

Pakistan Services Ltd

(Audited Accounts 1995-96)

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Pakistan Services Limited**Corporate Profile/Information**

Pearl Continental Hotels, a chain owned and operated by Pakistan Services Limited, sets the international standard for quality hotel accommodation in South Asia.

The Company manages 5 luxury hotels in major cities of Pakistan comprising 1350 rooms including expansion of Lahore property and employing approximately 1800 persons with registered office in Karachi, Pakistan.

As per the annexed accounts, PSL reports tangible fixed assets value over Rs. 2080 million and gross revenues exceeded Rs. 1,846 million for the eighteen month period ended June 30, 1996.

Board of Directors

Mr. Sadruddin Hashwani	Chairman
Mr. Murtaza Hashwani	
Ms. Nadia Hashwani	
Mr. Stephen Potter	
Mr. M. Asadullah Sheikh	
Mr. S. Faiq Hussain	
Mr. Rajab All Panjwani	
Mr. Maudood Ahmad Lodhi	Chief Executive

Company Secretary

Mr. Mansoor Akbar All

Owners and Operators of

Pearl-Continental Hotels,
Karachi, Lahore, Rawalpindi,
Peshawar and Bhurban

Bankers

American express Bank Limited
Bank of America
Crescent Investment Bank Limited
Habib Bank Limited
Habib Credit & Exchange Bank Limited
Muslim Commercial Bank
National Development Finance Corporation
Schon Bank Limited
United Bank Limited

Registered Office

Pearl-Continental Hotel
Club Road,
Karachi-75530
Pakistan
Tel : 021-5685526
TIX : 21259 HOTEL PK
Fax : 021-5683419/5683116

Auditors

Taseer Hadi Khalid & Company

Chartered Accountants

First Floor, Sheikh Sultan Trust Building No.2

Beaumont Road

Karachi-75530

Pakistan

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 37th Annual General Meeting of PAKISTAN SERVICES LIMITED will be held on Tuesday December, 03 1996 at 12:30 p.m. at Pearl Continental Hotel, Club Road, Karachi to transact the following business:-

1. To confirm the Minutes of the Extra Ordinary General Meeting held on 25th March, 1996.
2. To receive and adopt the audited accounts together with Directors' and Auditors' Report thereon, for the 18 months period ended 30th June, 1996.
3. To appoint auditors for the year 1996-97 and fix their remuneration.
4. Any other business with the permission of the Chairman.

i) 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 Company not less than 48 hours before the time appointed for holding the meeting.

ii) The Share Transfer Books of the Company will remain closed from Tuesday 26th November, 1996 to Tuesday 3rd December, 1996 (both days inclusive).

iii) Shareholders are requested to notify the Company of any change in their address.

Chairman's Review

I feel privileged to welcome you all to the 37th Annual General Meeting and to present to you a review of the performance of your Company during the 18 months period ended June 30, 1996. This time we are meeting with a longer gap due to the change in accounting year which was made mandatory by the Finance Act 1995-96.

It gives me pleasure to report that period under review remained as successful as before. Although the Government continued its policy to encourage tourism but due to over all slump in the economy, time to time devaluation of Pak Rupee and unsatisfactory law and order situation, particularly in Karachi and in the whole of Punjab province, have adversely affected the performance of your company. However, the commercial expediency of the management and combined efforts of the Pearl family to a large extent overcame the negative impact on the Company's performance.

I am confident that the members will be glad to note the achievements of targets. The turnover went upto Rs. 1,846

million during the period under review as compared to Rs. 1,033 million in 1994 by registering an average growth of 19 percent per annum. Inspire of high turnover, the profitability could not keep pace with the turnover due to higher financial cost which included proportionate financial cost relating to Lahore expansion project which was partially made operational during the period. Profit before tax declined to Rs. 66 million for the period as compared to Rs. 94 million for 1994.

SALES - ROOMS

Rooms sales during the period under discussion registered an average increase of 13% per annum by recording it at Rs.845 million as compared to Rs.498 million in 1994. You would be pleased to know that at the event of World Cup 1996, Expansion Block of your Pearl Continental Hotel Lahore was made available to the guests from abroad. Although, the expansion project was not complete at that stage but it was partially opened with 181 new rooms. The response of the Customers is encouraging and the perception regarding the product has been extremely positive.

SALES - FOOD & BEVERAGE

There is tremendous increase of 29% in food and beverage sale for 18 months. It is also Rs.845 million for 18 months while in 1994 it stood at Rs. 437 million. Credit goes to our quality food and tasteful menus. Bukhara restaurant is the new addition at Pearl Continental Hotel Rawalpindi after its successful operation at Pearl Continental Hotel Lahore. Due to delicacies of food, repeat customer has become our customary.

COST OF SALES

Cost of sales during the period works out at Rs. 1,284 million as compared to Rs. 700 million in the year 1994. It registered an average increase of 22% per annum. High inflationary pressure, recurring devaluation of Pak Rupee and numerous revision in the Gas & Electricity tariffs chewed off all our efforts of improvement in sales and services. Moreover, depreciation and financial charges of Lahore expansion project which was partially made operational during the period under review further added to the cost of sales and reduction in the before tax profit.

EXPANSION/RENOVATION/REPLACEMENT

Pearl Continental Hotel Lahore - Expansion:

Expansion of your Lahore property was made partially operational in March 1996 which greatly helped in accommodating cricket loving guests, who had come to Lahore to witness the World Cup events. The hotel now features the unparalleled conference and convention facilities alongwith latest hotel equipment. The rooms are larger and most comfortable with top of the line fixtures and equipments. Electronic locks are an added security feature. The hotel is expected to be fully operational before the end of next financial year.

Existing Properties

At Pearl Continental Hotel Peshawar a pillar obstruction free hall of 6,720 sq.ft. has been added. This is the largest hall in NWFP and ideal for conferences, weddings and exhibitions. This huge hall which was the demand of city, became operational during the current year.

At Pearl Continental Hotel Karachi, in order to reduce the load on the existing elevators. another modern speedy elevator is being installed and in advance stage of completion.

In order to improve the guest services at Pearl Continental Hotel Bhurban, staff quarters have been built and provided to essential employees adjacent to the hotel building. Helipad has been added to make convenient landing of helicopter at the hotel premises for the elite and high dignitaries. Copter service is available to safari trips as well.

At Pearl Continental Hotel Rawalpindi, rooms have been refurbished and executive floors have been added for the better comforts of the guests. Bukhara restaurants which has highly been appreciated at Pearl Continental Hotel Lahore has been added by replacing Tandoori restaurant. New Chiller and Cooling Tower have been installed and commissioned to improve the air-conditioning. Due to these upgradings, Pearl Continental Hotel Rawalpindi has shown great improvement in its occupancy and guest satisfaction. Now plans are underway for the upgrading/replacing over 28 years old Elevators.

