

PAKISTAN SERVICES LTD

AUDITED ACCOUNTS 1996-97

OWNERS AND OPERATORS OF PEARL-CONTINENTAL HOTELS PAKISTAN

CONTENTS

Corporate Profile/Information
Notice of Meeting
Chairman's Review
Directors' Report
Financial Highlights
Auditors' Report to the Members
Balance Sheet
Profit and Loss Account
Statement of Changes in Financial Position
Notes to the Accounts
Pattern of Shareholdings
Corporate Profile Subsidiary Companies

Trans Air Travels (Private) Limited

Directors' Report
Auditors' Report to the Members
Balance Sheet
Profit and Loss Account
Statement of Changes in Financial Position
Notes to the Accounts

Pearl Tours and Travels (Private) Limited

Directors' Report
Auditors' Report to the Members
Balance Sheet
Profit and Loss Account
Statement of Changes in Financial Position
Notes to the Accounts

Pearl Continental Hotels (Private) Limited

Directors' Report
Auditors' Report to the Members
Balance Sheet
Profit and Loss Account
Statement of Changes in Financial Position
Notes to the Accounts

Bhurban Resorts (Private) Limited

Directors' Report
Auditors' Report to the Members
Balance Sheet
Profit and Loss Account
Statement of Changes in Financial Position
Notes to the Accounts

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. 2,155 million and gross revenues is Rs. 1,371 million for the year ended June 30, 1997.

Board of Directors

Mr. Sadruddin Hashwani	Chairman
Mr. Murtaza Hashwani	
Ms. Nadia Hashwani	
Mr. Stephen Potter	
Mr. M. Asadullah Shiekh	
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

Bank of America
Crescent Investment Bank Limited
Habib Bank Limited
Muslim Commercial Bank
National Development Finance Corporation
Shon 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 38th Annual General Meeting of PAKISTAN SERVICES LIMITED will be held on Monday, December 29, 1997 at 12:30 p.m. at Pearl Continental Hotel, Club Road, Karachi to transact the following business:-

1. To confirm the Minutes of the Annual General Meeting held on December 03, 1996.
2. To receive and adopt the audited accounts together with Directors' and Auditors' Report thereon, for the year ended June 30, 1997.
3. To appoint auditors for the year 1997-98 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 note less than 48 hours before the time appointed for holding the meeting.
 - ii) The Share Transfer Books of the Company will remain closed from December 22, 1997 to December 29, 1997 (both days inclusive).
 - iii) Shareholders are requested to notify the Company of any change in their address.

Chairman's Review

It is a privilege for me to welcome you all to the 38th Annual General Meeting and to present before you the performance of your company during the year ended June 30, 1997.

The year under review remained uncertain and static due to recession in the country as well as political activities which include change in the Government. Tourism industry, specially hotel industry is very sensitive to all these activities including law and order condition within and around the country. However, despite adverse market condition and slow economy, your company succeeded in achieving sales and services of Rs.

1.37 billion as compared to Rs. 1.8 billion during previous eighteen month period, registering a net growth of about 11% per annum. Due to higher financial cost and depreciation of Lahore expansion which was made fully operational during the year, the company has suffered a net loss of Rs. 28.2 million before tax after accounting for the gain on disposal of the investment in Pearl Continental Overseas Ltd. and adjustment of TSR claims.

COST OF SALES

High inflationary pressures, recurring devaluation of Pak rupee and various budgetary measures nibbled away the trivial gains made in revenue. Cost relating to payroll, depreciation and financial charges etc. of Lahore expansion project further added to the cost of sales and resulted in adverse profitability.

FINANCE

The company acknowledge with thanks the assistance provided by company's bankers as well as local and foreign financial institutions to meet the financial requirements. The continued support of these banks and institutions in recession period is a big relief for managing the affairs of the company.

SALES - ROOM

Room sales during the year increased to Rs. 627 million, registering an average increase of 11% per annum. I am pleased to report that now your Lahore expansion project is fully operational with additional 287 rooms. The atrium wing of PC Lahore hotel with scenic elevators and luxurious rooms has potential to earn more revenue in the years to come.

SALES - FOOD & BEVERAGE

The food and beverage sales has shown an increase of 10% per annum only due to restriction on matrimonial lunches and dinners imposed by the government since March 1997. The improvement in revenue was also contributed by new convention hall, restaurants and Coffee shop of Pearl Continental Lahore expansion project. Efforts continued to maintain the tradition of repeat customers which was achieved through quality foods and delicious menus.

PROSPECTS

In the budget 1997-98, the Punjab Government has imposed stamp duty of 5% in addition of 5% provincial excise duty. These duties and taxes are over and above 8% bed tax and 12.5% Central Excise duty. Sindh and NWFP governments have revised the capacity and rates of bed tax. The matrimonial lunches and dinners are banned for two years since March 1997 as per government's directives. It will adversely affect profitability of the hotels.

The electricity companies have not yet adopted the industrial rate for the hotel industry.

As reported last year as well, high inflation, weak rupee value and discrimination with the hotel industry have continued and these factors coupled with the austerity measures of the government and the private sectors on account of recession will adversely effect the sales and profitability of the company.

It is for the first time during the last 25 years of operation that the company suffered a loss which was due to factors narrated above. Your company is now concentrating on consolidation and have postponed other projects till the revival of the economy, better working atmosphere and till the time we are out of the red.

SUBSIDIARIES

As reported last year, the equity investment in Pearl Continental Overseas Ltd. was disposed during the year and the company made a profit of Rs. 60.35 million which is reported under other income.

Pearl Tours and Travels Pvt. Ltd. and Transair Travels Pvt. Ltd. continued to work under p Profit After Taxation

Debt: equity ratio	48:52	52:48	51:49	45:55	39:61	42:58	33:67	16:84	23:77	23:77
Capital Expenditure	251,837	1,247,738	255,652	133,938	200,294	331,306	163,287	74,746	40,070	38,072
Foreign exchange earnings	403,243	401,197	261,337	183,063	186,452	134,968	133,157	133,157	93,659	78,694

*Eighteen months period.

Auditors' Report to the Members

We have audited the annexed balance sheet of Pakistan Services Limited as at 30 June 1997 and the related profit and loss account and statement of changes in financial position, 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 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;

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 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 1997 and of the loss and the changes in financial position for the year then ended; and

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

TASEER HADI KHALID & CO.
Chartered Accountants

Karachi: November 08, 1997

Balance Sheet

As at 30 June 1997

Note	30 June 1997	30 June 1996
	(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	268,795
	-----	-----
Share premium	4 325,871	325,871
General reserve	300,000	300,000
Unappropriated profit	4,301	66,630
	-----	-----
	629,902	692,501
	-----	-----
	898,697	961,296
REDEEMABLE CAPITAL - Non participatory	5 76,524	110,776
LONG TERM FINANCE - Secured	6 609,466	737,697
	-----	-----
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	7 136,441	174,368
DEFERRED LIABILITIES	8 76,930	118,971
	-----	-----
CURRENT LIABILITIES		
Finance under mark-up arrangements - s	9 492,489	471,185
Current maturities	10 236,519	138,131
Creditors, accrued charges and other liabilities	11 561,323	549,475
Provision for taxation	12 129,314	99,995
Unclaimed dividend	1,475	1,477
	-----	-----
	1,421,120	1,260,263

CONTINGENCIES AND COMMITMENTS	13	-----	-----
		3,219,178	3,363,371
		=====	=====

The annexed notes form an integral part of these accounts.

	Note	30 June 1997	30 June 1996
		(Rupees '000)	
TANGIBLE FIXED ASSETS			
Operating assets - At cost less accumulated depreciation	14	2,141,946	1,471,228
Capital work-in-progress - At cost	15	13,254	609,496
		-----	-----
		2,155,200	2,080,724
LONG TERM INVESTMENTS - At cost	16	25,000	25,000
LONG TERM DEPOSITS	17	14,287	14,278
CURRENT ASSETS			
		-----	-----
Stocks, stores and spares parts	18	80,001	57,513
Trade debts - unsecured considered good	19	100,887	87,760
		-----	-----
Advances, deposits, prepayments short term investments and other receivables	20	780,693	804,391
Cash and bank balances	21	63,110	293,705
		-----	-----
		1,024,691	1,243,369
		-----	-----
		3,219,178	3,363,371
		=====	=====

Profit and Loss Account

For the year ended 30 June 1997

	Note	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
		(Rupees '000)	
Sales and services	22	1,370,618	1,846,331
Cost of sales and services	23	1,012,292	1,283,828
		-----	-----
Gross profit		358,326	562,503
Administrative, selling and general ex	24	260,582	312,067
		-----	-----
Operating profit		97,744	250,436
		-----	-----
Financial charges	25	319,613	250,939
Workers' profit participation fund		-	3,475
		-----	-----
		319,613	254,414
		-----	-----
Other income/(charges) - net	26	(221,869)	(3,978)
		193,621	70,002
		-----	-----
(Loss)/Profit before taxation		(28,248)	66,024
		-----	-----
Provision for taxation		-----	-----
Current		7,421	13,400
Prior		26,930	22,834
		-----	-----
		34,351	36,234
		-----	-----
(Loss)/Profit after taxation		(62,599)	29,790
Unappropriated profit brought forward		66,630	36,840
		-----	-----
Unappropriated profit carried forward		4,031	66,630
		=====	=====

The annexed notes form an integral part of these accounts.

