Annual Report 2010

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Consolidated Financial Statements

VISION STATEMENT

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

MISSION STATEMENT

Secrets to our sustained leadership in hospitality are Excellency and Dynamism through offering competitive and innovative high quality value added services to our guests and business partners.

To meet the challenges of modern business, we constantly upgrade our operations and services in line with the latest technological facilities.

As a responsible corporate citizen, maintaining the highest level of governance, ethical standards and prudence.

Keeping close-watch at socio-political environment to make use of all available growth opportunities through aggressive and proactive approach.

Believe in strong and professional workforce by providing challenging and rewarding environment and equal respect to all through creating the sense of participation towards the success of our vision.

BOARD OF DIRECTORS

Mr. Murtaza Hashwani Mr. Sadruddin Hashwani

Ms. Sarah Hashwani

Mr. M.A.Bawany

Mr. Mansoor Akbar Ali

Syed Sajid Ali

Mr. Muhammad Rafique

Mr. Rolf Richard Bauer

Mr. Bashir Ahmed

CORPORATE PROFILE/ INFORMATION

Pearl Continental Hotels, a chain owned and operated by Pakistan Services Limited (the Company) sets the international standards for quality hotel accommodation in South Asia. The Company manages 6 luxury hotels at Karachi, Lahore, Rawalpindi, Peshawar, Bhurban and Muzaffarabad; comprising 1,390 rooms with registered office in Islamabad, Pakistan.

Board of Directors

Mr. Sadruddin Hashwani Chairman
Mr. Murtaza Hashwani Chief Executive Officer
Ms. Sarah Hashwani
Mr. M. A. Bawany
Mr. Mansoor Akbar Ali
Syed Sajid Ali
Mr. Muhammad Rafique
Mr. Rolf Richard Bauer
Mr. Bashir Ahmed

Audit Committee

Mr. Sadruddin Hashwani
Ms. Sarah Hashwani
Mr. Mansoor Akbar Ali
Syed Sajid Ali

Compensation Committee

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

Human Resource & Recruitment Committee

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

Chief Financial Officer

Mr. Muhammad Rafique

Company Secretary

Mr. Mansoor Khan

Auditors

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

Legal Advisor

M/s Liaquat Merchant & Associates

Bankers

Allied Bank Limited
Habib Bank Limited
KASB Bank Limited
mybank Limited
NIB Bank Limited
National Bank of Pakistan
Silkbank Limited
The Bank of Khyber
United Bank Limited
Soneri Bank Limited

Registered Office

3rd Floor, Saudi Pak Tower, 61/A
Jinnah Avenue, Islamabad.
Tel: 0092-51-2800148
Fax: 0092-51-2800063
http://www.pchotels.com
http://www.pchotels.biz
http://www.pchotels.com.pk
http://www.pearlcontinental.biz
http://www.pearlcontinental.com.pk
http://www.hashoogroup.com
http://www.hashoogroup.com.pk
http://www.hashoogroup.biz
http://www.hashoogroup.info
http://www.hashoo.info

Share Registrar

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

STRATEGIC OBJECTIVES

Sustain potential market share through managed Average Daily Rate

Ensure successful completion of all expansion projects

Seek improvement in employees' competencies and enhancing performance goals

Continue achieving sales growth to support long term plan

Reinforce all areas of security risks to Company's assets and guests

CODE OF CONDUCT

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

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

CORE VALUES

Growth and development for all

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

Recognition and reward

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

Innovation

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

Trust

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

NOTICE OF MEETING

Notice is hereby given that the 51st Annual General Meeting of Pakistan Services Limited will be held on Thursday, 28 October 2010 at 11:00 A.M. at Marriott Hotel, Islamabad to transact the following business:

1. To confirm the Minutes of the 50th Annual General Meeting held on 30 October 2009.
2. To receive, consider and adopt the Audited Financial Statements together with the Directors' and the Auditors' Reports thereon for the year ended 30 June 2010.
3. To appoint auditors for the year 2010-11 and fix their remuneration.
4. To discuss any other business with the permission of the Chair.

By Order of the Board

Mansoor Khan
Company Secretary

Dubai: 26 September 2010

Notes:

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

ii) The Share Transfer Books of the Company will remain closed from 22 October 2010 to 28 October 2010 (both days inclusive).

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

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

A. For Attending the Meeting:

i) In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the CDC Regulations, shall authenticate their identity by showing their original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

ii) In case of corporate entity or other share holder, the Board of Directors' Resolution / Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies:

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

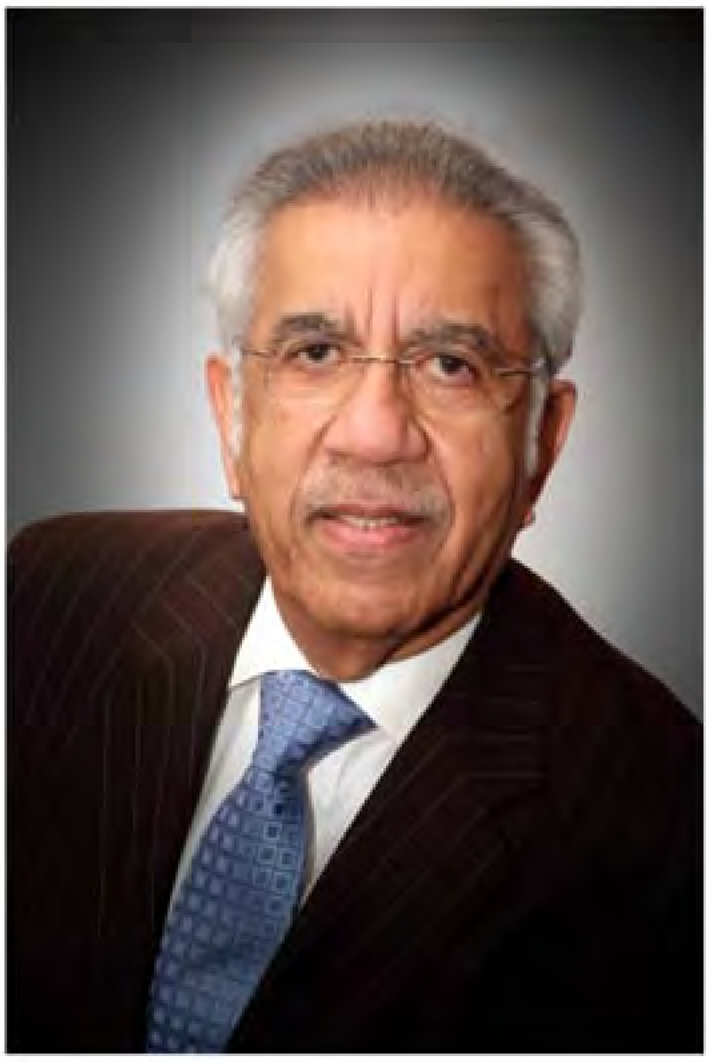
ii) The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

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

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

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

CHAIRMAN'S REVIEW



I take pleasure in presenting before you the Annual Report of the Pakistan Services Limited together with the Audited Financial Statements of the Company and the Auditors' Report thereon for the year ended 30 June 2010.

THE ECONOMIC ENVIRONMENT

The global economy is still not showing a recovery trend. It is fluctuating with hopeful but not so promising signs. As for Pakistan, the picture continues to be grim basically because of disturbed security situation in the country as well as in the neighbourhood. The economic woes of the country are being compounded by infrastructural issues. The inflationary pressure is building up due to debt burden, import and export trade gap and falling industrial production. As if that was not enough, Pakistan has been struck with devastating natural calamity since August 2010 in the form of unprecedented floods destroying properties, agriculture, livestock and infrastructure worth several billion US dollars. It may take a decade of sustained hard work and heavy investment to rebuild what has been lost to the floods.

The upside of the national tragedy is that the rebuilding process will place an across-the-board demand for skilled workers and material resources in broad industrial sector. With the foreign financial assistance, there should be influx of experts and managers from the donor countries, who would require hotel accommodation for relatively longer duration than a casual visitor. The large-scale reconstruction programme is foreseen as an opportunity for the hotel industry.

OVERALL PERFORMANCE OF THE COMPANY

Despite the sluggish market and unfavourable operating environment of electricity, water and security, the company worked hard for retaining its position in the highly competitive market and registered revenue of Rs.4,238 million during the year under report compared with Rs.4,503 million last year. However, the heartening thing is that even when there was drop in revenue, the gross profit for the year under report went up from 32 percent of the last year to 36 percent. This was possible by our constant dedicated efforts made on scientific lines for cost cutting.

From operational viewpoint, your Company's performance for the year under review remained fairly satisfactory; it succeeded in achieving profit (before tax and un-realized gain on re-measurement of investment in listed securities) of Rs.499 million, which is remarkable when compared with loss of Rs.101 million incurred in the last year. Additionally, improvement of stock market resulted in un-realized appreciation of Rs.106 million during the year under report from its investments in shares of listed securities and thus augmented the Company's profit before tax to Rs.605 million. During the last year, loss of Rs.597 million was recorded on this account.

Performance of Rooms Department

Revenue of this Department for the year 2009-10 stood at Rs. 1,740 million (exclusive of GST) as against Rs. 2,082 million (exclusive of GST) of the preceding year. This shows a decline of 16 percent, representing an amount of Rs.342 million. Average occupancy for the year under review remained almost the same, at 49 percent, which was during the preceding year 2008-09. The decrease in revenue from this segment of business is mainly due to decrease in the Average Daily Room Rate (ADR). The company had to reduce the ADR from Rs.8,060 in the year 2008 – 09 to Rs.7,217 in 2009-10 to face stiff competition emerging from reduced demand. The deteriorating law & order situation and increasing number of terrorist attacks in the country are restraining both the foreign as well as domestic potential clientele to travel to or in Pakistan unless it was absolutely mandatory. In order to sustain our business level, we have embarked upon aggressive marketing to beat our competitors in securing business especially of the kind that provides steady revenue like that of the airlines although such a business cuts into ADR.

Performance of Food & Beverage Department

Fragile business environment notwithstanding, revenue from this department surpassed that of the last year by reaching the figure of Rs.2,239 million (exclusive of GST) relative to Rs.2,220 million (exclusive of GST) in the preceding year. Incremental revenue of Rs.19 million from this segment represents 1 percent rise over that of the last year.

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

The Revenue from this segment during the year under review was Rs.259 million (exclusive of GST) as compared to Rs. 201 million in the last year. The increase of Rs. 58 million during the year under review compared with last year works out to growth of nearly 29 percent.

FUTURE PROSPECTS

The world recession has yet to subside but indicators so far are encouraging because of scintillations of recovery in the world economies. Pakistan, which was already confronting plethora of problems on a broad front has been hard hit by flash floods of the severity as never before. Pakistan had never faced such a disaster throughout 63 years of its history and magnitude of the damage is such that it will take a decade or more to rebuild and return to full normalcy.

The redeeming feature of this grave national challenge is that local population has been shaken into action to help their countrymen and women. Pakistani people have exceptional mettle to brave difficult times. Already thousands of Pakistani men and women are involved in self help and supporting those in the affected areas. The world community has scrambled to alleviate the sufferings of the people. A large number of donor countries and organizations' staff are engaged in the field. They need base facilities to operate from. There are cases when the core teams have lodged in the hotels.

We are doing our best to attract such a special demand of the visiting relief delegations. The reconstruction and rehabilitation activity in the country will certainly need the presence of donor agencies' experts and foreign experts for extended periods. There is potential for the hotel industry to avail some compensation for the loss of business due to general decline in the number of travelers. And we do hope that new and modern Pakistan leaving behind the horrors of terrorism will successfully emerge from the current crises. By then, the world economies must have also recovered. Altogether, we have high degree of optimism for the future of our country. Your company is forging ahead with improvements in the hotels and developing new strategies to face off the slump in business.

Since January 2010, Pearl Continental Hotel Peshawar has commenced partial operations (with 58 guestrooms) and serving its valued customers. This is yet another achievement of the Company to make it happen regardless of the fact that there were host of lurking threats in the area including the worst security situation prevailing while the company is doing reconstruction/ rehabilitation of the property. The rehabilitation work to open all the guestrooms and facilities of the hotel is in full swing.

In line with long term growth strategy of the Company, the Pearl Continental Hotel, Lahore added 46 new brand rooms during the current year, consisting of one presidential suite and 45 deluxe rooms. These ideally located secured rooms are comparatively more spacious furnished with modern facilities/amenities to meet the ever growing expectations of the valued guests. We are also featuring Golf Carts at the selected hotels like the Pearl Continental Hotel, Lahore to transport guests from the car parking area to the hotel entrance and vice versa.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Pakistan Services Limited being the renowned leader in the hospitality industry with its presence throughout Pakistan is fully aware of its Corporate Social Responsibility. During the year 2009-10, its main initiatives in this respect included:

Corporate Philanthropy

The company in discharge of its Corporate Social Responsibility in the areas of Community Investments and Welfare Schemes, Welfare spending for under-privileged classes, National Cause Donations and Rural development programs is engaged in a large number of philanthropic and humanitarian projects through the M/s Agha Khan Foundation and the M/s Hashoo Foundation engaged in empowerment of the deprived communities through education, skill development and provision of work opportunities; caring for needy in health and education sectors and participation in relief operations in the aftermath of natural calamities such as current floods. During the year under review, the Company donated a total sum of Rs.125.80 million to the M/s Aga Khan Foundation, Hashoo Foundation and the M/s Aga Khan Education Services.

Energy Conservation

Pakistan Services Limited presents a singular example of advanced energy conservation program run on scientific and technical criteria. Its highly qualified consultant has devised a check-list for energy audit, which includes identification of load centers, and evaluation of performance of heavy energy consuming machines, such as, air-conditioning systems and lighting. Change-over to LED lamps is in process and special solar heat shields films have been installed on window glass to conserve the energy consumption. Guestroom floors are being managed through judicious Building Management System.

Parallel efforts are afoot for reducing consumption of gas and diesel oil. The boilers are being tuned and consumption of gas by chillers is constantly monitored. The gas burners in kitchens are under modernization for highest efficiency and Pakistani kitchen gas burners are proposed to be fed from pressure-reducing valves to reduce the flow of gas. The Company holds regularly Energy Conservation Awareness Workshops to familiarize our staff with the concept of energy conservation.

Environment Protection Measures

The Company, as responsible corporate entity, ensures that their activities are consistent with sustainable environment. The hotels' wastes before disposal are treated to free them of hazards to the environment. Special attention is being paid to conservation of water in all outlets: commodes, laundry and dishwashing. Green machines and equipment that are highly efficient but use minimum energy/electricity or gas are being introduced. The Company has environment development programmes that comprise horticulture, plantation and immaculate cleanliness of not only inside of its hotels' premises but also immediate surroundings.

Consumer Protection Measures

The Company's internal checks and balances ensure modern consumer protection measures that include maintenance of hygienic work and service environment, health-care of employees, quality control of cooking equipments and serving devices including crockery and cutlery. The kitchens are equipped with latest storage machines (walk-through freezers, large refrigerators) and food preparation devices, such as, blenders, cooking ranges and baking ovens etc, conforming to international hotel standards. To ensure to provide the best value for money spend by the Guests, the company remains eager in securing "Feed Back" from its valued customers. Every customer is provided with a Customer Feed Back Form. All such feed backs are diligently reviewed and problems highlighted and suggestions made therein are taken care of on daily basis in a very professional and satisfying manner.

Employment of Special Persons

To fulfill this part of CSR, the Company currently employs about 31 special persons at its different business locations providing them a chance to live their life in normal way. Not only this, the company has an open door policy for recruitment of special persons.

Occupational Safety and Health

The Company regularly runs occupational safety and health training programmes to develop awareness for safety first policy. These multipurpose programmes are regular features to stress safe work practices. The staff is provided with requisite safety equipments to perform their duties. Any unsafe practice is strictly prohibited. Training and exercise programmes include but not limited to fire-fighting, evacuation in case of emergency call, earthquake response and first-aid. The main purpose is to develop full proficiency of staff in the use of safety equipment and reduce emergency response time.

The Company provides a congenial working environment to its employees for optimal performance of their duties and to achieve desirable productivity. Further, group health and life insurance coverage has been taken out by the Company for its employees to provide continuous and first class health related services to its employees.

Business ethics and anti-corruption measures

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

Contribution to national exchequer

The Company during the period under report contributed Rs.1,386 million (2008-09: Rs.1,406 million) to the national exchequer by way of custom duties, general sales tax, income tax and other government levies. Besides this direct contribution, the company's operations have expanding circle of economic impact in the form of suppliers, industry, employees & their families and others who contribute to the national exchequer.

GLIMPSE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated revenues during the year under review were recorded at Rs.4,337 million (exclusive of GST) as compared to Rs.4,596 million (exclusive of GST) achieved in the last year. The consolidated profit before and after tax for the year 2009-10 was recorded at Rs.554 million and Rs.375 million, respectively.

The wholly-owned subsidiary company, M/s Pearl Tours and Travels (Private) Limited, engaged in the business of Rent-a-Car and arranging package tours, generated revenue of Rs.125 million during the year under report as compared to Rs. 120 million during 2008-09. This shows nearly 4% increment in revenue earned during the year under review.

Another wholly owned subsidiary company, M/s Musafa International (Private) Limited (MIPL), engaged in project management business is close to completing construction and development of underground parking located next to company's Pearl Continental Hotel, Karachi. During the year under review MIPL recorded net profit after tax amounting to Rs. 0.118 million earned from placement of surplus funds in profit bearing bank account.

Besides above, the other wholly owned subsidiary companies, namely, M/s. Pearl Continental Hotels (Private) Limited and M/s. Bhurban Resorts (Private) Limited remained non-operational during the financial year 2009-10 but out of their funds placed with profit bearing bank accounts earned after tax income of Rs. 0.40 million and Rs. 0.55 million respectively.

ACKNOWLEDGEMENTS

On behalf of the Board, I acknowledge and appreciate dedicated services of all the associates of the Company. It is evident from the Company's results of its operations, as discussed supra, that in spite of country facing difficulties in so many directions, which has affected economy of the country as reflected in various segments, still your Company has done extremely well due to the dedicated management team and yet to come with strong determination and performance in future.

I also wish to express our gratitude to the worthy shareholders and stakeholders, the bankers, financial institutions and valued customers for their unwavering support even in tiring circumstances.

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

For and on behalf of the Board of Directors

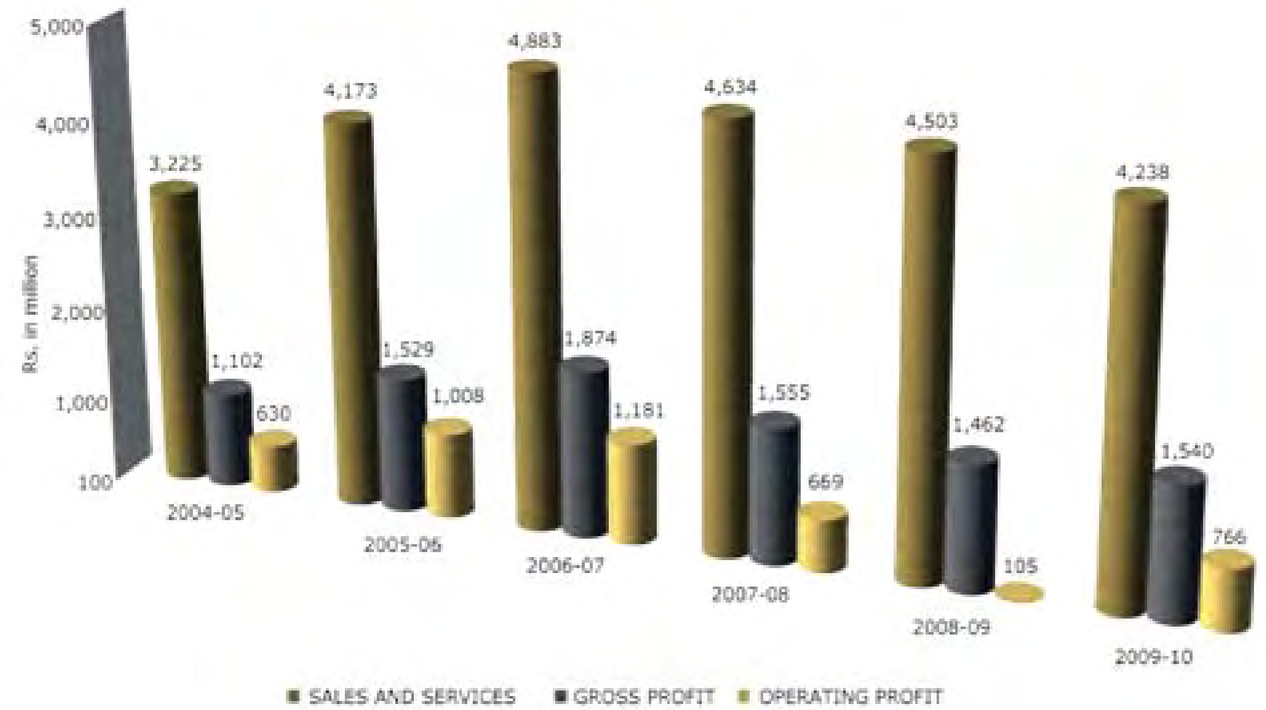
SADRUDDIN HASHWANI

Chairman

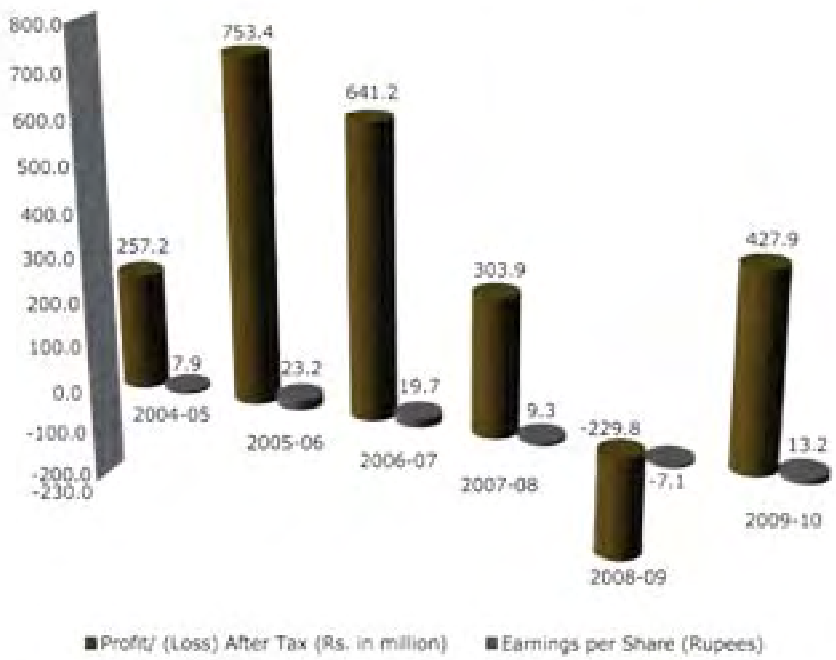
Dubai: 26 September 2010

PAKISTAN SERVICES LTD.