RIGHT SHARES

During the period, 13,439,740 right shares were issued at Rs.25/- per share including premium of Rs.15/- per share which were fully paid. The equity was raised to meet the requirement of Lahore expansion and improve the balance sheet structure.

FINANCE

The company thankfully acknowledges the financial assistance provided by IFC, CDC and DEG without which smooth progress of Lahore expansion project would not have been possible. The company is also grateful to Pak Libya Holding company, Pak Saudi Industrial & Agricultural Investment Company Ltd., Crescent Investment Bank, National Bank of Pakistan Ltd., Habib Bank Ltd., United Bank Ltd., Muslim commercial Bank Ltd. Bank of America and Schon Bank for their continued help to meet the financial needs of the company.

PROSPECTS

In the recent budget 1996-97 the excise duty on room has been enhanced from 10% to 12.5% in line with food & beverage. The other services, which were other-wise exempt have been subjected to 12.5% excise duty. Sindh and Punjab Governments have imposed additional tax on hotel services. All these measures will adversely affect the sales.

The concession of duty free import available under SRO 212(I)/91 of March 14, 1991 has since been withdrawn. Although the duties have been slashed to encourage the tourism industry, but the SRO has not yet reached our hands.

The electricity company continues to treat hotels as commercial units rather industry regarding application of electricity tariff.

High inflationary trend and weaker rupee value coupled with the aforesaid discriminations with the hotel industry is having adverse effect on the cost of sales. Global economic recession is forcing the companies to review their spending. The limitation on purchase power and change of purchase behavior of our local customers is another challenge to be faced by your company.

As part of long term plans, the Company is trying its best to complete the Lahore expansion project as early as possible. The company will reap its benefit in the years to come. After consolidation period, your Board have the plans to expand the Peshawar property and develop new properties in Gilgit and Chitral. It will also be pleasant to hear that Government of Azad Kashmir has given land to build a hotel in Muzaffarabad.

BOARD OF DIRECTORS

The following members were elected for a period of three years w.e.f. March 29, 1996 in the Extra Ordinary General meeting held on March 25, 1996.

- Mr. Sadruddin Hashwani
- Mr. Murtaza Hashwani
- Ms. Nadia Hashwani
- Mr. M. Asadullah Sheikh
- Mr. Stephen Potter
- Mr. Rajab All Panjwani
- Mr. Maudood Ahmad Lodhi

Mr. S. Faiq Hussain, being lender director, needs no election, hence continues as director. The Board members place on record their appreciation for the valuable services rendered by the outgoing members namely Mr. M. Saleem and Mr. A. Latif E. Galadari and welcome the new directors on the Board.

SUBSIDIARIES

Pearl Tours & Travels (Pvt) Ltd. has shown good progress during the period under review. Its revenue and the after tax profit has increased to more than 80% on the average. Trans Air Travels (Pvt) Ltd. has turned around as during this period it earned after tax profit 0.544 million. A branch of Trans Air at Islamabad has been added during the period, which has contributed additional margin. I am pleased to state that, all the subsidiaries are providing the service and assistance to the hotel business of the PSL. Audited accounts and the Directors' report of all the subsidiary companies are annexed to the audited accounts of your company. Pearl Continental (Overseas) Ltd. was facing the recurring losses in Pearl Partnership venture. Your directors reviewed it very seriously and finally have withdrawn from the Pearl Partnership and the joint venture in Embassy Suites Hotel at Boca Raton, USA has been sold. Your directors are confident that the share holding in Pearl Continental (Overseas) Ltd. will also be sold in near future at an appropriate margin.

PERSONNEL

Our employees who may be rightly termed as the "Pearl Family" have continued to work with highest zeal and devotion. I feel, it is the right forum to acknowledge and appreciate their services.

Directors' Report

Your directors feel pleasure to present their 37th Annual Report alongwith the audited accounts for the eighteen months period ended June 30, 1996.

Your Company during the period under review earned a net profit of Rs.66.02 million before providing for taxation. After providing a sum of Rs.36.23 million for taxation, the net profit amounts to Rs. 29.79 million. The unappropriated profit now stands at Rs.66.63 million as tabulated hereunder:

Profit and Appropriation	(Rs. '000)
Pre-tax Net profit	66,024
Less: Taxation	
- Current	13,400
- Prior years	22,834

	36,234

Profit after taxation	29,790
Add: Unappropriated profit brought forward	36,840

Available for appropriation	66,630
Transfer to general reserve	-

Unappropriated profit carried forward	66,630
	=====

In view of requirement of funds for the expansion of Pearl Continental Hotel Lahore, your directors have not recommended any dividend for the period ended June 30, 1996.

The statement of pattern of Shareholdings of your Company as on June 30, 1996 is annexed to the audited accounts.

The financial conditions, and future outlook; besides, other matters of concern of the Company are discussed in detail in Chairman's Review which forms part of this Report.

The present auditors M/s. Taseer Hadi Khalid & Company, Chartered Accountants, retire and offer themselves for re-appointment.

Financial Highlights

	1996*	1994	1993	1992	1991	1990	1989	1988	1987	1986
	(Rupees '000)									
Sales and Services	1,846,331	1,033,273	892,008	738,390	539,056	490,060	455,462	338,275	281,947	253,032
Profit before taxation	66,024	93,959	76,147	58,262	55,904	67,200	54,190	39,633	33,345	29,080

Taxation	36,234	30,000	21,200	19,419	20,300	24,213	19,231	14,939	14,732	10,276
Profit after taxation	29,790	63,959	54,947	38,843	35,604	42,986	34,959	24,694	18,613	18,804
% of profit before taxation to sales	3.58	9.09	8.54	7.89	10.37	13.71	11.89	11.71	11.83	11.49
% of profit after taxation to sales	1.61	6.19	6.16	5.26	6.60	8.77	7.67	7.29	6.60	7.43
Earnings per share (Rs.)	1.11	4.76	7.11	5.02	6.90	8.34	6.78	4.79	3.61	3.65
Dividend - cash(%)	-	-	15.00	-	-	10.00	-	-	-	20.00
Shareholders' equity	961,296	595,512	388,863	345,514	242,238	206,634	168,802	133,843	109,149	90,536
Long term debts	1,022,841	614,220	320,687	224,296	178,081	101,345	30,974	39,235	33,059	33,403
Current liabilities	1,239,367	372,148	352,762	449,947	462,852	413,355	325,175	180,808	146,403	81,410
Average capital employed	1,822,342	1,211,431	784,792	610,853	466,357	314,691	222,283	178,237	150,870	137,835
Operating assets (at cost)	1,985,243	1,077,243	971,264	869,129	705,141	399,020	375,326	358,271	316,515	295,196
Current assets	1,243,369	895,205	401,015	337,104	306,127	330,216	283,360	146,644	112,169	72,678
Break-up value per share (Rs.)	35.76	44.31	50.29	44.69	46.99	40.08	32.74	25.96	21.17	17.56
Market value per share (Rs.)	26.00	50.00	54.50	45.00	44.00	22.00	23.75	23.00	24.00	23.15
Return on capital employed (%)	1.63	5.28	7.00	6.36	7.63	13.66	15.73	13.85	12.34	13.64
Current ratio	1.00:1	2.41:1	1.14:1	0.75:1	0.66:1	0.79:1	0.87:1	0.81:1	0.77:1	0.89:1
Debt: equity ratio	52:48	51:49	45:55	39:61	42:58	33:67	16:84	23:77	23:77	27:73
Capital expenditure	1,247,738	255,652	133,938	200,294	331,306	163,287	74,746	46,070	38,072	10,330
Foreign exchange earnings	401,197	261,337	183,063	186,452	134,968	133,157	133,157	93,659	78,694	69,693