Statement of Changes in Financial Position

For the year ended 30 June 1997

	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
CASH FLOWS FROM OPERATING ACTIVITIES	(Rupees '000)	
(Loss)/Profit before taxation	(28,248)	66,024
Adjustments for:		
Depreciation	160,391	129,785
Profit on disposal of fixed assets	(1,946)	(1,916)
Gratuity (net)		7,782
Exchange loss on claim payable	11,787	1,138
	-	1,138
Provision for doubtful debts	1,726	269
Return on bank deposits and WAPDA Bonds	(41,903)	(42,181)
Financial charges	281,199	185,335
Gain on disposal of investments	(60,358)	-
Liabilities written back	(69,752)	-
(Increase)/decrease in operating assets	252,896	346,236
	-----	-----
Stocks, stores and spare parts	(22,488)	(26,521)
	-----	-----
Trade debts	(14,853)	(30,306)
Advances, deposits, prepayments, short term investments and other receivables	35,401	97,423
(Decrease)/increase in operating liabilities		
Creditors, accrued charges & other liabilities	(65,686)	236,304
	-----	-----
Income tax paid	(67,626)	276,900
Financial charges paid	(43,285)	(67,889)
	(187,741)	(98,145)
	-----	-----
Net cash (used) in /from operating activities	(45,756)	457,102
CASH FLOWS FROM INVESTING ACTIVITIES	-----	-----
Capital expenditure incurred	(263,522)	(1,247,738)
Proceeds from disposal of fixed assets	7,231	4,480
Investments in subsidiary, associated undertaking and unquoted company	-	(480,350)
Proceeds from sale of investments	125,790	-
Return on bank deposits and WAPDA Bonds	26,391	52,868
Long term deposits	(9)	(5,372)
	-----	-----
Net cash used in investing activities	(104,119)	(1,676,112)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share capital	-----	-----
Share premium	-	134,398
	-	201,596
Share deposit money	-	(180,000)
Repayment of redeemable capital, custom debentures and lease facility	(42,145)	53,035
Long term finance		
	(59,877)	429,582
Dividend paid	(2)	-
	-----	-----
Net cash (used) in/from financing activities	(102,024)	638,611
	-----	-----
Net (decrease)in cash and cash equivalents	(251,899)	(580,399)
Cash and cash equivalents as at beginning of the ye	(177,480)	402,919
	-----	-----
Cash and cash equivalents as at end of the year/per	(429,379)	(177,480)
CASH AND CASH EQUIVALENTS	=====	=====
Cash and bank balances	63,110	293,705
Finance under mark-up arrangements	(492,489)	(471,185)
	-----	-----
	(429,379)	(177,480)
	=====	=====

Notes to the Accounts

For the year ended 30 June 1997

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 gratuity scheme and provision is made annually to cover the obligations under the scheme.

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, which are stated at the respective guaranteed rates. Further, long term investment in overseas subsidiary, if any, 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 note 14 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, 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

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 outstanding liability.

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

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 pads

Stock - 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.

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

	30 June 1997 (Rupees in '000)	30 June 1996
25,672,620 ordinary shares of Rs. 10 each fully paid in cash	256,726	256,726
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	8,488
	-----	-----
	26,879,480	268,795
	=====	=====

4. SHARE PREMIUM

325,871		124,275
Additions during the year/period	-	201,596
	-----	-----
	325,871	325,871
	=====	=====

5. REDEEMABLE CAPITAL - Non participatory

Term Finance Certificates - Secured

Pak Libya Holding company (Private) Limited	5.10	69,376	74,721
Less: Current maturity		-	11,077
		-----	-----
		69,376	63,644

Long term finance utilised under mark-up arrangements - Secured

Crescent Investment Bank Limited	5.20	19,722	30,304
Saudi Pak Industrial & Agricultural Investment Company (Private) Limited	5.30	39,443	50,482
		-----	-----
		59,165	80,786
Less: Current maturity		52,017	33,654
		-----	-----
		7,148	47,132
		-----	-----
		76,524	110,776
		=====	=====

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

The company has entered into an agreement with PLHCL whereby the company has been sanctioned an amount of Rs. 100 million by way of long term focal 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 17.25 percent per annum (1996: 14.5%). However, in case of non-redemption of the TFCs on the due dates, the company is required to pay liquidated damages @ 22 percent per annum of overdue amount of TFCs to be redeemed.

During the year repayment schedule has been revised whereby the TFCs are now repayable at staggered monthly/biannual installments. The TFCs are repayable by 15 July 2003. 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 @ 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. 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.

Institutions	Currency	Interest rate per annum (%)	Foreign currency loans (in millions)	Repayment dates	Amount of installment (in '000)	Maturity date	Equivalent Rupees (In thousands)	30 June 1997	30 June 1996
International Finance Corporation (IFC)	USD	9.50		15 January 12.0% 15 July	1,000	15 July 2002	348,497		377,472
DEG-Deutsche Investitions-Und Entwicklungsgesellschaft mbH (DEG)	DM	11.5		30 April & 10.030 October	833 *837	30 October 2002	197,395		212,847
Commonwealth Development Corporation (CDC)	UKE	11.00		15 March & 4.315 September	358	15 September 2002	198,991		214,441
							-----	-----	
							744,883		804,760
Less: Current Maturity							135,417		67,063
							-----	-----	
							609,466		737,697
*Last installment							=====		=====

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 hi-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 Pearl 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 CDS, to create and register, if required English Mortgage (with power of sale) on the assets of Pearl-Continental Hotel, Lahore. These mortgages and charges, constitute first mortgages and charges and rank pari-passu with other lenders.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	30 June 1997	30 June 1996
	(Rupees in '000)	
Present value of minimum lease payments	213,849	223,522
Less: payments made	(28,323)	(24,100)
	-----	-----
	185,526	199,242
Les: Current maturity	(49,085)	(25,054)

-----	-----
136,441	174,368
=====	=====

The present value of minimum lease payments has been discounted by using financing rates ranging from 15 to 21 percent per annum. Deposit of Rs. 12 million (1996: Rs. 12 Million) has been made against these liabilities.

The lease payments due are as under:

1996-1997	-	52,532
1997-1998	80,841	80,841
1998-1999	80,841	80,841
1999-2000	57,537	57,537
2000-2001	30,262	30,262
	-----	-----
	249,481	302,013
Less: Finance charges allocated to future periods	63,955	102,591
	-----	-----
	185,526	199,422
	=====	=====

8. DEFERRED LIABILITIES

Gratuity		68,930	57,143
Claim payable	8.1	-	53,828
Deferred taxation		8,000	8,000
		-----	-----
		76,930	118,971
		=====	=====

8.1 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, the company had booked the claim including exchange fluctuations. The company based on a legal opinion has written back an amount of Rs. 53.83 million during the current year.

9. FINANCE UNDER MARK-UP ARRANGEMENTS - Secured

The company has running finance facilities upto a limit of Rs. 545.0 million (1996: Rs. 545 million) on mark-up basis from various banks. The rate of mark-up ranges between 50 to 63 paisas per Rs. 1000 per day. The facilities are renewable yearly and are secured against hypothecation of stocks, stores, 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. Balance outstanding in respect of these facilities as at the year/period end amounted to Rs. 442.791 million (1996: Rs. 471.185 million).

This also includes overdrawn book balances representing cheques issued by the company which were met by deposits subsequent to the year end.

10. CURRENT MATURITIES

	Note	30 June 1997 (Rupees in '000)	30 June 1996
Term finance certificates	5	-	11,077
Long term finance utilised under mark-up arrangements	5	52,017	33,654
Custom debentures		-	1,283
Long term loans	6	135,417	67,063
Liability against assets subject to finance lease	7	49,085	25,054
		-----	-----
		236,519	138,131
		=====	=====

11. CREDITORS, ACCRUED CHARGES AND OTHER LIABILITIES

	Note	30 June 1997 (Rupees'000)	30-Jun 1996
Creditors and accrued charges			
Customer & suppliers' credit balances		6,115	10,597

Trade and project creditors		180,250	232,639
Accrued expenses		96,677	125,842
Interest accrued on			
- Debentures - Unsecured		-	16
- Long term loans - Secured		132,627	58,585
Mark-up accrued on finance utilised			
under mark-up arrangements:			
- Short term - Secured		50,633	39,835
- Long term - Secured		11,807	3,173
Advance license fee/deposits		29,761	12,755
Retention money		13,295	13,869
Workers' profit participation fund	11.1	-	3,475
Amount due to:			
-Subsidiary companies		823	2,286
- Associated companies		1,700	480
		-----	-----
		523,688	503,552
<i>Other I/abilities</i>			
Central excise duty		9,927	5,537
Sales tax		186	191
Custom duty		2,853	18,777
Bed tax		1,577	1,861
Beverage tax		5,871	3,566
Income tax deducted at source		2,055	2,217
Others		15,166	13,774
		-----	-----
		37,635	45,923
		-----	-----
11.1 Workers' profit participation fund		561,323	549,475
		=====	=====
Balance at the beginning of the year/period		3,475	4,945
		-----	-----
Add: Allocation for the year/period		-	3,475
Mark-up on funds utilised			
in company's business		307	552
		-----	-----
		307	4,027
		-----	-----
		3,782	8,972
Less: Payments/adjustments		(3,782)	(5,497)
		-----	-----
		-	3,475
		=====	=====

12. TAXATION

The income tax assessments of the company have been finalised upto and including assessment year 1995-96. In view of tax loss for the year provision for minimum tax under section 80D of the Income Tax Ordinance, 1979 has been made in the current year.