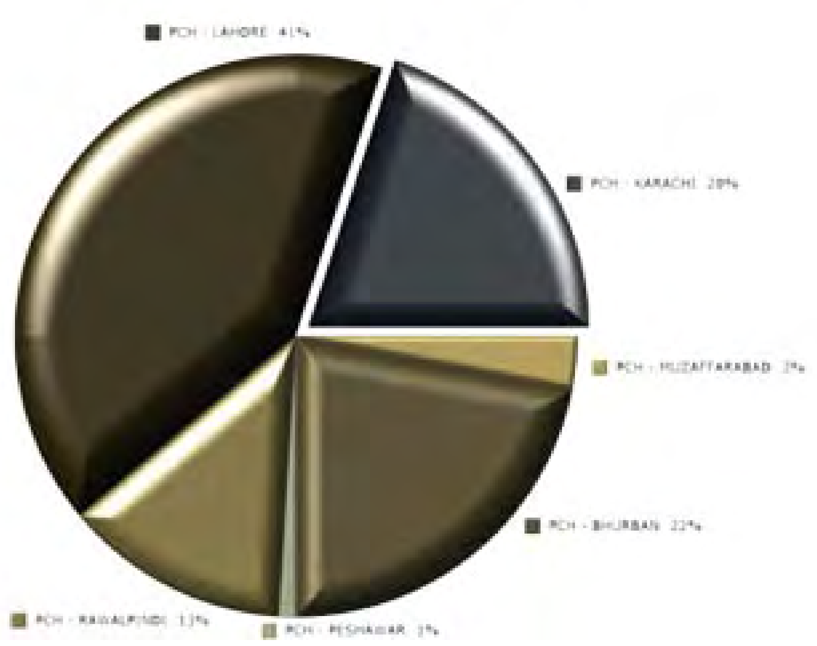
TREND ANALYSIS - SALES & SERVICES (NET) GROSS PROFIT & OPERATING PROFIT



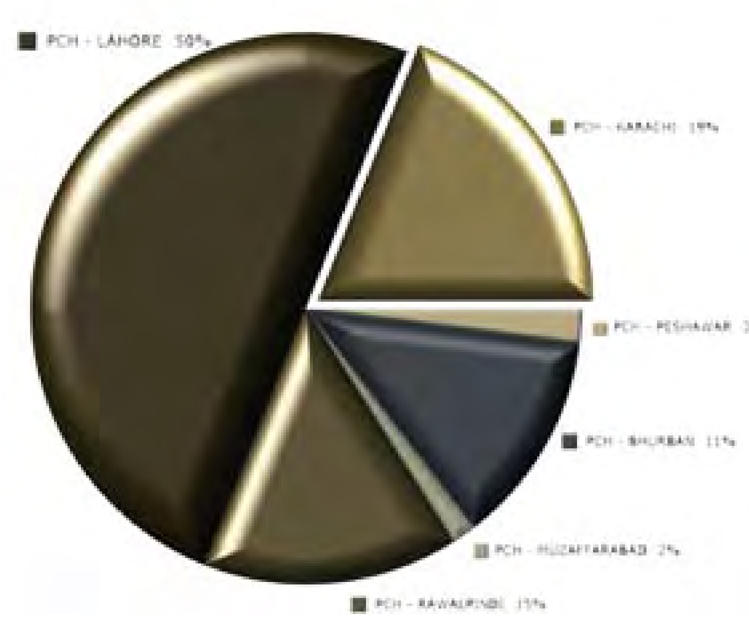
PROFIT AFTER TAX & EARNINGS PER SHARE



ROOM REVENUE (HOTEL WISE) FINANCIAL YEAR 2009-10



FOOD & BEVERAGES REVENUE (HOTEL WISE) FINANCIAL YEAR 2009-10



Italian Indeed

Sunlight filters through the horizontal dark wooden screens used as partitions in Covo, the new, split-level restaurant at the Lahore Pearl Continental Hotel. This culinary paradise is especially located in a quiet corner of the hotel lobby to offer you a tranquil, peaceful environment to enjoy your meal.

Covo, the Italian kitchen, is the very latest addition to the hotel, and as you climb the few steps leading up to the restaurant, you find yourself transported to an entirely different world. The exclusive restaurant's upper storey, furnished with dark wooden furniture and upholstered in a rich shade of rust tastefully balanced with beige, is assured additional privacy through the strategically placed screens. There is also a bar for those who wish to savor the variety of beverages on offer. Soft, instrumental music adds to the ambiance, and the aroma of delicate herbs and exciting spices that emanate from the cooking area tempts the palate. A wooden staircase takes you to the upper deck that serves as part of the eatery but can also be booked for private parties. With silver leafing on the wall, mirror, and plush carpeting, Covo offers a more formal atmosphere that can make every occasion even more special. An attractive cutlery chest in dark wood complements the tasteful interiors.

The Pearl Continental Hotels are already famous for their Thai, Chinese, Pakistani, and Continental cuisine. Now Covo with a seating capacity of about 70 people, is all set to cater for the gourmet looking for authentic Italian cuisine.

We felt that there was a niche in the market for traditional Italian cuisine. We have had our chefs trained and exposed them to Italian culture, and they have even learnt to speak Italian. Not only do the people of Lahore love to eat out, they are also very discerning customers where the quality of the food is concerned. Authentic recipes and important ingredients are being used. Freshly grown herbs add aroma and taste if the dish is prepared properly. We are particular about quality and authenticity and that is the reason for our success, says Anjum Javed, the Executive Chef, who has several years of experience in continental cooking and has received training from Italian chefs in Doha.

The menu starts with an impressive variety of soups or zuppa as the Italian call it. The most interesting is the Zuppa Cioppino, a thick, creamy tomato based stew made with a variety of seafood. Garnished with herbs and laden with prawns and lobsters, the soup is absolute delicious and beautifully presented. Apart from the French Onion, Cream of Tomato, and Cream of Mushroom soups known by their exotic Italian names, Minestrone Toscana is also something one must try. Very different from what one generally tastes, this soup is a thick vegetables stew thoroughly cooked without spoiling the colour and texture of the vegetables. An excellent choice for health enthusiasts and weight watchers! Among the appetizers, Calamari Fritti are small pieces of tender calamari coated in breadcrumbs, fried and served with freshly made tomato sauce and Italian salsa. This dish is light, crip fresh and heavenly! Beef Bresaola Cheese Plenta is thinly sliced dried beef served with walnut oil, balsamic syrup, basil leaves, and sun-dried

Grilled lobster with lemon butter sauce accompanied with sautéed vegetables is also available. The chef's favourite is Chicken Saltimbocca alla Romana a grilled juicy succulent chicken topped with beef bacon and melted cheese in traditional pepper sauce, artistically served with mashed potatoes and sautéed vegetables. Delicious and a special treat!

A variety of traditional thin crust pizzas made with olive oil dough and authentic pizza sauce are available for pizza lovers.

For those who prefer vegetarian food, fresh spinach sautéed in garlic and olive oil and steamed asparagus sprinkled with parmesan cheese and melted butter are on offer.

Coming to Dessert or Dolci as the Italians call it, one is tempted with many mouthwatering irresistible offers. The best is Tiramisu made with cram mascarpone cheese chocolate and lady finger biscuits soaked in espresso. So beautifully presented that one regrets spoiling it! Other interesting offers are Cre'me Brulee, Ricotta and Mascarpone Cheese Cake, and Panna Cotta, vanilla bean custard with fresh fruit marinated in lemon. It is indeed a pleasure to dine at Covo. The food is excellent and the presentation superb. Served on square white platters with gleaming cutlery complemented by royal blue goblets, dining at Covo is indeed a memorable experience. For all those residing in Lahore, and for those visiting this historic city, an outing to Covo is not to be missed.

tomatoes. The four insalata or salads on offer tempt every appetite. Apart from the all-time favorite Caesar salad, a mix of crispy, crunchy vegetables tossed with freshly made croutons and sprinkled with parmesan cheese, each salad is different yet equally delicious. The Insalata Squid tossed in tangy vinaigrette is a mix of greens with provolone, artichoke, olives and sun-dried tomatoes with blue cheese dressing. The chef proudly states that special buffalo mozzarella cheese is an important ingredient in the insalata and extra virgin olive oil is served with crusty Italian bread, while the insalat Toscana Caprese, a mix of thinly sliced tomatoes, red onions basil, black olives splashed in olive oil and vinegar.

Fettuccine Fruitti di Mare, a delicious blend of shrimps and Italian noodles in creamy garlic sauce, is bound to be a favorite with customers. It's light and tasty. Another hot contestant is the Panne all Arrabiate, a lightly spiced tube pasta with fresh herbs and garlic. The Agnolotti Di Ricotta, ravioli stuffed with ricotta cheese and spinach coated on a creamy sauce and sprinkled with sage and Parmesan cheese is also a must try. Traditional pasta dishes such as Lasagna, Fettuccine Alfredo and Spaghetti Bolognaise cooked in extra virgin olive oil are also prepared according to authentic Italian recipes.

For Risottos, such as Risotto Al Polle e Romarino rice with chicken rosemary and tomatoes or Risotto Al Funghi a delicious smooth blend of mushroom and cheese the chefs at Covo use Arborio rice special Italian rice.

The main course offers three seafood dishes. The Gamberi Scampi Saffron Risotto is jumbo prawns served in a lemon and white vinegar sauce with saffron rice. In Salmon Al Finocchio important Pink Norwegian Salmon is served with smoky lemon sauce and fennel parsley.

PSL
PAKISTAN SERVICES LTD.

DIRECTORS' REPORT

The Board of Directors ("the Board")of Pakistan Services Limited ("the Company") takes pleasure in presenting the 51st Annual Report and the Audited Financial Statements along with the Auditors' Report thereon for the year ended 30 June 2010.

Summary of financial performance of the Company is as follows:

	(Rupees '000)
Profit from operations	499,293
Un-realized gain on re-measurement of investments	105,844
Profit before taxation	605,137
Taxation	(177,205)
Profit for the year	**427,932**

EARNINGS PER SHARE

Earnings per share for the year arrives at Rs. 13.16

COMPLIANCE STATEMENT

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

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There has been no material departure from the best practices of transfer pricing.
- Key operating and financial data of last six years in summarized form is annexed to this report.
- During the year, the Board held 5 meetings, the attendance record of the directors is as follows:

Name of Directors	Attendance
Mr. Sadruddin Hashwani	03
Mr. Murtaza Hashwani	03
Ms. Shazia Hashwani	02
Ms. Sarah Hashwani	03
Mr. Vazir Ali F. Mohammad	03
Syed Sajid Ali	03
Mr. M.A. Bawany	05
Mr. Masood Hashim	03
Mr. Shiraz Noordin	04
Mr. Muhammad Rafique	01

- During the year 3,025 shares of the Company were transferred in the name of Mr. Muhammad Rafique, Director and Chief Financial Officer of the Company. Subsequent to year-end 550 shares of the Company were transferred in the name of Mr. Bashir Ahmed Adrali , Director; 500 shares of the Company were transferred in the name of Mr. Rolf Richard Bauer, Director and 2,500 shares of the Company were transferred in the name of Mr. Mansoor Akbar Ali, Director. No other Directors, Company Secretary and their spouses & minor children have not traded in Company's shares during the year.
- The value of investment of provident fund as per accounts for the year ended 30 June 2010 was Rs. 370.847 million.
- The pattern of shareholding as required under section 236 of the Companies Ordinance, 1984 and Article (XIX) of the Code of Corporate Governance is annexed to this report.
- The directors fully endorse the contents of the Chairman's Review included in the Annual Report which deals interalia with the financial and operating results and significant deviations from last year, significant future plans and other related matters of the Company.

BOARD OF DIRECTORS CHANGE

The composition of the Board of Directors has changed since the last Annual General Meeting due to the resignation of Mr. Vazir Ali F. Mohammad. Subsequent to the year-end Ms. Shahzia Hashwani, Mr. Shiraz Noordin and Mr. Masood Hashim also resigned. The Board wishes to place on record its appreciation for the services rendered by the outgoing Directors and welcomes Mr. Muhammad Rafique, Mr. Rolf Richard Bauer, Mr. Bashir Ahmed Adrali and Mr. Mansoor Akbar Ali to fill the casual vacancies of the Directors of the Company and look forward to their valuable contributions.

PRINCIPAL BOARD COMMITTEES

Audit Committee

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

Compensation Committee

The Committee consists of three members including non-executive director as its Chairman. The committee is responsible for the reviewing and recommending all the elements of the compensation, organization and employees development policies relating to Board's and senior executives' remuneration.

Human Resource & Recruitment Committee

The Committee consists of four members including non-executive director as its Chairman. Its role is to assist the Board to enhance the level of competency and intellectual potential of our human resources.

AUDITORS

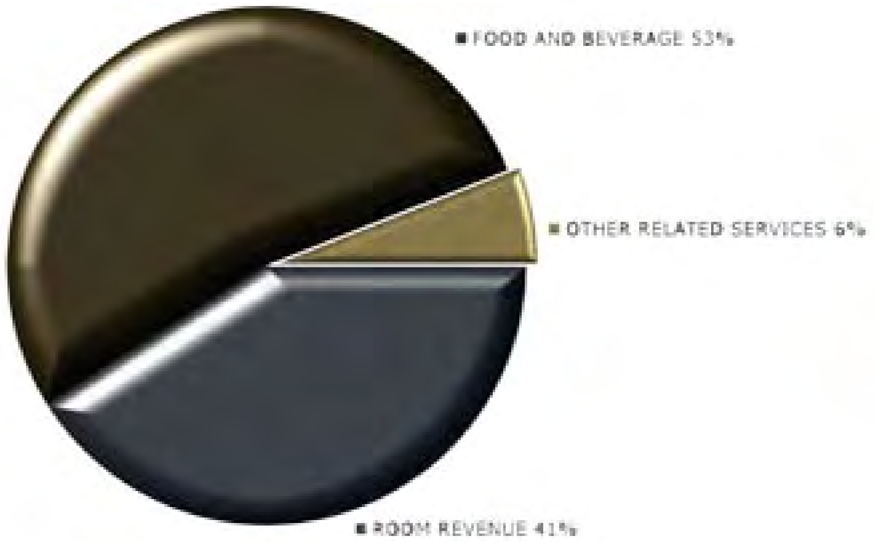
The retiring auditors, M/s KPMG Taseer Hadi & Co, Chartered Accountants being eligible, offer themselves for re-appointment as the Company's auditors. The Board, on the recommendation of Audit Committee, has proposed appointment of M/s KPMG Taseer Hadi & Co, Chartered Accountants as auditors of the Company for the year ending 30 June 2011.

For and on behalf of the Board of Directors

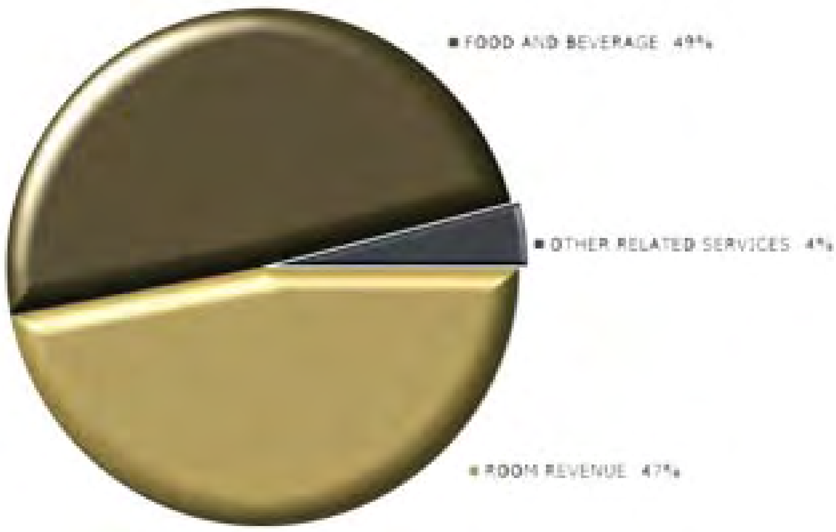
MURTAZA HASHWANI
Chief Executive

Dubai: 26 September 2010

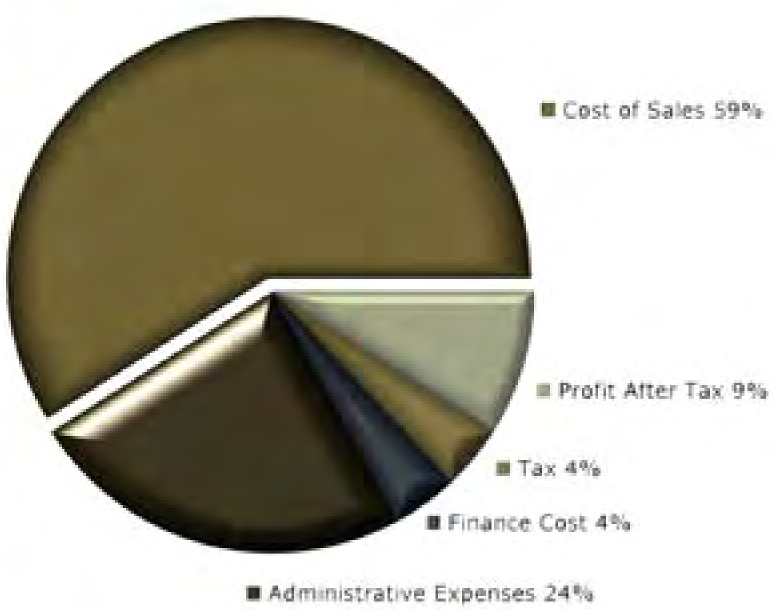
CONTRIBUTION OF MAJOR REVENUE GENERATING DEPARTMENTS FINANCIAL YEAR 2009-10



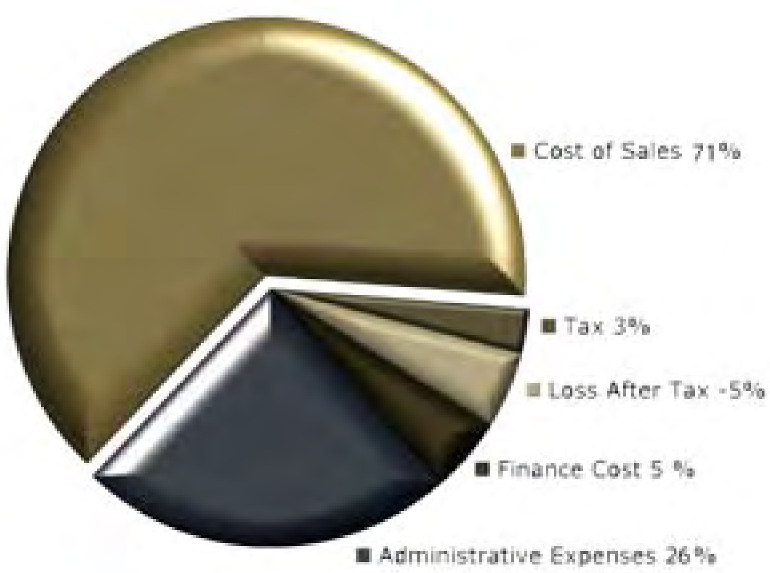
CONTRIBUTION OF MAJOR REVENUE GENERATING DEPARTMENTS FINANCIAL YEAR 2008-09



APPLICATION OF SALES & OTHER INCOME FINANCIAL YEAR 2009-10



APPLICATION OF SALES & OTHER INCOME FINANCIAL YEAR 2008-09



STATEMENT OF COMPLIANCE

Statement of Compliance with the Code of Corporate Governance to the members

For the year ended 30 June 2010

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

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

1. The Company encourages representation of independent non-executive directors on its Board and at present executive directors are not more than 75% of the elected directors including chief executive. The Board includes three non-executive directors.