*Eighteen Months

Auditors' Report to the Members

We have audited the annexed balance sheet of PAKISTAN SERVICES LIMITED as at 30 June 1996 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the eighteen months period 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 and after due verification thereof, we report that:

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

(b) in our opinion:

i) the 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, except for the change as indicated in Note 2.7 with which we concur;

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

iii) the business conducted, investments made and the expenditure incurred during the period 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 and the statement of changes in financial position together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 1996 and of the profit and the changes in financial position for the period then ended; and

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

Balance Sheet

As at 30 June 1996

	Note	30 June 1996	31 December 1994
(Rupees '000)			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
50,000,000 ordinary shares of Rs.10/- each		500,000	500,000
		=====	=====
Issued, subscribed and paid-up share capital	3	268,795	134,397
Share premium	4	325,871	124,275
General reserve		300,000	300,000
Unappropriated profit		66,630	36,840
		-----	-----
		692,501	461,115
		-----	-----
		961,296	595,512
SHARE DEPOSIT MONEY		-	180,000
REDEEMABLE CAPITAL - Non participatory	5	110,776	199,161

CUSTOM DEBENTURES - Unsecured	6	-	2,566
LONG TERM FINANCE - Secured	7	737,697	375,178
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	8	174,368	37,315
DEFERRED LIABILITIES	9	139,867	130,947
CURRENT LIABILITIES			
Finance under mark-up arrangements - secured	10	471,185	37,690
Current maturities	11	138,131	64,135
Creditors, accrued charges and other liabilities	12	528,579	205,085
Provision' for taxation	13	99,995	63,761
Unclaimed dividend		1,477	1,477
		-----	-----
CONTINGENCIES AND COMMITMENTS	14	1,239,367	372,148
		-----	-----
		3,363,371	1,892,827
		=====	=====
The annexed notes form an integral part of these accounts.			
TANGIBLE FIXED ASSETS			
Operating assets - at cost less accumulated depreciation	15	1,471,228	685,683
Capital work-in-progress - At cost	16	609,496	279,652
		-----	-----
		2,080,724	965,335
		=====	=====
LONG TERM INVESTMENTS - At cost	17	25,000	24,000
LONG TERM DEPOSITS	18	14,278	8,287
CURRENT ASSETS			
Stocks, stores and spares pads	19	57,513	30,992
Trade debts - unsecured considered good	20	87,760	57,723
Advances, deposits, prepayments shod term investments and other receivables	21	804,391	365,881
Cash and bank balances	22	293,705	440,609
		-----	-----
		1,243,369	895,205
		-----	-----
		3,363,371	1,892,827
		=====	=====

Profit and Loss Account*For the eighteen months period ended 30 June 1996***(Rupees '000)**

Twelve months

six months

Eighteen

	Note	period ended 30 June 1996	period ended 30 June 1995	months period ended 30 June 1996	Year ended 31 December 1994
Sales and services	23	1,277,728	568,603	1,846,331	1,033,273
Cost of sales and services	24	894,289	389,539	1,283,828	700,576
Gross profit		383,439	179,064	562,503	332,697
Administrative, selling and general expenses	25	213,289	98,778	312,067	171,293
Operating profit		170,150	80,286	250,436	161,404
Financial charges	26	201,943	48,996	250,939	81,292
Workers' profit participation fund		1,630	1,845	3,475	4,945
		203,573	50,841	254,414	86,237
Other income/(charges) - Net	27	(33,423)	29,445	(3,978)	75,167
Profit before taxation		30,963	35,061	66,024	93,959
Provision for taxation					
Current		6,400	7,000	13,400	30,000
Prior		22,834	--	22,834	--
Profit after taxation		29,234	7,000	36,324	30,000
Unappropriated profit brought forward		64,901	36,840	36,840	22,881
Profit available for appropriation		66,630	64,901	66,630	86,840
Transfer to general reserve		-	-	-	50,000
Unappropriated profit carried forward		66,630	64,901	66,630	36,840

The annexed notes form an integral part of these accounts.

Statement of Changes in Financial Position
For the eighteen months period ended 30 June 1996

	18 months period ended 30-Jun-96	Year ended 31-Dec-94
	(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	66,024	93,959
Adjustments for:		
Depreciation	129,785	63,774
Profit on disposal of fixed assets	(1,916)	(515)
Gratuity (net)	7,782	7,428
Exchange loss on claim payable	1,138	5,886
Provision for doubtful debts	269	1,405
Return on bank deposits and WAPDA Bonds	(42,181)	(19,762)
Financial charges	185,335	58,218

	-----	-----
(Increase)/decrease in operating assets	346,236	210,393
Long term deposits	(5,372)	(1,401)
Stocks, stores and spare parts	(26,521}	(514)
Trade debts	(30,306)	(10,907)
Advances, deposits, prepayments, short-term investments and other receivables	97,423	(150,668)
Increase in operating liabilities		
Creditors, accrued charges & other liabilities	236,304	2,693
	-----	-----
	271,528	(160,797)
Income tax paid	(67,889)	(24,273)
Financial charges paid	(98,145)	(56,294)
	-----	-----
Net cash flow from/(used) in operating activities	451,730	(30,971)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(1,247,738)	(193,499)
Proceeds from disposal of fixed assets	4,480	2,657
Investments in subsidiary, associated and unquoted companies	(480,350)	(10,000)
Return on bank deposits and WAPDA Bonds	52,868	14,465
	-----	-----
Net cash (used) in investing activities	(1,670,740)	(186,377)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share capital	134,398	57,076
Share premium	201,596	85,614
Share deposit money	(180,000)	105,000
Redeemable capital, custom debentures and lease facility (Net)	53,035	(98,628)
Long term loans	429,582	315,038
Dividend paid	-	(424)
	-----	-----
Net cash flow from financing activities	638,611	463,676
Net (decrease)/increase in cash and cash equivalents	(580,399)	246,328
Cash and cash equivalents as at the beginning	402,919	156,591
	-----	-----
Cash and cash equivalents as at the end	(177,480)	402,919
	=====	=====
CASH AND CASH EQUIVALENTS		
Cash and bank balances	293,705	440,609
Finance under mark-up arrangements	(471,185)	(37,690)
	-----	-----
	(177,480)	402,919
	=====	=====

Notes to the Accounts

For the eighteen months period ended 30 June 1996

1. STATUS AND NATURE OF BUSINESS

Pakistan Services Limited is quoted on Karachi Stock Exchange and is engaged in hotel business. The Company owns and operates the chain of Pearl Continental Hotels in Pakistan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

Gratuity

The company operates an unfunded defined benefit gratuity scheme for all permanent employees which provides for a graduated scale of benefits dependent on the length of service of the employee on terminal date subject to the completion of minimum qualifying period of service. Obligations under the scheme are provided annually.