13. CONTINGENCIES AND COMMITMENTS

Claims not acknowledged as debts	13.10	7,479	27,598
		=====	=====
Commitments for capital expenditure		8,405	50,809
		=====	=====
Guarantees including on behalf of subsidiaries		45,264	36,726
		=====	=====
Other contingencies		39,831	-
		=====	=====

13.1 The management is confident that these claims will not be ultimately payable.

14. OPERATING ASSETS - At cost less accumulated depreciation

	COST			As at 30 June 1997	Rate Percent	DEPRECIATION			As at 30 June 1997	Written Down Value as 30 June 1997
	As at 01 July 1996	Additions	(Disposals)/ Transfers			As at 01 July 1996	For the year/ period	(Disposals)/ Transfers		
Owned										
Land - freehold	1,467	-	-	1,467	-	-	-	-	-	1,467
- leasehold	10,282	-	-	10,282	-	-	-	-	-	10,282
Building -freehold	246,036	275,554	-	521,590	5%	18,743	18,254	-	36,997	484,593
- leasehold	315,859	27,201	-	343,060	5%	108,865	11,709	-	120,574	222,486

Plant and machinery	870,957	420,731	(191)	1,291,497	10%	235,549	85,891	(79)	321,361	970,136
Furniture, fixtures and equipment	250,791	110,973	(906)	360,858	10%	93,418	21,519	(511)	114,426	246,432
Motor vehicles	47,396	1,917	(8,070)	41,243	20%	20,272	4,852	(3,292)	21,832	19,411
Hotel crockery and cutler	8,056	18	-	8,074	Replacement	-	-	-	-	8,074
Hotel lines and uniforms	5,237	-	-	5,237	Replacement	-	-	-	-	5,237
	1,756,081	836,394	(9,167)	2,583,308		476,847	142,225	(3,882)	615,190	1,968,118
Leased										
Plant and machinery	197,475	-	-	197,475	10%	31,889	15,525	-	47,414	150,061
Furniture and fixture	31,687	-	-	31,687	10%	5,279	2,641	-	7,920	23,767
	229,162	-	-	229,162		37,168	18,166	-	55,334	173,828
30 June 1997	1,985,243	836,394	(9,167)	2,812,470		514,015	160,391	(3,882)	670,524	2,141,946
30 June 1996	1,077,243	917,894	(9,894)	1,985,243		391,560	129,785	(7,330)	514,015	1,471,228

14.1 The depreciation charge for the year/period has been allocated as follows:

	30 June 1997	30 June 1996
	(Rupees '000)	
Cost of sales and services	144,352	118,591
Administrative, selling and general expenses	16,039	11,194
	160,391	129,785
	=====	=====

14.2 Disposal of fixed assets

Description	Cost value	Book proceeds	Sale Disposal	Mode of	Purchaser
	(Rupees '000)				
Motor Vehicle	354	104	110	Negotiation	M/s. Pearl Tours & Travels (Pvt.) Ltd.
Motor Vehicle	15	7	101	As per company's policy	Mr. Masood ur Rehman, Peshawar
Motor Vehicle	29	6	74	As per company's policy	Mr. Shahid Mehmood, Peshawar
Motor Vehicle	872	502	872	Insurance Claim	M/s. Adamjee Ins. Co., Karachi
Motor Vehicle	28	16	92	As per company's policy	Mr. Mohammad Tahir, Rawalpindi
Motor Vehicle	37	17	176	As per company's policy	Mr. M. A. Lodhi, Karachi
Photocopy Machine	11	8	40	Negotiation	M/s. O.A.S (Pvt.) Ltd.
Motor Vehicle	4,500	2,592	2,750	Negotiation	M/s. J. K. Brothers Pak. Ltd. Lahore
Music Equipment	506	315	556	Negotiation	M/s. Hashwani Hotels Limited (Marriott Hotel Isb.)
Motor Vehicle	15	7	15	Negotiation	M/s. Pearl Tours & Travels (Pvt.) Ltd.
Motor Vehicle	336	26	130	Negotiation	Mr. Mohammad Zafar - Karachi
Motor Vehicle	15	7	84	As per company's policy	Mr. Mohammad Zeb
Laundry Equipment	23	1	3	Tender	M/s. Khas Care Lahore
Laundry Equipment	37	26	64	Tender	M/s. Khas Care Lahore
Laundry Equipment	106	82	203	Tender	M/s. Khas Care Lahore
Motor Vehicle	26	8	20	Insurance Claim	M/s. Adamjee Ins. Company, Karachi
Office Equipment	297	34	40	Tender	Mr. Shaikh Mateen, Chuka Gul-Peshawar
Kitchen Equipment	4	1	1	Tender	Mr. Shaikh Mateen, Chuka Gul-Peshawar
Ah Conditioning Equipment	21	2	3	Tender	Mr. Shaikh Mateen, Chuka Gul-Peshawar
Office Equipment	10	1	2	Tender	Mr. Shaikh Mateen, Chuka Gul-Peshawar
Motor Vehicle	599	431	600	insurance Claim	M/s. Adamjee Ins. Co. Karachi
Motor Vehicle	268	79	250	Insurance Claim	M/s. Adamjee Ins. Co. Karachi
Typewriter	9	4	4	Donation	M/s. Pak Hotels Association Karachi (Charged to donation expenses)
Motor Vehicle	975	975	1,025	Insurance Claim	M/s. Adamjee Ins. Co. Karachi
Office Equipment	74	34	15	Negotiation	M/s. United Business Systems (Pvt.) Ltd. Peshawar
1997	9,167	5,285	7,230		
	=====	=====	=====		

1996	9,894	2,564	4,480
	=====	=====	=====

14.3 Additions during the year include transfers from capital work-in-progress on the completion of extension of Pearl Continental Hotel, Lahore. Proportionate depreciation has been charged based on the availability of rooms and allied facilities.

15. CAPITAL WORK-IN-PROGRESS - At cost

	30 June 1997	30 June 1996
	(Rupees'000)	
Civil works and building etc.	12,360	510,842
Unallocated capital expenditure (including related borrowing costs)	894	98,654
	-----	-----
	13,254	609,496
	=====	=====

The above amount includes work-in-progress at Pearl-Continental Karachi and Peshawar Hotels.

16. LONG TERM INVESTMENTS - AI cost

Note	Percentage of holding	30 June 1997	30 June 1996
		(Rupees'000)	
<i>Subsidiary companies</i>			
Pearl Continental Hotels (Pvt) Limited	16.10	100	5,000
Trans Air Travels (Pvt) Limited	16.20	100	4,000
Pearl Tours & Travels (Pvt.) Limited	16.30	100	5,000
Bhurban Resorts (Pvt.) Limited	16.40	100	10,000
		-----	-----
		24,000	24,000
<i>Unquoted companies</i>			
Malam Jabba Resort Limited		7	1,000
		-----	-----
		25,000	25,000
		=====	=====

16.1 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 1997 was Rs. 11.92 (1996: Rs. 10.43)
Chief Executive - Mr. Mansoor Akber Ali

16.2 Trans Air Travels (Private) Limited

3,000 ordinary shares of Rs. 1,000 each.
Break-up value per share based on audited accounts as at 30 June 1997 was Rs. 240 (1996: Rs. 826)
Chief Executive - Mr. Mansoor Akber Ali

16.3 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 1997 was Rs. 9.89 (1996: Rs. 11.15)
Chief Executive - Mr. Mansoor Akber Ali

16.4 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 1997 was Rs. 12.39 (1996: Rs. 11.13)
Chief Executive - Mr. Mansoor Akber Ali

17. LONG TERM DEPOSITS

	30 June 1997	30 June 1996
	(Rupees'000)	
Utility deposits	2,285	2,276
Lease facility deposit	12,002	12,002
	-----	-----
	14,287	14,278
	=====	=====

18. STOCKS, STORES AND SPARE PARTS

Stocks - Food and beverages	13,066	9,086
	-----	-----
Stores	56,358	41,025
Spare parts	13,942	10,767

	-----	-----
	70,300	51,792
Less: Provision for obsolescence	(3,365)	(3,365)
	-----	-----
	66,935	48,427
	-----	-----
	80,001	57,513
	=====	=====

19. TRADE DEBTS - Unsecured, considered good

Note	30 June 1997 (Rupees'000)	30-Jun 1996
Due from associated companies	1,274	1,175
Due from directors	94	50
Others	99,519	86,535
	-----	-----
Considered doubtful	100,887	87,760
	6,600	4,874
	-----	-----
Less: Provision for doubtful debts	107,487	92,634
	(6,600)	(4,874)
	-----	-----
Maximum amount due from associated companies at the end of any month during the year/period	100,887	87,760
	=====	=====
	1,827	557
	=====	=====
Maximum amount due from directors at the end of any month during the year/period	115	50
	=====	=====

20. ADVANCES, DEPOSITS, PREPAYMENTS, SHORT TERM INVESTMENTS AND OTHER RECEIVABLES

Advances to:		
- Employees - considered good	2,371	2,508
- Suppliers and contractors including advance against capital expenditure - considered good	82,595	89,892
Advance income tax	150,395	112,142
Deposits	4,546	6,320
Share deposit money	5,000	5,000
Prepayments	3,244	4,330
Accrued return on WAPDA Bonds	420	1,383
Accrued return on PLS/deposit accounts	17,345	870
Amount due from:		
- Subsidiary companies	1,643	997
- Associated companies	-	670
Shod term investments	502,030	567,462
Others	11,104	12,817
	-----	-----
	780,693	804,391
	=====	=====

20.1 Share deposit money

This represents amount paid to Pearl Tours & Travels (Private) Limited, a wholly owned subsidiary, in respect of the future issue of share capital.

20.2 Amount due from subsidiary and associated companies.

This represents markup free current account balances arising from normal business transactions. No repayment terms has been agreed with them.

Note	30 June 1997 (Rupees'000)	30-Jun 1996
Maximum amount at the end of any month during the year/period due from:		
- Subsidiary companies	5,098	5,997
	=====	=====
- Associated companies	539	670
- Executives	-	77
	=====	=====

20.3 Short term investments

Pearl Continental (Overseas) Limited	20.3.1	-	59,882
Orient Petroleum inc.	20.3.2	478,850	478,850
WAPDA Bonds	20.3.3	22,480	28,030
National Technology Development Corporation (Private) Limited		200	200
Indus Valley Solvent Oil Extraction Limited		500	500
		-----	-----
		502,030	567,462
		=====	=====

20.3.1 Investment in 1.5 million ordinary shares of Pearl Continental (Overseas) Limited representing 60% equity therein was disposed by the company during the current year at a profit of Rs. 60.36 million.

