function.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in the regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once though stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of Board of Directors.

Muzaffar F.Baweja
Chief Executive Officer

KARACHI: 20th September, 2013

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pakistan Hotels Developers Limited ("the Company") to comply with the Listing Regulation No. 35 of the respective Stock Exchanges, where the company is listed.

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

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

Further sub regulation (X) of listing regulations 35 notified by the respective Stock Exchanges requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

HAIDER SHAMSI & CO.,
Chartered Accountants
Mirza Hyder Hussain Baig

KARACHI: 20th September, 2013

Auditors' Report to the Members

We have audited the annexed balance sheet of **PAKISTAN HOTELS DEVELOPERS LIMITED** as at **JUNE 30, 2013** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

We believe that our audit provides a reasonable basis for our opinion and, after due verification we report that:

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

(b) in our opinion:-

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2013 and of the profit, its total comprehensive income, cash flows and changes in equity for the year then ended; and

(d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

HAIDER SHAMSI & CO.,
Chartered Accountants
Mirza Hyder Hussain Baig

Karachi: 20th September, 2013

Balance sheet as at June 30, 2013

	Notes	2013	2012
		(Rupees '000)	
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorized			
30,000,000 ordinary shares of Rs. 10 each		**300,000**	300,000
Issued, subscribed and paid-up	4	**180,000**	180,000
Un-appropriated profit		**197,220**	231,989
		377,220	411,989
Surplus on revaluation of fixed assets	5	**1,840,160**	1,853,452
Deferred liabilities			
Deferred taxation	6	**178,786**	184,375
Advances and deposits - unsecured	7	**9,476**	9,201
Current liabilities			
Current maturities	8	**2,549**	2,371
Creditors, accrued and other liabilities	9	**79,467**	47,910
		82,016	50,281
Contingencies and commitments	10	—	—
		2,487,658	2,509,298

The annexed notes form an integral part of this statement.

	Notes	2013	2012
		(Rupees '000)	
ASSETS			
Non-current assets			
Fixed assets	11	**2,269,854**	2,301,552
Long term deposits and advances	12	**3,087**	2,450
Current assets			
Stores and spares	13	**1,818**	1,775
Stock in trade - food and beverages	14	**1,233**	1,379
Trade debts-unsecured, considered good	15	**36,766**	30,372
Advances, prepayments and other receivables	16	**28,631**	19,119
Short term investment	17	**50,000**	49,500
Tax refunds due from Government	18	—	10,011
Cash and bank balances	19	**96,269**	93,140
		214,717	205,296
		2,487,658	2,509,298

MUZAFFAR F. BAWEJA
Chief Executive

ZUBAIR BAWEJA
Managing Director

Karachi: 20th September, 2013

Profit and loss account
for the year ended June 30, 2013

	Notes	2013	2012
		(Rupees '000)	
Turnover		**424,996**	399,330
Sales tax, discounts and sales return		**(61,357)**	(57,594)
Sales and services - net	20	**363,639**	341,736
Cost of sales and services	21	**(227,051)**	(207,296)
Gross profit		**136,588**	134,440
Administrative, selling and general expenses	22	**(110,294)**	(101,717)
Other operating income	23	**9,202**	6,851
Operating profit		**35,496**	39,574
Financial charges	24	**(878)**	(851)
Net profit before taxation		**34,618**	38,723
Taxation	25	**10,679**	7,100
Net profit after taxation		**23,939**	31,623
		(Rupees)	
Earning per share:			
– Basic	33	**1.33**	1.76
– Diluted	33	**1.33**	1.76

Appropriation has been shown in the Statement of Changes in Equity.

The annexed notes form an integral part of this account.

MUZAFFAR F. BAWEJA
Chief Executive

ZUBAIR BAWEJA
Managing Director

Karachi: 20th September, 2013

Statement of comprehensive income
for the year ended June 30, 2013

	2013	2012
	(Rupees '000)	
Net profit after taxation	**23,939**	31,623
Other comprehensive income	—	—
	23,939	31,623

The annexed notes form an integral part of this statement.

MUZAFFAR F. BAWEJA
Chief Executive

ZUBAIR BAWEJA
Managing Director

Karachi: 20th September, 2013

Cash flow statement
for the year ended June 30, 2013

	Notes	2013	2012
		(Rupees '000)	
Cash flow from operating activities			
Cash generated from operations	26	**56,387**	73,198
Income taxes paid		**(17,183)**	(14,204)
Income tax refund received		**6,421**	31,622
Financial charges		**(878)**	(851)
Net cash from operating activities		**44,747**	89,765
Cash flow from investing activities			
Acquisition of fixed assets		**(8,683)**	(6,293)
Disposal of fixed assets		**1,610**	1,130
Investment in TDRs		**(500)**	(49,500)
Profit on TDR		**6,155**	1,518
Sale of investment - held for trading		—	9,378
Long term deposits		**(637)**	—
Net cash used in investing activities		**(2,055)**	(43,767)
Cash flow from financing activities			
Dividends paid		**(69,177)**	(27,000)
Net cash used in financing activities		**(69,177)**	(27,000)
Net increase/(decrease) in cash		**(26,485)**	18,998
Cash and cash equivalents - start of the year		**89,802**	70,804
Cash and cash equivalents - end of the year	27	**63,317**	89,802

The annexed notes form an integral part of this statement.