Provident fund

The Company operates a defined contribution provident fund scheme for all permanent employees. Contributions are made monthly to the fund by the company and employees at an agreed rate of basic salary.

2.3 Foreign currency translations

Assets and liabilities in foreign currencies are translated into rupee at the rate of exchanges ruling at the balance sheet date, except foreign currency loans, where exchange rate is guaranteed. Such foreign currency loans have been stated at the respective guaranteed rates. Further, long term investment in overseas subsidiary is stated at the rate of exchange prevailing on the date of acquisition. Exchange gain or losses are taken to profit and loss account currently.

2.4 Taxation

Current

The Charge for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits and tax rebates.

Deferred

Deferred tax is provided on liability method for all major timing differences, unless these differences are not expected to be reversed in the foreseeable future.

2.5 Tangible fixed assets and depreciation

Owned

These are stated at cost less accumulated depreciation except freehold and leasehold land, crockery and cutlery, linen, staff uniforms and capital work-in-progress (including related borrowing costs) which are stated at cost.

Depreciation is calculated on written down values of assets at the rates given in notes 15 and is charged to profit and loss account currently. Crockery and cutlery, linen and staff uniforms are charged to profit and loss account on replacement basis.

Depreciation on additions during the year is charged for the whole year, while no depreciation is charged in the year of retirement/disposal. However, proportionate depreciation for the eighteen months period has been provided in these accounts except that depreciation relating to extension of Pearl Continental Hotel, Lahore has been charged proportionately based on the availability of rooms and allied facilities. Gains and losses on disposal are taken to profit and loss account currently.

Normal repairs and maintenance costs are written off to profit and loss account in the period of its occurrence, while major renovations and improvements are capitalised.

Leased

Assets subject to finance lease:

The company accounts for finance lease by recording the asset and the corresponding liability there against. The amount capitalised is determined on the basis of discounted value of total minimum lease payments. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation on assets subject to finance lease is provided in the same manner as owned fixed assets.

Assets subject to operating lease:

Rentals for assets held under operating lease are charged to income currently.

2.6 Investments*Long Term*

The company follows the cost method of accounting for investment in subsidiaries and other investments. Provisions are made for diminution other than temporary in value of investment, if any. Income on long term investment are reflected in the profit and loss account on an accrual basis.

Short term

These are stated at cost. income on short term investments are reflected in the profit and loss account on an accrual basis.

2.7 Stocks, stores and spare parts*Stocks - Food and beverages*

These are stated at the lower of cost and net realisable value. Cost is determined on moving average basis. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

Stores and spare parts

These are stated at cost determined on a moving average basis. Upto last year the stores and spares were being valued on "first in first out basis". The financial impact of this change in accounting policy is considered to be immaterial.

Goods in transit

These are stated at cost, accumulated to the balance sheet date.

2.8 Trade debts

Known bad debts are written off, while provision is made for debts considered doubtful.

2.9 Revenue recognition

Revenue is recognised on the performance of services.

3. ISSUED, SUBSCRIBED AND PAID-UP

CAPITAL	<i>Note</i>	30 June 1996	31 December 1994
			(Rupees ' 000)
25,672,620 Ordinary shares of Rs. 10 each fully paid in cash (1994:12,232,880-)	3.1	256,726	122,328
362,100 ordinary shares of Rs. 10 each fully paid for consideration other than cash		3,621	3,621
844.760 ordinary shares of Rs. 10 each issued as bonus shares		8,448	8,448
-----		-----	-----
26,879,480		268,795	134,397
-----		-----	-----

3.1 The company issued 13,439,740 (1994: 5,707,600) right shares at Rs. 25 (1994: Rs. 250 per share including premium of Rs. 15 (1994: Rs. 15) per share during the current period.

4. SHARE PREMIUM

Balance at as 01 January	124,275	38,661
Additions during the period	201,596	85,614
	-----	-----
	325,871	124,275

5. REDEEMABLE CAPITAL- Non participatory*Term Finance Certificates - Secured*

Pak Libya Holding Company (Private) Limited	5.1	74,721	88,681
--	-----	--------	--------

Less: Current maturity		11,077	8,979
		=====	=====
		63,644	79,702
<i>Long term finance utilised under mark-up arrangement-Secured</i>			
Crescent Investment Bank Limited	5.2	30,304	63,122
Saudi Pak Industrial & Agricultural Investment Company (Private) Limited	5.3	50,482	78,424
American Express Bank Limited		-	11,700
		-----	-----
		80,786	153,246
Less: Current maturity		33,654	33,787
		-----	-----
		47,132	119,459
		-----	-----
		110,776	199,161
		=====	=====

5.1 Pak Libya Holding Company (Private) Limited (PLHCPL)

The Company has entered into an agreement with PLHCPL whereby the company has been sanctioned an amount of Rs. 100 million by way of long term local currency finance through the issue of Term Finance Certificates (TFCs) to meet the project cost of five star resort hotel at Bhurban, Murree.

The TFCs carry mark-up at the rate of 14.5 percent per annum. However, in case of non-redemption of the TFCs on the due dates, the company is required to pay liquidated damages @ 22 percent of overdue amount of TFCs to be redeemed.

The TFCs (principal plus mark-up) are redeemable in sixteen bi-annual installments commencing from December 1993. The TFCs are secured by registered mortgage of land, building and machinery comprising Pearl-Continental Hotel, Rawalpindi and hypothecation of plant and machinery and equipment relating to Pearl-Continental Hotel, Bhurban. These charges constitute a first charge and rank pari passu with the charges mentioned in note 5.3.

5.2 Crescent Investment Bank Limited(Cres Bank)

The long term finance of Rs. 50 million has been obtained from Cres Bank which carries mark-up rate of 49.3 paisas per Rs. 1,000 per day and is secured against equitable mortgage of land and building relating to Pearl-Continental Hotel, Peshawar. The finance (including mark-up) is repayable in ten equal bi-annual installments commencing from January 1994.