20.3.2 This represents 30% interest in Orient Petroleum inc. (Formerly Occidental of Pakistan Inc.).

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

21. CASH AND BANK BALANCES

In hand (including cheques in hand)	4,141	8,744
Cash and cheques in transit	-	1,570
Cash at banks on current account	15,583	13,691
Cash at banks on PLS/deposit account and portfolio management scheme	43,386	269,700
	-----	-----
	63,110	293,705
	=====	=====

22. SALES AND SERVICES

	Year Ended 30 June 1997	Eighteen months period ended 30 June 1996
	(Rupees'000)	
Rooms	626,691	845,465
Food and beverages	620,997	845,124
Other minor operated departments	118,209	147,865
Shop license fees	10,068	12,297
	-----	-----
	1,375,965	1,850,751
Less: Discounts and commission	(5,347)	(4,420)
	-----	-----
	1,370,618	1,846,331
	=====	=====

23. COST OF SALES AND SERVICES

Food and beverages:		
Opening stock	9,086	18,114
Purchases during the period	277,988	372,447
	-----	-----
	287,074	390,561
Closing stock	(13,066)	(19,099)
	-----	-----
Consumption during the period	274,008	371,462
Direct expenses:		
Salaries, wages and other benefits	184,952	234,617
Heat, light, power & related expenses	123,128	176,967
Guest supplies	51,765	70,119
Linen, china and glassware	52,261	49,734
Telephone, telex and related expenses	55,226	78,724
Banquet and decoration	13,049	22,078
Repairs and maintenance	88,506	127,357
Depreciation	144,352	118,591
Laundry and dry cleaning	13,781	21,187
Music and entertainment	3,173	4,576
Uniforms	6,902	7,009
Others	1,189	1,407
	-----	-----
	1,012,292	1,283,828
	=====	=====

24. ADMINISTRATIVE, SELLING AND GENERAL EXPENSES

Note	Year Ended 30 June 1997	Eighteen months period ended 30 June 1996
------	-------------------------------	--

(Rupees '000)

Salaries, wages and other benefits		113,485	137,744
Rent, rates and taxes		12,657	12,343
Lease rentals	-		2,467
Traveling and conveyance		24,235	31,874
Heat, light and power		13,727	17,041
Communications		9,773	12,652
Advertising and sales promotion		29,306	34,329
insurance		5,180	7,949
Printing and stationery		10,491	13,202
Repairs and maintenance		12,566	16,183
Depreciation		16,039	11,195
Provision for doubtful trade debts		2,320	2,089
Bad debts written off		47	254
Laundry and dry cleaning		1,393	1,578
Uniforms		1,920	1,456
Entertainment		2,407	3,215
Auditors' remuneration	24.1	414	678
Legal and professional charges		1,892	3,319
Donations	24.2	120	404
Subscription		1,867	1,440
Miscellaneous		743	655
		-----	-----
		260,582	312,067
		=====	=====

24.1 Auditors' remuneration

Audit fee		270	500
Out of pocket expenses		74	141
Special reports, certificates and audit of provident fund		70	37
		-----	-----
		414	678
		=====	=====

24.2 Donations

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

25. FINANCIAL CHARGES

	Year Ended 30 June 1997	Eighteen months period ended 30 June 1996
	(Rupees'000)	
Return on Term Finance Certificates	13,410	19,950
Mark-up on long term finance utilised under mark-up arrangement	10,172	35,563
Interest on debentures	10	184
Interest on long term loans	140,968	48,213
Finance charges on lease facilities	38,414	27,051
Markup on shod term finance utilised under mark-up arrangement	96,955	101,375
Return on Workers' profit participation fund	307	552
Credit cards commission, bank and other charges	19,377	18,051
	-----	-----
	319,613	250,939
	=====	=====

26. OTHER INCOME/(CHARGES) - Net

Return on bank deposits	37,233	30,870
Profit on surrender of foreign exchange	832	16,136
Return on WAPDA Bonds/Defence Saving Certificates	4,670	8,373
Concessions and commissions	877	2,025
Gain on disposal of fixed assets	1,946	1,916
Income on sale of investments	60,358	-
Liabilities written back	69,752	380
Others	9,779	8,337
	-----	-----
	185,447	68,037
Net exchange gain / (loss) on conversion of foreign currency assets and liabilities	8,174	1,965
	-----	-----
	193,621	70,002
	=====	=====

27. EXECUTIVES' REMUNERATION

For the year ended
30 June 1997

For the eighteen months
period ended 30 June 1996

(Rupees '000)

	Chief Executive	Executives	Chief Executive	Executives
Managerial remuneration	1,265		31,568	1,357
Contribution to provident fund	73		963	83
Gratuity	326		1,636	139
Housing	-		-	180
	-----		-----	-----
	1,664		34,167	1,759
	-----		-----	-----
No. of persons	1		96	1
	-----		-----	-----
				71
	-----		-----	-----

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

27.2 The Chairman does not draw any salary.

28. TRANSACTIONS WITH ASSOCIATED AND SUBSIDIARY COMPANIES

	30 June 1997	30 June 1996
	(Rupees '000)	
Sales	2,132	8,726
	-----	-----
Services provided	4,741	-
	-----	-----
Purchases	6,741	10,804
	-----	-----
Proceeds from sale of fixed assets	125	1,552
Securities sold	-	15,000
	-----	-----

	(Rupees '000)													
	Total		Head Office		Karachi		Lahore		Rawalpindi		Peshawar		Bhurban	
	Year ended 30 June 1997	Eighteen months period ended 30 June 1996	Year ended 30 June 1997	Eighteen months period ended 30 June 1996	Year ended 30 June 1997	Eighteen months period ended 30 June 1996	Year ended 30 June 1997	Eighteen months period ended 30 June 1996	Year ended 30 June 1997	Eighteen months period ended 30 June 1996	Year ended 30 June 1997	Eighteen months period ended 30 June 1996	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
Sales and Services	1,370,618	1,846,331	-	-	328,592	420,703	530,005	665,604	219,104	319,326	152,319	220,538	140,598	220,160
Cost of sales and services	1,012,291	1,293,828	-	-	202,868	303,507	422,553	426,388	149,632	195,344	97,313	138,715	139,925	219,874
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Gross Profit	358,327	562,503	-	-	125,724	117,196	107,452	239,216	69,472	123,982	55,006	81,823	673	286
Administrative and general expenses	260,582	312,067	39,522	48,974	56,944	72,937	70,548	64,566	40,485	49,482	25,858	36,999	27,225	39,109
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Operating profit/(loss)	97,745	250,436	(39,522)	(48,974)	68,780	44,259	36,904	174,650	28,987	74,500	29,148	44,824	(26,552)	(38,823)
Allocation of head office expenses (29.1)	-	-	39,522	48,974	(8,783)	(13,994)	(14,638)	(9,328)	(5,855)	(9,328)	(4,391)	(6,996)	(5,855)	(9,328)
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	97,745	250,436	-	-	59,997	30,265	22,266	165,322	23,132	65,172	24,757	37,828	(32,407)	(48,151)
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Financial charges	(319,613)	(250,939)												
Workers' Profit Participation Fund	-	(3,475)												
	-----	-----												
	(221,868)	(3,978)												
Other Income/ (charges) - Net	193,620	70,002												
	-----	-----												
Profit before taxation	(28,248)	66,024												
	-----	-----												

29.1 Head office expenses have been allocated to various hotels as deemed appropriate by the management.

30. CAPACITY

Pearl-Continental Hotel	Average Occupancy		
	No. of Rooms	30 June 1997	Eighteen months period ended 30 June 1996

	%	%	
Karachi	300	74	66
Lahore	487	56	81
Rawalpindi	200	76	78
Peshawar	150	62	70
Bhurban	200	50	60

30.1 Shortfall in occupancy is due to over supply of available rooms and lower tourist traffic.

31. GENERAL

31.1 Previous period's figures have been re-arranged, wherever necessary, to facilitate comparison.

31.2 Figures have been rounded off to the nearest thousand rupees.

Pattern of Shareholdings

As at 30 June 1997

No. of Shareholders	Shareholdings		Total Shares held	
448	1	to	100	17,096
242	101	to	500	49,307
32	501	to	1000	22,634
63	1001	to	5000	139,629
8	5001	to	10000	58,104
2	10001	to	15000	24,448
1	15001	to	20000	16,800
1	20001	to	25000	22,984
2	30001	to	35000	63,616
1	45001	to	50000	46,046
1	50001	to	55000	53,550
1	55001	to	60000	58,463
1	65001	to	70000	67,186
1	70001	to	75000	70,415
1	140001	to	145000	142,904
1	275001	to	280000	278,129
1	350001	to	355000	354,280
1	740001	to	745000	742,794
1	865001	to	870000	869,492
1	900001	to	905000	904,190
1	1040001	to	1045000	1,043,447
1	1045001	to	1050000	1,049,933
1	1250001	to	1255000	1,252,000
1	1295001	to	1300000	1,295,331
1	1415001	to	1420000	1,416,485
1	1435001	to	1440000	1,440,000
1	1500001	to	1505000	1,503,627
1	1580001	to	1585000	1,583,714
1	2150001	to	2155000	2,151,508
1	2400001	to	2405000	2,403,016
1	3750001	to	3755000	3,750,400
1	3985001	to	3990000	3,987,952
822				26,879,480
=====				=====

Categories of Shareholders	Number	Shares held	Percentage
Individuals	788	1,789,616	6.66
investment Companies including NIT	5	1,660,429	6.18
Insurance Companies	4	75,255	0.28
Joint Stock Companies	17	16,550,024	61.57
Government of Pakistan	2	278,130	1.03
Foreign Institutional Investors	3	6,442,400	23.96
Others*	3	83,626	0.32
	822	26,879,480	100.00
* Others	=====	=====	=====
Dawood Foundation		30,024	
Sheriar F. Irani Investment Trust Ltd.		52	
Sadridding Hashwani Trust		53,550	

		83,626	
		=====	

Statement Pursuant to Section 237 of the Companies Ordinance, 1984

The audited accounts alongwith Auditors' Report and Directors' Report of the Company's subsidiaries i.e. Trans-Air Travels (Pvt)

Limited, Pearl-Continental Hotels (Pvt) Limited, Pearl Tours & Travels (Pvt) Limited and Bhurban Resorts (Pvt) Limited for the year ended 30 June, 1997 are annexed to these accounts.