MUZAFFAR F. BAWEJA
Chief Executive

ZUBAIR BAWEJA
Managing Director

Karachi: 20th September, 2013

Statement of changes in equity
for the year ended June 30, 2013

	Share Capital	Unappro-priated profit	Total
	......................(Rupees '000)...................		
Balance as at June 30, 2011	180,000	213,370	393,370
Transferred from surplus on revaluation of fixed assets (net of tax)	—	13,996	13,996
Total comprehensive income for the year ended June 30, 2012	—	31,623	31,623
Interim cash dividend paid @15% i.e.Rs.1.50 per share for the year ended June 30, 2012	—	(27,000)	(27,000)
Balance as at June 30, 2012	**180,000**	**231,989**	**411,989**
Transferred from surplus on revaluation of fixed assets (net of tax)	—	13,292	13,292
Total comprehensive income for the year ended June 30, 2013	—	23,939	23,939
Appropriation:			
Final dividend paid @ 10 % i.e Rs. 1/= per share for the year ended June 30, 2012	—	(18,000)	(18,000)
Interim cash dividend paid @30% i.e.Rs. 3.00 per share for the year ended June 30, 2013	—	(54,000)	(54,000)
Balance as at June 30, 2013	**180,000**	**197,220**	**377,220**

The annexed notes form an integral part of this statement.

MUZAFFAR F. BAWEJA
Chief Executive

ZUBAIR BAWEJA
Managing Director

Karachi: 20th September, 2013

Notes to the accounts
for the year ended June 30, 2013

1. The company and its operations

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

2. Summary of significant accounting policies

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

2.1 Statement of compliance

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

2.2 Basis of measurement

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

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

2.3 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards and new interpretations became effective however they did not have any material effect on the financial statements of the Company.

2.4 New/revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective from the dates specified below. Except for the amendment in IAS 19 which results in immediate recognition of actuarial gains or losses and revised basis of calculation for net finance cost, these changes are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures:

IAS 19 Employee Benefits (amended 2011) effective for annual periods on or after January 01, 2013. The amended IAS 19 includes amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit and loss , which currently is allowed under IAS 19; and that the expected return on plan assets in profit and loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial losses amounting to Rs. 932,515/- at 30 June, 2013 would need to be recognized in other comprehensive income.

IAS 27 Separate Financial Statements (2011) – (effective for annual periods beginning on or after January 01, 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 and effective from 1 January 2013. The amendments have no impact on financial statements of the company.

IAS 28 Investment in Associates and Joint ventures (2011) – (effective for annual periods beginning on or after January 01, 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 joint venture. The amendments have no impact on financial statements of the company.

Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32) effective for annual periods beginning on or after January 01, 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 (Amendment to IFRS 7) effective for annual periods beginning on or after January 01, 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 agreement.

Annual improvements 2009-2011 (effective for annual periods beginning on or after January 01, 2013. The new cycle of improvements contains amendments to the following four 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 to be in form of a complete set of financial statements. However, such information should be accompanied by relate notes and should be in accordance in with IFRS. Furthermore, it clarifies that '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 that accounting of spare parts, stand-by equipments and servicing equipments. 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 of, 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 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 disclosures 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 as 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 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 1, 2013).

IFRIC 21 Levies 'an interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014).

Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014).

IAS 39 Financial instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014).

2.5 Taxation

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

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

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

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

2.6 Staff retirement benefits

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

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

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

2.7 Fixed assets

Property, plant and equipment

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

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

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

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

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

Depreciation is charged so as to write off the cost or revaluation of assets, other than leasehold land and capital work-in-progress, over their estimated useful lives, using the reducing balance method, on the basis of rates specified in Note 11. Crockery, cutlery, linen and uniforms are charged to the profit and loss account on replacement basis. A full year's depreciation is charged on assets acquired during the year, while no depreciation is charged in the year of disposal.

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

Intangibles

Item of intangibles is recognized as asset in accordance with IAS 38 Intangibles when it meets the definition of an intangible asset and is probable that future economic benefits associated with the asset will flow to the company and its cost to the company can be measured reliably.

An item of intangibles which qualifies for recognition as an asset is initially measured at its cost. Subsequent to initial recognition is stated at its historical cost less accumulated amortization and impairment losses (if any).

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

2.8 Obligation under finance lease

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

2.9 Foreign currency translation

a. Functional and presentation currency

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

b. Transactions and balances

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

2.10 Financial instruments

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

2.11 Financial assets

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

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

2.12 Cash and cash equivalents

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

2.13 Trade receivables

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

2.14 Investments

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

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

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

2.15 Derivatives

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

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

2.16 Financial liabilities

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

2.17 Provisions

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

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

2.18 Offsetting

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

2.19 Stores and spares

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

2.20 Stock in trade - Food and beverages

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

2.21 Revenue recognition

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

Sales and services

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

Dividend income

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

2.22 Impairment of non-financial assets

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

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

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

2.23 Dividend distribution

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

3. Critical accounting estimates and judgments

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

3.1 Critical accounting estimates and assumptions

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

Trade debtors

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

Income taxes

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

Impairment of assets

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

Depreciable amount and useful lives of fixed assets

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

3.2 Critical judgments in applying the company's accounting policies

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

04. Issued, subscribed and paid-up

		2013 (Rupees '000)	2012 (Rupees '000)
16,580,800	Ordinary shares of Rs. 10/- each fully paid in cash	**165,808**	165,808
1,419,200	Ordinary shares of Rs. 10/- each issued for consideration other than cash (NRI)	**14,192**	14,192
18,000,000		**180,000**	180,000

There were no movement in the share capital of the company in either the 2012 or 2013 reporting years. The company has one class of ordinary shares which carry no right to fixed income.