2. The directors have confirmed that none of them is serving as director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and to the best of our knowledge none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year, four casual vacancies occurred in the Board due to resignations by the directors which were filled by co-opting the other four directors in their place.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by the directors and employees of the Company.

6. The Board has developed vision and mission statements, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions. There were no new appointments of the CEO during the year.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has been making arrangements for orientation course for its directors to apprise them of their duties and responsibilities.

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

11. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It consists of four members, including non-executive director as its chairman.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

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

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan and that they are not aware of any instances where shares of the Company held by the firm, any partners in the firm, their spouses and minor children. The firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

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

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

For and on behalf of the Board of Directors

MURTAZA HASHWANI
Chief Executive

Dubai: 26 September 2010

STATEMENT OF COMPLIANCE

With the Best Practices on Transfer Pricing to the Members For the year ended 30 June 2010

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

For and on behalf of the Board of Directors

MURTAZA HASHWANI
Chief Executive

Dubai: 26 September 2010

FINANCIAL HIGHLIGHTS

BASED ON UN-CONSOLIDATED FINANCIAL STATEMENTS

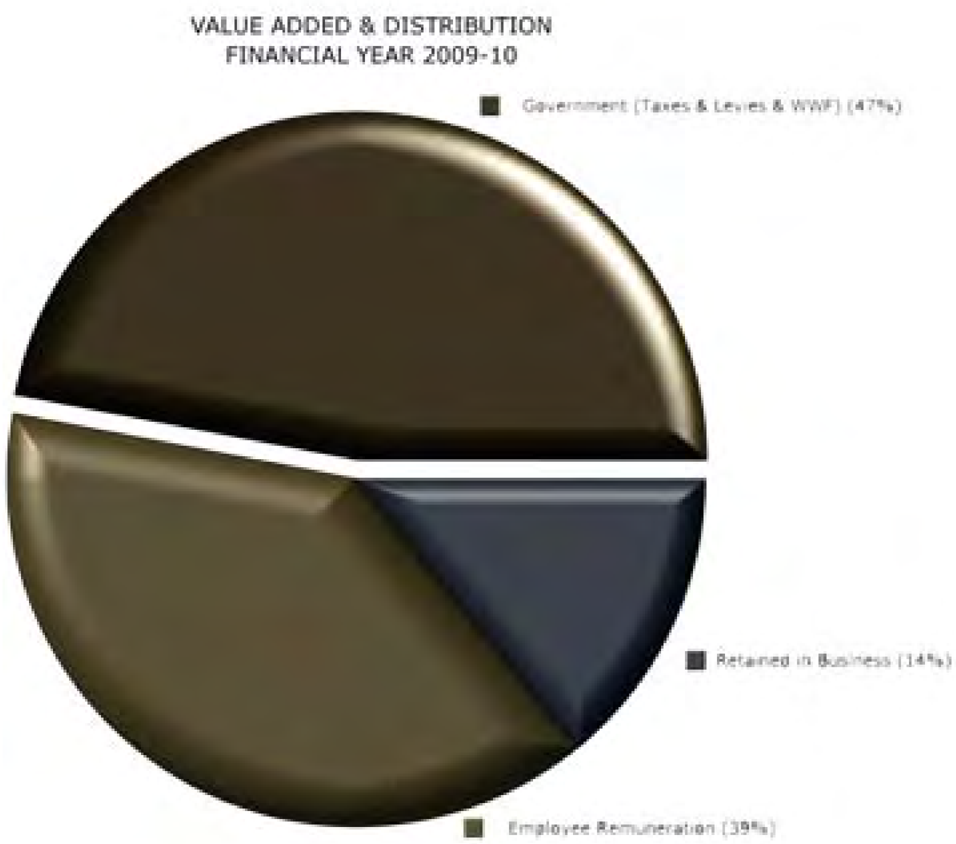
	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
			(Rupees in Millions)			
Performance						
Sales & Services Net	**4,238**	4,503	4,634	4,883	4,173	3,225
Gross Profit	**1,540**	1,462	1,662	1,874	1,529	1,102
Operating Profit	**766**	105	669	1,181	1,008	630
Profit/ (Loss) before Taxation	**605**	(101)	536	993	805	457
Provision for Tax	**177**	128	233	352	51	200
Profit/ (Loss) After Taxation	**428**	(230)	304	641	753	257
Dividend Including Bonus Share	**-**	49	33	81	81	81
Financial Position						
Share Capital	**325**	325	325	325	325	325
Reserves	**2,784**	2,356	2,635	2,364	1,804	1,132
Share Holder Equity *	**22,792**	10,981	11,260	10,988	10,429	9,756
Long Term Debts	**36**	108	180	412	744	1,047
Long Term Debts & Deferred Liabilities	**451**	590	661	838	1,104	1,413
Current Liabilities	**2,235**	2,416	2,186	1,496	1,130	913
Property Plant & Equipment at cost*	**24,735**	13,299	13,231	12,742	12,201	12,136
Property Plant & Equipment at carrying value*	**21,973**	10,721	10,759	10,741	10,313	10,315
Current Assets	**1,538**	1,463	2,309	1,687	1,455	1,450
Net Current Assets/ Laibilities	**(697)**	(953)	123	191	325	542
Long Term Debt: Shareholders' Equity Ratio	**0.00**	0.01	0.02	0.04	0.07	0.11
Current Ratio	**0.69**	0.61	1.06	1.13	1.29	1.59
Debt Coverage Ratio	**9.41**	2.01	2.15	1.83	1.16	0.68
Interest Cover Ratio	**4.75**	0.51	5.06	6.29	4.97	3.65
Investor's Information						
Gross Profit Ratio	**36.34%**	32.46%	35.86%	38.38%	36.63%	34.16%
Earning/ (loss) Per Share **	**13.16**	-7.07	9.34	19.71	23.16	7.91
% of Profit After Tax to Sales	**10.10%**	-5.10%	6.56%	13.13%	18.05%	7.98%
Return on Capital Employed	**1.84%**	-1.99%	2.55%	5.42%	6.53%	2.30%
Inventory Turnover Ratio	**61.81**	68.66	79.38	93.44	83.64	74.33
Debtor Turnover Ratio	**16.12**	15.71	15.09	19.93	22.18	23.69
Fixed Assets Turnover Ratio	**0.19**	0.42	0.43	0.45	0.40	0.31
Breakup Value per share *	**700.77**	337.63	346.20	337.85	320.64	299.98
Market value at the end of the year **	**123**	113.05	540	466	393.55	180
Market value high during the year **	**249**	530	564	466	393.55	197.55
Market value low during the year **	**98.2**	113.05	412	316	161.5	125.5
Price Earning Ratio	**9.35**	-16.00	57.79	23.64	16.99	22.76
Dividend Per Share - Bonus **	**-**	-	-	-	-	-
Dividend Per Share - Cash **		1.5	1	2.5	2.5	2.5
Dividend Yield Ratio %	**0.00%**	1.33%	0.19%	0.54%	0.64%	1.39%
Dividend Payout	**-**	-	11%	13%	11%	32%
Capital Expenditure	**61**	288	581	549	75	5,612

* This include impact of revaluations

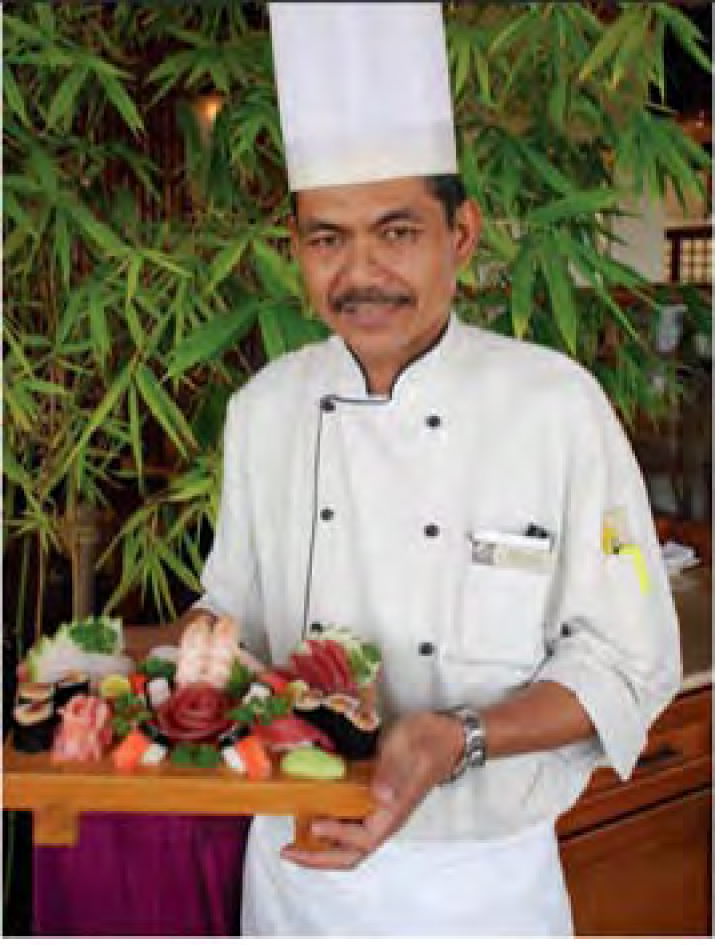
** Amount in Rupees

STATEMENT OF VALUE ADDITION & ITS DISTRIBUTION

	2009-2010 (Rupees '000)
VALUE ADDITION	
Sales & Services	5,050,536
Other operating income - net	331,922
	5,382,458
Cost of Sales and Other expenses (Excluding remuneration)	(2,428,892)
	2,953,566
DISTRIBUTION	
Employee Remuneration	1,139,331
Government (Taxes, Levies & WWF)	1,386,303
Retained in Business	427,932
	2,953,566



PEARL-CONTINENTAL, KARACHI



Sakura

The Blossoming of Japanese Cuisine in Karachi

Cherry blossoms and Japanese aesthetics, Sushi and artfully cultivated Bonsai, Sakura is the Karachi Pearl Continental Hotel's answer to the great Japanese dream. Nestled on the tenth floor of the hotel it is an artist's delight, a food connoisseur's treasure trove and a busy executive's retreat besides being a one of its kind Japanese restaurant in Pakistan.

Sakura literally translates into cherry blossom, which happens to be the national flower of Japan. Once you step inside this heavenly abode, serenity envelops the senses and the mood becomes exclusively oriental. The painstakingly executed accuracy of detail justifies a fantasy trip into the land of the kimono and floral art for; there is no doubt that the scenario boasts Japanese to the hilt. So complete is the cherry blossom artistry that there simply can be no looking back and all else fades into the background. At a more real life level, the eatery is fenced with life size glass windows on three sides. Thus from this decidedly Japanese vantage point you are simultaneously treated to a splendid view of the city of Karachi for the world opens out as you turn round sideways and the sprawling green fields of the Gymkhana put in the perfect finishing touch to the overall ambience.

With decor being a dictating factor in as far as setting the tone of any eating place goes, the Pearl Continental management saw to it that the best available talent was hired to create a mood to complement the restaurant's specific culinary offerings. The light brown wooden flooring of Sakura is at the same time, a striking and complimentary backdrop to the pale, and stone-brick water fountain strategically situated at the right hand side of the entrance. The image of the cherry blossom around which the mood has been created, is repeatedly used in the decor with deliberate intent but its presence frosted on small glass walls around the live-cooking counter of the restaurant brings additional thematic re-enforcement. Colorful Japanese paintings adorn the walls and bright red Japanese lamps hanging from the ceiling add to the overall oriental ambiance. The choice of cherry colored napkins, with a touch of dull gold, accompanying custom designed crockery, with the image of the cherry blossom trees, definitely shows that nothing has been left to chance by the interior designer and the management. The cherry colored upholstery comes into its own as down-lit effects of the Japanese lamps conspire with it to create a special intimacy with the food and your company. The Bonsai, a very oriental plant, sits on every table giving Sakura an environmentally friendly and refreshing feel. Not to be missed is the Japanese music playing in the background which, like all music has universal appeal.

The eatery can easily host up to eighty-five people with its spacious seating arrangement and but room can be expanded to accommodate a total of hundred and twenty individuals when booked for a party. For guests, who wish to have more privacy, a secluded enclosure offset by sliding bamboo doors, offers seating for ten people in one corner of the restaurant. So whether there are two, or twenty, or a hundred more, Sakura is the

perfect homing ground for trying out a pure and wholesome Japanese adventure.

Sakura opened its doors in 2001. "At Sakura, we aim to give a complete dining experience to our guests. Therefore the food is as authentic as one can find in the native country," says June Galo, Head Chef at Sakura. With nearly three decades of experience in the industry, Galo is proud to present authentic Sushi in Pakistan. "Sushi is the most popular food in Japan and anyone who wants to try Japanese food should not miss it," she adds. Made with raw fish packed in sushi vinegar rice, this is a delicacy Sakura proudly offers to its guests at the Sushi bar. Artistically dressed up with a blend of colors, the variety of Sushi offered at the restaurant will bring back delicious gourmet memories of the homeland for all the Japanese guests visiting this place. For others it will be the beginning of a new adventure most likely to become a habit in terms of taste and decor! We promise.

Serving an a la carte menu, Sakura's live -cooking counter has evolved into a conversation piece to be written back home about. At the Payaki Platter, situated right where you cannot miss it, in the middle of the restaurant, the act of putting various ingredients together for a delicious Japanese meal is a sheer culinary delight even to watch. But that is just where the fun and the taste begins to come together because all ingredients and sauces like the Teriyaki Sauce are imported from Japan so that guests do not miss out on the tiniest detail . The eatery also offers Sashimi Noodles and a good variety of rice dishes. Tori Teriyaki, grilled and pan-fried chicken in Teriyaki sauce accompanied by a sweet creamy cabbage salad is not to be missed as well. Teppan-yaki, which is red snapper in a garlic and Soya based sauce is another heavenly, albeit oriental experience while Shrimp Tempura takes pride of place among Chef Galo's own creations. As the story goes, the tempura was brought to Japan by the Portuguese who simply could not eat the raw fish like the Japanese. Therefore they deep-fried it and later this became so very popular that the locals were bowled over too. Sakura also offers some of the best desserts in the city. Their Tempura Ice-cream, a mix of cold vanilla ice-cream coated with hot sweet batter made of flour, is an out of the world delight designed to appease the most fastidious of sweet teeth.

Overall, Sakura offers a delicious culinary experience complemented by impeccable service. The restaurant opens its doors to guests for lunch from 12:30 to 15:30 and dinner is served from 19:00 to 23:30. A lot of Japanese visitors and executives can be seen at the tables at about 19:30. "The Japanese take their food early, but the local guests come in late," informs the Head Waiter. In any case the variety of guest nationalities from homesick Japanese, to touring Europeans, to locals with the daring to experiment is proof enough of the charismatic and authentic nature of the food at Sakura.

"Japanese companies based in Karachi like to bring their guests from back home to Sakura, since it offers the best Japanese cuisine in the city plus the view is simply awesome," says Shagufta Khan, Director, Public Affairs Pearl Continental Hotel Karachi.

The best news is that in keeping with contemporary security concerns, the Pearl Continental Karachi is totally committed to providing maximum security to its valuable guests. The idea is to provide good cuisine in an environment free from all concerns so that guests can really enjoy the taste of the food .To this end a dedicated team comprising of highly trained security personnel including guards, security officers and supervisors are present twenty-four hours on the premises. They are either assigned to a specific post or patrol the building throughout the day and night. Surveillance devices like metal detectors and x-ray machines have also been installed to check and ward off any potential threat. Steel blockers and concrete bollards are some of the barriers employed to prevent vehicles from getting too close to the hotel. All transport entering the premises, including delivery vehicles, are checked through vehicle scanning cameras manned by trained guards and snifter dogs. The management has also built a blast proof boundary wall around the hotel to provide maximum security to its guests. Putting a premium on security concerns Sakura as well as most of the restaurants on the premises are situated on the tenth floor.

So whether you happen to be a Japanese national yearning for home food, or a foreigner wanting to avail of a new experience, or a Karachi-ite with a fancy for a special evening out, Sakura is the place to visit. All you need to do is go in the doors of this very exclusive restaurant and leave the world behind. Trust us, you will not be disappointed.

REVIEW REPORT

TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

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

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

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/ N-269 dated 19 January 2009 requires the Company to place before the Board of Director for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2010.

ISLAMABAD
Dated: 26 September 2010

KPMG TASEER HADI & Co.
Chartered Accountants
Audit Engagement Partner: Riaz Akbar Ali Pesnani

AUDITORS' REPORT

TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan Services Limited ("the Company") as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion-

(i) the 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 accounts and are further in accordance with accounting polices consistently applied except for the change as mentioned in note 3.1 with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of the profit, its cash flows and changes in equity for the year then ended; and

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

ISLAMABAD
Dated: 26 September 2010

KPMG TASEER HADI & Co.
Chartered Accountants
Audit Engagement Partner: Riaz Akbar Ali Pesnani

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

BALANCE SHEET
AS AT 30 JUNE 2010

	Note	2010	2009
		(Rupees'000)	
SHARE CAPITAL AND RESERVES			
Authorised share capital			
50,000,000 (2009: 50,000,000) ordinary shares of Rs. 10 each		**500,000**	500,000
Issued, subscribed and paid up share capital	4	**325,242**	325,242
Reserves	5	**1,869,424**	1,869,424
Unappropriated profit		**589,596**	161,664
		2,784,262	2,356,330
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	14.2	**20,007,770**	8,624,854
NON CURRENT LIABILITIES			
Long term financing	6	**36,000**	108,000
Long term deposits	7	**50,426**	82,813
Deferred liabilities	8	**364,810**	399,588
		451,236	590,401
CURRENT LIABILITIES			
Trade and other payables	9	**1,219,783**	1,522,143
Markup payable	10	**25,849**	30,462
Short term borrowings	11	**888,088**	767,230
Current portion of long term financing	6	**72,000**	72,000
Provision for taxation	12	**29,225**	24,306
		2,234,945	2,416,141
		25,478,213	13,987,726
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 40 form an integral part of these financial statements.