	30 June 1997			30 June 1996				
	Trans Air Travels (Pvt) Ltd.	Pearl-Continental Hotels (Pvt) Ltd.	Pearl Tours & Travels (Pvt) Ltd.	Bhurban Resorts (Pvt) Ltd.	Trans Air Travels (Pvt) Ltd.	Pearl-Continental Hotels (Pvt) Ltd.	Pearl Tours & Travels (Pvt) Ltd.	Bhurban Resorts (Pvt) Ltd.
Holding	100%	100%	100%	100%	100%	100%	100%	100%
Proportionate profit after tax of subsidiary dealt within the accounts by way of dividend/bonus shares								
- for the 18 months period 31 December, 1996	-	-	-	-	-	-	-	-
for previous years from the date the Company is a Subsidiary-	-	-	-	-	-	-	-	-
Proportionate Profit/ (loss) after tax of subsidiary not dealt with the accounts	-	-	-	-	-	-	-	-
- for the year	(1,752)	748	(633)	1,260	544	1,166	906	1,129
- for previous years from the date the Company is a subsidiary	(522)	213	577	1,129	(1,066)	(953)	(329)	1,129

Corporate Profile - Subsidiary Companies

A. TRANS AIR TRAVELS (PVT) LIMITED

Mr. Sadruddin Hashwani Chairman
 Mr. Maudood Ahmad Lodhi Director
 Mr. Shamsuddin Ibrahim Director
 Mr. Mansoor Akbar Ali CEO & Secretary

B. PEARL TOURS & TRAVELS (PVT) LIMITED

Mr. Sadruddin Hashwani Chairman
 Mr. Maudood Ahmad Lodhi Director
 Mr. Mansoor Akbar All CEO & Secretary

C. PEARL CONTINENTAL HOTELS (PVT) LIMITED

Mr. Sadruddin Hashwani Chairman
 Mr. Maudood Ahmad Lodhi Director
 Mr. Mansoor Akbar Ali CEO & Secretary

D. BHURBAN RESORTS (PVT) LIMITED

Mr. Sadruddin Hashwani Chairman
 Mr, Maudood Ahmad Lodhi Director
 Mr. Mansoor Akbar Ali CEO & Secretary

Trans Air Travels (Private) Limited

Directors' Report

Your directors are pleased to welcome you all at the 13th Annual General Meeting of the company to review the performance of your company for the year ended June 30, 1997.

During the year under review, our applications for the IATA membership for Lahore and Rawalpindi branches were approved in addition to Karachi branch. The benefit of IATA approval will be earned in the years to come. This will now

enable your company to expand on its client base and increase the sales which would improve our net yield.

The company during the year under review remained under pressure due to slow economy and increase in air fares as evident from the air traffic. The company had to bear the employment and office maintenance cost at each branch without adequate return. The Company thus, earned a net loss of Rs. 1.75 million after provision of taxes for the prior years as compared to profit of Rs. 0.54 million for the year 1996.

Transair Travels (Private) Limited is 100% owned by Pakistan Services Limited.

During the year Mr. Mansoor Akbar All was appointed as Chief Executive of the company in place of Mr. M. A. Lodhi who had resign. The Board place on record its appreciation for the services rendered by Mr. M. A. Lodhi as Chief Executive of the company.

The present auditors M/s. Taseer Hadi, Khalid & Co., Chartered Accountants retire and have offered for re-appointment as they are eligible. Your directors recommend their appointment as auditors for the year 1997-98.

On behalf of the Board.

Mansoor Akbar All
Chief Executive

Karachi: November 08, 1997.

Auditors' Report to the Members

We have audited the annexed balance sheet of Trans Air Travels (Private) Limited as at 30 June 1997 and the related profit and loss account and statement of changes in financial position, 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 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;

(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 and 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 1997 and of the loss and the changes in financial position for the year then ended; and

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

Taseer Hadi Khalid & Co.
Chartered Accountants

Karachi: November 08, 1997

Balance Sheet**As at 30 June 1997**

Note	30 June 1997 (Rupees'000)	30-Jun 1996
SHARE CAPITAL AND RESERVES		
Share Capital		
Authorized		
5,000 ordinary shares of Rs. 1,000 each	5,000	5,000
	=====	=====
Issued subscribed and paid-up		
3,000 ordinary shares of Rs. 1,000 each fully paid in cash	3,000	3,000
Accumulated loss		
	(2,274)	(522)
	-----	-----
	726	2,478
DEFERRED LIABILITY FOR STAFF GRATUITY		
	425	190
CURRENT LIABILITIES		
Finance under mark-up		
- arrangements - secured	3	1,627
	-----	-----
Creditors, accrued expenses and other liabilities	4	6,061
Provision for taxation	5	501
	-----	-----
	10,725	8,189
CONTINGENT LIABILITY		
	6	-----
	-----	-----
	11,876	10,857
	=====	=====

The annexed notes form an integral part of these accounts.

Note	30 June 1997 (Rupees'000)	30 June 1996
TANGIBLE FIXED ASSETS		
Operating assets - at cost less accumulated depreciation	7	331
CURRENT ASSETS		
Trade debts - unsecured considered good	8	8,393
Advances, deposits, prepayment and other receivables	9	1,463
Cash and bank balances	10	670
	-----	-----
	11,593	10,526
	-----	-----
	11,876	10,857
	=====	=====

Profit and Loss Account**For the year ended 30 June 1997**

Note	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
	(Rupees'000)	
INCOME		
Commission - net	11	6,504
EXPENSES		
Administrative and general	12	6,290
Financial	13	228
	-----	-----
	5,409	6,518

	-----	-----
	(1,290)	(14)
OTHER INCOME	197	302
	-----	-----
(Loss)/Profit before taxation	(1,093)	288
TAXATION		
Current	351	(82)
Prior years'	624	338
	-----	-----
	(659)	256
	-----	-----
(Loss)/Profit after taxation	(1,752)	544
Accumulated loss brought forward	(522)	(1,066)
	-----	-----
Accumulated loss carried forward	(2,274)	(522)
	=====	=====

The annexed notes form an integral part of these accounts.

Statement of Changes in Financial Position

For the year ended 30 June 1997

	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
	(Rupees '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net (Loss)/profit before taxation	(1,093)	288
Adjustments for:		
Financial charges	189	182
Depreciation	67	101
Gratuity (net)	235	94
	-----	-----
	(602)	665
Increase/(decrease) in operating assets/liabilities		
(Increase)/decrease in current assets		
Trade debts	(1,301)	(3,625)
Advances, deposits, prepayments and other receivables	735	(339)
Increase in current liabilities		
Creditors, accrued expenses and other liabilities	94	2,891
	-----	-----
	(472)	(1,073)
Financial charges paid	(189)	(182)
Income tax paid	(232)	(72)
	-----	-----
Net cash used in operating activities	(1,495)	(662)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(19)	(65)
	-----	-----
	(19)	(65)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of share capital	-	1,000
	-----	-----
	-	1,000
Net (decrease)/increase in cash and cash equivalents	(1,514)	273
Cash and cash equivalents at the beginning of year	(957)	(1,230)
Cash and cash equivalents at the end of year	-----	-----
	(2,471)	(957)
	=====	=====
CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,042	670
Finance under mark-up arrangements	(3,513)	(1,627)
	-----	-----

(2,471) (957)
 =====

Notes to the Accounts

For the year ended 30 June 1997

1. STATUS AND NATURE OF BUSINESS

Trans-Air Travels (Private) Limited was incorporated in Pakistan as a private limited company under the Companies Ordinance, 1984. the principal activity of the company is to deal in travel related work and to act as an IATA approved agency for the booking of airline tickets for domestic and international routes. The company is a wholly owned subsidiary of Pakistan Services Limited.

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

The company operates an unfunded gratuity scheme covering all eligible employees. Obligations under the scheme are provided in each financial year.

2.3 Taxation

Current
 The charge for current taxation, is based on taxable income at the current rates of taxation after taking into account applicable tax credits and rebates, if any.

Deferred

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

2.4 Tangible fixed assets and depreciation

These are stated at cost less accumulated depreciation. Depreciation is calculated on a straight line basis at the rates given in Note 7. Full year depreciation is charges on assets capitalized during the year whereas, no depreciation is charges in the year of disposal. Gain or loss on disposals of fixed assets if any, are taken to profit and loss account currently. Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

2.5 Trade debts

Known bad debts if any, are written off, while provision is made against debts considered doubtful.

2.7 Revenue recognition

Commission is recognized on the issuance of tickets.

3. FINANCE UNDER MARK-UP ARRANGEMENTS - secured

The company has running finance facility of Rs. 2.0 million (1996: Rs. 1.0 million) on mark-up basis from Muslim Commercial Bank Limited. The rate of mark-up is 57 paisas per Rs. 1,000 per day. The facility had expired on 30 June 1997 and is renewable. It is secured against the hypothecation of furniture and fixtures and pledge of WAPDA Bearer Bonds.

The overdrawn book balance in excess of the facility amount represents cheques issued before the year end which were met by deposits in the subsequent year.