05. Surplus on revaluation of fixed assets

	2013 (Rupees '000)	2012 (Rupees '000)
Surplus on revaluation of leasehold land	**1,587,559**	1,587,559
Surplus on revaluation of building on leasehold land	**252,601**	265,893
	1,840,160	1,853,452

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

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

	Surplus on revaluation of	
	Leasehold land	Building on leasehold land
	(Rupees '000)	
Surplus on June 30, 2011	**1,587,559**	279,889
Incremental depreciation (net of tax) transferred to accumulated profit	**—**	(13,996)
Surplus on June 30, 2012	**1,587,559**	265,893
Incremental depreciation (net of tax) transferred to accumulated profit	—	(13,292)
Surplus on June 30, 2013	**1,587,559**	252,601

06. Deferred taxation

These comprise the temporary differences due to:

	2013 (Rupees '000)	2012 (Rupees '000)
Accelerated depreciation	**35,304**	33,694
Revaluation, net of related depreciation	**144,110**	151,267
Others	**(628)**	(586)
	178,786	184,375

07. Advances and deposits

	Note	2013	2012
Unsecured			
Advance rent	7.1	**2,549**	2,371
Less: Current portion - shown under current maturity		**2,549**	2,371
		—	—
Security deposits	7.2	**9,476**	9,201
		9,476	9,201

7.1 Advance rent

It represents advance rent received from tenants against office space leased to them.

7.2 Security deposits

	2013 (Rupees '000)	2012 (Rupees '000)
Received up till last year	**9,201**	7,404
Received during the current year	**275**	1,797
	9,476	9,201

Amount represents the security money received from the tenants as per tenancy agreements. Such deposits do not attract any mark up or interest and shall be repaid at the time of termination of lease.

08. Current maturities

	Note	2013 (Rupees '000)	2012 (Rupees '000)
Advance rent	7	**2,549**	2,371
		2,549	2,371

	Note	2013 (Rupees '000)	2012 (Rupees '000)
09. Creditors, accrued and other liabilities			
Trade creditors - unsecured		**5,691**	7,486
Accrued liabilities			
Accrued expenses		**12,063**	14,876
Excise, taxes and others		**526**	1,176
Sales tax		**4,698**	4,734
		17,287	20,786
Other liabilities			
Guest and banquet deposits		**3,144**	4,604
Payable to employee gratuity fund		**461**	715
Unclaimed dividend		**8,557**	5,734
WWF payable		**847**	917
Bank overdraft	9.1	**32,952**	3,338
Miscellaneous		**10,528**	4,330
		56,489	19,638
		79,467	47,910
9.1 Bank overdraft		**32,952**	3,338

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

10. Contingencies and commitments

10.1 Civil Aviation Authority has demanded a sum of Rs. 0.336 million, being rental charges of the Company's restaurant at Karachi Airport. The suit is pending in the High Court of Sindh. The company has filed a counter suit for recovery of rent of furniture, fixtures and loss of food stuff and other assets of the company retained by the Civil Aviation Authority.

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

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

	Note	2013 (Rupees '000)	2012 (Rupees '000)
11. Fixed assets			
Property, plant and equipment - tangible	11.1	**2,269,353**	2,301,552
Intangibles	11.2	**501**	—
		2,269,854	2,301,552

11. 1 Property, plant and equipment - tangible

PARTICULARS	COST/REVALUATION				Rate	DEPRECIATION				W. D. V
	As at 1-07-2012	Additions	Disposal	As at 30-6-2013	%	As at 1-7-2012	For the year	Disposal	As at 30-6-2013	as at 30-06-2013
OWNED										
Leasehold land	1,618,750	—	—	1,618,750	—	—	—	—	—	1,618,750
Leasehold land - Gharo	2,549	—	—	2,549	—	—	—	—	—	2,549
Building on leasehold land	708,888	827	—	709,715	5	166,334	27,169	—	193,503	516,212
Farm House on leasehold land	8,042	—	—	8,042	5	784	363	—	1,147	6,895
Banglow 35/9-A C.P. Berar Society, Karachi	31,650	—	—	31,650	5	9,547	1,105	—	10,652	20,998
Airconditioning plant	73,114	6,062	—	79,176	10	43,359	3,582	—	46,941	32,235
Elevators	5,728	—	—	5,728	10	4,776	95	—	4,871	857
Electric installation	7,485	—	—	7,485	10	6,365	112	—	6,477	1,008
Electric fancy fitting	565	—	—	565	10	477	9	—	486	79
Furniture and fixtures	96,756	—	—	96,756	10	64,278	3,248	—	67,526	29,230
In-house TV system	6,300	1,128	—	7,428	10	4,629	280	—	4,909	2,519
Gas connection	227	—	—	227	10	218	1	—	219	8
Carpets	12,775	—	—	12,775	10	9,526	325	—	9,851	2,924
Sound radio fusion system	2,440	—	—	2,440	10	1,861	58	—	1,919	521
Telephone installation	10,335	—	—	10,335	10	8,394	194	—	8,588	1,747
Crockery and cutlery	5,520	—	—	5,520	0	—	—	—	—	5,520
Uniforms and linen	8,878	—	—	8,878	0	—	—	—	—	8,878
Laundry equipments	5,007	—	—	5,007	10	3,319	169	—	3,488	1,519
Equipments and accessories	36,862	—	—	36,862	10	24,319	1,254	—	25,573	11,289
Office equipments	5,589	—	—	5,589	10	4,524	106	—	4,630	959
Vehicles	5,411	—	(2,397)	3,014	20	2,778	226	(895)	2,109	905
Neon signs	435	—	—	435	10	336	10	—	346	89
Arms	37	—	—	37	10	32	1	—	33	4
Diesel Generator - Caterpillar	4,100	—	—	4,100	10	2,512	159	—	2,671	1,429
Diesel Generator - VISA	4,196	—	—	4,196	10	1,719	248	—	1,967	2,229
Total 2013	**2,661,639**	**8,017**	**(2,397)**	**2,667,259**		**360,087**	**38,714**	**(895)**	**397,906**	**2,269,353**