	Note	2010	2009
		(Rupees'000)	
NON CURRENT ASSETS			
Property, plant and equipment	14	**21,972,632**	10,720,517
Advance for capital expenditure	15	**758,289**	693,712
Investment property	16	**45,000**	41,500
Long term investments	17	**1,065,455**	1,065,455
Advance for equity investment	18	**95,700**	-
Long term deposits	19	**3,526**	3,613
		23,940,602	12,524,797
CURRENT ASSETS			
Stores, spare parts and loose tools	20	**83,954**	86,567
Stock in trade - food and beverages		**44,435**	42,867
Trade debts	21	**297,459**	228,534
Advances	22	**76,726**	98,626
Trade deposits and prepayments	23	**23,913**	39,565
Interest accrued	24	**47,472**	12,667
Other receivables	25	**50,314**	116,096
Other financial assets	26	**841,941**	766,398
Cash and bank balances	27	**71,397**	71,609
		1,537,611	1,462,929
		25,478,213	13,987,726

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		(Rupees'000)	
Sales and services - net	28	**4,238,232**	4,502,934
Cost of sales and services	29	**(2,698,003)**	(3,041,307)
Gross profit		**1,540,229**	1,461,627
Administrative expenses	30	**(1,092,180)**	(1,108,996)
Other operating expenses	31	**(21,078)**	(654,105)
Other operating income	32	**339,339**	406,501
Finance cost	33	**(161,173)**	(206,513)
Profit/ (loss) before taxation		**605,137**	(101,486)
Taxation	34	**(177,205)**	(128,352)
Profit/ (loss) for the year		**427,932**	(229,838)
Earnings/ (loss) per share - basic and diluted (Rupees)	35	**13.16**	(7.07)

The annexed notes 1 to 40 form an integral part of these financial statements.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	(Rupees'000)	
Profit/ (loss) for the year	**427,932**	(229,838)
Other comprehensive income for the year	-	-
Total comprehensive income/ (expense) for the year	**427,932**	(229,838)

The annexed notes 1 to 40 form an integral part of these financial statements.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ (loss) before taxation		**605,137**	(101,486)
Adjustments for:			
Depreciation		**250,050**	256,581
Gain on disposal of property, plant and equipment		**(1,345)**	(1,825)
Property, plant and equipment written off		**-**	45,960
Provision for staff retirement benefit - gratuity		**38,411**	33,594
Provision for doubtful debts		**13,452**	16,492
Provision for slow moving stores, spare parts and loose tools		**2,071**	-
Hotel crockery, cutlery, hotel linen and uniforms written off		**-**	22,461
Return on bank deposits, term deposit receipts, letters of placements and certificates of investments		**(85,004)**	(92,626)
Finance cost		**161,173**	206,513
Dividend income		**(15,825)**	(7,643)
Gain on revaluation of investment property to fair value		**(3,500)**	(1,500)
Unrealised (gain)/ loss on remeasurement of investments to fair value - net		**(105,844)**	597,058
Exchange loss/ (gain) - net		**1,606**	(7,267)
Impairment loss of Term Deposit Receipts		**5,300**	-
		865,682	966,312
Working capital changes			
(Increase)/ decrease in current assets			
Stores, spare parts and loose tools		**542**	(20,079)
Stock in trade - food and beverages		**(1,568)**	2,854
Trade debts		**(82,377)**	99,717
Advances		**21,900**	30,688
Trade deposits and prepayments		**15,651**	1,269
Other receivables		**65,782**	(72,130)
(Decrease)/ increase in current liabilities			
Trade and other payables		**(302,358)**	106,151
Cash (used in)/ generated from operations		**(282,428)**	148,470
Staff retirement benefit - gratuity paid		**(41,271)**	(25,814)
Income tax paid		**(204,204)**	(141,569)
Finance cost paid		**(165,786)**	(183,364)
Net cash from operating activities		**171,993**	764,035
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(98,620)**	(294,624)
Additions to advance for capital expenditure		**(88,218)**	(588,267)
Proceeds from disposal of property, plant and equipment		**4,357**	9,706
Advance for equity investment		**(95,700)**	-
Purchase of long term investments		**-**	(175,000)
Purchase of other financial assets		**(500,000)**	(2,500,000)
Sale of other financial assets		**25,000**	2,500,000
Dividend income received		**15,825**	7,643
Receipt of return on bank deposits, term deposit receipts, letters of placements and certificates of investments		**50,199**	84,837
Decrease in long term deposits		**(32,300)**	(2,064)
Net cash used in investing activities		**(719,457)**	(957,769)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of redeemable capital		**-**	(99,940)
Repayment of long term financing		**(72,000)**	(132,000)
Dividend paid		**-**	(46,774)
Net cash used in financing activities		**(72,000)**	(278,714)
Net decrease in cash and cash equivalents		**(619,464)**	(472,448)
Cash and cash equivalents at beginning of the year		**(195,621)**	269,560
Exchange (loss)/ gain - net		**(1,606)**	7,267
Cash and cash equivalents at end of the year		**(816,691)**	(195,621)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**71,397**	71,609
Running finance	11	**(888,088)**	(767,230)
Certificates of investments		**-**	500,000
		(816,691)	(195,621)

The annexed notes 1 to 40 form an integral part of these financial statements.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Share capital	Capital reserve share premium	Revenue reserves General reserve	Revenue reserves Unappropriated profit	Total equity
	(Rupees'000)				
Balance as at 30 June 2008	**325,242**	**269,424**	**1,100,000**	**940,288**	**2,634,954**
Changes in equity for the year ended 30 June 2009					
Total comprehensive income for the year					
Loss for the year	-	-	-	(229,838)	(229,838)
Total comprehensive income/(expense) for the year	-	-	-	(229,838)	(229,838)
Transactions with owners					
Final dividend for the year ended 30 June 2008 declared subsequent to the year end (@ Rs. 1.5 per share)	-	-	-	(48,786)	(48,786)
Total transactions with owners	-	-	-	(48,786)	(48,786)
Others					
Transfer to general reserve	-	-	500,000	(500,000)	-
Balance as at 30 June 2009	**325,242**	**269,424**	**1,600,000**	**161,664**	**2,356,330**
Changes in equity for the year ended 30 June 2010					
Total comprehensive income for the year					
Profit for the year	-	-	-	427,932	427,932
Total comprehensive income for the year	-	-	-	427,932	427,932
Balance as at 30 June 2010	**325,242**	**269,424**	**1,600,000**	**589,596**	**2,784,262**

The annexed notes 1 to 40 form an integral part of these financial statements.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. STATUS AND NATURE OF BUSINESS

Pakistan Services Limited ("the Company") was incorporated in 1958 in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) as a public limited company and is quoted on Karachi Stock Exchange (Guarantee) Limited. The Company is principally engaged in hotel business and owns and operates the chain of Pearl Continental Hotels in Pakistan and Azad Jammu and Kashmir. The Company's registered office is situated at 3rd Floor, Saudi Pak Tower, 61/A, Jinnah Avenue, Islamabad.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

These financial statements are separate financial statements of the company in which investment in subsidiary and associates is accounted for on the basis of direct equity interest rather than on the basis of reported results.

2.2 BASIS OF MEASUREMENT

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

- certain item of property, plant and equipment as referred in note 14 to these financial statements, have been measured at revalued amounts;
- investment property referred in note 16 to these financial statements, have been measured at fair value;
- other financial assets at fair value through profit or loss as referred in note 26 have been recognised at fair value; and
- liability related to staff retirement benefit referred in note 8.1 are measured at present value.

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

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pakistan Rupee (PKR) which is the Company's functional currency. All financial information presented has been rounded off to the nearest thousand of PKR, unless otherwise stated.

2.4 USE OF ESTIMATES AND JUDGMENTS

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

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

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

2.4.1 Property, plant and equipment

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

2.4.2 Investment property

The fair value of investment property is based on market value, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction. Any change in the estimate in future might effect the carrying amount of investment property and income of the group.

2.4.3 Taxation

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

2.4.4 Staff retirement benefit - gratuity

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

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

The Company reviews the stores, spare parts and loose tools and stock in trade for possible impairment on annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores, spare parts and loose tools and stock in trade with a corresponding affect on the provision.

2.4.6 Provision against trade debts, advances and other receivables

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

2.4.7 Impairment of financial assets

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

2.5 NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, interpretations and amendments to approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements;

IFRS 2 (amendments relating to group cash-settled share-based Payment transactions) - Share-based Payment (effective for annual periods beginning on or after 01 January 2010).

IFRS 5 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Non-Current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 01 January 2010).

IFRS 8 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Operating Segments (effective for annual periods on or after 01 January 2010).

IFRS 9 - (Classification and Measurement) - Financial Instruments (effective for annual periods beginning on or after 01 January 2010).

IAS 1 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2010).

IAS 7 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Statement of Cash Flows (effective for annual periods beginning on or after 01 January 2010).

IAS 17 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Leases (effective for annual periods beginning on or after 01 January 2010).

IAS 24 (revised definition of related parties) - Related Party Disclosures (effective for annual periods beginning on or after 01 January 2011).

IAS 32 (amendments relating to classification of right issue) - Financial Instruments: Presentation (effective for annual periods beginning on or after 01 January 2010).

IAS 36 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Impairment of Assets (effective for annual periods beginning on or after 01 January 2010).

IAS 39 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 01 January 2010).

IFRIC 14 (IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction), amendment with respect to voluntary prepaid contributions is effective for annual periods beginning on or after 01 January 2011.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 01 July 2010.

The International Accounting Standards Board made certain amendments to existing standards as part of its improvement project. The effective dates for these amendments vary by standard and will be applicable to the Company in ensuing years. These amendments are unlikely to have an impact on the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the change as mentioned in note 3.1 to these financial statements.

3.1 Change in accounting policy

The Company has applied revised IAS-1; "Presentation of financial Statements (2007)", which became effective as of 01 January 2009. This change requires the Company to present all transactions with the owners in the statement of changes in equity whereas all other changes in equity are presented in statement of comprehensive income. This presentation has been applied in these financial statements as of and for the year ended 30 June 2010.

Comparative information has been represented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earning/ (loss) per share.

3.2 Property, plant and equipment

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

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

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

Depreciation is recognised in profit and loss account on diminishing balance method over the estimated useful lives of each part of an item of property, plant and equipment at rates given in note 14 to these financial statements. Land and capital work in progress are not depreciated. Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is acquired or capitalized while no depreciation is charged for the month in which property, plant and equipment is disposed off.

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

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

3.3 Investments

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

3.3.1 Investment property

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

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

3.3.2 Investments in subsidiaries and associated companies

Subsidiaries are those enterprises in which the Company directly or indirectly controls, beneficially owns or holds more than 50 percent of the voting securities or otherwise has power to elect and appoint more than 50 percent of it's directors.

Associates are those entities in which the Company has significant influence and which is neither a subsidiary nor a joint venture of the Company .

Investments in subsidiaries and associates are stated at cost and the carrying amount is adjusted for impairment, if any, in the recoverable amounts of such investments.

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

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as held for trading and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investments representing listed equity securities are determined on the basis of prevailing market prices.

3.3.4 Investment available for sale

These are the investments that are designated as available for sale or are not classified as loan and receivables, held to maturity investments or investments at fair value through profit or loss. These are initially recognized at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value. Impairment loss is recognised in profit and loss account. Unrealized gains or losses from changes in fair values are recognized in statement of other comprehensive income. Realized gains and losses are taken to profit and loss account.

3.4 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at the lower of cost and net realizable value less allowance for slow moving and obsolete items. Cost is determined on the moving average basis and comprises cost of purchases and other costs incurred in bringing the items to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make a sale.

Stores in transit are stated at cost comprising invoice value and other charges paid thereon. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence, if any.

3.5 Stock in trade

Stock of food and beverages

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

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

3.6 Trade debts and other receivables

Trade debts and other receivables are recognized at original invoice amount less allowance for estimated irrecoverable amounts.

3.7 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

3.8 Markup bearing borrowings

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

3.9 Borrowing costs

Markup, interest and other charges on borrow ings are capitalized up to the date when the qualifying assets are substantially ready for their intended use. Borrowing cost is included in the related property, plant and equipment acquired/ constructed out of the proceeds of such borrowings. All other markup, interest and related charges are charged to the profit and loss account in the period in which they are incurred.

3.10 Provisions

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

3.11 Staff retirement benefits

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

Gratuity

The Company operates a defined benefit plan comprising an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to income. Actuarial valuations are carried out using the Projected Unit Credit Method. The Company's policy for the recognition of actuarial gains and losses is based on the "minimum 10% corridor" approach. Latest valuation was conducted as at June 30, 2010.

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

Provident fund

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

3.12 Taxation

Current

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

Deferred

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

3.13 Revenue recognition

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

3.14 Foreign currency translation

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

3.15 Financial assets and liabilities

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

3.16 Finance income

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

3.17 Offsetting of financial assets and financial liabilities

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

3.18 Dividend

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

3.19 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non financial assets

The carrying amount of the Company's non financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value of a cash generating unit, the recoverable amount is deemed to be the value in use. Impairment losses are recognized as expense in the profit and loss account.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the profit and loss account. Reversal of impairment loss is restricted to the original cost of asset.

3.20 Cash and cash equivalents

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

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2010	2009		2010	2009
Number of shares			(Rupees'000)	
25,672,620	25,672,620	Ordinary shares of Rs.10 each fully paid in cash	**256,726**	256,726
362,100	362,100	Ordinary shares of Rs. 10 each issued for consideration other than cash against property	**3,621**	3,621
6,489,450	6,489,450	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**64,895**	64,895
32,524,170	32,524,170		**325,242**	325,242

Associated companies hold 19,406,817 i.e. 59.67% (2009: 20,522,590 i.e. 63.10%) ordinary shares of the Company at the year end.

5. RESERVES

	Note	2010	2009
		(Rupees'000)	
Capital reserve	5.1	**269,424**	269,424
General reserve		**1,600,000**	1,600,000
		1,869,424	1,869,424

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

6. LONG TERM FINANCING

	Note	2010	2009
		(Rupees'000)	
From banking companies:			
Habib Bank Limited	6.1	**108,000**	180,000
		108,000	180,000
Current portion of long term financing		**(72,000)**	(72,000)
		36,000	108,000

6.1 This represents original term finance loan of Rs. 360 million (2009: Rs. 360 million) which carries markup equal to 3-month KIBOR plus 3% (2009: 3-month KIBOR plus 3%) per annum and is secured against equitable mortgage of land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 480 million (2009: Rs. 480 million) and first hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi for Rs. 250 million. This loan is repayable in twenty equal quarterly installments of Rs. 18 million each commenced from February, 2007.

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7. LONG TERM DEPOSITS

These represents security deposits paid by the licensees in respect of shops at hotels and are refundable/ adjustable on vacation of shops.

	Note	2010	2009
		(Rupees'000)	
8. DEFERRED LIABILITIES			
Staff retirement benefit - gratuity	8.1	**221,206**	224,066
Deferred tax	8.2	**143,604**	175,522
		364,810	399,588

8.1 Movement in the liability recognised in the balance sheet

	2010	2009
Opening balance	**224,066**	216,286
Charge for the year	**38,411**	33,594
Payments made during the year	**(41,271)**	(25,814)
Closing balance	**221,206**	224,066

Reconciliation of the liability recognised in the balance sheet

	2010	2009
Present value of defined benefit obligation	**214,440**	213,499
Actuarial gains unrecognised	**6,766**	10,567
Net liability at end of the year	**221,206**	224,066

Charge to profit and loss account for the year

	2010	2009
Current service cost	**17,060**	11,234
Interest cost	**21,351**	22,360
	38,411	33,594

The latest actuarial valuation was carried out on 30 June 2010 using projected unit credit method.

Actuarial assumption	**2010**	2009
Discount rate	**12%**	10%
Expected increase in eligible salary	**12.50%**	12.50%
Mortality rate	**EFU (61-66) Mortality Table**	EFU (61-66) Mortality Table

Historical information

	2010	2009	2008	2007	2006
(Rupees'000)	**221,206**	224,066	216,286	211,050	201,267

		Note	2010	2009
8.2	**Deferred tax**		(Rupees'000)	
	Taxable temporary differences			
	Accelerated depreciation		**246,199**	272,424
	Less: deductible temporary differences			
	Provision for staff retirement benefit		**77,422**	78,423
	Provision for bad and doubtful debts		**22,268**	17,559
	Impairment loss in value of investment		**1,855**	595
	Provision for stores, spare parts and loose tools		**1,050**	325
			102,595	96,902
			143,604	175,522

9. TRADE AND OTHER PAYABLES

Creditors	**243,547**	363,188
Accrued liabilities	**485,410**	597,030
Advances from customers	**119,773**	118,381
Unclaimed dividend	**3,536**	3,557
Retention money	**42,641**	39,026
Workers' welfare fund	**13,790**	11,087
Due to related parties	**7,884**	29,899
Federal excise duty	**5,685**	5,685
Sales tax - net	**86,704**	75,675
Bed tax	**80,955**	77,501
Property tax	**11,590**	83,541
Income tax deducted at source	**3,416**	2,489
Un-earned income	**70,986**	63,239
Other liabilities	**43,866**	51,845
	1,219,783	1,522,143

10. MARKUP PAYABLE

On long term financing	**1,788**	3,320
On short term borrowings	**24,061**	27,142
	25,849	30,462

11. SHORT TERM BORROWINGS

Running finance from banking companies			
National Bank of Pakistan	11.1	**638,205**	502,555
Habib Bank Limited	11.2	**155,823**	264,675
Soneri Bank Limited	11.3	**94,060**	-
		888,088	767,230

11.1 This represents running finance facility of Rs. 650 million (2009: Rs. 650 million) at markup rate of 1-month KIBOR plus 1.75% (2009: 1-month KIBOR plus 1.75%) per annum payable quarterly. This facility is secured against first mortgage charge on land, building, plant and machinery and first hypothecation charge on stock in trade, book debts, receivables and all other movable properties of Pearl Continental Hotel, Peshawar for an amount of Rs. 866.67 million (2009: Rs. 866.67 million).

11.2 This represents running finance facility of Rs. 350 million (2009: Rs. 350 million) at markup of 1-month KIBOR plus 3% (2009: 1-month KIBOR plus 3%) per annum payable quarterly. This facility is secured against equitable mortgage on land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 667 million (2009: Rs. 667 million) and first hypothecation charge over all present and future movable assets of the Pearl Continental Hotel, Rawalpindi for Rs. 250 million (2009: Rs. 250 million).

11.3 This represents running finance facility of Rs. 100 million (2009: Rs. Nil) at mark-up rate of 6-month KIBOR plus 2.5 % per annum payable quarterly. This facility is secured against lien on shares of M/s New Jubilee Insurance Company Limited, owned by the Company with 50% margin (refer note - 26.1.2) and ranking hypothecation charge over all the present and future current assets of the Pearl Continental Hotel Rawalpindi for Rs. 133 million.

12. PROVISION FOR TAXATION

	2010	2009
	(Rupees'000)	
Opening balance	**24,306**	33,081
Income tax paid during the year	**(204,204)**	(141,569)
Charge for the year	**209,123**	132,794
Closing balance	**29,225**	24,306

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 The income tax assessment of the Company have been finalised and returns have been filed upto and including the tax year 2009. However for the assessment year 1999-2000, an appeal is pending with the Income Tax Appellate Tribunal. In case of adverse decision of the appeal, the tax liability of Rs. 73.165 million (2009: 73.165 million) would arise against the Company for which no provision has been recognised by the Company in the books. These comprise of disallowances of certain expenses and arbitrary additions to the income of the Company. Based on appellate history and merits, the Company is confident of a favourable outcome in the appeal. Therefore, the Company considers that provision against this tax liability is not required.

	2010	2009
	(Rupees'000)	
13.1.2 Guarantees	**69,343**	55,939

13.2 Commitments

	2010	2009
13.2.1 Commitments for capital expenditure	**40,138**	121,396

This includes commitments for acquisition of land in Gwadar and for land regularization (note - 15.1).

14. PROPERTY, PLANT AND EQUIPMENT

	Free hold land	Lease hold land	Buildings on freehold land	Buildings on Leasehold land	Plant and machinery	Furniture, fixture, fittings and office equipment	Computers	Vehicles	Hotel crockery and cutlery	Hotel linen and unifors	Capital work in progress (Note 14.1)	Total
	(Rupees'000)											
Cost/ revalued amounts												
Balance as at 01 July 2008	3,827,677	4,927,822	617,545	812,901	2,212,791	558,218	101,322	149,826	12,329	10,132	83,996	**13,314,559**
Additions during the year	-	-	23,500	44,985	134,552	48,128	28,773	7,936	-	-	175,404	**463,278**
Disposals/ transfer	-	-	-	-	-	-	-	(15,321)	(12,329)	(10,132)	(168,654)	**(206,436)**
Written off	-	-	-	(37,985)	(125,065)	(10,863)	(8,196)	-	-	-	-	**(182,109)**
Balance as at 30 June 2009	3,827,677	4,927,822	641,045	819,901	2,222,278	595,483	121,899	142,441	-	-	90,746	**13,389,292**
Balance as at 01 July 2009	3,827,677	4,927,822	641,045	819,901	2,222,278	595,483	121,899	142,441	-	-	90,746	**13,389,292**
Additions during the year	-	23,640	-	1,857	10,347	10,742	12,584	1,640	-	-	61,450	**122,260**
Revaluation during the year	6,054,113	5,328,803	-	-	-	-	-	-	-	-	-	**11,382,916**
Disposals/ transfer	-	-	-	-	-	-	-	(6,818)	-	-	-	**(6,818)**
Balance as at 30 June 2010	9,881,790	10,280,265	641,045	821,758	2,232,625	606,225	134,483	137,263	-	-	152,196	**24,887,650**
Depreciation												
Balance as at 01 July 2008	-	-	327,144	304,217	1,429,209	353,697	81,901	59,615	-	-	-	**2,555,783**
Charge for the year	-	-	30,026	52,093	122,280	31,687	6,825	13,670	-	-	-	**256,581**
On disposals/ transfer	-	-	-	-	-	-	-	(7,440)	-	-	-	**(7,440)**
Written off	-	-	-	(28,060)	(91,225)	(9,040)	(7,824)	-	-	-	-	**(136,149)**
Balance as at 30 June 2009	-	-	357,170	328,250	1,460,264	376,344	80,902	65,845	-	-	-	**2,668,775**
Balance as at 01 July 2009	-	-	357,170	328,250	1,460,264	376,344	80,902	65,845	-	-	-	**2,668,775**
Charge for the year	-	-	28,387	49,212	114,704	33,517	12,978	11,252	-	-	-	**250,050**
On disposals/ transfer	-	-	-	-	-	-	-	(3,807)	-	-	-	**(3,807)**
Balance as at 30 June 2010	-	-	385,557	377,462	1,574,968	409,861	93,880	73,290	-	-	-	**2,915,018**
Carrying value - 2010	**9,881,790**	**10,280,265**	**255,488**	**444,296**	**657,657**	**196,364**	**40,603**	**63,973**	**-**	**-**	**152,196**	**21,972,632**
Carrying value - 2009	3,827,677	4,927,822	283,875	491,651	762,014	219,139	40,997	76,596	-	-	90,746	10,720,517
Rates of depreciation per annum	-	-	10%	10%	15%	15%	30%	15%				

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

14.2 Surplus on revaluation of property, plant and equipment

Properties comprising freehold and leasehold lands having cost of Rs. 154.38 million were revalued on 30 June 2010 by independent professional valuers based on market value basis method resulting in addition of Rs. 11,382.92 million. This revaluations had resulted in a cumulative surplus of Rs. 20,007.77 million, which has been included in the book value of property, plant and equipment under the heads of freehold land and leasehold land and credited to the surplus on revaluation of property, plant and equipment account.

Had the aforesaid revaluations not been carried out, the book values of freehold and leasehold lands would have been Rs. 154.38 million only (2009: Rs. 130.74 million).