5.3 Saudi Pak Industrial & Agricultural Investment Company (Private) Limited (Saudi Pak)

The Company has obtained long term finance of Rs. 100 million from Saudi Pak, against a repurchase price of Rs. 155.82 million. This amount is payable in ten equal bi-annual installments commencing from 31 December 1993.

The finance arrangement is secured by registered mortgage of land, building and machinery comprising Pearl-Continental Hotel, Rawalpindi and hypothecation of plant and machinery and equipment relating to Pearl-Continental Hotel, Bhurban. These charges constitute a first charge and rank pari passu with the charges mentioned in note 5.1.

6. CUSTOM DEBENTURES - Unsecured

	30 June 1996	31 December 1994
	(Rupees'000)	
Balance as at 01 January	5,132	8,106
Repayments made during the period	3,849	2,974
	-----	-----
Transferred to current maturity	1,283	5,132
	1,283	2,566

 - 2,566
 =====

These were issued in favour of the Collector of Customs, Karachi, in pursuance of the subordination agreement entered into between the company and the Government of Pakistan (Ministry of Finance) in respect of custom duty, sales tax, etc., on the import of building and construction material and equipment for Lahore and Rawalpindi hotels. These are to be repaid in bi-annual installments commencing from March 1987 and carry an interest rate of 4 percent per annum.

7. LONG TERM LOANS - Secured

The company has entered into agreements as under, whereby long term foreign currency loans have been sanctioned for the extension and refurbishment of Pearl-Continental Hotel, Lahore.

Institution	Currency	Interest rate per annum (%)	Foreign Currenc loans (in milli	Repayment commencement date	Equivalent Rupees (in thousands)	
					30 June 1996	31 December 1994
International Finance Corporation (IFC)	US Dollars	9.5		12.015 January, 1997	377,472	182,338
DEG-Deutsche Investitions-Und Entwicklungsgesellschaft mbH (DEG)	Deutsche Marks	11.5		10.030 April, 1997	212,847	96,007
Commonwealth Development Corporation (CDC)	UK Pounds	11.0		4.3015 March, 1997	214,441	96,833

Less: Current Maturity					804,760	375,178
					67,063-	

					737,697	375,178
					=====	

Interest on the above loans is payable bi-annually on the outstanding balance. Additional interest @ 2 percent per annum above the normal rate of interest shall be payable in respect of principal and interest remaining unpaid on due dates.

The loans are repayable in 12 equal bi-annual installments. Exchange risk cover has been obtained from State Bank of Pakistan in respect of repayment of all the above loans including interest thereon.

The loans are secured by way of equitable mortgage on land, present and future buildings, fixtures, equipment and other immovable assets as well as by way of floating charge and/or hypothecation of all furniture, movable equipment and all assets, present or future, of Pear-Continental Hotel, Lahore, except for certain charges of other lenders/creditors within the limits and as per the conditions specified in the financing agreement. The company through separate irrevocable power of attorney has also authorised IFC, DEG and CDC, to create and register, if required English Mortgage (with power of sale) on the assets of Pearl-Continental Hotel, Lahore. These mortgages and charges, constitutes first mortgages and charges and rank pari-passu with other lenders.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

30 June	31 December
1996	1994

(Rupees'000)

Present value of minimum lease payment	223,522	79,294
Less: Payments made	24,100	23,176

	199,422	56,118
Less: Current maturity	25,054	18,803

	174,368	37,315
	=====	

The present value of minimum lease payment has been discounted by using financing rates ranging from 15 to 21 percent per annum. Deposit of Rs. 12 million (1994: Rs.6.8 Million) has been made against these liabilities.

The lease payments due are as under:

	30 June 1996	31 December 1994
	(Rupees'000)	
1995-1996	-	25,925
1996-1997	52,532	14,234
1997-1998	80,841	12,685
1998-1999	80,841	12,685
1999-2000	57,537	8,660
2000-2001	30,262	-
	-----	-----
	302,013	74,189
Less: Finance charges allocated to future periods	102,591	18,071
	-----	-----
	199,422	56,118
	=====	=====

9. DEFERRED LIABILITIES

	Note	30 June 1996	31 December 1994
		(Rupees'000)	
Gratuity		57,143	49,361
Claim payable	9.1	74,724	73,586
Deferred taxation		8,000	8,000
		-----	-----
		139,867	130,947
		=====	=====

9.1 Claim payable

Television Systems and Research Limited (TSR), a UK based Company, was to supply, install and commission audio visual equipment in connection with in-house movie systems. TSR was declared bankrupt which resulted in default by TSR in the due performance of its obligations under the agreement. The company, on its part, did not pay the rentals due to this default. A suit has been filed in the Sindh High Court by TSR (Rentals) Limited (the company to whom rights of TSR were assigned) and United Bank Limited, which had guaranteed the payment of rentals, which is being contested by the company. Without prejudice to the right to contest this claim, as a matter of prudence, the company has booked this amount including exchange fluctuations. Further, the management is of the view that the case is not likely to be decided in the near future.

10. FINANCE UNDER MARK-UP ARRANGEMENTS - Secured

The company has running finance facilities upto a limit of Rs. 545.0 million (1994: Rs. 73 million) on mark-up basis from various banks. The rate of mark-up ranges between 38 to 63 paisas per Rs. 1,000 per day. The facilities are renewable yearly and are secured against hypothecation of stocks, spare parts and book debts, pledge of WAPDA Bonds, and registered

mortgage over the land and building relating to Pearl-Continental Hotel, Karachi and equitable mortgage of land and building relating to Pearl-Continental Hotel, Peshawar.

11. CURRENT MATURITIES

	Note	30 June 1996 (Rupees '000)	31 December 1994
Term finance certificates	5	11,077	8,979
Long term finance utilised under mark-up arrangements	5	33,654	33,787
Custom debentures	6	1,283	2,566
Long term loans	7	67,063	-
Liability against assets subject to finance lease	8	25,054	18,803
		-----	-----
		138,131	64,135
		=====	=====

12. CREDITORS, ACCRUED CHARGES AND OTHER LIABILITIES

<i>Creditors and accrued charges</i>			
Customer & suppliers' credit balances		10,597	10,218
Trade and project creditors		211,743	35,676
Accrued expenses		125,842	73,200
Interest accrued on debentures - Unsecured		16	65
Interest accrued on long term loans - Secured		58,585	12,616
Mark-up accrued on finance utilized under mark-up arrangements:			
- Short term - Secured		39,835	462
- Long term - Secured		3,173	1,276
Advance license fee/deposits		12,755	13,535
Retention money		13,869	5,679
Workers' profit participation fund	12.1	3,475	4,945
Amount due to:			
- Subsidiary companies	12.2	2,286	382
- Associated companies	12.2	480	-
		-----	-----
		482,656	158,054
		-----	-----
<i>Other liabilities</i>			
Central excise duty		5,537	12,308
Sales tax		191	367
Custom duty		16,143	14,826
Bed tax		1,861	1,519
Beverage tax		3,566	3,616
Income tax deducted at source		2,217	1,211
Others		16,408	13,184
		-----	-----
		45,923	47,031
		-----	-----
		528,579	205,085
		=====	=====

12.1 Workers' profit participation fund

Balance as at 01 January		4,945	4,008
Add: Allocation for the period		3,475	4,945

Mark-up on funds utilised in
company's business

	552	357
	-----	-----
Less: Payments/adjustments	4,027	5,302
	-----	-----
	8,972	9,310
	(5,497)	(4,365)
	-----	-----
	3,475	4,945
	=====	=====

12.2 Amount due to subsidiary and associated companies

This represent current account balances from normal business transactions. No mark-up is charged on these balances.