(Rupees '000)

PARTICULARS	COST/REVALUATION				Rate	DEPRECIATION				W. D. V
	As at 1-7-2011	Additions	Disposal	As at 30-6-2012	%	As at 1-7-2011	For the year	Disposal	As at 30-6-2012	as at 30-06-2012
OWNED										
Leasehold land	1,618,750	—	—	1,618,750	—	—	—	—	—	1,618,750
Leasehold land - Gharo	2,549	—	—	2,549	—	—	—	—	—	2,549
Building on leasehold land	704,336	4,552	—	708,888	5	137,779	28,555	—	166,334	542,554
Farm House on leasehold land	8,042	—	—	8,042	5	402	382	—	784	7,258
Banglow 35/9-A C.P. Berar Society, Karachi	31,650	—	—	31,650	5	8,384	1,163	—	9,547	22,103
Airconditioning plant	73,114	—	—	73,114	10	40,053	3,306	—	43,359	29,755
Elevators	5,728	—	—	5,728	10	4,670	106	—	4,776	952
Electric installation	7,485	—	—	7,485	10	6,240	125	—	6,365	1,120
Electric fancy fitting	565	—	—	565	10	467	10	—	477	88
Furniture and fixtures	95,882	874	—	96,756	10	60,669	3,609	—	64,278	32,478
In-house TV system	6,300	—	—	6,300	10	4,443	186	—	4,629	1,671
Gas connection	227	—	—	227	10	217	1	—	218	9
Carpets	12,775	—	—	12,775	10	9,165	361	—	9,526	3,249
Sound radio fusion system	1,963	477	—	2,440	10	1,797	64	—	1,861	579
Telephone installation	10,335	—	—	10,335	10	8,178	216	—	8,394	1,941
Crockery and cutlery	5,520	—	—	5,520	0	—	—	—	—	5,520
Uniforms and linen	8,878	—	—	8,878	0	—	—	—	—	8,878
Laundry equipments	5,007	—	—	5,007	10	3,131	188	—	3,319	1,688
Equipments and accessories	36,472	390	—	36,862	10	22,925	1,394	—	24,319	12,543
Office equipments	5,589	—	—	5,589	10	4,406	118	—	4,524	1,065
Vehicles	7,545	—	(2,134)	5,411	20	2,547	658	(427)	2,778	2,633
Neon signs	435	—	—	435	10	325	11	—	336	99
Arms	37	—	—	37	10	31	1	—	32	5
Diesel Generator - Caterpillar	4,100	—	—	4,100	10	2,335	177	—	2,512	1,588
Diesel Generator - VISA	4,196	—	—	4,196	10	1,444	275	—	1,719	2,477
Total 2012	**2,657,480**	**6,293**	**(2,134)**	**2,661,639**		**319,608**	**40,906**	**(427)**	**360,087**	**2,301,552**

		2013	2012
		(Rupees '000)	

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

Cost of sales and services	21	**34,843**	36,815
Administrative, selling and general expenses	22	**3,871**	4,091
		38,714	40,906

11.1.2 Gross carrying amount of all the items of property, plant and equipment represents their cost except leasehold land and building on leasehold land which are stated at revalued amount. Had the revaluation not been carried out the carrying amount of the leasehold land and building on leasehold land would have been Rs. 31.191 (2012: 31.191) million and Rs. 119.699 (2012: 125.999) million respectively.

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

	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Particulars of Buyer/ Mode of disposal
	..............................(Rupees '000)......................				
Vehicles	2,397	895	1,502	1,610	M/s Kashif Liaquat and Adnan Ali Khan By negotiation
Total 2013	**2,397**	**895**	**1,502**	**1,610**	
Total 2012	2,134	427	1,707	1,130	

11.1.4 Revaluation of fixed assets

As on 12-09-2003, company's properties comprising leasehold land and building on leasehold land have been revalued on market value basis assuming the continued use of the property as a hotel and convention centre. The revaluation has been carried out by M/s. D. H. Daruvala & Co. Architects and Engineers (an independent valuer). These revaluation has resulted in a surplus of Rs. 868.089 million which has been included in the book value of fixed assets and credited (net of tax) to a surplus on revaluation of fixed assets. As on 01-04-2007, the above properties were revalued by M/s Sardar Enterprise (an independent valuer) on the same basis as was previously used. The revaluation has resulted in a further surplus of Rs. 1,339.105 million which has been included in the book value of fixed assets and credited (net of deferred tax) to surplus on revaluation of fixed assets. The incremental depreciation net of deferred tax has been charged to the surplus on revaluation of fixed asset account.