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

	Note	2010	2009
		(Rupees'000)	
Cost of sales and services	29	**225,045**	230,923
Administrative expenses	30	**25,005**	25,658
		250,050	256,581

14.4 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Carrying value	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Purchaser
	-----	-----	(Rupees'000)	-----	-----		
Vehicle	835	491	344	349	5	Negotiation	Mrs. Kamal
Vehicle	261	254	7	200	193	Insurance claim	New Jubilee Insurance Limited
Vehicle	235	216	19	150	131	Insurance claim	New Jubilee Insurance Limited
Vehicle	555	227	328	470	142	Insurance claim	New Jubilee Insurance Limited
Vehicle	1,288	555	733	870	137	Insurance claim	New Jubilee Insurance Limited
Vehicle	835	348	487	625	138	Insurance claim	New Jubilee Insurance Limited
Vehicle	311	301	10	166	156	Auction	Syed Yasoob
Vehicle	735	594	141	475	334	Insurance claim	New Jubilee Insurance Limited
Vehicle	404	154	250	380	130	Insurance claim	PICIC Insurance Limited
Vehicle	1,283	636	647	647	-	Negotiation	Mr. Shakeel Ahmed
Vehicle	77	32	45	25	(20)	Negotiation	Mr. Shakeel Ahmed
2010	**6,818**	**3,807**	**3,012**	**4,357**	**1,345**		
2009	15,321	7,440	7,881	9,706	1,825		

15. ADVANCE FOR CAPITAL EXPENDITURE

	Note	2010	2009
		(Rupees'000)	
Purchase of land	15.1	**626,820**	578,735
Purchase of apartment		**40,509**	30,977
Malir Delta land	15.2	**84,000**	84,000
Advance for purchase of equipment		**6,960**	-
		758,289	693,712

15.1 This represents amount paid as advance to M/s Associated Builders (Private) Limited, a related party, for purchase of 7.29 acres of land in Gwadar.

15.2 This represents amount paid as advance for purchase of 113.34 acres of land from Mrs. Seema D/o John Hector Gill and wife of Riaz Ullah under an Agreement to Sell and by execution of a General Power of Attorney. As per lease deed of the land, the lease period is 99 years commencing from 1996-97. The Company will pay the differential amount of the land on the value assessed, as determined by the Land Regularization Committee established by the Government of Sindh under the Sindh Ordinance, 2001 to get the land registered in its name.

16. INVESTMENT PROPERTY

	2010	2009
	(Rupees'000)	
Opening balance	**41,500**	40,000
Gain on remeasurement of investment property to fair value	**3,500**	1,500
Closing balance	**45,000**	41,500

An independent exercise was carried out to calculate the fair value of investment property on 30 June 2010. To assess the land prices, market research was carried out in the area where the investment property is situated. Fair value of investment property is based on independent valuer's judgment about average prices prevalent on the said date and has been prepared on openly available/ provided information after making relevant inquiries from the market. Valuation was carried out by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

17. LONG TERM INVESTMENTS

	Percentage of holding	Note	2010	2009
			(Rupees'000)	
Investments in related parties				
Subsidiary companies - at cost - unquoted				
Pearl Continental Hotels (Private) Limited	100%	17.1	**5,000**	5,000
Bhurban Resorts (Private) Limited	100%	17.2	**10,000**	10,000
Pearl Tours and Travels (Private) Limited	100%	17.3	**5,000**	5,000
Musafa International (Private) Limited	100%	17.4	**125,000**	125,000
			145,000	145,000
Associated undertaking - at cost - unquoted				
Hashoo Group Limited - British Virgin Island				
98,000 (2009: 98,000) ordinary shares of US$ 100 each	25%		**586,403**	586,403
Pearl Continental Hotels Limited - UAE				
95 (2009: 95) ordinary shares of US$ 50,000 each	50%		**284,052**	284,052
Hotel One (Private) Limited - Pakistan				
500,000 (2009: 500,000) ordinary shares of Rs.100 each	35%		**50,000**	50,000
Other investments				
Available for sale - unquoted company				
Malam Jabba Resorts Limited			**1,000**	1,000
Impairment loss			**(1,000)**	(1,000)
			-	-
			1,065,455	1,065,455

17.1 Pearl Continental Hotels (Private) Limited

500,000 (2009: 500,000) ordinary shares of Rs. 10 each.
Break-up value per share based on audited financial statements for the year ended 30 June 2010 was Rs. 15.98 (2009: Rs. 14.76).

17.2 Bhurban Resorts (Private) Limited

1,000,000 (2009: 1,000,000) ordinary shares of Rs. 10 each.
Break-up value per share based on audited financial statements for the year ended 30 June 2010 was Rs. 12.15 (2009: Rs.11.49).

17.3 Pearl Tours and Travels (Private) Limited

500,000 (2009: 500,000) ordinary shares of Rs. 10 each.
Break-up value per share based on audited financial statements for the year ended 30 June 2010 was Rs. 102.07 (2009: Rs. 117.06).

17.4 Musafa International (Private) Limited

1,250,000 (2009: 1,250,000) ordinary shares of Rs. 100 each.
Break-up value per share based on audited financial statements for the year ended 30 June 2010 was Rs. 103.32 (2009: Rs. 103.23).

18. ADVANCE FOR EQUITY INVESTMENT

This represents advance given to M/s Musafa International (Private) Limited (wholly owned subsidiary company) against issue of 957,000 ordinary shares of Rs. 100 each.

19. LONG TERM DEPOSITS

These represent deposit maintained with utility companies. These are interest free and are refundable on termination of services.

20. STORES, SPARE PARTS AND LOOSE TOOLS

	2010	2009
	(Rupees'000)	
Stores	**62,829**	66,187
Spare parts and loose tools	**24,124**	21,308
	86,953	87,495
Provision for obsolescence	**(2,999)**	(928)
	83,954	86,567

	Note	2010	2009
21. TRADE DEBTS		**(Rupees'000)**	
Considered good			
Due from related parties	21.1	**6,825**	21,383
Others		**290,634**	207,151
		297,459	228,534
Considered doubtful		**63,622**	50,169
		361,081	278,703
Provision against doubtful debts		**(63,622)**	(50,169)
		297,459	228,534

21.1 Due from related parties

	2010	2009
Pearl Tours and Travels (Private) Limited	**717**	1,521
Associated Builders (Private) Limited	**-**	21
Hashwani Hotels Limited	**328**	15,468
Hashoo Limited	**-**	58
Hashoo (Private) Limited	**42**	-
Hashoo Foundation	**-**	8
Hotel One (Private) Limited	**4,199**	2,654
Orient Petroleum International Incorporated	**356**	989
OPI Gas (Private) Limited	**389**	124
Pearl Continental Hotels Limited - Dubai	**100**	-
Sparkletts (Private) Limited	**-**	137
Trans Air Travels (Private) Limited	**560**	321
Tejari Pakistan Limited	**134**	82
	6,825	21,383

22. ADVANCES

	2010	2009
Considered good		
Advances to:		
Employees	**2,736**	1,822
Suppliers and contractors	**73,990**	96,804
	76,726	98,626

23. TRADE DEPOSITS AND PREPAYMENTS

	2010	2009
Trade deposits	**9,316**	9,842
Prepayments	**14,597**	29,723
	23,913	39,565

		Note	2010	2009
24.	**INTEREST ACCRUED**		**(Rupees'000)**	
	Interest on letters of placements/ term deposit receipts/ certificates of investments		**47,971**	12,533
	Accrued interest on term deposit receipts written - off		**(511)**	-
			47,460	12,533
	Interest on deposit accounts		**12**	134
			47,472	12,667
25.	**OTHER RECEIVABLES**			
	Due from related parties	25.1	**30,013**	94,572
	Other receivables		**20,301**	21,524
			50,314	116,096
25.1	**Due from related parties**			
	Pearl Tours and Travels (Private) Limited		**30,013**	32,958
	New Jubilee Insurance Company Limited		-	50,000
	Gelcaps (Pakistan) Limite		-	3,957
	Genesis Trading (Private) Limited		-	778
	Hashwani Hotels Limited		-	4,505
	Hotel One (Private) Limite		-	844
	Musafa International (Private) Limited		-	1,000
	Net 21 (Private) Limited		-	436
	Brillux (Private) Limited		-	94
			30,013	94,572
26.	**OTHER FINANCIAL ASSETS**			
	Held to maturity			
	Letters of placements/ term deposit receipts/ certificates of investments		**480,300**	505,300
	Provision for impairment loss		**(5,300)**	-
			475,000	505,300
	Available for sale - unquoted			
	National Technology Development Corporation (Private) Limited		**200**	200
	Indus Valley Solvent Oil Extraction Limited		**500**	500
	Impairment loss		**(700)**	(700)
			-	-
	Financial assets at fair value through profit or loss - held for trading			
	Short term investments in shares of listed companies	26.1	**366,941**	261,098
			841,941	766,398

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		Note	2010	2009
26.1	**Short term investments in shares of listed companies**		**(Rupees'000)**	
	Pakistan Telecommunication Company Limited			
	350,000 (2009: 350,000) ordinary shares		**6,230**	6,034
	Lotte Pakistan PTA Limited (Formerly Pakistan PTA Limited)			
	150,000 (2009: 150,000) ordinary shares		**1,209**	429
	Fauji Fertilizer Bin Qasim Limited			
	50,000 (2009: 50,000) ordinary shares		**1,302**	885
	New Jubilee Insurance Company Limited	26.1.1 &		
	6,000,000 (2009: 5,000,000) ordinary shares	26.1.2	**358,200**	253,750
			366,941	261,098

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

26.1. 2 These shares are placed/ lien marked as security against running finance facility amounting to Rs. 100 million from Soneri Bank Limited (refer note - 11.3).

		Note	2010	2009
27.	**CASH AND BANK BALANCES**		**(Rupees'000)**	
	Cash in hand		**10,489**	9,875
	Cash at bank:			
	Local currency current accounts		**7,595**	27,509
	Local currency deposit accounts	27.1	**43,511**	11,389
	Foreign currency deposit accounts	27.1 & 27.2	**9,802**	22,836
			71,397	71,609

27.1 Deposit accounts carry interest rate ranging from 5% to 10% (2009: 5% to 8%) per annum.

27.2 This comprise USD 114,510 (2009: USD 280,191) deposited with banks.

		Note	2010	2009
28.	**SALES AND SERVICES - net**		**(Rupees'000)**	
	Rooms		**2,039,614**	2,473,324
	Food and beverages		**2,603,778**	2,584,254
	Other related services	28.1	**288,233**	233,960
	Shop license fees		**7,317**	7,164
			4,938,942	5,298,702
	Discounts and commissions		**(11,867)**	(23,815)
	Sales tax		**(688,843)**	(771,953)
			4,238,232	4,502,934

28.1 This includes income from Privilege (Discount) Club Card and revenue from telephone, laundry and other ancillary services.

		Note	2010	2009
29.	**COST OF SALES AND SERVICES**		**(Rupees'000)**	
	Food and beverages			
	Opening balance		**42,867**	45,720
	Purchases during the year		**841,698**	793,408
			884,565	839,128
	Closing balance		**(44,435)**	(42,867)
	Consumption during the year		**840,130**	796,261
	Direct expenses			
	Salaries, wages and benefits	29.1	**619,737**	618,257
	Heat, light and power		**435,697**	413,649
	Repairs and maintenance		**302,423**	610,280
	Provision for slow moving stores, spare parts and loose tools		**2,071**	-
	Depreciation	14.3	**225,045**	230,923
	Guest supplies		**98,677**	130,589
	Linen, china and glassware		**45,998**	92,129
	Communication and other related services		**43,192**	48,157
	Banquet and decoration		**43,393**	49,699
	Transportation		**12,168**	21,146
	Uniforms		**14,416**	17,947
	Music and entertainment		**7,148**	8,651
	Others		**7,908**	3,619
			2,698,003	3,041,307

29.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 33.698 million (2009: Rs. 32.54 million).

		Note	2010	2009
30.	**ADMINISTRATIVE EXPENSES**		**(Rupees'000)**	
	Salaries, wages and benefits	30.1	**519,594**	500,699
	Rent, rates and taxes		**73,306**	82,395
	Advertisement and sales promotion		**35,084**	40,619
	Repairs and maintenance		**38,337**	90,615
	Heat, light and power		**49,492**	47,539
	Traveling and conveyance		**73,150**	77,469
	Depreciation	14.3	**25,005**	25,658
	Communications		**14,640**	20,364
	Printing and stationery		**22,565**	26,717
	Legal and professional charges		**38,508**	47,616
	Insurance		**34,297**	26,733
	Entertainment		**13,863**	9,966
	Subscriptions		**2,507**	1,820
	Laundry and dry cleaning		**3,122**	3,475
	Uniforms		**3,463**	5,041
	Auditors' remuneration	30.2	**1,706**	1,595
	Provision against doubtful debts		**13,452**	16,492
	Donations	30.3	**125,800**	75,938
	Miscellaneous		**4,289**	8,245
			1,092,180	1,108,996

30.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 21.257 million (2009 : Rs. 18.730 million).

		2010	2009
30.2	**Auditors' remuneration**	**(Rupees'000)**	
	Annual audit fee	**850**	850
	Audit of consolidated financial statements	**150**	150
	Half yearly review	**330**	330
	Special reports and certificates	**200**	-
	Out of pocket expenses	**176**	265
		1,706	1,595

30.3 DONATIONS

Out of total donation of Rs. 125.800 million (2009: Rs. 75.938 million), donations amounting to Rs. 25 million (2009: Rs. 75.90 million) include the following in which directors or their spouse has interest:

Name	Interest in Donee	Name and address of Donee	2010 (Rupees'000)	2009
Mrs. Noori Hashwani W/o Mr. Sadruddin Hashwani	Chairperson	Umeed-e-Noor Trust House # 7, Street # 72, F-8/3, Islamabad.	-	900
Mr. Sadruddin Hashwani	Patron-in-Chief	Hashoo Foundation		
Ms. Sarah Hashwani	Chairperson	House # 7-A, Street # 65, F-8/3, Islamabad.	25,000	75,000
			25,000	75,900

31. OTHER OPERATING EXPENSES

	Note	2010 (Rupees'000)	2009
Unrealised loss on remeasurement of investments to fair value - net		-	597,058
Property, plant and equipment written-off		-	45,960
Workers' welfare fund		13,661	11,087
Exchange loss - net		1,606	-
Impairment loss of term deposit receipts		5,300	-
Accrued interest on term deposit receipts written-off		511	-
		21,078	654,105

32. OTHER OPERATING INCOME

	Note	2010	2009
Income from financial assets			
Return on bank deposits		6,135	22,208
Exchange gain - net		-	7,267
Dividend income		15,825	7,643
Unrealised gain on remeasurement of investments to fair value - net		105,844	-
Return on term deposit receipts/ certificates of investments/ letter of placements		78,869	70,418
		206,673	107,536
Income from non financial assets			
Concessions and commissions		2,224	9,243
Gain on disposal of property, plant and equipment	14.4	1,345	1,825
Gain on revaluation of investment property to fair value		3,500	1,500
Liabilities written back		51,344	196,961
Communication towers and other rental income		21,616	22,306
Scrap sales		4,350	13,418
Insurance claims		24,254	50,000
Others - net		24,033	3,712
		132,666	298,965
		339,339	406,501

		2010	2009
33.	**FINANCE COST**	**(Rupees'000)**	
	Return on redeemable capital	-	4,637
	Exchange risk fee	**11,063**	11,063
	Markup on long term financing	**22,787**	43,464
	Markup on short term borrowings	**105,979**	112,271
	Credit cards discount, bank and other charges	**21,344**	35,078
		161,173	206,513

34. TAXATION

Provision for taxation - current	**216,332**	161,650
- prior	**(7,209)**	(28,856)
	209,123	132,794
-Deferred	**(31,918)**	(4,442)
	177,205	128,352

Relationship between accounting profit and tax expense is as follows:

Accounting profit/ (loss) for the year	**605,137**	(101,486)
Tax charge @ 35% (2009: 35%)	**211,798**	(35,520)
Tax effect of permanent differences	**(17,849)**	194,639
Tax effect of income subject to lower taxation	**(9,535)**	(1,911)
Prior years' tax charge	**(7,209)**	(28,856)
	177,205	128,352

35. EARNINGS/ (LOSS) PER SHARE

Profit/ (loss) for the year (Rupees '000)	**427,932**	(229,838)
Weighted average number of ordinary shares (Numbers)	**32,524,170**	32,524,170
Earnings/ (loss) per share - basic (Rupees)	**13.16**	(7.07)

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

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2010			2009		
	Chief executive	**Directors**	**Executives**	Chief executive	Directors	Executives
				(Rupees'000)		
Managerial remuneration	**12,000**	**15,659**	**90,285**	12,000	12,093	110,014
Contribution to provident fund	**-**	**378**	**3,068**	-	179	3,401
Provision for gratuity	**-**	**220**	**4,819**	-	269	5,647
Housing	**-**	**-**	**18,357**	-	-	22,134
	12,000	**16,257**	**116,529**	12,000	12,541	141,196
Number of Persons	**1**	**5**	**66**	1	3	60

36.1 In addition to the above, Chairman, Chief Executive and certain executives are provided with Company vehicles, residential equipment, reimbursement of utilities, furnished accommodation, medical expenses and leave passage as per the Company's policy.

36.2 The Chairman does not draw any salary.

37. FINANCIAL INSTRUMENTS

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

Credit risk
Liquidity risk
Market risk

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

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

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

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

37.1 Credit risk

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

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

Counterparties

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

Receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's review includes external ratings, where available, and in some cases bank references. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the Credit Control Committee; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis or by obtaining bank guarantee.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Cash investment

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

Exposure to credit risk

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

	2010	2009
	(Rupees'000)	
Long term deposits	**3,526**	3,613
Trade deposits	**9,316**	9,842
Trade debts	**297,459**	228,534
Advances	**2,736**	1,822
Interest accrued	**47,472**	12,667
Other receivables	**50,314**	116,096
Other financial assets	**841,941**	766,398
Bank balances	**60,908**	61,734
	1,313,672	1,200,706

Geographically there is no concentration of credit risk.

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

	2010	2009
	(Rupees'000)	
From related parties	**45,487**	115,955
From government institutions	**24,629**	13,504
From foreign embassies	**889**	1,167
Banks and financial institutions	**914,018**	862,323
Others	**328,649**	207,757
	1,313,672	1,200,706

Impairment losses

The aging of trade debts at the reporting date was as follows:

	2010		2009	
	Gross	**Impairment**	Gross	Impairment
	(Rupees'000)		(Rupees'000)	
Aging				
Past due 0-30 days	**193,240**		102,448	-
Past due 30-60 days	**42,022**		28,437	-
Past due 60-90 days	**26,393**		17,954	-
Past due 90-360 days	**35,804**		79,695	-
Over 360 days	**63,622**	**63,622**	50,169	50,169
	361,081	**63,622**	278,703	50,169

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

	2010	2009
	(Rupees'000)	
Opening balance	**50,169**	33,677
Provision made during the year	**13,453**	16,492
Closing balance	**63,622**	50,169

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

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

	2010	2009
	(Rupees'000)	
Opening balance	-	-
Provision made during the year	**(5,300)**	-
Closing balance	**(5,300)**	-

An impairment loss of Rs. 5,300 thousand in respect of held-to-maturity investments was recognised during the current year owing to significant financial difficulties being experienced by the issuer of these securities. The Company has no collateral in respect of these investments.

37.2 Liquidity risk

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

There were no defaults on loans payable during the year.

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

2010	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year and up to two years
	(Rupees'000)			
Long term financing	**108,000**	**122,083**	**84,071**	**38,012**
Long term deposits	**50,426**	**50,426**	**50,426**	**-**
Trade and other payables	**1,029,027**	**1,029,027**	**1,029,027**	**-**
Markup payable	**25,849**	**25,849**	**25,849**	**-**
Short term borrowings	**888,088**	**888,088**	**-**	**-**
	2,101,390	**2,115,473**	**1,189,373**	**38,012**
2009				
Long term financing	180,000	216,885	94,802	122,083
Long term deposits	82,813	82,813	82,813	-
Trade and other payables	1,338,034	1,338,034	1,338,034	-
Markup payable	30,462	30,462	30,462	-
Short term borrowings	767,230	767,230	767,230	-
	2,398,539	2,435,424	2,313,341	122,083

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

The contractual cash flows relating to long and short term borrowings have been determined on the basis of expected mark up rates. The mark up rates have been disclosed in notes 6 and 11 to these financial statements.