4. CREDITORS, ACCRUED EXPENSES

AND OTHER LIABILITIES

	30 June 1997	30 June 1996
	(Rupees '000)	
Trade creditors	3,538	3,902
Due to associated companies	4.1 1,722	75
Advances against future issue of tickets	352	1,000
Accrued expenses	438	1,073
Other liabilities	105	11
	-----	-----
	6,155	6,061
	=====	=====

4.1 This represents a markup fee current account with the associated companies.

5. TAXATION

The income tax assessments of the company have been finalized upto and including assessment year 1996-97. In view of taxable loss for the year provision for minimum tax @ 0.5% of gross income has been made under section 80D of the Income Tax Ordinance, 1979.

6. CONTINGENT LIABILITY

Bank guarantee	6,425	2,600
	=====	=====

7. TANGIBLE FIXED ASSETS - at cost less accumulated depreciation

COST		DEPRECIATION				
As at	Additions	As at	As at	For the	As at	Written

	01 July 1996		30 June 1997	Rate Percent	01 July 1996	year/ period	30 June 1997	Down Value as at 30 June 1997
Office equipment	351	19	370	10	168	37	205	165
Furniture & fixture	344	-	344	10	196	30	226	118
30 June 1997	695	19	714		364	67	431	283
30 June 1996	630	65	695		263	101	364	331

8. TRADE DEBTORS - unsecured, considered good

This includes Rs. 1.839 million (1996: Rs. 2.065 million) due from the associated companies

9. ADVANCES, DEPOSITS, PREPAYMENTS AND

OTHER RECEIVABLES

	30 June 1997 (Rupees'000)	30 June 1996
Advance to:		
- Staff	42	47
- Income Tax	349	220
	391	267
Deposits	64	249
Prepayment	1	105
Other receivables	401	842
	857	1,463
10. CASH AND BANK BALANCES		
Cash with banks - on current accounts	936	341
Cash in hand	106	329
	1,042	670

11. COMMISSION - net

	Year ended 30 June 1997 (Rupees'000)	Eighteen months period ended 30 June 1996
Commission	6,908	9,594
Less' Discount	2,789	3,090
	4,119	6,504

12. ADMINISTRATIVE AND

GENERAL EXPENSES

	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
Salaries, wages and other benefits	2,772	3,534
Printing and stationary	161	107
Telephone and postage	441	481
Travelling and conveyance	146	205
Entertainment	154	51
Fees and registration	15	2
Office rent	641	1,169
Office expense	78	138
Auditors' remuneration (12.1)	25	56
Repairs and maintenance	93	238
Depreciation	67	101
Books, magazine and subscription	15	14
Computer rental	54	113
Insurance	19	6
Legal and professional charges	44	50
Miscellaneous	171	25
	4,896	6,290

12.1 Auditors' remuneration

Audit fee	20	38
Out of pocket expenses	5	4
Professional service		

-	14
-----	-----
25	56
=====	=====

13. FINANCIAL CHARGES

Mark-up on running finance	189	182
Bank charges	324	46
	-----	-----
	513	228
	=====	=====

14. TRANSACTIONS WITH ASSOCIATED AND HOLDING COMPANIES

The aggregate amount of transactions with associated and holding companies during the year was as follows:

	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
	(Rupees'000)	
Sale of tickets	7,982	10,904
	=====	=====

15. GENERAL

15.1 Figures have been rounded off of the nearest thousand rupees.

15.2 Prior year's figures have been re-arranged, wherever necessary, to facilitate comparison.

Pearl Tours & Travels (Private) Limited

Directors' Report

Your directors welcome you all at the 4th Annual General Meeting of the company for the year ended June 30, 1997.

During the period under review, your company incurred a pre-tax net loss of Rs. 0.462 million against net profit of Rs. 1.087 million during 18 months period ending June 30, 1996.

During the year under review, vehicle rental and tour package revenue registered an average increase of 34% per annum by recording it at Rs. 31.865 million as compared to Rs. 35.518 million during the 18 months period ended June 30, 1996. The enhancement in revenue was possible through additions of new leased vehicles. This increase in revenue was not sufficient to absorb the higher cost of depreciation, financial changes and running cost. The benefit of this expansion is expected to accrue in the years to come.

Being the wholly owned subsidiary of Pakistan Services Limited, the rent a car service is generally offered to the guests of Pearl Continental Hotels. Thus the growth of your company is highly depended on the occupancy of these hotels. However the imposition of wealth tax on vehicles above 1599 cc, increase in road taxes, insurance charges and cost of parts will have

adverse impact on overall profitability of the company. Efforts are however continued to over come these challenges.

During the year Mr. Mansoor Akbar All was appointed as Chief Executive of the company in place of Mr. M. A. Lodhi who had resigned. The Board place on record its appreciation for the valuable services rendered by Mr. M. A. Lodhi as Chief Executive of the company.

The present auditors M/s. Taseer Hadi Khalid & Company, Chartered Accountants retire and have offered themselves for re-appointment as auditors for the year 1997-98.

On behalf of the Board.

Mansoor Akbar All

Chief Executive

Karachi: November 08, 1997.

Auditors' Report to the Members

We have audited the annexed balance sheet of Peal Tours &

Travels (Private) Limited as at 30 June 1997 and the related profit and loss account and statement of changes in financial position, 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 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;

(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 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, 1997 and of the loss and the changes in financial position for the year then ended; and

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

Taseer Hadi Khalid & Co.
Chartered Accountants

Karachi: November 08, 1997

Balance Sheet

As at 30 June 1997

Note	30 June 1997 (Rupees '000)	30-Jun 1996
SHARE CAPITAL AND RESERVES		
Authorized capital 2,000,000 ordinary shares of Rs. 10/- each	20,000	20,000
	=====	=====
Issued, subscribed and paid-up capital 500,000 ordinary shares of Rs. 10/- each fully paid in cash	5,000	5,000
(Accumulated loss) Unappropriated profit	(56)	577
	-----	-----
ADVANCE AGAINST EQUITY	4,944	5,577
LONG TERM LOAN - Secured	5,000	5,000
	-	6,000
LIABILITIES AGAINST ASSETS		
SUBJECT TO FINANCE LEASE	13,355	8,315
DEFERRED TAXATION	276	276
CURRENT LIABILITIES		
Current maturity of long term loan & lease liability	10,594	3,238
Creditors, accrued expenses and other liabilities	3,512	841

Provision for taxation	8	169	288
		-----	-----
		14,275	4,367
		-----	-----
		37,850	29,535
		=====	=====

	Note	30 June 1997 (Rupees'000)	30-Jun 1996
TANGIBLE FIXED ASSETS -			
At cost less accumulated depreciation	9	30,381	21,469
LONG TERM LEASE DEPOSITS		2,914	1,256
PRELIMINARY EXPENSES			
	10	4	12
CURRENT ASSETS			
Trade debit-unsecured, considered good	11	2,551	2,465
Due from Holding company		91	871
Advances, deposits and prepayments	12	997	1,120
Cash and bank balances	13	912	2,342
		-----	-----
		4,551	6,798
		-----	-----
		37,850	29,535
		=====	=====

These accounts should be read in conjunction with the attached notes.

Profit and Loss Account

For the year ended 30 June 1997

	Note	Year ended 30 June 1997 (Rupees'000)	Eighteen months period ended 30 June 1996
REVENUES			
Vehicles rental		30,084	32,935
Tour packages		1,781	2,583
		-----	-----
		31,865	35,518
EXPENSES			
Package handling		1,183	2,134
Administrative and genera	14	27,384	30,861
Financial	15	5,613	2,337
		-----	-----
		34,180	35,332
		-----	-----
		(2,315)	186
OTHER INCOME			
	16	1,853	901
		-----	-----
(LOSS)/PROFIT BEFORE TAXATION		(462)	1,087
TAXATION			
Current		169	181
Prior		2	-
		-----	-----
		171	181
		-----	-----
(LOSS)/PROFIT AFTER TAXATION		(633)	906
UNAPPROPRIATED PROFIT BROUGHT FORWARD		577	(329)
		-----	-----
(ACCUMULATED Loss)/UNAPPROPRIATED PROFIT CARRIED FORWARD		(56)	577
		=====	=====

These accounts should be read in conjunction with the attached notes.

Statement of Changes in Financial Position

For the year ended 30 June 1997

	Year ended 30 June	Eighteen months
--	-----------------------	--------------------

	1997	period ended 30 June 1996
	(Rupees'000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	(462)	1,087
Adjustments for:		
Depreciation	7,017	4,628
Preliminary expenses written off	8	12
Gain on disposal of fixed assets	(1,400)	(365)
Mark-up on loan	713	1.17
	-----	-----
Operating profit before working capital changes	5,876	6,529
Changes in operating assets / liabilities		
Decrease/(Increase) in current assets	-----	-----
Trade debtors	(86)	(516)
Advances, deposits and prepayments	123 I	(109)
Due from/to holding company	780	(4,193)
Increase in current liabilities		
Creditors, accrued expenses and other liabilities	2,979	62
	-----	-----
	3,796	(4,756)
	-----	-----
Cash generated from operations	9,672	1,773
Financial charges paid	(1,021)	(1,070)
Income tax paid	(290)	(451)
	-----	-----
Income cash flow from operating activities	8,361	252
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term lease deposits	(1,658)	(702)
Additions to fixed assets	(17,259)	(14,651)
Sale Proceeds of fixed assets	2,730	1,074
	-----	-----
Net cash used in investing activities	(16,187)	(14,279)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share deposit money	-	5,000
Repayment of bank borrowings	(4,000)	-
Finance lease obtained	16,583	12,556
Repayment of finance lease	(6,187)	(3,529)
	-----	-----
Net cash flow from financing activities	6,396	14,027
	-----	-----
Net increase in cash and bank balances	(1,430)	-
Cash and bank balances at the beginning of the year	2,342	2,342
	-----	-----
Cash and bank balances at the end of the year/perio	912	2,342
	=====	=====

Notes to the Accounts

For the year ended 30 June 1997

1. STATUS AND NATURE OF BUSINESS

Pearl Tours & Travels (Private) Limited was incorporated on 30 May 1993, as a private limited company under the Companies Ordinance, 1984. The principal activity of the company is to operate rent-a-car business and to arrange tour packages. The company is a wholly owned subsidiary of Pakistan services Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

2.2 Taxation

Current
The charge for current taxation, is based on taxable income at the current rates of taxation. after taking into account applicable tax credits and rebates, if any.