			2013	2012
			(Rupees '000)	
11.2	**Intangibles**			
	Cost			
	Balance at start		—	—
	Addition/(deletion) during the year		**666**	—
	Balance at end		**666**	—
	Rate of amortization	**30%**		
	Amortization			
	Balance at start		—	—
	For the year		**165**	—
	Balance at end		**165**	—
	Net book value		**501**	—
11.2.1	**Amortization charge for the year has been allocated as:**			
	Cost of sales and services	21	**132**	—
	Aministrative, selling and general	22	**33**	—
			165	—

	2013	2012
12. Long term deposits and advances		
Utility deposits	**3,087**	2,450
	3,087	2,450
13. Stores and spares		
Consumable stores	**1,184**	1,148
Stationery	**634**	627
	1,818	1,775
14. Stock in trade - food and beverages		
Food	**1,137**	1,274
Beverages	**96**	105
	1,233	1,379

	Note	2013	2012
		(Rupees '000)	

15. Trade debts-unsecured, considered good

		2013	2012
Due from customers		**34,624**	28,242
Receivable against sale of Al-Sehat		**1,965**	1,965
Due from staff		**177**	165
		36,766	30,372
Considered doubtful		**1,793**	1,673
		38,559	32,045
Provision against doubtful debts		**1,793**	1,673
		36,766	30,372

16. Advances, prepayments and other receivables

	Note	2013	2012
Advances - unsecured considered good			
Staff		**624**	838
Suppliers		**6,937**	3,770
Income tax (net of liability)		**4,843**	338
		12,404	4,946
Prepayments			
Insurance		**34**	28
Miscellaneous		**718**	809
		752	837
Other receivables			
Rent receivable	16.1	**8,761**	6,582
Margin against letter of credit		**1,472**	2,613
Profit on term deposit - Summit Bank Limited		**5,192**	3,881
Miscellaneous		**50**	260
		15,475	13,336
		28,631	19,119

16.1 Rent receivable

	2013	2012
From tenants	**6,117**	4,850
From related parties		
Mrs. Nadia Zaheer	**45**	45
Mrs. Sadia Naveed	**49**	37
M/s. Baweja Education	**2,550**	1,650
	2,644	1,732
	8,761	6,582

17. Short term investment

	Note	2013	2012
Investment - held to maturity	17.1	**50,000**	49,500

17.1 Investment - held to maturity

	2013	2012
Investment in Term Deposits	**50,000**	49,500
	50,000	49,500

Represents amount invested by the company in Term Deposits with Summit Bank Limited. The maturity period of the investment is one year. The rate of interest on these investments varies from 9.75% to 12.00%.

	Note	2013	2012
		(Rupees '000)	

18. Tax refunds due from Government

	2013	2012
Income tax refundable		
Tax year 2011	—	10,011

19. Cash and bank balances

	2013	2012
Cash in hand	**86,166**	80,053
Cash at banks (in current accounts)	**578**	3,756
Cash at bank (in deposit account) - Bank Al Habib Ltd.	**9,525**	9,331
	96,269	93,140

20. Sales and services - net

	Note	2013	2012
Room rent		**179,289**	169,568
Food and beverages		**132,483**	129,048
Shop license fees		**12,034**	10,341
Other minor operated departments	20.1	**39,833**	32,779
		363,639	341,736

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

21. Cost of sales and services

	Note	2013	2012
Food and beverages			
Opening stock		**1,379**	822
Purchases		**56,630**	55,635
Closing stock		**(1,233)**	(1,379)
Consumption during the year		**56,776**	55,078
Direct expenses			
Salaries, wages and other benefits	21.1	**41,470**	34,900
Heat, light and power		**43,935**	44,034
Replacement of linen, china and glassware		**8,255**	5,798
Uniforms		**676**	417
Guest transportation charges		**3,959**	4,559
Water charges		**1,047**	1,196
Decoration hire charges		**3,181**	1,865
Consumable stores		**11,788**	4,383
Guest supplies		**10,934**	10,954
Commission		**756**	380
Musical expenses		**248**	180
Laundry and dry cleaning		**3,083**	2,088
Telephone, telex and other related expenses		**849**	857
License and taxes		**288**	231
Traveling and transportation		**582**	560
Printing and stationery		**3,979**	2,926
Miscellaneous		**270**	75
Amortization	11.2.1	**132**	—
Depreciation	11.1.1	**34,843**	36,815
		170,275	152,218
		227,051	207,296

21.1 Includes Rs. 0.388 million (2012: Rs. 0.392 million) in respect of employee retirement benefits.

		2013	2012
		(Rupees '000)	
22. Administrative, selling and general expenses			
Salaries and other benefits	22.1	**34,643**	29,931
Entertainment		**1,379**	1,706
Traveling and transportation		**5,487**	5,681
Running and maintenance of vehicle		**331**	546
Rent, rates and taxes		**1,450**	1,459
Heat, light and power		**4,503**	4,568
Communications		**2,428**	2,079
Printing and stationery		**1,684**	2,030
Advertisement and sales promotion		**2,903**	1,827
Legal and professional charges		**1,235**	807
Auditors' remuneration	22.2	**525**	475
Repair and maintenance		**46,245**	42,892
Bank commission and charges		**100**	120
Fee and subscription		**514**	561
Pest control		**253**	107
Donation	22.3	**90**	138
Insurance		**—**	70
Commissions		**658**	640
Bad debts		**120**	825
Miscellaneous		**1,837**	1,059
Staff uniforms		**5**	105
Amortization	11.2.1	**33**	—
Depreciation	11.1.1	**3,871**	4,091
		110,294	101,717