37.3 Market risk

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

37.3.1 Currency risk

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

	2010		2009	
	Rupees' 000	**USD' 000**	Rupees' 000	USD' 000
Bank Balance	**9,802**	**115**	22,836	280

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2010	2009	**2010**	2009
US Dollars	**84**	79	**86**	82

Sensitivity Analysis

A 5 % strengthening of the functional currency against USD at 30 June 2010 would have decreased profit and loss by Rs. 490 thousand (2009: Rs. 1,142 thousand). A 5 % weakening of the functional currency against USD at 30 June 2010 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

Interest rate risk

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

Profile

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

	2010	2009	**2010**	2009
	Effective interest rates		(Rupees' 000)	
Fixed rate instruments				
Financial assets	**5% to 16%**	5% to 16%	**528,313**	539,525
			528,313	539,525
Variable rate instruments				
Financial liabilities	**KIBOR + (1.75% to 3%)**	KIBOR + (1.75% to 3%)	**996,088**	947,230
			996,088	947,230

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit or loss	
	100 basis points increase	100 basis points decrease
	(Rupees'000)	
Cash flow sensitivity (net)		
30 June 2010	**(10,334)**	**10,334**
30 June 2009	(1,197)	1,197

Other market price risk

The primary goal of the Company's investment strategy is to maximise investment returns on surplus funds. The Company adopts a policy of ensuring to minimize its price risk by investing in fixed rate investments like TDRs and COIs. Certain investments are designated at fair value through profit or loss because their performance is actively monitored and these are managed on a fair value basis. Equity price risk arises from investments at fair value through profit and loss.

Sensitivity analysis – equity price risk

All of the Company's equity investments at fair value through profit and loss is listed on the Karachi Stock Exchange. A two hundred basis points increase in the KSE 100 index at the reporting date would have increased equity by Rs.0.028 million after tax (2009: an increase of Rs.0.038 million); an equal change in the opposite direction would have decreased equity by Rs.0.028 million after tax (2009: a decrease of Rs.0.038 million).

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

Fair value of financial assets and liabilities

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

	Note	2010		2009	
		Carrying amount	**Fair values**	Carrying amount	Fair values
Assets carried at amortised cost		**(Rupees'000)**			
Deposits	19 & 23	**12,842**	**12,842**	13,455	13,455
Trade debts - net of provision	21	**297,459**	**297,459**	228,534	228,534
Advances	22	**2,736**	**2,736**	1,822	1,822
Interest accrued	24	**47,472**	**47,472**	12,667	12,667
Other receivables	25	**50,314**	**50,314**	116,096	116,096
Cash and bank balances	27	**71,397**	**71,397**	71,609	71,609
		482,220	**482,220**	444,183	444,183
Assets carried at fair value					
Held-to-maturity investments	26	**475,000**	**475,000**	505,300	505,300
Financial assets at fair value through profit or loss - held for trading	26	**366,941**	**366,941**	261,098	261,098
Liabilities carried at amortised cost					
Long term financing	6	**108,000**	**108,000**	180,000	180,000
Long term deposits	7	**50,426**	**50,426**	82,813	82,813
Trade and other payables	9	**1,029,027**	**1,029,027**	1,338,034	1,338,034
Markup payable	10	**25,849**	**25,849**	30,462	30,462
Short term borrowings	11	**888,088**	**888,088**	767,230	767,230
		2,101,390	**2,101,390**	2,398,539	2,398,539

The basis for determining fair values is as follows:

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

Fair value hierarchy

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

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

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

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

	Level 1	Level 2	Level 3
Assets carried at fair value			
Financial assets at fair value through profit or loss			
30 June 2010	**366,941**	-	-
30 June 2009	261,098	-	-

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

37.4 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares.

38. TRANSACTIONS WITH RELATED PARTIES

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

	Note	2010	2009
Transactions with subsidiary companies		**(Rupees'000)**	
Sales		**306**	900
Services provided		**657**	2,385
Services availed		**25,043**	27,277
Disposal of motor vehicle		**-**	55
Long term investment		**-**	75,000
Advance for equity investment		**95,700**	-
Transactions with associates undertakings			
Sales		**3,855**	4,295
Services provided		**12,071**	11,175
Services availed		**35,101**	32,297
Purchases		**105,095**	118,483
Purchase of air tickets		**18,990**	9,177
Purchase of property, plant and equipment		**8,194**	17,560
Insurance expense paid		**-**	32,949
Insurance claims received		**56,278**	-
Contribution to the defined contribution plan		**16,545**	17,677
Advance for purchase of land		**71,725**	555,095
Dividend paid		**-**	37,354
Donations	30.3	**25,000**	75,900
Transactions with key management personnel			
Remuneration and allowances	38.1	**28,257**	24,541

38.1 Compensation to key management personnel

	2010	2009
Salaries and other benefits	**27,659**	24,093
Contribution to provident fund	**378**	179
Provision for gratuity	**220**	269
	28,257	24,541

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39. CAPACITY

	Note	No. of rooms letable		Average occupancy	
		2010	2009	**2010**	2009
				%	%
Pearl Continental Hotels					
-Karachi		**286**	286	**43**	50
-Lahore		**561**	561	**47**	53
-Rawalpindi		**193**	193	**69**	52
-Peshawar	39.1	**58**	148	**26**	36
-Bhurban		**190**	190	**59**	57
-Muzaffarabad		**102**	102	**21**	18

39.1 There were 58 rooms operational on 30 June 2010.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 26 September 2010.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2010

NO OF SHAREHOLDERS		SHAREHOLDINGS			NO OF SHARES HELD
692	Shareholding From	1	To	100	15,614
228	Shareholding From	101	To	500	47,942
35	Shareholding From	501	To	1000	23,551
37	Shareholding From	1001	To	5000	86,501
12	Shareholding From	5001	To	10000	76,570
1	Shareholding From	10001	To	15000	13,168
1	Shareholding From	15001	To	20000	18,814
2	Shareholding From	20001	To	25000	44,589
1	Shareholding From	25001	To	30000	28,815
1	Shareholding From	45001	To	50000	47,088
1	Shareholding From	65001	To	70000	68,273
1	Shareholding From	170001	To	175000	172,913
1	Shareholding From	175001	To	180000	175,725
1	Shareholding From	180001	To	185000	180,882
1	Shareholding From	335001	To	340000	336,535
1	Shareholding From	495001	To	500000	496,629
1	Shareholding From	520001	To	525000	524,226
1	Shareholding From	1050001	To	1055000	1,052,085
1	Shareholding From	1100001	To	1105000	1,104,551
1	Shareholding From	1120001	To	1125000	1,124,716
1	Shareholding From	1285001	To	1290000	1,287,696
1	Shareholding From	1710001	To	1715000	1,714,853
1	Shareholding From	1925001	To	1930000	1,926,132
1	Shareholding From	2120001	To	2125000	2,121,190
1	Shareholding From	2390001	To	2395000	2,392,541
1	Shareholding From	2510001	To	2515000	2,510,578
1	Shareholding From	2555001	To	2560000	2,556,325
1	Shareholding From	2885001	To	2890000	2,885,668
1	Shareholding From	3145001	To	3150000	3,150,000
2	Shareholding From	3165001	To	3170000	6,340,000
1,031					**32,524,170**

Categories of Shareholders:	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouses and minor children	1,793,676	5.51
Associated Companies, undertakings and related parties	19,406,817	59.67
NIT - National Bank of Pakistan (Trustee Department)	1,104,551	3.40
Banks, Development Financial Institutions and Non-Banking Finance Institutions	691,168	2.13
Insurance Companies	28,815	0.09
Foreign Investors	7,607,696	23.39
General Public:		
a. Local	223,431	0.69
b. Foreign	-	-
Others:		
National Investment Trust Limited	21,146	0.07
Pakistan International Airlines Corporation	172,913	0.53
President of Pakistan (Ministry of Housing & Works, Govt.of Pakistan)	336,535	1.03
Asian Co-operative Society Limited	47,088	0.14
Galadari Invest International	1,052,085	3.23
Other Joint stock Companies ..	38,248	0.12
Securities & Exchange Commission of Pakistan	1	-

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DISCLOSURE TO PATTERN OF SHAREHOLDINGS AS AT 30 JUNE 2010

SHAREHOLDERS	SHARES HELD
ASSOCIATED COMPANIES:	
Zaver Petroleum Corporation Limited	1,926,132
Hashoo Limited	2,121,190
Hassan Ali & Co. (Private) Limited	180,882
Gulf Properties Limited	1,124,716
Murtaza Construction Corporation (Private) Limited	2,510,578
Associated Builders (Private) Limited	9,055
Bagh-e-Landhi Properties (Private) Limited	2,392,541
Bagh-e-Korangi (Private) Limited	2,556,325
Nadia Estates (Private) Limited	2,885,668
Orient Petroleum International Inc.	3,170,000
Hashoo Holdings (Private) Limited	529,730
NIT/ ICP:	
National Bank of Pakistan (Trustee Department)	1,104,551
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN:	
Mr. Sadruddin Hashwani	1,714,853
Mr. Murtaza Hashwani	68,273
Mr. Muhammad Rafique	3,125
Mr. Muhammad Akhtar Bawany	2,875
Mr. Masood Hashim	2,500
Mr. Shiraz Noordin	550
Ms.Shazia Hashwani	500
Ms. Sarah Hashwani	500
Syed Sajid Ali	500
EXECUTIVES:	-
PUBLIC SECTOR COMPANIES & CORPORATIONS:	
Pakistan International Airlines Corporation	172,913
President of Pakistan (Ministry of Housing & Works, Govt.of Pakistan)	336,535
Securities & Exchange Commission of Pakistan	1
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE COMPANIES, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS:	
Galadari Investment International Co. Limited	1,052,085
National Bank of Pakistan	496,629
The Bank of Punjab	175,725
The Bank of Khyber	18,814
Alpha Insurance Co. Limited	28,815
FOREIGN INVESTORS:	
Dominion Hospitality Investments Limited	3,150,000
Castle Participations Inc.	3,170,000
Bexley Services Limited	1,287,696

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

DIRECTORS' REPORT CONSOLIDATED

The Board of Directors of Pakistan Services Limited, the Parent Company is pleased to present their report together with Audited Consolidated Financial Statements for the year ended 30 June 2010.

The financial results of the Consolidated Financial Statements for the year ended 30 June 2010 are as follow:

	(Rupees '000)
Profit before taxation	554,167
Taxation	(179,068)
Profit after taxation	375,099

Earnings per share

Earnings per share for the year arrives at Rs. 11.53

During the year under review; M/s Pearl Tours & Travels (Private) Limited which is engaged in the business of rent a car and arrangement of tour packages, has generated revenue of Rs. 125 million as compared to Rs. 120 million of last year which shows a slight increase of 4.17% in the revenue. During the period under review the group recorded loss after taxation Rs. 7.493 million as compared to profit after taxation of Rs. 8.323 million in last year.

Wholly owned Company M/s Musafa International (Private) Limited (MIPL), acquired during the last year which is principally engaged in project management business, generated profit after taxation amounting to Rs. 0.118 million during the year under report.

The other two subsidiaries M/s Pearl Continental Hotels (Private) Limited and M/s Bhurban Resorts (Private) Limited remained non-operational during the year 2009-10.

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

MURTAZA HASHWANI
Chief Executive

Dubai: 26 September 2010

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Pakistan Services Limited ("the Company") as at 30 June 2010 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year ended. We have also expressed separate opinion on the financial statements of Pakistan Services Limited and its subsidiary companies except for M/s Musafa International (Private) Limited which was audited by another auditor, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company is based solely on the report of other auditor.

These financial statements are the responsibility the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the consolidated financial statements present fairly the financial position of the Company as at 30 June 2010, and the result of its operations, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standard as applicable in Pakistan.

Islamabad
Dated: 26 September 2010

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

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2010

	Note	2010	2009
		(Rupees'000)	
SHARE CAPITAL AND RESERVES			
Authorised share capital			
50,000,000 (2009: 50,000,000) ordinary shares of Rs. 10 each		**500,000**	500,000
Issued, subscribed and paid up share capital	4	**325,242**	325,242
Reserves	5	**2,098,189**	2,070,631
Unappropriated profit		**453,984**	78,885
		2,877,415	2,474,758
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	16.2	**20,007,770**	8,624,854
NON CURRENT LIABILITIES			
Long term financing	6	**36,000**	108,000
Liabilities against assets subject to finance lease	7	**21,803**	11,107
Long term deposits	8	**50,426**	82,813
Deferred liabilities	9	**488,657**	508,231
		596,886	710,151
CURRENT LIABILITIES			
Trade and other payables	10	**1,240,018**	1,533,031
Markup payable	11	**25,849**	30,462
Short term borrowings	12	**888,088**	767,230
Current portion of long term borrowings	13	**88,671**	80,386
Provision for taxation	14	**14,464**	14,225
		2,257,090	2,425,334
		25,739,161	14,235,097
CONTINGENCIES AND COMMITMENTS	15		

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

	Note	2010	2009
		(Rupees'000)	
NON CURRENT ASSETS			
Property, plant and equipment	16	**22,277,858**	10,860,819
Advance for capital expenditure	17	**766,494**	693,712
Investment property	18	**45,000**	41,500
Long term investments	19	**1,444,122**	1,339,555
Long term deposits	20	**8,175**	7,368
		24,541,649	12,942,954
CURRENT ASSETS			
Stores, spare parts and loose tools	21	**83,954**	88,182
Stock in trade - food and beverages		**44,435**	42,867
Trade debts	22	**312,699**	247,499
Advances	23	**77,741**	127,071
Trade deposits and prepayments	24	**25,149**	43,812
Interest accrued	25	**47,472**	12,687
Other receivables	26	**22,393**	94,369
Other financial assets	27	**483,741**	512,648
Cash and bank balances	28	**99,928**	123,008
		1,197,512	1,292,143
		25,739,161	14,235,097

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

PSL
PAKISTAN SERVICES LTD.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		(Rupees'000)	
Sales and services - net	29	**4,337,027**	4,595,739
Cost of sales and services	30	**(2,751,730)**	(3,080,249)
Gross profit		**1,585,297**	1,515,490
Administrative expenses	31	**(1,147,274)**	(1,168,352)
Other operating expenses	32	**(21,061)**	(633,937)
Other operating income	33	**298,531**	416,111
Finance cost	34	**(167,066)**	(209,355)
		548,427	(80,043)
Share of profit/ (loss) in associated companies	19.1	**5,740**	(58,932)
Profit/ (loss) before taxation		**554,167**	(138,975)
Taxation	35	**(179,068)**	(127,129)
Profit/ (loss) for the year		**375,099**	(266,104)

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	(Rupees'000)	
Profit/ (loss) for the year	**375,099**	(266,104)
Other comprehensive income for the year		
Exchange gain on translation of long term investments	**42,397**	190,605
Income tax on other comprehensive income	**(14,839)**	(66,712)
Other comprehensive income for the year	**27,558**	123,893
Total comprehensive income/ (expense) for the year	**402,657**	(142,211)

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ (loss) before taxation		554,167	(138,975)
Adjustments for:			
Depreciation		265,235	269,815
Gain on disposal of property, plant and equipment		(4,288)	(9,705)
Property, plant and equipment written off		-	45,960
Provision for staff retirement benefit - gratuity		38,411	33,594
Provision for doubtful debts		22,902	16,492
Provision for slow moving stores, spare parts and loose tools		2,071	-
Hotel crockery, cutlery, hotel linen and uniforms written off		-	22,461
Return on bank deposits, term deposit receipts, letters of placements and certificates of investments		(88,417)	(101,233)
Share of (profit)/ loss of associates companies		(5,740)	58,932
Finance cost		167,066	209,355
Dividend income		(825)	(143)
Gain on revaluation of investment property to fair value		(3,500)	(1,500)
Unrealised (gain)/ loss on remeasurement of investments to fair value - net		(1,394)	8,608
Impairment loss of investment in associates		(71,430)	568,282
Exchange loss/ (gain) - net		1,590	(7,267)
Impairment loss of Term Deposit receipts		5,300	-
		881,148	974,676
Working capital changes			
(Increase)/ decrease in current assets			
Stores, spare parts and loose tools		2,157	(21,695)
Stock in trade - food and beverages		(1,568)	2,855
Trade debts		(85,348)	72,113
Advances		49,330	4,133
Trade deposits and prepayments		18,663	1,052
Other receivables		69,221	(75,593)
(Decrease)/ increase in current liabilities			
Trade and other payables		(293,309)	128,627
Cash (used in)/ generated from operations		(240,854)	111,492
Staff retirement benefit - gratuity paid		(41,271)	(25,814)
Income tax paid		(210,084)	(144,622)
Finance cost paid		(171,679)	(186,206)
Net cash from operating activities		217,260	729,526
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(242,004)	(373,552)
Additions to advance for capital expenditure		(96,422)	(588,267)
Proceeds from disposal of property, plant and equipment		11,193	26,500
Purchase of other financial assets		(500,000)	(2,500,000)
Sale of other financial assets		25,000	2,500,000
Purchase of long term investments		-	(50,000)
Dividend income received		15,825	7,643
Receipt of return on bank deposits, term deposit receipts, letters of placements and certificates of investments		53,632	93,496
Decrease in long term deposits		(33,194)	(2,066)
Net cash used in investing activities		(765,970)	(886,246)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of redeemable capital		-	(99,940)
Repayment of long term financing		(72,000)	(132,000)
Repayment of liabilities against assets subject to finance lease		(21,638)	(13,214)
Dividend paid		-	(46,774)
Net cash used in financing activities		(93,638)	(291,928)
Net decrease in cash and cash equivalents		(642,348)	(448,648)
Cash and cash equivalents at beginning of the year		(144,222)	297,159
Exchange (loss)/ gain - net		(1,590)	7,267
Cash and cash equivalents at end of the year		(788,160)	(144,222)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	99,928	123,008
Running finance	12	(888,088)	(767,230)
Certificates of investments		-	500,000
		(788,160)	(144,222)

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Share capital	Capital reserve share premium	Revenue reserves General reserve	Revenue reserves Exchange gain on translation of long term investments	Revenue reserves Unappropriated profit	Total equity
	(Rupees'000)					
Balance as at 30 June 2008	**325,242**	**269,424**	**1,100,000**	**77,314**	**893,775**	**2,665,755**
Changes in equity for the year ended 30 June 2009						
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(266,104)	(266,104)
Exchange gain on translation of long term investments - net of tax	-	-	-	123,893	-	123,893
Total comprehensive income/(expense) for the year	-	-	-	123,893	(266,104)	(142,211)
Transactions with owners						
Final dividend for the year ended 30 June 2008 declared subsequent to the year end (@ Rs. 1.5 per share)	-	-	-	-	(48,786)	(48,786)
Total transactions with owners	-	-	-	-	(48,786)	(48,786)
Others						
Transfer to general reserve	-	-	500,000	-	(500,000)	-
Balance as at 30 June 2009	**325,242**	**269,424**	**1,600,000**	**201,207**	**78,885**	**2,474,758**
Changes in equity for the year ended 30 June 2010						
Total comprehensive income for the year						
Profit for the year	-	-	-	-	375,099	375,099
Exchange gain on translation of long term investments - net of tax	-	-	-	27,558	-	27,558
Total comprehensive income for the year	-	-	-	27,558	375,099	402,657
Balance as at 30 June 2010	**325,242**	**269,424**	**1,600,000**	**228,765**	**453,984**	**2,877,415**

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1. THE GROUP AND ITS OPERATIONS

Pakistan Services Limited ("the Parent Company") was incorporated in 1958 in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) as a public limited company and is quoted on Karachi Stock Exchange (Guarantee) Limited. The Parent Company is principally engaged in hotel business and owns and operates the chain of Pearl Continental Hotels in Pakistan and Azad Jammu and Kashmir. The Parent Company's registered office is situated at 3rd Floor, Saudi Pak Tower, 61/A, Jinnah Avenue, Islamabad.

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

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

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF CONSOLIDATION

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

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

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

2.3 BASIS OF MEASUREMENT

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

- certain item of property, plant and equipment referred in note 16 to these consolidated financial statements, have been measured at revalued amounts;
- investment property referred in note 18 to these consolidated financial statements, have been measured at fair value;
- other financial assets at fair value through profit or loss as referred in note 27 to these consolidated financial statements, have been recognised at fair value; and
- liability related to staff retirement benefit referred in note 9.1 to these consolidated financial statements, has been measured at present value.

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

2.4 FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Pakistan Rupee (PKR) which is the group's functional currency. All financial consolidated information presented has been rounded off to the nearest thousand of PKR, unless otherwise stated.

2.5 USE OF ESTIMATES AND JUDGMENTS

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

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

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

2.5.1 Property, plant and equipment

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

2.5.2 Investment property

The fair value of investment property is based on market value, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction. Any change in the estimate in future might effect the carrying amount of investment property and income of the group.

2.5.3 Taxation

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

2.5.4 Staff retirement benefit - gratuity

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

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

The group reviews the stores, spare parts and loose tools and stock in trade for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores, spare parts and loose tools and stock in trade with a corresponding affect on the provision.

2.5.6 Provision against trade debts, advances and other receivables

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

2.5.7 Impairment of financial assets

In making an estimates in future cash flows from the group's financial assets including investments in subsidiaries and associates, the management considers future dividend stream and an estimate of the terminal value of these investments.

2.6 NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, interpretations and amendments to approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards, interpretations and the amendments are either not relevant to the group's operations or are not expected to have significant impact on the group's financial statements;

IFRS 2 (amendments relating to group cash-settled share-based Payment transactions) - Share-based Payment (effective for annual periods beginning on or after 01 January 2010).

IFRS 5 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Non-Current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 01 January 2010).

IFRS 8 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Operating Segments (effective for annual periods on or after 01 January 2010).

IFRS 9 - (Classification and Measurement) - Financial Instruments (effective for annual periods beginning on or after 01 January 2010).