13. TAXATION

The income tax assessments of the company have been finalised upto and including assessment year 1993-94. However, there are certain appeals pending with tax and judicial authorities for various assessment years and in case of adverse decisions, additional liability of Rs. 5.03 million (1994: Rs. 5.03 million) would arise which has not been provided in these accounts.

14. CONTINGENCIES AND COMMITMENTS

Claims not acknowledged as debts	14.1	27,598	21,704
		=====	=====
Commitments for capital expenditure		50,809	161,456
		=====	=====
Guarantees including on behalf of subsidiaries		36,726	21,395
		=====	=====

14.1 Management is of the opinion that these claims are not likely to be paid.

15. OPERATING ASSETS - At Cost less accumulated depreciation

(Rupees '000)

	COST			As at 30 June 1996	Rate	DEPRECIATION			As at 30 June 1996	Written Down Value as at 30 June 1996
	As at 01 January 1995	Additions	(Disposals)/ Transfers			As at 01 January 1995	For the eighteen months period	(Disposals)/ Transfers		
Owned										
Land-freehold	1,467	-	-	1,467	-	-	-	-	-	1,467
- Leasehold	10,282	-	-	10,282	-	-	-	-	-	10,282
Building - on freehold land	22,902	223,134	-	246,036	5%	14,391	4,352	-	18,743	227,293
-on leasehold land	313,345	2,514	-	315,859	5%	92,410	16,455	-	108,865	206,994
Plant and machinery	427,107	433,240	(4,989)	870,957	10%	176,666	58,359	(4,392)	235,549	635,408
			15,599					4,916		
Motor boat	2,847	-	(2,847)	-	20%	1,681	117	(1,798)	-	-
Furniture, furnishing and equipment	153,092	90,722	(115)	250,791	10%	74,390	16,896	(48)	93,418	157,373
			7,092					2,180		
Motor vehicles	35,183	14,156	(1,943)	47,396	20%	11,703	9,661	(1,092)	20,272	27,124
Hotel crockery and cutlery	6,341	1,715	-	8,056	Replace- ment	-	-	-	-	8,056
Hotel linen and uniforms	3,670	1,567	-	5,237	Replace- ment	-	-	-	-	5,237
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	976,236	767,048	(9,894)	1,756,081		371,241	105,840	(7,330)	476,847	1,279,234
			22,691					7,096		

Leased										
Plant and machinery	85,069	128,005	-	197,475	10%	16,395	20,410	-	31,889	165,586
			(15,599)					(4,916)		
Furniture and fixtures	15,938	22,841	-	31,687	10%	3,924	3,535	-	5,279	26,408
			(7,092)					(2,180)		
	101,007	150,846	-	229,162		20,319	23,945	-	37,168	191,994
			(22,691)					(7,096)		
30 June 1996	1,077,243	917,894	-9,894	1,985,243		391,560	129,785	-7330	514,015	1,471,228
31 December 1994	971,264	111,884	-5,905	1,077,243		331,546	63,774	(3,760)	391,560	685,683

15.1 The depreciation charge for the period has been allocated as follows:

	Twelve months period ended 30 June 1996	six months period ended 30 June 1995	Eighteen months period ended 30 June 1996	(Rupees '000) Year ended 31 December 1994
Cost of sales and services	90,571	28,020	118,591	57,397
Administrative, selling and general expenses	8,081	3,113	11,194	6,377
	98,652	31,133	129,785	63,774

15.2 Disposal of fixed assets

Description	Cost	Book value	Sale Proceeds	Mode of Disposal	Purchaser
	(Rupees '000)				
Air-conditioning equipment		977	119	175Negotiation	Mr. Iqbal Ahmed, Peshawar
Motor Vehicle		16	9	101As per company's policy	Mr. Mohammad Amir, Peshawar
Motor Vehicle		16	9	101As Per company's policy	Mr. Saqib Lone, Peshawar
Motor Vehicle		299	72	96Negotiation	M/s. Horizon Tours (Pvt) Ltd.
Motor Vehicle		9		1Negotiation	Mr. Sarfraz Khan, Manzoor Colony, Karachi
Motor Vehicle		303	158	177Negotiation	M/s. Pearl Tours & Travels (Pvt) Ltd.
Motor Vehicle		750	422	681Insurance Claim	M/s. Adamjee Insurance Co. Karachi.
Laundry Equipment		255	31	38Negotiation	Mr. Ashraf Khan, Charkhana Road. Near Hamza Jamia Masjid, Peshawar.
Motor Boat		2,847	1,050	1,454Insurance Claim	M/s. New Jubilee Insurance Co. Ltd. Karachi
Motor Vehicle		124	23	85Negotiation	Mr. Mustaq, House No. 301, BL-A Samnabad, Lahore
Motor Vehicle		117	14	100Negotiation	Mr. Farooq Sultan, House No. 13 St. No. 27, F-6/2, Islamabad
Furniture		37	23	29Negotiation	M/s. Continental Food, Lahore
Air-conditioning Equipment		1,264	146	384Negotiation	Mohd. Sarfaraz, Shop No. 20 Misri Shah, Lahore
Kitchen Equipment		23	4	15Negotiation	Mohd. Sarfaraz, Shop No. 20 Misri Shah, Lahore
Air-conditioning Equipment		2,121	252	669Negotiation	M/s. F.W. Fabrication (Pvt) Ltd., Lahore
Electrical Fitting		53	14	17Negotiation	M/s. F.W. Fabrication (Pvt) Ltd., Lahore

Special Equipment	45	2	14Negotiation	M/s. F.W. Fabrication (Pvt) Ltd., Lahore
Furniture	77	43	49Negotiation	M/s. Khyber Carpet, Rawalpindi
Electrical Fitting	250	29	150Negotiation	Mohd. Sarfaraz, Shop No. 20 Misri Shah, Lahore.
Motor Vehicle	311	144	144Negotiation	M/s. Hashwani Hotels Ltd. Karachi

15.3 Additions during the period include appropriate transfer from capital work-in-progress on partial completion of extension of Pearl-Continental Hotel, Lahore. Proportionate depreciation has been charged based on availability of rooms and allied facilities.