22.1 Includes Rs. 0.258 million (2012: Rs. 0.262 million) in respect of employee retirement benefits.

22.2 Auditors' remuneration	2013	2012
Audit fee	**375**	325
Taxation services	**100**	100
Out of pocket	**50**	50
	525	475

22.3 Donation	2013	2012
Jamiat Taleemul Quran	**60**	60
Chhipa Welfare Association	**30**	28
Hashmani Hospital	**—**	50
	90	138

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

		2013	2012
		(Rupees '000)	
23. Other operating income			
Profit on tender of foreign currency		**220**	170
Gain/(loss) on bed tax		**508**	(105)
Gain/(loss) on disposal of assets	23.1	**108**	(577)
Rent from C. P. Berar Bangalow		**900**	900
Profit on TDR – Summit Bank Ltd.		**6,776**	4,713
Profit on saving account – Bank Al-Habib Ltd.		**690**	686
Gain on investment in shares		**—**	1,064
		9,202	6,851

23.1 Gain/(loss) on disposal of assets	2013	2012
Sale proceeds	**1,610**	1,130
Cost of assets	**2,397**	2,134
Less: Accumulated depreciation	**895**	427
Net book value	**1,502**	1,707
	108	(577)

24. Financial charges	2013	2012
Workers welfare fund	**878**	851
	878	851

25. Taxation	2013	2012
Current year	**15,762**	16,922
Prior year	**506**	(2,559)
Deferred	**(5,589)**	(7,263)
	10,679	7,100

25.1 Aggregate current and deferred tax relating to items charged or credited to equity	2013	2012
Deferred tax relating to revaluation of building	**—**	—

In addition, deferred tax of Rs. 7.157 million (2012: 7.536 million) was transferred from retained earnings to revaluation surplus. This relates to the difference between the depreciation on the revalued building on leasehold land and equivalent depreciation based on the cost of the building.

		2013	2012
		(Rupees '000)	
25.2	**Tax charge reconciliation**		
	Accounting profit	**34,618**	38,723
	Tax at the applicable tax rate of 35%	**12,116**	13,553
	Tax effect of expenses that are not deductible in determining taxable profit	**1,325**	1,129
	Tax effect of items that are not deductible in determining accounting profit	**(3,268)**	(5,023)
	Tax effect of changes in prior year current tax	**506**	(2,559)
		10,679	7,100

		%	%
25.3	**Reconciliation between average effective tax rate and the applicable tax rate**		
	Applicable tax rate	**35**	35
	Tax effect of expenses that are not deductible in determining taxable profit	**3.83**	2.92
	Tax effect of items that are not deductible in determining accounting profit	**– 9.44**	– 12.97
	Tax effect of changes in prior year current tax	**1.46**	– 6.61
	Average effective tax rate	**30.85**	18.34

26. Cash generated from operations

	2013	2012
Profit before taxation	**34,618**	38,723
Adjustment for non cash items and other adjustments:		
Depreciation	**38,714**	40,906
Amortization	**165**	—
Financial charges	**878**	851
Bad debts written off	**120**	825
Profit on TDR – Summit Bank Ltd.	**(6,776)**	(4,335)
Profit on saving account – Bank Al-Habib Ltd.	**(690)**	(1,064)
Gain on investment in shares	**—**	(1,064)
(Gain)/loss on disposal of assets	**(108)**	577
	32,303	36,696
	66,921	75,419
(Increase)/decrease in operating assets		
Stores and spares	**(43)**	(833)
Stock in trade	**146**	(557)
Trade debts	**(6,514)**	(4,020)
Advances, prepayments and other receivables	**(3,696)**	(3,980)
	(10,107)	(9,390)
Increase/(decrease) in operating liabilities		
Advances and deposits	**453**	(1,076)
Creditors, accrued and other liabilities	**(880)**	8,245
	(427)	7,169
	56,387	73,198

27. Cash and cash equivalent

	2013	2012
	(Rupees '000)	
Cash and bank balances	**96,269**	93,140
Bank overdraft	**(32,952)**	(3,338)
	63,317	89,802

28. Employee benefits

28.1 As mentioned in note 2.6, the Company operates an approved gratuity fund and makes contribution on actuarial recommendations. The most recent actuarial valuations were carried out by M/s Nauman Associates, Consulting Actuaries on July 26, 2013 of the present value of the defined benefit obligation at June 30, 2013. The projected unit credit method, using the following significant assumptions has been used for the actuarial valuation:

		2013	2012
28.1.1	**Actuarial assumptions**		
	Discount rate	**10.5%**	13%
	Expected rate of eligible salary increase in future years	**9.5%**	12%
	Expected rate of return on plan assets	**13%**	14%
	Average remaining working life time (Years)	**11 years**	12 years