Deferred

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

2.3 Tangible fixed assets and depreciation

Owned
These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the diminishing balance method at the rates given in note 9.

Depreciation on additions during the year is charged for the whole year, while no depreciation is charged in the year of

retirement / disposal.

Gain or loss on disposal is accounted for in the profit and loss account currently.

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

Leased

* Assets subject to finance lease are stated at lower of present value of minimum of lease payments under the lease agreement and the fair value of the assets. The related obligation under the lease are accounted for as liabilities. Depreciation is charged on the diminishing balance method at rates indicated in note 9.

* The financial charge is calculated at the rate implicit in the lease.

Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

2.4 Preliminary expenses

These are being written off over a period of five years from the year of commencement of commercial operation.

2.5 Trade debts

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

2.6 Foreign Currency Translation

Foreign currency transactions during the year are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Assets and liabilities in foreign currencies at the balance sheet date are translated into Pak Rupees at rate of exchange prevailing on the balance sheet date.

2.7 Revenue recognition

Vehicle rentals are recognized on performance of services, while revenue from tour packages are recognized on a receipt basis.

3. ADVANCE AGAINST EQUITY

This represent advance received from the holding company against future issue of share capital.

4. LONG TERM LOAN-secured

	30 June 1997	30 June 1996
	(Rupees'000)	
Balance at the beginning of the year / period	6,000	6,000
Less: Payments made during the year / period	(4,000)	-
	-----	-----
	2,000	6,000
Less: Current maturity	(2,000)	-
	-----	-----
	-	6,000
	=====	=====

The company had obtained a long term finance of Rs. 6 million from Crescent investment Bank Limited. The loan is secured against the right of set-off by the bank on holding company's foreign currency registered deposit certificate accounts. The loan carries markup at the rate of 16.25% per annum.

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	30 June 1997	30 June 1996
	(Rupees'000)	
Minimum of lease payments		
Opening balance as at 01 July	11,553	2,526
Add: Assets acquired on lease during the year / period	16,583	12,556
	-----	-----
	28,136	15,082
Less: Repayments made during the year/period	6,187	3,529
	-----	-----
	21,949	11,553
Less: Current maturity - shown under current liabilities	8,594	3,238
	-----	-----
	13,355	8,315
	=====	=====

The salient features of lease for vehicles acquired under finance lease are as follows:

Discounting factor	20 to 23%
Lease term	36 months
Security deposit	5 to 10 % of principal amount

The lease payments due are as under:

1996-97	-	5,113
1997-98	12,033	5,113
1998-99	10,274	4,609
1999-2000	4,578	-
	-----	-----
	26,885	14,835
	(4,936)	(3,282)
	-----	-----
	21,949	11,553
	=====	=====

6. DEFERRED TAXATION

Deferred tax arising due to timing differences computed under the liability method is estimated at Rs. 1.976 million (1996: Rs. 1.741 million). As the liability for deferred tax is not likely to reverse due to assessed losses of previous years, no provision has been made in these accounts.

7. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	30 June 1997 (Rupees '000)	30 June 1996
Sundry Creditors	7.1	2,544	89
Accrued expense		888	379
Mark-up on bank borrowing - secured		65	373
Others liabilities		15	-
		-----	-----
		3,512	841
		-----	-----

7.1 This includes due to an associated undertaking amounting to Rs. 0.175 million (1996: Rs. 0.084 million).

8. PROVISION FOR TAXATION

The income tax assessments of the company have been finalized upto and including assessment year 1996-97. In view of the tax loss for the year, provision for minimum tax @ 0.50% of turnover under section 80D of the Income Tax Ordinance, 1979 has been made.

9. OPERATING ASSETS - At cost less accumulated depreciation

	(Rupees '000)									
	As at 01 July 1996	COST Additions	(Disposals)	As at 30 June 1997	Rate Percent	As at 01 July 1996	DEPRECIATION For the year/ period	(Disposals)	As at 30 June 1997	Written Down Value as at 30 June 1997
Owned										
Furniture & Fixture	313	-	-	313	10	93	22	-	115	198
Motor vehicles	17,611	676	(1,940)	16,347	20	7,948	1,802	(611)	9,139	7,207
	-----	-----	-----	-----		-----	-----	-----	-----	-----
	17,924	676	(1,940)	16,660		8,041	1,824	(611)	9,254	7,405
Leased										
Motor vehicles	12,557	16,583	-	29,140	20	971	5,193	-	6,164	22,976
	-----	-----	-----	-----		-----	-----	-----	-----	-----
30 June 1997	30,481	17,259	(1,940)	45,800		9,012	7,017	(611)	15,418	30,381
	=====	=====	=====	=====		=====	=====	=====	=====	=====
30 June 1996	16,802	14,651	(972)	30,481		4,645	4,628	(261)	9,012	21,469
	=====	=====	=====	=====		=====	=====	=====	=====	=====

10. PRELIMINARY EXPENSES

	30 June 1997 (Rupees '000)	30 June 1996
Expenses incurred	12	24
Less: Written off during the year	8	12
	-----	-----
	4	12
	=====	=====

11. TRADE DEBTS - unsecured, considered good

This includes Rs. 0.06 million (1996: Rs. 2.01 million) due from associated undertakings.

12. ADVANCES, DEPOSITS AND PREPAYMENTS

Note	30 June 1997	30-Jun 1996
	(Rupees '000)	
Advance to:		
- Suppliers - considered good	133	403
- Income Tax	803	563
- Staff	11	20
	-----	-----
	947	986
Deposits	36	46
Prepayments	14	88
	-----	-----
	997	1,120
	=====	=====

13. CASH AND BANK BALANCES

Cash at bank- PLS account	357	1,148
- current account	508	1,100
Cash in hand	417	94
	-----	-----
	912	2,342
	=====	=====

14. ADMINISTRATIVE AND GENERAL EXPENSES

	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
	(Rupees'000)	
Salaries, wages and other benefits	7,083	7,916
Vehicle operating expenses	3,875	6,869
Counter license fee	902	1,258
Rent, rates and taxes	304	256
Legal and professional charges	36	36
Insurance	4,045	2,578
Repairs and maintenance	75	135
Printing and stationery	324	462
Telephone and postage	315	395
Auditors' remuneration	14.1 13	28
Preliminary expenses written off	8	12
Depreciation	7,017	4,628
Traveling and conveyance	125	312
Fuel & electricity	127	120
Vehicle rental charges	2,308	5,261
Vehicle registration clearance	790	547
Other	37	48
	-----	-----
	27,384	30,861
	=====	=====

14.1 Auditors' remuneration

	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
	(Rupees'000)	
Audit fee	10	26
out of pocket expenses	3	2
	-----	-----
	13	28
	=====	=====

15. FINANCIAL CHARGES

Finance charges on lease facility	4,485	983
Mark-up on bank borrowing	713	1,167
Bank charges	30	62
Front end fee	180	125
Central excise duty	205	-
	-----	-----
	5,613	2,337
	=====	=====

16. OTHER INCOME

Gain on disposal of fixed assets (net)	1,400	365
--	-------	-----

Insurance claim		
	-	173
Commission income	369	291
Profit on PLS account	84	72
	-----	-----
	1,853	901
	-----	-----
17. TRANSACTIONS WITH ASSOCIATED AND HOLDING COMPANIES		
Fixed assets purchased	125	1,525
	-----	-----
Services availed	2,384	9,485
	-----	-----
Services provided	3,350	3,711
	-----	-----

18. GENERAL

18.1 Previous year's figures have been re-arranged, wherever necessary, for the purpose of comparison.

18.2 Figures have been rounded off of the nearest thousand rupees.

Pearl Continental Hotels (Private) Limited

Directors' Report

Your directors are pleased to welcome you to the 8th Annual General Meeting of the company for the year ended June 30, 1997.

The Company earned before tax net profit of Rs. 0.652 million as compared to Rs. 0.674 million during 18 months period last year. You would be pleased to know that your Company has won the tax appeals relating to the assessment years 1994-95 and 1995-96 regarding the Income from WAPDA Bonds as taxable. Resultantly, after accounting for the credit of the prior years' taxation and provision of current taxation, profit after tax comes to Rs. 0.748 million as compared to an after tax profit of Rs. 1.116 million in the 18 months period last year.

The company is 100% owned subsidiary of Pakistan Services Limited.

The present auditors M/s. Taseer Hadi Khalid & Company, Chartered Accountants retire and have offered themselves for re-appointment as auditors for the year ending June 30, 1998.

On behalf of the Board.

Mansoor Akbar All
Chief Executive

Karachi: November 08, 1997.

Auditors' Report to the Members

We have audited the annexed balance sheet of Pearl Continental Hotels (Private) Limited as at 30 June 1997 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the 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;

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

(iii) the business conducted, investments made 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 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 financial position for the year then ended; and

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

Taseer Hadi Khalid & Co.
Chartered Accountants

Karachi: November 08, 1997

Balance Sheet

As at 30 June 1997

Note	30 June 1997 (Rupees '000)	30 June 1996
SHARE CAPITAL AND RESERVES		
Authorised Capital		
1,000,000 ordinary shares of Rs. 10 each	10,000	10,000
	=====	=====
Issued, subscribed and paid-up capital		
500,000 ordinary shares of Rs. 10 each		
fully paid in cash	5,000	5,000
Unappropriated profit	961	213
	-----	-----
	5,961	5,213
CURRENT LIABILITIES		
Accrued expenses	4	7
Due to the holding company	3 77	77
Provision for taxation	4 302	892
	-----	-----
	383	976
	-----	-----
	6,344	6,189
	=====	=====
CURRENT ASSETS		
Advance income tax	42	381
Short term investments - WAPDA Bearer Bonds	5,000	5,000
Accrued return on WAPDA Bearer Bonds	31	31
Cash at bank on PLS account	1,271	777
	-----	-----
	6,344	6,189
	=====	=====

These accounts should be read in conjunction with the attached notes.