16. CAPITAL WORK-IN-PROGRESS - At cost

	30 June 1996	31 December 1994 (Rupees '000)
Plant, machinery, civil works and building Improvements including construction machinery	510,842	228,079
Unallocated capital expenditure (including related borrowing costs)	98,654	51,573
	-----	-----
	609,496	279,652
	=====	=====

The above amount mainly includes work-in-progress at extension of Pearl-Continental Hotel, Lahore which has been partly capitalised during the period.

17. LONG TERM INVESTMENTS - At cost

	Note	Percentage of holding	30 June 1996	31 December 1994 (Rupees'000)
<i>Subsidiary companies</i>				
Pearl Continental Hotels (Pvt) Limited	17.1	100	5,000	5,000
Trans Air Travels (Pvt) Limited	17.2	100	4,000	3,000
Pearl Tours & Travels (Pvt) Limited	17.3	100	5,000	5,000
Bhurban Resorts (Pvt) Limited	17.4	100	10,000	10,000
			-----	-----
			24,000	23,000
<i>Unquoted companies</i>				
Malam Jabbba Resort Limited		7	1,000	1,000
			-----	-----
			25,000	24,000

17.1 Pearl Continental Hotels (Private) Limited

500,000 ordinary shares of Rs. 10 each.

Break-up value per share based on audited accounts as at 30 June 1996 Rs.10.43 (1994: Rs.8.09)

Chief Executive - Mr. M.A. Lodhi.

17.2 Trans Air Travels (Private) Limited

3,000 (1994: 2,000) ordinary shares of Rs. 1,000 each

Break-up value per share based on audited accounts as at 30 June 1996 Rs.826 (1994: Rs.467)

Chief Executive - Mr. M.A. Lodhi.

17.3 Pearl Tours & Travels (Private) Limited

500,000 ordinary shares of Rs. 10 each.

Break-up value per share based on audited accounts as at 30 June 1996 Rs.11.15 (1994: Rs.9.34)

Chief Executive - Mr. M.A. Lodhi.

17.4 Bhurban Resorts (Private) Limited

1,000,000 ordinary shares of Rs. 10 each.

Break-up value per share based on audited accounts as at 30 June 1996 Rs.11.13 (1994: Rs. 10)

Chief Executive - Mr. M.A. Lodhi

18. LONG TERM DEPOSITS	30 June 1996	31 December 1994
	(Rupees '000)	
Utility deposits	2,276	2,102
Lease facility deposit	12,002	6,804
Less: Current maturity	-	(619)
	-----	-----
	12,002	6,185
	-----	-----
	14,278	8,287
	=====	=====
19. STOCKS, STORES AND SPARE PARTS		
Stocks - Food and beverages	9,086	8,101
Stores	41,025	14,714
Spare parts	10,767	11,201
	-----	-----
	51,792	25,915
Less: Provision for obsolescence	(3,365)	(3,024)
	-----	-----
	48,427	22,891
	-----	-----
	57,513	30,992
	=====	=====
20. TRADE DEBTS - Unsecured considered good		
Due from associated companies	1,175	525
Due from directors	50	18
Others	86,535	57,180
	-----	-----
	87,760	57,723
Considered doubtful	4,874	4,605
	-----	-----
	92,634	62,328
Less: Provision for doubtful debts	(4,874)	(4,605)
	-----	-----
	87,760	57,723
	=====	=====
Maximum amount due from associated companies at the end of any month during the period	557	267
	=====	=====
Maximum amount due from directors at		

the end of any month during the period

50
=====

18
=====

**21. ADVANCES, DEPOSITS, PREPAYMENTS,
SHORT TERM INVESTMENTS AND OTHER
RECEIVABLES**

	Note	30 June 1996	31 December 1994
		(Rupees'000)	
Advances to:			
- Employees - Considered good		2,508	1,159
- Suppliers and contractors - Considered good		89,892	65,970
Advance income tax		112,142	44,253
Deposits		6,320	2,498
Share deposit money	21.1	5,000	-
Prepayments		4,330	9,934
Accrued return on WAPDA Bearer Bonds		1,383	4,740
Accrued return on PLS/deposit accounts		870	8,200
Amount due from:	21.2		
- Subsidiary companies		997	3,675
- Associated companies		670	-
Short term investments	21.3	567,462	219,488
Others		12,817	5,964
		-----	-----
		804,391	365,881
		=====	=====

21.1 Share deposit money

This represents amount paid to Pearl Tours & Travels (Private) Limited, a wholly owned subsidiary, for further issue of share capital.

21.2 Amount due from subsidiary and associated companies

This represents current account balances arising from normal business transactions. No mark-up is charged on these balances. balances.

	30 June 1996	31 December 1994 (Rupees'000)
Maximum amount at the end of any month during the period due from:		
- Subsidiary companies	5,997	139
	=====	=====
- Associated companies	670	630
	=====	=====
- Executives	77	31
	=====	=====

21.3 Shod term investments

	Note	30 June 1996	31 December 1994
		(Rupees'000)	
Pearl Continental (Overseas) Limited	21.3.1	59,882	59,882
Occidental of Pakistan Inc.	21.3.2	478,850	-
WAPDA Bonds	21.3.3	28,030	47,010

Dollar Bearer Certificates	-	112,396
National Technology Development Corporation (Private) Limited	200	200
Indus valley Solvent Oil Extraction Limited	500	-
	-----	-----
	567,462	219,488
	=====	=====

21.3.1 1,500,000 ordinary shares of Pence 1 each at a premium of Pence 99 each.
Break-up value per share based on audited accounts as at 30 June 1996 was 114 Pence (1994:108 Pence).
Chief Executive - Mr. Sadruddin Hashwani.

The company after having obtained permission from State Bank of Pakistan made investment of UK Pounds 1.5 million constituting 60% equity in Pearl Continental (Overseas) Limited, Guernsey. The principal activity of Pearl-Continental (Overseas) Limited, Guernsey, is to own and operate hotels. It had entered into a Joint Venture agreement for 'Pearl Partnership' with Park Properties of Tampa, Inc. USA, with sharing profit or loss in the ratio of 3:1 with effect from 01 January 1992. The interest in partnership was disposed off during the period. The partnership owned and operated Embassy Suites Hotel in Florida, USA.