		2013	2012
		(Rupees '000)	
28.1.2	**Amount recognized in balance sheet are as follows:**		
	Present value of defined benefit obligation	**6,088**	5,288
	Present actuarial gain/(loss) to be recognized in later periods	**(932)**	82
	Less: Fair value of Plan asset	**(4,695)**	(4,655)
	(Asset) / liability on balance sheet	**461**	715
28.1.3	**Fair value of plan assets**		
	Cash at bank	**5,123**	5,090
	Less: Benefits payables	**(428)**	(435)
	Fair value of plan assets	**4,695**	4,655
28.1.4	**Movement in present value of defined benefit obligation**		
	Opening present value of obligation	**5,288**	5,082
	Current service cost	**564**	622
	Interest cost	**687**	711
	Benefits due but not paid during the year	**(56)**	—
	Benefits paid	**(1,142)**	(964)
	Actuarial loss/(gain) on obligation	**747**	(163)
	Closing present value of obligation	**6,088**	5,288

		2013	2012
		(Rupees '000)	
28.1.5	**Movement in fair value of plan assets**		
	Opening fair value of plan assets	**4,655**	4,853
	Expected return on plan assets	**605**	680
	Actuarial gain/(loss) on plan assets	**(267)**	(414)
	Benefits due but not paid during the year	**(56)**	—
	Benefits paid	**(1,142)**	(964)
	Contribution by Company	**900**	500
	Closing fair value of plan assets	**4,695**	4,655
28.1.6	**Changes in Actuarial Gains/(Losses)**		
	Unrecognized Actuarial Gains/(Losses) at start	**82**	333
	Actuarial Gains/(Losses) arising during the year	**(1,015)**	(251)
	Unrecognized Actuarial Gains/(Losses) at end	**(933)**	82
28.1.7	**Expense recognized in profit and loss account**		
	Current service cost	**564**	622
	Interest cost	**687**	711
	Expected return on plan assets	**(605)**	(679)
		646	654
28.1.8	**Actual return on plan assets**		
	Expected return on plan assets	**605**	680
	Actuarial gain on plan assets	**(267)**	(414)
	Actual return on plan assets	**338**	266

28.1.9 Based on actuarial advise the company intends to charge an amount of approximately Rs. 0.723 million in respect of gratuity fund in the financial statements for the year ending 30 June 2014.

29. Transactions with related parties and associated undertakings

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

	2013	2012
	(Rupees '000)	
Rent income	**985**	1,170
Gratuity Fund	**900**	500
Receivable	**2,644**	1,732

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

30. Executive remuneration

	2013			2012		
	Chief Executive	Directors	Executive	Chief Executive	Directors	Executive
	....Rupees '000....					
Managerial remuneration	**4,552**	**4,241**	**3,177**	2,897	4,241	3,110
Perquisites and allowances	**2,048**	**2,508**	**1,568**	1,303	2,259	1,520
	6,600	**6,749**	**4,745**	4,200	6,500	4,630
Number of persons	**1**	**2**	**6**	1	3	6

31. Financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

31.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted and arise principally from long term deposits, trade receivables and security deposits. Out of the total financial assets of Rs. 194.933 million (2012: Rs. 182.304 million), financial assets which are subject to creidt risk amount to Rs. 108.767 million (2012: Rs. 102.251 million).

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

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

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

	2013	2012
	(Rupees '000)	
Long term deposits	**3,087**	2,450
Trade debts	**36,766**	30,372
Short term investment	**50,000**	49,500
Other receivables	**8,811**	6,842
Bank balances	**10,103**	13,087
	108,767	102,251

The aging of trade receivables at the reporting date is:

		2013	2012
Past due	0-30 days	**19,263**	16,008
Past due	31 - 60 days	**5,883**	7,596
Past due	61 - 90 days	**4,964**	3,629
Past due	91 - 120 days	**3,993**	729
Past due	120 days	**2,663**	2,410
		36,766	30,372

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

31.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The following are the contractual maturities of financial liabilities, including estimated interest payments:

30 June 2013

	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	....(Rupees '000)....					
Financial liabilities						
Advances and deposits	9,476	9,476	—	9,476	—	—
Trade and other payables	64,378	64,378	64,378	—	—	—
2013	**73,854**	**73,854**	**64,378**	**9,476**	**—**	**—**

30 June 2012

	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	....(Rupees '000)....					
Financial liabilities						
Advances and deposits	9,201	9,201	—	9,201	—	—
Trade and other payables	35,005	35,005	35,005	—	—	—
2012	**44,206**	**44,206**	**35,005**	**9,201**	**—**	**—**

31.3 Market risk

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

31.3.1 Currency risk

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

31.3.2 Interest rate risk

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

31.3.3 Other price risk

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

31.4 Fair value of financial instruments

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

32. Capital management

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

The company's objectives when managing capital are:

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

(ii) to provide adequate return to:

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

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

	2013	2012
	(Rupees '000)	

33. Earning per share

	2013	2012
Net profit after taxation	**23,939**	31,623
Weighted average number of ordinary shares	**18,000**	18,000
Basic earning per share – Rupees	**1.33**	1.76
Diluted earning per share – Rupees	**1.33**	1.76

34. Non-adjusting events after the balance sheet date

In the adjourned meeting of Board of Directors held on September 20, 2013, the directors decided to recommend final cash dividend Rs. 4/= per share i.e. 40% in addition to 30% (2012: 15%) interim cash dividend already paid. The total estimated dividend to be paid is Rs. 72 million (2012: Rs. 18 million). The interim and final dividend will make the total dividend per share equal to Rs. 7/=. The recommended final dividend is subject to approval of the members.No adjustment in respect of the final dividend has been made in these accounts

35. Capacity and production

	2013	2012
No. of rooms	**413**	413
Average percentage of occupancy	**23.83%**	24.57%

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

36. Date of authorization for issue

These financial statements were authorized for issue on September 20, 2013 by the Board of Directors of the Company.