Profit and Loss Account

For the year ended 30 June 1997

Note	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
	(Rupees '000)	
REVENUES		
Return on bank deposits	78	612
Return on WAPDA Bearer Bonds	625	164
	-----	-----
	703	776
OPERATING EXPENSES	5 (51)	(102)
	-----	-----
PROFIT BEFORE TAXATION	652	674

TAXATION

- Current	(12)	(235)
- Prior years'	108	727
	-----	-----
	96	492
	-----	-----
PROFIT AFTER TAXATION	748	1,166
UNAPPROPRIATED PROFIT/LOSS BROUGHT FORWARD	213	(953)
	-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD	961	213
	=====	=====

These accounts should be read in conjunction with the attached notes.

Statement of Changes in Financial Position

For the year ended 30 June 1997

	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
	(Rupees'000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	652	674
Profit on WAPDA Bearer Bonds	(625)	(164)
	-----	-----
	27	510
Changes in operating liabilities		
(Decrease)/Increase in current liabilities:		
Due to the holding company	-	(44)
Accrued expenses	3)	2
	-----	-----
	(3)	(42)
Income tax paid	(155)	(330)
	-----	-----
Net cash used in operating activities	(131)	138
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of WAPDA Bearer Bonds	-	(5,000)
Return on WAPDA Bearer Bonds	625	133
	-----	-----
Net cash from / used in investing activities	625	(4,867)
	-----	-----
Net Increase/(decrease) in cash at bank balance	494	(4,729)
Cash at bank at the beginning of the year / period	777	5,506
	-----	-----
Cash at bank at the end of the year / period	1,271	777
	=====	=====

Notes to the Accounts

For the year ended 30 June 1997

1. STATUS AND NATURE OF BUSINESS

Pearl Continental Hotels (Private) Limited was incorporated on 25 March 1989, as a private limited company under the Companies Ordinance, 1984. The principal activity of the company is to construct, operate and manage hotels. The company was engaged in operating and managing an auditorium on rental basis upto January 1992. The company is a wholly owned subsidiary of Pakistan Services Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Taxation

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

3. DUE TO HOLDING COMPANY

This represents mark-up free amount payable to the holding company, Pakistan Services Limited, for expenses paid by them on behalf of the company.

4. PROVISION FOR TAXATION

The income tax assessments of the company have been finalised upto and including the assessment year 1996-97. The CIT (Appeals) has set aside assessment orders for assessment years from 1990-91 to 1993-94. However no further tax liability is expected to arise in case of revised assessments.

5. OPERATING EXPENSES

Note	Year ended	Eighteen
	30 June	months
	1997	period ended
		30 June 1996
	(Rupees'000)	
Salary	-	67
Auditors' remuneration	5.1	6
Legal and professional charges	35	-
Professional tax	10	20
Income tax Appeal fee	-	5
	-----	-----
	51	102
	=====	=====

	Year ended	Eighteen
	30 June	months
	1997	period ended
		30 June 1996
	(Rupees'000)	
5.1 Auditors' Remuneration		
Audit fee	4	9
Out of pocket expenses	2	1
	-----	-----
	6	10
6. TRANSACTION WITH THE HOLDING COMPANY	=====	=====
Purchase of WAPDA Bearer bonds	-	5,000
	=====	=====

7. GENERAL

7.1 Figures have been rounded off to the nearest thousand rupees.

7.2 Previous year's figures have been re-arranged, wherever necessary, to facilitate comparison.

BHURABAN RESORTS (PRIVATE) LIMITED

Directors' Report

Your directors welcome you at the 3rd Annual General Meeting of the company to review and approve the audited accounts for the year ended June 30, 1997.

Company has not yet commenced its commercial operations. However, after tax profit of Rs. 1.260 million has been earned by investment of funds in WAPDA Bearer Bonds as compared to after tax profit of Rs. 1.29 million for the 18 months period ending June 30, 1996.

Your directors due to overall slump in the economy have not yet selected a profitable business venture to start the commercial operation wh Chief Executive resort hotels.

The company is 100% owned subsidiary of Pakistan Services Limited.

The present auditors M/s. Taseer Hadi Khalid & Company, Chartered Accountants retire and have offered themselves for re-appointment as auditors for the year ending June 30, 1998.

On behalf of the Board.

Mansoor Akbar Ali
Chief Executive

Karachi: November 08, 1997.

Auditors' Report to the Members

We have audited the annexed balance sheet of Bhurban Resort (Private) limited as at 30 June 1997 and the related profit and loss account and statement of changes in financial position, 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 and after due verification thereof, we report that:

(a) in our 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;

(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 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 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 1997 and of the profit and the changes in financial position for the year then ended; and

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

Taseer Hadi Khalid & Co.
Chartered Accountants

Karachi: November 08, 1997

Balance Sheet

As at 30 June 1997

	Note	30 June 1997 (Rupees'000)	30-Jun 1996
SHARE CAPITAL			
Authorised capital			
2,000,000 shares of Rs. 10 each		20,000	20,000
		=====	=====
Issued, subscribed and paid-up capital			
1,000,000 ordinary shares of Rs. 10 each		10,000	10,000
Unappropriated profit		2,389	1,129
CURRENT LIABILITIES			
Accrued expense		3	4
Provision for taxation	3	30	666
		-----	-----
		33	670
		-----	-----
		12,422	11,799
		=====	=====
PRELIMINARY EXPENDITURE			
		36	36
CURRENT ASSETS			
Advance tax			
Short term investments- WAPDA Bearer Bonds		32	125
Accrued return on bank deposit and WAPDA Bearer Bonds		10,000	10,000
Due from the holding company	4	92	289
Cash at bank on PLS account		271	271
		1,991	1,078
		-----	-----
		12,386	11,763
		-----	-----
		12,422	11,799
		=====	=====

These accounts should be read in conjunction with the attached notes.

Profit and Loss Account

For the year ended 30 June 1997

Note	30 June 1997 (Rupees '000)	30-Jun 1996
RETURN ON:		
PLS Account	100	731
WAPDA Bearer Bonds	1,250	312
Certificates of Investment	-	771
	-----	-----
	1,814	1,350
EXPENDITURE		
Professional tax	30	-
Professional fee	5	-
Printing and stationary	-	9
Auditors' remuneration	4	10
	-----	-----
	39	19
	-----	-----
Profit before taxation	1,311	1,795
	-----	-----
Provision for taxation - current year	(26)	(666)
prior year	(25)	-
	-----	-----
3	(51)	(666)
	-----	-----
Profit after taxation	1,260	1,129
Unappropriated profit brought forward	1,129	-
	-----	-----
Unappropriated profit carried forward	2,389	1,129
	=====	=====

These accounts should be read in conjunction with the attached notes.

Statement of Changes in Financial Position

For the year ended 30 June 1997

	Year ended 30 June 1997 (Rupees'000)	Eighteen months period ended 30 June 1996
CASH FLOW FORM OPERATING ACTIVITIES		
Profit before taxation	1,311	1,795
Add: Preoperating expenditure incurred in the previous		
Year expensed out in the current year	-	3
Less: Profit on WAPDA Bearer Bonds	(1,250)	(312)
	-----	-----
Changes in operating assets/liabilities	61	1,486
	-----	-----
Decrease/(Increase) in current assets		
Accrued return on bank deposit	197	(248)
Due from holding company	-	(271)
(Decrease)/increase in current		
liabilities-accrued expenses	(1)	1
	-----	-----
	196	(518)
	-----	-----
Income tax paid	(594)	(125)
	-----	-----
Net cash used in operating activities	(337)	(643)
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of WAPDA Bearer bonds	-	(10,000)
Return on WA 1	1,250	271
	-----	-----
Net cash from / used in investing activities	1,250	(9,729)
	-----	-----
Net increase (decrease) in cash at bank	913	(8,886)
Cash at bank at beginning the year/period	1,078	9,964
	-----	-----
Cash at bank at end of the year/period	1,991	1,078

=====

Notes to the Accounts**For the year ended 30 June 1997****1. STATES AND NATURE OF BUSINESS**

Bhurban Resorts (Private) Limited was incorporated on 14 December 1994, as a private limited company under the Companies Ordinance, 1984. The company has as yet not commenced its commercial operation. Its principal activity will be to build, construct, lease, erect and operate hotels, resorts and allied facilities in Pakistan. The company is a wholly owned subsidiary of Pakistan Services Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

2.2 Taxation

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

3. PROVISION FOR TAXATION

The income tax assessments of the company have been finalised upto and including the assessment year 1996-97.

4. DUE FROM THE HOLDING COMPANY

The represents mark-up free amount due from Pakistan Services Limited which has been paid subsequent to the year end.

5. AUDITORS' REMUNERATION

	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
	(Rupees'000)	
Audit fee	3	6
Out of pocket expenses	1	1
	-----	-----
	4	7
Add: Audit fee for the period from 14 December 1994 to 31 December 1994 expensed out (previously treated as preoperating expenses)	-	3
	-----	-----
	4	10
	=====	=====

6. TRANSACTION WITH THE HOLDING COMPANY

	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
	(Rupees'000)	
Purchase of WAPDA Bearer Bonds	-	10,000
	-----	-----

7. GENERAL

7.1 Pervious year's figures have been rearranged, wherever necessary, for the purpose of comparison.

7.2 Figures have been rounded off to the nearest thousand of rupees