21.3.2 During the period the company had acquired 30% interest in Occidental of Pakistan Inc., California.

21.3.3 These are pledged against financing facilities and guarantees extended by various banks.

22. CASH AND BANK BALANCES

	30 June 1996	31 December 1994
	(Rupees '000)	
In hand (including cheques in hand)	8,744	6,366
Cash and cheques in transit	1,570	753
Cash at banks on current account	13,691	69,609
Cash at banks on PLS/deposit account and portfolio management scheme.	269,700	363,881
	-----	-----
	293,705	440,609
	=====	=====

23. SALES AND SERVICES

	(Rupees '000)			
	Twelve months period ended 30 June 1996	six months period ended 30 June 1995	Eighteen months period ended 30 June 1996	Year ended 31 December 1994
Rooms	583,916	261,549	845,465	498,110
Food and beverages	587,906	257,218	845,124	436,916
Other minor operated departments	100,102	47,763	147,865	93,456
Shop license fees	8,506	3,791	12,297	7,515
	-----	-----	-----	-----
	1,280,430	570,321	1,850,751	1,035,997
Less: Discounts and commission	(2,702)	(1,718)	(4,420)	(2,724)

-----	-----	-----	-----
1,277,728	568,603	1,846,331	1,033,273
=====	=====	=====	=====

24. COST OF SALES AND SERVICES

Food and beverages:

Opening Stock	10,013	8,101	18,114	8,048
Purchases during the period	252,853	119,594	372,447	187,135
	-----	-----	-----	-----
Closing stock	262,866	127,695	390,561	195,183
	(9,086)	(10,013)	(19,099)	(8,101)
	-----	-----	-----	-----
Consumption during the period	253,780	117,682	371,462	187,082
Direct expenses				
Salaries, wages and other benefits	163,372	71,245	234,617	143,624
Heat, light, power & related expenses	123,151	53,816	176,967	82,623
Guest supplies	48,625	21,494	70,119	47,529
Linen, china and glassware	35,502	14,232	49,734	30,100
Telephone, telex and related expenses	59,608	19,116	78,724	53,728
Banquet and decoration	12,972	9,106	22,078	13,114
Repairs and maintenance	83,432	43,925	127,357	64,523
Depreciation	90,571	28,020	118,591	57,397
Laundry and dry cleaning	14,910	6,277	21,187	12,414
Music and entertainment	3,288	1,288	4,576	2,248
Uniforms	4,033	2,976	7,009	4,675
Others	1,045	362	1,407	1,519
	-----	-----	-----	-----
	894,289	389,539	1,283,828	700,576
	=====	=====	=====	=====

25. ADMINISTRATIVE, SELLING AND GENERAL EXPENSES

Salaries, wages and other benefits	92,539	45,205	137,744	78,752
Rent, rates and taxes	8,643	3,700	12,343	7,863
Lease rentals	1,372	1,095	2,467	2,431
Travelling and conveyance	21,153	10,721	31,874	12,923
Heat, light and power	12,198	4,843	17,041	10,427
Communications	9,066	3,586	12,652	6,873
Advertising and sales promotion	23,483	10,846	34,329	16,767
Insurance	5,535	2,414	7,949	5,703
Printing and stationery	9,405	3,797	13,202	8,231
Repairs and maintenance	11,661	4,522	16,183	7,169
Depreciation	8,082	3,113	11,195	6,377
Provision for doubtful Trade debts	1,095	994	2,089	1,394
Bad debts written off	254	-	254	42
Laundry and dry cleaning	1,028	550	1,578	937
Uniforms	792	664	1,456	903
Entertainment	2,253	962	3,215	862
Auditors' remuneration	25.1	357	678	280
Legal and professional charges	2,643	676	3,319	1,939
Donations	25.2	226	404	290
Subscription	1,024	416	1,440	605
Miscellaneous	480	175	655	525
	-----	-----	-----	-----
	213,289	98,778	312,067	171,293
	=====	=====	=====	=====

25.1 Auditors' remuneration

Audit fee	250	250	500	175
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Out of pocket expenses	70	71	141	75
Special reports, certificates and audit of provident fund	37	-	37	30
	-----	-----	-----	-----
	357	321	678	280
	=====	=====	=====	=====

25.2 Donations

None of these donations were given to an organisation in which any director or his/her spouse had any interest.

26. FINANCIAL CHARGES

Return on Term Finance Certificates	13,158		6,792	19,950	14,609
Mark-up on long term finance utilized under mark-up arrangement	22,229		13,334	35,563	33,428
Interest on debentures	97		87	184	269
Interest on long term loan	48,213	-		48,213	-
Finance charges on lease facilities	22,196		4,855	27,051	6,083
Mark-up on short term finance utilized under mark-up arrangement	83,518		17,857	101,375	3,472
Return on Workers' profit participation fund	231		321	552	357
Credit cards commission, bank and other charges (Net)	12,301		5,750	18,051	23,074
	-----	-----	-----	-----	-----
	201,943		48,996	250,939	81,292
	=====	=====	=====	=====	=====

27. OTHER INCOME/(CHARGES)-Net

Return on bank deposits	26,275		4,595	30,870	14,247
Profit on surrender of foreign exchange	15,278		858	16,136	1,286
Return on WAPDA Bearer Bonds	5,670		2,703	8,373	5,515
Concessions and commissions	1,290		735	2,025	808
Profit on disposal of fixed assets	1,633		283	1,916	515
War frisk insurance premium liability written back	380		-	380	-
Others	5,439		2,898	8,337	2,307
	55,965		12,072	68,037	24,678
Net exchange gain/(loss) on conversion of foreign currency assets and liabilities	8,421		(6,456)	1,965	(5,886)
	-----	-----	-----	-----	-----
	64,386		5,616	70,002	18,792
	=====	=====	=====	=====	=====

28. EXECUTIVES' REMUNERATION

For the eighteen months period ended 30 June 1996

For the year ended 31 December 1994

(Rupees '000)

Managerial remuneration	Chief Executive	Executives	Chief Executive	Executives
Contribution to provident fund				
Gratuity	1,357	18,592		504 8,745
Housing	83	855		42 389
	139	1,159		80 707
	180	3,072		360 3,074
	-----	-----		-----
	1,759	23,678		986 12,915
	=====	=====		=====
No. of persons	1	37		1 32
	=====	=====		=====

28.1 In addition to the above the Chairman, Chief Executive and certain executives are provided with free use of company cars, residential equipment, reimbursement of utilities and medical expenses and leave passage as per company's policy.

28.2 The Chairman does not draw any salary.

29. TRANSACTIONS WITH ASSOCIATED AND SUBSIDIARY COMPANIES

(Rupees '000)

	Twelve months period ended 30 June 1996	six months period ended 30 June 1995	Eighteen months	
			period ended 30 June 1996	Year ended 31 December 1994
Services provided	3,941	4,735	8,726	2,232
Services availed	9,766	3,038	10,804	11,144
Purchases	14,614	1,219	1,219	3,258
Proceeds from sale of fixed assets	1,380	172	1,552	977
Securities sold	15,000	-	15,000	-

30. OPERATING RESULTS

(Rupees '000)