37. Figures

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

MUZAFFAR F. BAWEJA
Chief Executive

ZUBAIR BAWEJA
Managing Director

Karachi: 20th September, 2013

Pattern of Shareholdings Held by Shareholders

As on June 30, 2013

NO. OF SHARE HOLDERS	SHAREHOLDING			TOTAL SHARES HELD
104	001	—	100	4,078
33	101	—	500	8,940
3	501	—	1,000	2,660
8	1,001	—	5,000	13,060
3	5,001	—	10,000	22,233
1	15,001	—	20,000	19,000
2	20,001	—	25,000	42,626
1	25,001	—	30,000	28,500
1	35,001	—	40,000	40,000
1	145,001	—	150,000	150,000
1	195,001	—	200,000	200,000
2	295,001	—	300,000	600,000
1	555,001	—	560,000	555,340
2	620,001	—	625,000	1,243,874
1	640,001	—	645,000	644,875
1	685,001	—	690,000	688,375
1	725,001	—	730,000	726,889
1	890,001	—	895,000	894,875
1	900,001	—	905,000	903,062
1	1,135,001	—	1,140,000	1,139,956
2	1,180,001	—	1,185,000	2,366,124
1	2,180,001	—	2,185,000	2,180,681
1	2,475,001	—	2,480,000	2,475,977
1	3,045,001	—	3,050,000	3,048,875
174		**TOTAL**		**18,000,000**

Categories of Shareholders as on June 30, 2013

Particulars	No. of Share Holders	Shares Held	Percentage
(Directors)			
Mr. Mansoor F.Baweja	1	894,875	4.9715
Mr. Muzaffar F.Bawe ja	1	2,475,977	13.7554
Mr. Zubair F.Bawe ja	1	3,048,875	16.9382
Mst. Shahida Begum	1	2,180,681	12.1149
Mrs. Muniza Zubair	1	300,000	1.6667
Mr. Mudabbir Muzaffar Baweja	1	200,000	1.1111
Mr. Aneeq Ahmed	1	8,765	0.0487
(Relatives of Directors)			
Mr. S.Ferozuddin Baweja	1	5,468	0.0304
Mr. Mahmood Baweja	1	1,183,062	6.5726
Mr. Mohsin Baweja	1	903,062	5.0170
Mrs. Waqarunnisa Mohsin	1	150,000	0.8333
Mr. Masroor Baweja	1	688,375	3.8243
Mr. Aamir F.Baweja	1	644,875	3.5826
Mr. Zaheer Baweja	1	1,139,956	6.3331
Mr. Naveed Baweja	1	1,183,062	6.5726
Mrs. Lubna Muzaffar	1	300,000	1.6667
Mrs. Shahina Khalid	1	726,889	4.0383
Mrs. Shireen Ahad	1	622,437	3.4580
Mrs. Shazia Jamal	1	621,437	3.4524
Individuals			
(Minority Shareholders)	153	719,904	3.9995
Others			
Joint Stock Companies	1	2,000	0.0111
N.I.T.	—NIL—	—NIL—	—NIL—
Banks / Financial Institutions	1	300	0.0017
TOTAL	**174**	**18,000,000**	**100.0000**

Shareholders holding 10% or more voting interest

1. Mr. Muzaffar F.Bawe ja	—	2,475,977	13.75%
2. Mr. Zubair F.Bawe ja	—	3,048,875	16.93%
3. Mst. Shahida Begum	—	2,180,681	12.11%

The above statement include 116 Shareholders holding 17,402,800 Shares through the Central Depository Company of Pakistan Ltd. (CDC).

PROXY FORM

I/We______________________________ of ______________________________

(NAME) (PLACE)

being a member of **PAKISTAN HOTELS DEVELOPERS LTD**, hereby appoint

______________________________ of ______________________________

(NAME) (PLACE)

another member of the Company as my/our proxy to attend and vote for me/us and on my/our behalf at the 34th Annual General Meeting of the Company to be held on Monday 28th of October, 2013 at the Registered Office, 195/2, Shahrah-e-Faisal, Karachi and at any adjournment, thereof.

Signed this ________________ day of ________________ 2013

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

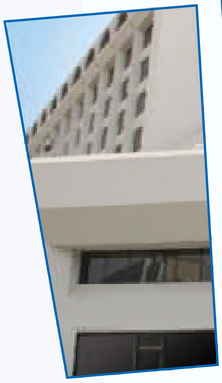
WITNESSES:

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

Important:

1. This form of Proxy, duly completed must be deposited with the Secretary of the Company or at our Independent Share Registrar Office M/s. Technology Trade (Pvt) Ltd., Dagia House, 241-C, Block 2, P.ECH.S., Off: Shahrah-e-Quaideen, Karachi not less than 48 hours before the time of meeting.
2. Attested copies of CNIC or the passport of the beneficial owners and the proxy holder shall be furnished with the proxy form.
3. The proxy holder shall produce his/her original CNIC or Original Passport at the time of meeting.
4. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.

Regent Plaza
HOTEL & CONVENTION CENTRE



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