IAS 1 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2010).

IAS 7 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Statement of Cash Flows (effective for annual periods beginning on or after 01 January 2010).

IAS 17 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Leases (effective for annual periods beginning on or after 01 January 2010).

IAS 24 (revised definition of related parties) - Related Party Disclosures (effective for annual periods beginning on or after 01 January 2011).

IAS 32 (amendments relating to classification of right issue) - Financial Instruments: Presentation (effective for annual periods beginning on or after 01 January 2010).

IAS 36 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Impairment of Assets (effective for annual periods beginning on or after 01 January 2010).

IAS 39 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 01 January 2010).

IFRIC 14 (IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction), amendment with respect to voluntary prepaid contributions is effective for annual periods beginning on or after 01 January 2011.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 01 July 2010.

The International Accounting Standards Board made certain amendments to existing standards as part of its improvement project. The effective dates for these amendments vary by standard and will be applicable to the group in ensuing years. These amendments are unlikely to have an impact on the group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the change as mentioned in note 3.1 to these consolidated financial statements.

3.1 Change in accounting policies

3.1.1 The group has applied revised IAS-1; "Presentation of financial Statements (2007)", which became effective as of 01 January 2009. This change requires the group to present all transactions with the owners in the statement of changes in equity whereas all other changes in equity are presented in statement of comprehensive income. This presentation has been applied in these financial statements as of and for the year ended 30 June 2010.

Comparative information has been represented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earning/ (loss) per share.

3.1.2 As of 1 January 2009 the group determines and presents operating segments based on the information that internally is provided to the CEO, who is the group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment Reporting.

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

3.2 Property, plant and equipment

Owned

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

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

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

Depreciation is recognised in consolidated profit and loss account on diminishing balance method over the estimated useful lives of each part of an item of property, plant and equipment at rates given in note 16 to these consolidated financial statements. Land and capital work in progress is not depreciated. Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is acquired or capitalized while no depreciation is charged for the month in which property, plant and equipment is disposed off.

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

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

Leased

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

3.3 Investments

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

3.3.1 Investment property

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

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

3.3.2 Investments in associates

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the group's share of the income and expenses and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the group has an obligation or has made payments on behalf of the investee.

3.3.3 Investments at fair value through consolidated profit or loss - held for trading

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as held for trading and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in the consolidated profit and loss account. The fair value of such investments representing listed equity securities are determined on the basis of prevailing market prices.

3.3.4 Investment available for sale

These are the investments that are designated as available for sale or are not classified as loan and receivables, held to maturity investments or investments at fair value through profit or loss. These are initially recognized at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value. Impairement loss is recognised in consolidated profit and loss account. Unrealized gains or losses from changes in fair values are recognized in statement of other comprehensive income. Realized gains and losses are taken to consolidated profit and loss account.

3.4 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at the lower of cost and net realizable value less allowance for slow moving and obsolete items. Cost is determined on the moving average basis and comprises cost of purchases and other costs incurred in bringing the items to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make a sale.

Stores in transit are stated at cost comprising invoice value and other charges paid thereon. The group reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence, if any.

3.5 Stock in trade

Stock of food and beverages

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

Goods in transit

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

3.6 Trade debts and other receivables

Trade debts and other receivables are recognized at original invoice amount less allowance for estimated irrecoverable amounts.

3.7 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

3.8 Markup bearing borrowings

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

3.9 Borrowing costs

Markup, interest and other charges on borrowings are capitalized up to the date when the qualifying assets are substantially ready for their intended use. Borrowing cost is included in the related property, plant and equipment acquired/ constructed out of the proceeds of such borrowings. All other markup, interest and related charges are charged to the consolidated profit and loss account in the period in which they are incurred.

3.10 Provisions

Provisions are recognized in the consolidated balance sheet when the group has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each consolidated balance sheet date and adjusted to reflect current best estimate.

3.11 Staff retirement benefits

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

Gratuity

The group operates a defined benefit plan comprising an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to income. Actuarial valuations are carried out using the Projected Unit Credit Method. The group's policy for the recognition of actuarial gains and losses is based on the "minimum 10% corridor" approach. Latest valuation was carried as at 30 June 2010.

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

Provident fund

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

3.12 Taxation

Current

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

Deferred

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

3.13 Revenue recognition

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

3.14 Foreign currency translation

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

3.15 Financial assets and liabilities

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

3.16 Finance income

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

3.17 Offsetting of financial assets and financial liabilities

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

3.18 Dividend

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

3.19 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non financial assets

The carrying amount of the group's non financial assets are reviewed at each consolidated balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value of a cash generating unit, the recoverable amount is deemed to be the value in use. Impairment losses are recognized as expense in the consolidated profit and loss account.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the consolidated profit and loss account. Reversal of impairment loss is restricted to the original cost of asset.

3.20 Cash and cash equivalents

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

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2010	2009		2010	2009
Number of shares			(Rupees'000)	
25,672,620	25,672,620	Ordinary shares of Rs.10 each fully paid in cash	**256,726**	256,726
362,100	362,100	Ordinary shares of Rs. 10 each issued for consideration other than cash against property	**3,621**	3,621
6,489,450	6,489,450	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**64,895**	64,895
32,524,170	32,524,170		**325,242**	325,242

Associated companies hold 19,406,817 i.e. 59.67% (2009: 20,522,590 i.e.63.10%) ordinary shares of the Parent Company at the year end.

		Note	2010	2009
			(Rupees'000)	
5. RESERVES				
Capital reserve		5.1	**269,424**	269,424
Revenue reserve	- General reserve		**1,600,000**	1,600,000
	- Exchange gain on translation of long term investments		**228,765**	201,207
			2,098,189	2,070,631

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

	Note	2010	2009
		(Rupees'000)	
6. LONG TERM FINANCING			
From banking companies:			
Habib Bank Limited	6.1	**108,000**	180,000
		108,000	180,000
Current portion of long term financing	13	**(72,000)**	(72,000)
		36,000	108,000

6.1 This represents original term finance loan of Rs. 360 million (2009: Rs. 360 million) which carries markup equal to 3-month KIBOR plus 3% (2009: 3-month KIBOR plus 3%) per annum and is secured against equitable mortgage of land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs.480 million (2009: Rs.480 million) and first hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi for Rs. 250 million. This loan is repayable in twenty equal quarterly installments of Rs. 18 million each commenced from February, 2007.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2010			2009		
	Present value of minimum lease payments	Financial charges for future periods	Total lease rentals	Present value of minimum lease payments	Financial charges for future periods	Total lease rentals
	(Rupees'000)			(Rupees'000)		
Not later than one year	**16,671**	**3,922**	**20,593**	8,386	1,468	9,854
Later than one year and not later than five years	**21,803**	**1,714**	**23,517**	11,107	373	11,480
	38,474	**5,636**	**44,110**	19,493	1,841	21,334

7.1 Minimum lease payments have been discounted by using financing rates ranging from 13.5% to 16.5% (2009: 8% to 13.5%) per annum. Title to the assets acquired under the leasing arrangements are transferable to the group upon payment of entire lease obligations and adjustment of deposits will accordingly made (residual value) of Rs. 8.699 million (2009: Rs. 6.668 million) paid against such assets.

8. LONG TERM DEPOSITS

These represents security deposits paid by the licensees in respect of shops at hotels and are refundable/ adjustable on vacation of shops.

	Note	2010	2009
		(Rupees'000)	
9. DEFERRED LIABILITIES			
Staff retirement benefit - gratuity	9.1	**221,206**	224,066
Deferred tax	9.2	**267,451**	284,165
		488,657	508,231

9.1 Movement in the liability recognised in the balance sheet

	2010	2009
Opening balance	**224,066**	216,286
Charge for the year	**38,411**	33,594
Payments made during the year	**(41,271)**	(25,814)
Closing balance	**221,206**	224,066

Reconciliation of the liability recognised in the balance sheet

	2010	2009
Present value of defined benefit obligation	**214,440**	213,499
Actuarial gains unrecognised	**6,766**	10,567
Net liability at end of the year	**221,206**	224,066

Charge to profit and loss account for the year

	2010	2009
Current service cost	**17,060**	11,234
Interest cost	**21,351**	22,360
	38,411	33,594

The latest actuarial valuation was carried out on 30 June 2010 using projected unit credit method.

Actuarial assumption	2010	2009
Discount rate	12%	10%
Expected increase in eligible salary	12.50%	12.50%
Mortality rate	EFU (61-66) Mortality Table	EFU (61-66) Mortality Table

Historical information

	2010	2009	2008	2007	2006
(Rupees'000)	221,206	224,066	216,286	211,050	201,267

9.2 Deferred tax	2010	2009
	(Rupees'000)	
Taxable temporary differences		
Accelerated tax depreciation	250,660	272,942
Deferred tax on translation of long term investments	123,182	108,343
Share in profit of associate	4,125	-
	377,967	381,285
Less: deductible temporary differences		
Provision for staff retirement benefit	77,422	78,423
Provision for bad and doubtful debts	25,793	17,777
Unabsorbed tax losses	4,396	-
Impairment loss in value of investments	1,855	595
Provision for stores, spare parts and loose tools	1,050	325
	110,516	97,120
	267,451	284,165

		Note	2010	2009
10.	**TRADE AND OTHER PAYABLES**		**(Rupees'000)**	
	Creditors		**254,236**	329,854
	Accrued liabilities		**491,414**	638,929
	Advances from customers		**119,773**	120,408
	Unclaimed dividend		**3,536**	3,557
	Retention money		**42,641**	39,026
	Workers' welfare fund		**13,789**	11,087
	Due to related parties		**11,413**	29,320
	Federal excise duty		**5,685**	5,685
	Sales tax		**86,704**	75,675
	Bed tax		**80,955**	77,501
	Property tax		**11,590**	83,541
	Income tax deducted at source		**3,423**	2,492
	Un-earned income		**70,986**	63,239
	Other liabilities		**43,873**	52,717
			1,240,018	1,533,031
11.	**MARKUP PAYABLE**			
	On long term financing		**1,788**	3,320
	On short term borrowings		**24,061**	27,142
			25,849	30,462
12.	**SHORT TERM BORROWINGS**			
	Running finance from banking companies			
	National Bank of Pakistan	12.1	**638,205**	502,555
	Habib Bank Limited	12.2	**155,823**	264,675
	Soneri Bank Limited	12.3	**94,060**	-
			888,088	767,230

12.1 This represents running finance facility of Rs. 650 million (2009: Rs. 650 million) at markup rate of 1-month KIBOR plus 1.75% (2009: 1-month KIBOR plus 1.75%) per annum payable quarterly. The facility is secured against first mortgage charge on land, building, plant and machinery and first hypothecation charge on stock in trade, book debts, receivables and all other movable properties of Pearl Continental Hotel, Peshawar for an amount of Rs. 866.67 million (2009: Rs. 866.67 million).

12.2 This represents running finance facility of Rs. 350 million (2009: Rs. 350 million) at markup of 1-month KIBOR plus 3% (2009: 1-month KIBOR plus 3%) per annum payable quarterly. This facility is secured against equitable mortgage on land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 667 million (2009: Rs. 667 million) and first hypothecation charge over all present and future movable assets of the Pearl Continental Hotel, Rawalpindi for Rs. 250 million (2009: Rs. 250 million).

12.3 This represents running finance facility of Rs. 100 million (2009: Rs. Nil) at mark-up rate of 6-month KIBOR plus 2.5 % per annum payable quarterly. This facility is secured against lien on shares of M/s New Jubilee Insurance Company Limited, owned by the Parent Company with 50% margin (refer note - 19.3) and ranking hypothecation charge over all the present and future current assets of the Pearl Continental Hotel Rawalpindi for Rs. 133 million.

13.	CURRENT PORTION OF LONG TERM BORROWINGS	Note	2010	2009
			(Rupees'000)	
	Current portion of long term financing	6	**72,000**	72,000
	Current portion of liabilities against subject to finance lease	7	**16,671**	8,386
			88,671	80,386

14. PROVISION FOR TAXATION

	2010	2009
Opening balance	**14,225**	23,673
Income tax paid during the year	**(210,084)**	(144,622)
Charge for the year	**210,323**	135,174
Closing balance	**14,464**	14,225

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies- Parent Company

15.1.1 The income tax assessment of the Parent Company have been finalised and returns have been filed upto and including the tax year 2009. However for the assessment year 1999-2000, an appeal is pending with the Income Tax Appellate Tribunal. In case of adverse decision of the appeal, the tax liability of Rs. 73.165 million (2009: 73.165 million) would arise against the Parent Company for which no provision has been recognised by the Parent Company in the books. These comprise of disallowances of certain expenses and arbitrary additions to the income of the Parent Company. Based on appellate history and merits, the Parent Company is confident of a favourable outcome in the appeal. Therefore, the Parent Company considers that provision against this tax liability is not required.

		2010	2009
		(Rupees'000)	
15.1.2	**Guarantees**	**69,978**	56,574
15.2	**Commitments**		
15.2.1	**Commitments for capital expenditure**	**105,764**	315,094

This includes commitments for acquisition of land in Gwadar and for land regularization (note-17.1).

15.3 Share of contingencies and commitments in associated companies

15.3.1 Contingencies

The group's share of associates' income tax related contingencies amounts to Rs. 7.348 million (2009: Rs. 0.843 million) which are in appeal at various forums. The management and tax advisor of the associates are confident of favourable outcome against the appeals.

16. PROPERTY, PLANT AND EQUIPMENT

	Owned assets											Leased assets	
	Free hold land	Lease hold land	Buildings on freehold land	Buildings on Leasehold land	Plant and machinery	Furniture, fixture, fittings and office equipment	Computers	Vehicles	Hotel crockery and cutlery	Hotel linen and unifors	Capital work in progress (Note 16.1)	Vehicles	Total
	(Rupees'000)												
Cost/ revalued amounts													
Balance as at 01 July 2008	3,827,677	4,927,822	617,544	812,901	2,212,988	563,069	101,893	242,301	12,329	10,132	83,996	47,192	**13,459,844**
Additions during the year	-	-	23,500	44,985	134,552	48,481	28,891	12,041	-	-	249,756		**542,206**
Disposals/ transfer	-	-	-	-	-	-	-	(39,317)	(12,329)	(10,132)	(168,654)	(2,160)	**(232,592)**
Written off	-	-	-	(37,985)	(125,065)	(10,863)	(8,196)	-	-	-	-	-	**(182,109)**
Balance as at 30 June 2009	3,827,677	4,927,822	641,044	819,901	2,222,475	600,687	122,588	215,025	-	-	165,098	45,032	**13,587,349**
Balance as at 01 July 2009	3,827,677	4,927,822	641,044	819,901	2,222,475	600,687	122,588	215,025	-	-	165,098	45,032	**13,587,349**
Additions during the year	-	23,640	-	1,857	10,347	11,942	12,627	1,684	-	-	203,547	40,620	**306,264**
Revaluation during the year	6,054,113	5,328,803	-	-	-	-	-	-	-	-	-	-	**11,382,916**
Disposals/ transfer	-	-	-	-	-	-	-	(13,664)	-	-	-	(4,165)	**(17,829)**
Balance as at 30 June 2010	9,881,790	10,280,265	641,044	821,758	2,232,822	612,629	135,215	203,045	-	-	368,645	81,487	**25,258,700**
Depreciation													
Balance as at 01 July 2008	-	-	327,146	304,216	1,429,405	355,952	83,105	107,278	-	-	-	10,444	**2,617,546**
Charge for the year	-	-	30,026	52,093	122,280	31,954	6,988	20,962	-	-	-	5,512	**269,815**
On disposals/ transfer	-	-	-	-	-	-	-	(24,222)	-	-	-	(460)	**(24,682)**
Written off	-	-	-	(28,060)	(91,225)	(9,040)	(7,824)	-	-	-	-	-	**(136,149)**
Balance as at 30 June 2009	-	-	357,172	328,249	1,460,460	378,866	82,269	104,018	-	-	-	15,496	**2,726,530**
Balance as at 01 July 2009	-	-	357,172	328,249	1,460,460	378,866	82,269	104,018	-	-	-	15,496	**2,726,530**
Charge for the year	-	-	28,387	49,212	114,704	33,884	13,121	16,416	-	-	-	9,511	**265,235**
On disposals/ transfer	-	-	-	-	-	-	-	(8,654)	-	-	-	(2,269)	**(10,923)**
Balance as at 30 June 2010	-	-	385,559	377,461	1,575,164	412,750	95,390	111,780	-	-	-	22,738	**2,980,842**
Carrying value - 2010	**9,881,790**	**10,280,265**	**255,485**	**444,297**	**657,658**	**199,879**	**39,825**	**91,265**	-	-	**368,645**	**58,749**	**22,277,858**
Carrying value - 2009	3,827,677	4,927,822	283,872	491,652	762,015	221,821	40,319	111,007	-	-	165,098	29,536	10,860,819
Rates of depreciation per annum	-	-	10%	10%	15%	15%	30%	15%	-	-	-	15%	

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

16.2 Surplus on revaluation of property, plant and equipment

Properties comprising freehold and leasehold lands having cost of Rs. 154.38 million were revalued on 30 June 2010 by independent professional valuers based on market value basis method resulting in addition of Rs. 11,382.92 million. This revaluations had resulted in a cumulative surplus of Rs. 20,007.77 million, which has been included in the book value of property, plant and equipment under the head of land and credited to the surplus on revaluation of property, plant and equipment account.

Had the aforesaid revaluations not carried out, the book values of freehold and leasehold lands would have been Rs. 154.38 million only (2009: Rs. 130.74 million).

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

	Note	2010	2009
		(Rupees'000)	
Cost of sales and services	30	**238,713**	230,923
Administrative expenses	31	**26,523**	38,892
		265,236	269,815

16.4 Details of disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Carrying value	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Purchaser
Owned	-----------(Rupees'000)-----------						
Vehicle	835	491	344	349	5	Negotiation	Mrs. Kamal
Vehicle	261	254	7	200	193	Insurance claim	New Jubilee Insurance Limited
Vehicle	235	216	19	150	131	Insurance claim	New Jubilee Insurance Limited
Vehicle	555	227	328	470	142	Insurance claim	New Jubilee Insurance Limited
Vehicle	1,288	555	733	870	137	Insurance claim	New Jubilee Insurance Limited
Vehicle	835	348	487	625	138	Insurance claim	New Jubilee Insurance Limited
Vehicle	311	301	10	166	156	Auction	Syed Yasoob
Vehicle	735	594	141	475	334	Insurance claim	New Jubilee Insurance Limited
Vehicle	404	154	250	380	130	Insurance claim	PICIC Insurance Limited
Vehicle	1,283	636	647	647	-	Negotiation	Mr. Shakeel Ahmed
Vehicle	77	32	45	25	(20)	Negotiation	Mr. Shakeel Ahmed
Vehicle	999	742	257	715	458	Negotiation	Mr. Nasir Javaid
Vehicle	400	358	42	700	658	Negotiation	Mr. Shakeel ur Rehman
Vehicle	2,955	2,005	950	1,125	175	Negotiation	Mr. Nasir Javaid
Vehicle	631	589	42	415	373	Negotiation	Mr. Sabir Khan
Vehicle	523	364	159	498	339	Negotiation	Mr. Shah
Vehicle	312	125	187	350	163	Negotiation	Mr. Nasir Javaid
Vehicle	470	423	47	450	403	Negotiation	Mr. Israr Khan
Vehicle	555	240	315	408	93	Negotiation	Maj Abdul Aziz
	13,664	**8,654**	**5,010**	**9,018**	**4,008**		
Leased							
Vehicle	1,565	686	879	1,050	171	Negotiation	Mr. Amir Awan
Vehicle	2,600	1,583	1,017	1,125	108	Negotiation	Wajahat Zeeshan Khan
2010	**17,829**	**10,923**	**6,906**	**11,193**	**4,287**		
2009	41,477	24,682	16,794	26,500	9,705		

	Note	2010	2009
17. ADVANCE FOR CAPITAL EXPENDITURE		**(Rupees'000)**	
Purchase of land	17.1	**626,820**	578,735
Purchase of apartment		**40,509**	30,977
Malir delta land	17.2	**84,000**	84,000
Advance for purchase of equipment		**6,960**	-
Others		**8,205**	-
		766,494	693,712

17.1 This represents amount paid as advance to M/s Associated Builders (Private) Limited, a related party, for purchase of 7.29 acres of land in Gwadar.

17.2 This represents amount paid as advance for purchase of 113.34 acres of land from Mrs. Seema D/o John Hector Gill and wife of Mr. Riaz Ullah under an Agreement to Sell and by execution of a General Power of Attorney. As per lease deed of the land, the lease period is 99 years commencing from 1996-97. The Parent Company will pay the differential amount of the land on the value assessed, as determined by the Land Regularization Committee established by the Government of Sindh under the Sindh Ordinance, 2001 to get the land registered in its name.

	2010	2009
18. INVESTMENT PROPERTY	**(Rupees'000)**	
Opening balance	**41,500**	40,000
Gain on remeasurement of investment property to fair value	**3,500**	1,500
Closing balance	**45,000**	41,500

An independent exercise was carried out to calculate the fair value of investment property on 30 June 2010. To assess the land prices, market research was carried out in the area where the investment property is situated. Fair value of investment property is based on independent valuer's judgment about average prices prevalent on the said date and has been prepared on openly available/ provided information after making relevant inquiries from the market. Valuation was carried out by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

19. LONG TERM INVESTMENTS

	Percentage of holding	Note	2010	2009
			(Rupees'000)	
Associated undertaking - unquoted				
Hashoo Group Limited - British Virgin Island				
98,000 (2009: 98,000) ordinary shares of US$ 100 each	25%		**660,743**	679,223
Pearl Continental Hotels Limited - UAE				
95 (2009: 95) ordinary shares of US$ 50,000 each	50%		**382,020**	364,921
Hotel One (Private) Limited - Pakistan				
500,000 (2009: 500,000) ordinary shares of Rs.100 each	35%		**43,159**	41,661
Associated undertaking - quoted				
New Jubilee Insurance Company Limited				
6,000,000 (2009: 5,000,000) ordinary shares	7.6%	19.2, 19.3	**358,200**	253,750
Other investments				
Available for sale - unquoted company				
Malam Jabba Resorts Limited			**1,000**	1,000
Impairment loss			**(1,000)**	(1,000)
			-	-
			1,444,122	1,339,555

19.1 Investment in associated undertaking

	Note	2010	2009
Cost of investment		**1,818,134**	1,768,135
Investment acquired during the year		**-**	50,000
Post acquisition loss brought forward		**(158,475)**	(92,043)
Share of profit/ (loss) for the year	19.1	**5,740**	(58,932)
Dividend received		**(15,000)**	(7,500)
		(9,260)	(66,432)
Impairment losses		**(558,225)**	(629,655)
Exchange reserve		**351,947**	309,550
Balance as at 30 June		**1,444,122**	1,339,555

Summarised financial information of associates is as follows;

	Non current assets	Non current liabilities	Current assets	Current liabilities	Revenues	Expenses	Profit
	(Rupees'000)						
2010	**3,986,735**	**(45,593)**	**7,954,245**	**5,142,151**	**1,512,820**	**(1,341,355)**	**167,293**
2009	3,749,065	(38,505)	7,018,731	4,177,281	1,330,905	(1,084,904)	293,473

The reporting date of M/s Hashoo Group Limited, M/s Pearl Continental Hotels Limited and M/s New Jubilee Insurance Company Limited is 31 December while reporting date of M/s Hotel One (Private) Limited is 30 June. For the purpose of applying equity method of accounting, assets, liabilities and profit and losss account are based on the unaudited financial statements of the year/ period ended 30 June 2010 as the audited financial statements for the year/ period ended 30 June 2010 were not issued till the date of authorization of financial statements of the group.

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

19.3 These shares are placed/ lien marked as security against running finance facility amounting to Rs.100 million from Soneri Bank Limited (refer note - 12.3)

	Note	2010	2009
20. LONG TERM DEPOSITS		(Rupees'000)	
Utility deposits	20.1	**3,526**	3,613
Lease security deposits		**4,649**	3,755
		8,175	7,368

20.1 These represent deposit maintained with utility companies. These are interest free and are refundable on termination of services.

	Note	2010	2009
21. STORES, SPARE PARTS AND LOOSE TOOLS		(Rupees'000)	
Stores		**62,829**	67,802
Spare parts and loose tools		**24,124**	21,308
		86,953	89,110
Provision for obsolescence		**(2,999)**	(928)
		83,954	88,182
22. TRADE DEBTS			
Considered good			
Due from related parties	22.1	**7,214**	23,629
Others		**305,485**	223,870
		312,699	247,499
Considered doubtful		**70,317**	50,169
		383,016	297,668
Provision against doubtful debts		**(70,317)**	(50,169)
		312,699	247,499

	Note	2010	2009
22.1 Due from related parties		**(Rupees'000)**	
Associated Builders (Private) Limited		**-**	21
Hashwani Hotels Limited		**1,427**	16,507
HOAP Foundation		**7**	15
Hashoo Limited		**-**	58
Hashoo (Private) Limited		**42**	-
Hashoo Foundation		**-**	8
Hotel One (Private) Limited		**4,199**	2,654
Orient Petroleum International Incorporated		**356**	989
OPI Gas (Private) Limited		**389**	124
Pearl Continental Hotels Limited - Dubai		**100**	-
Sparkletts (Private) Limited		**-**	137
Trans Air Travels (Private) Limited		**560**	3,034
Tejari Pakistan Limited		**134**	82
		7,214	23,629

23. ADVANCES

		2010	2009
Considered good			
Advances to:			
Employees		**3,725**	2,503
Suppliers and contractors		**74,016**	124,568
		77,741	127,071

24. TRADE DEPOSITS AND PREPAYMENTS

		2010	2009
Trade deposits		**10,434**	13,944
Prepayments		**14,715**	29,868
		25,149	43,812

25. INTEREST ACCRUED

		2010	2009
Interest on letters of placements/ term deposit receipts/ certificates of investments		**47,971**	12,533
Accrued interest on term deposit receipts written off		**(511)**	-
		47,460	12,533
Interest on deposit accounts		**12**	154
		47,472	12,687

26. OTHER RECEIVABLES

	Note	2010	2009
Due from related parties	26.1	**-**	60,616
Other receivables - considered good		**22,393**	33,753
- considered doubtful		**3,378**	623
		25,771	94,992
Provision for doubtful receivables		**(3,378)**	(623)
		22,393	94,369

		Note	2010	2009
26.1	**Due from related parties**		**(Rupees'000)**	
	New Jubilee Insurance Company Limited		-	50,000
	Gelcaps (Pakistan) Limited		-	3,959
	Genesis Trading (Private) Limited		-	778
	Hashwani Hotels Limited		-	4,505
	Hotel One (Private) Limited		-	844
	Net 21 (Private) Limited		-	436
	Brillux (Private) Limited		-	94
			-	60,616
27.	**OTHER FINANCIAL ASSETS**			
	Held to maturity			
	Letter of placements/ term deposit receipts/ certificates of investments		**480,300**	505,300
	Provision for impairment loss		**(5,300)**	-
			475,000	505,300
	Available for sale - unquoted			
	National Technology Development Corporation (Private) Limited		**200**	200
	Indus Valley Solvent Oil Extraction Limited		**500**	500
	Impairment loss		**(700)**	(700)
			-	-
	Financial assets at fair value through profit or loss			
	Short term investments in shares of listed companies		**8,741**	7,348
		27.1	**483,741**	512,648

		2010	2009
27.1	**Short term investments in shares of listed companies**		
	Pakistan Telecommunication Company Limited		
	350,000 (2009: 350,000) ordinary shares	**6,230**	6,034
	Lotte Pakistan PTA Limited (formerly, Pakistan PTA Limited)		
	150,000 (2009: 150,000) ordinary shares	**1,209**	429
	Fauji Fertilizer Bin Qasim Limited		
	50,000 (2009: 50,000) ordinary shares	**1,302**	885
		8,741	7,348

	Note	2010	2009
28. CASH AND BANK BALANCES		**(Rupees'000)**	
Cash in hand		**10,724**	13,058
Cash at bank:			
Local currency current accounts		**7,798**	27,751
Local currency deposit accounts	28.1	**71,532**	59,295
Foreign currency deposit accounts	28.1 & 28.2	**9,874**	22,904
		99,928	123,008

28.1 Deposit accounts carry interest rate ranging from 5% to 10% (2009: 5% to 10%) per annum.

28.2 This comprise USD 115,351 (2009: USD 281,026) deposited with banks.

	Note	2010	2009
29. SALES AND SERVICES - net		**(Rupees'000)**	
Rooms		**2,039,308**	2,469,935
Food and beverages		**2,603,121**	2,582,637
Other related services	29.1	**321,195**	278,131
Vehicle rental		**66,796**	53,640
Shop license fees		**7,317**	7,164
		5,037,737	5,391,507
Discounts and commissions		**(11,867)**	(23,815)
Sales tax		**(688,843)**	(771,953)
		4,337,027	4,595,739

29.1 This includes income from Privilege (Discount) Club Card and revenue from telephone, laundry and other ancillary services.

30. COST OF SALES AND SERVICES

	Note	2010	2009
		(Rupees'000)	
Food and beverages			
Opening balance		**42,867**	45,720
Purchases during the year		**841,041**	791,790
		883,908	837,510
Closing balance		**(44,435)**	(42,867)
Consumption during the year		**839,473**	794,643
Direct expenses			
Salaries, wages and benefits	30.1	**619,737**	618,257
Heat, light and power		**435,697**	413,649
Repairs and maintenance		**302,423**	610,280
Provision for slow moving stores		**2,071**	-
Depreciation	16.3	**238,713**	230,923
Guest supplies		**98,677**	130,589
Linen, china and glassware		**45,998**	92,129
Communication and other related services		**43,192**	48,157
Banquet and decoration		**43,393**	49,699
Transportation		**15,492**	5,417
Uniforms		**14,416**	17,947
Music and entertainment		**7,148**	8,651
Hotel booking		**7,101**	9,339
Others		**38,199**	50,569
		2,751,730	3,080,249

30.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 33.698 million (2009 : Rs. 32.54 million).

		Note	2010	2009
31.	**ADMINISTRATIVE EXPENSES**		**(Rupees'000)**	
	Salaries, wages and benefits	31.1	**553,479**	532,938
	Rent, rates and taxes		**74,858**	83,748
	Advertisement and sales promotion		**35,758**	41,747
	Repairs and maintenance		**40,134**	91,967
	Heat, light and power		**52,614**	49,918
	Traveling and conveyance		**67,147**	72,120
	Depreciation	16.3	**26,523**	38,892
	Communications		**16,327**	21,768
	Printing and stationery		**23,057**	27,380
	Legal and professional charges		**38,634**	48,421
	Insurance		**38,617**	31,291
	Entertainment		**13,913**	9,966
	Subscriptions		**4,439**	1,939
	Laundry and dry cleaning		**3,122**	3,477
	Uniforms		**3,463**	5,041
	Auditors' remuneration	31.2	**2,050**	1,875
	Provision against doubtful debts		**22,902**	16,492
	Donations	31.3	**125,800**	75,938
	Miscellaneous		**4,437**	13,434
			1,147,274	1,168,352

31.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 21.257 million (2009 : Rs. 18.730 million).

		2010	2009
31.2	**Auditors' remuneration**	**(Rupees'000)**	
	KPMG Taseer Hadi & Co.		
	Annual audit fee	**1,115**	1,115
	Audit of consolidated financial statements	**150**	150
	Half yearly review	**330**	330
	Special reports and certificates	**200**	-
	Out of pocket expenses	**240**	265
	Sandhu & Co.		
	Annual audit fee	**15**	15
		2,050	1,875

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31.3 DONATIONS

Out of total donation of Rs. 125.800 million (2009: Rs. 75.938 million), donations amounting to Rs. 25.000 million (2009: Rs. 75.900 million) include the following in which directors or their spouse has interest:

Name	Interest in Donee	Name and address of Donee	2010	2009
			(Rupees'000)	
Mrs. Noori Hashwani W/o Mr. Sadruddin Hashwani	Chairperson	Umeed-e-Noor Trust House # 7, Street # 72, F-8/3, Islamabad.	-	900
Mr. Sadruddin Hashwani	Patron-in-Chief	Hashoo Foundation		
Ms. Sarah Hashwani	Chairperson	House # 7-A, Street # 65, F-8/3, Islamabad.	25,000	75,000
			25,000	75,900

32. OTHER OPERATING EXPENSES

	Note	2010	2009
		(Rupees'000)	
Unrealised loss on remeasurement of investments to fair value - net		-	8,608
Property, plant and equipment written - off		-	45,960
Impairment loss on investment in associates		-	568,282
Workers' welfare fund		13,660	11,087
Exchange loss - net		1,590	-
Impairment loss of term deposit receipts		5,300	-
Accrued interest on term deposit receipts written-off		511	-
		21,061	633,937

33. OTHER OPERATING INCOME

	Note	2010	2009
Income from financial assets			
Return on bank deposits		9,548	30,815
Exchange gain - net		-	7,267
Dividend income		825	143
Unrealised loss on remeasurement of investments to fair value - net		1,394	-
Reversal of impairment loss on investment in associates		71,430	
Return on term deposit receipts/ certificates of investments/ letter of placements		78,869	70,418
		162,066	108,643
Income from non financial assets			
Concessions and commissions		2,224	9,243
Gain on disposal of property, plant and equipment	16.4	4,287	9,705
Gain on revaluation of investment property to fair value		3,500	1,500
Liabilities written back		51,344	196,961
Communication towers and other rental income		21,616	22,306
Scrap sales		4,350	13,418
Insurance claims		24,254	50,000
Others - net		24,890	4,335
		136,465	307,468
		298,531	416,111

34. FINANCE COST

	2010	2009
	(Rupees'000)	
Return on redeemable capital	-	4,637
Exchange risk fee	11,063	11,063
Markup on long term financing	22,787	43,464
Markup on short term borrowings	105,979	112,271
Finance cost on liabilities against assets subject to finance lease	5,736	2,704
Credit cards discount, bank and other charges	21,501	35,216
	167,066	209,355

35. TAXATION

	2010	2009
Provision for taxation - current	217,532	164,030
- prior	(7,209)	(28,856)
	210,323	135,174
-Deferred	(31,255)	(8,045)
	179,068	127,129

Relationship between accounting profit and tax expense is as follows:

	2010	2009
Accounting profit/ (loss) for the year	554,167	(138,975)
Tax charge @ 35% (2009: 35%)	193,958	(48,641)
Tax effect of permanent differences	3,863	185,911
Tax effect of income subject to lower taxation	(9,535)	(1,911)
Tax effect of share of (profit)/ loss in associates not recognised	(2,009)	20,626
Prior years' tax charge	(7,209)	(28,856)
	179,068	127,129

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2010			2009		
	Chief executive	Directors	Executives	Chief executive	Directors	Executives
	(Rupees'000)					
Managerial remuneration	12,000	15,659	93,190	12,000	12,093	112,919
Contribution to provident fund	-	378	3,068	-	179	3,401
Provision for gratuity	-	220	4,819	-	269	5,647
Housing	-	-	18,357	-	-	22,134
	12,000	16,257	119,434	12,000	12,541	144,101
Number of persons	1	3	68	1	3	62

36.1 In addition to the above, chairman, chief executive and certain executives are provided with group vehicles, residential equipment, reimbursement of utilities, furnished accommodation, medical expenses and leave passage as per the group's policy.

36.2 The Chairman of Parent Company does not draw any salary.

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37. FINANCIAL INSTRUMENTS

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

Credit risk
Liquidity risk
Market risk

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

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

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

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

37.1 Credit risk

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

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

Counterparties

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

Receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The group has established a credit policy under which each new customer is analysed individually for creditworthiness before the group's standard payment terms and conditions are offered. The group's review includes external ratings, where available, and in some cases bank references. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the Credit Control Committee; these limits are reviewed quarterly. Customers that fail to meet the group's benchmark creditworthiness may transact with the group only on a prepayment basis or by obtaining bank guarantee.

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

Cash investment

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

Exposure to credit risk

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

	2010	2009
	(Rupees'000)	
Long term deposits	**8,175**	7,368
Trade deposits	**10,434**	13,944
Trade debts	**312,699**	247,499
Advances	**3,725**	2,503
Interest accrued	**47,472**	12,687
Other receivables	**22,393**	94,369
Other financial assets	**483,741**	512,648
Bank balances	**89,204**	109,950
	977,843	1,000,968

Geographically there is no concentration of credit risk.

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

	2010	2009
	(Rupees'000)	
From related parties	**7,214**	84,245
From government institutions	**24,629**	13,504
From foreign embassies	**889**	1,167
Banks and financial institutions	**642,188**	656,809
Others	**302,923**	245,243
	977,843	1,000,968

Impairment losses

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

	2010		2009	
	Gross	Impairment	Gross	Impairment
	(Rupees'000)		(Rupees'000)	
Aging				
Past due 0-30 days	**219,080**	**-**	205,782	-
Past due 30-60 days	**44,978**	**-**	33,437	-
Past due 60-90 days	**27,494**	**-**	22,954	-
Past due 90-360 days	**43,540**	**-**	79,695	-
Over 360 days	**73,695**	**73,695**	50,792	50,792
	408,787	**73,695**	392,660	50,792

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

	2010	2009
	(Rupees'000)	
Opening balance	**50,792**	34,300
Provision made during the year	**22,902**	16,492
Closing balance	**73,694**	50,792

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

The movement in the allowance for impairment in respect of held-to-maturity investments during the year was as follows:

	2010	2009
	(Rupees'000)	
Opening balance	**-**	-
Provision made during the year	**(5,300)**	-
Closing balance	**(5,300)**	-

An impairment loss of Rs. 5,300 thousand in respect of held to maturity investments was recognised during the current year owing to significant financial difficulties being experienced by the issuer of these securities. The group has no collateral in respect of these investments.

37.2 Liquidity risk

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

There were no defaults on loans payable during the year.

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

	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year and up to two years
2010		(Rupees'000)		
Long term financing	**108,000**	**122,083**	**84,071**	**38,012**
Liabilities against assets subject to finance lease	**38,474**	**44,110**	**20,593**	**23,517**
Long term deposits	**50,426**	**50,426**	**50,426**	**-**
Trade and other payables	**1,049,259**	**1,049,259**	**1,049,259**	**-**
Markup payable	**25,849**	**25,849**	**25,849**	**-**
Short term borrowings	**888,088**	**888,088**	**-**	**-**
	2,160,096	**2,179,815**	**1,230,198**	**61,529**
2009				
Long term financing	180,000	216,885	94,802	122,083
Liabilities against assets subject to finance lease	19,493	21,334	9,854	11,480
Long term deposits	82,813	82,813	82,813	-
Trade and other payables	1,349,384	1,349,384	1,349,384	-
Markup payable	30,462	30,462	30,462	-
Short term borrowings	767,230	767,230	767,230	-
	2,429,382	2,468,108	2,334,545	133,563

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

The contractual cash flows relating to long term financing, liabilities against assets subject to finance lease and short term borrowings have been determined on the basis of expected mark up rates. The mark up rates have been disclosed in notes 6, 7 and 12 to these financial statements.

37.3 Market risk

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

37.3.1 Currency risk

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

	2010		2009	
	Rupees' 000	**USD' 000**	Rupees' 000	USD' 000
Bank Balance	**9,874**	**115**	22,904	281

The following significant exchange rate applied during the year:

	Average rates		**Balance sheet date rate**	
	2010	2009	**2010**	2009
US Dollars	**84**	79	**86**	82

Sensitivity Analysis

A 5 % strengthening of the functional currency against USD at 30 June 2010 would have decreased profit and loss by Rs. 494 thousand (2009: Rs. 1,145 thousand). A 5 % weakening of the functional currency against USD at 30 June 2010 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

Interest rate risk

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

Profile

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

	2010	2009	2010	2009
	Effective interest rates		(Rupees' 000)	
Fixed rate instruments				
Financial assets	**5% to 16%**	5% to 16%	**556,406**	587,499
			556,406	587,499
Variable rate instruments				
Financial liabilities	**KIBOR + (1.75% to 3%)**	KIBOR + (1.75% to 3%)	**1,034,562**	966,723
			1,034,562	966,723

Fair value sensitivity analysis for fixed rate instruments

The group nather account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the group nor designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit or loss	
	100 basis points increase	**100 basis points decrease**
	(Rupees'000)	
Cash flow sensitivity (net)		
30 June 2010	**(9,949)**	**9,949**
30 June 2009	(1,197)	1,197

Other market price risk

The primary goal of the group's investment strategy is to maximise investment returns on surplus funds. The group adopts a policy of ensuring to minimize its price risk by investing in fixed rate investments like TDRs and COIs. Certain investments are designated at fair value through profit or loss because their performance is actively monitored and these are managed on a fair value basis. Equity price risk arises from investments at fair value through profit and loss.

Sensitivity analysis – equity price risk

All of the group's equity investments at fair value through profit and loss is listed on the Karachi Stock Exchange. A two hundred basis points increase in the KSE 100 index at the reporting date would have increased equity by Rs.0.001 million after tax (2009: an increase of Rs.0.001 million); an equal change in the opposite direction would have decreased equity by Rs.0.001 million after tax (2009: a decrease of Rs.0.001 million).

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

Fair value of financial assets and liabilities

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

	Note	2010		2009	
		Carrying amount	Fair values	Carrying amount	Fair values
Assets carried at amortised cost		(Rupees'000)		(Rupees'000)	
Deposits	20 & 24	**18,609**	**18,609**	21,312	21,312
Trade debts - net of provision	22	**312,699**	**312,699**	247,499	247,499
Advances	23	**3,725**	**3,725**	2,503	2,503
Interest accrued	25	**47,472**	**47,472**	12,687	12,687
Other receivables	26	**22,393**	**22,393**	94,369	94,369
Cash and bank balances	28	**99,928**	**99,928**	123,008	123,008
		504,826	**504,826**	501,378	501,378
Assets carried at fair value					
Held-to-maturity investments	27	**475,000**	**475,000**	505,300	505,300
Financial assets at fair value through profit or loss - held for trading	27	**8,741**	**8,741**	7,348	7,348
Liabilities carried at amortised cost					
Long term financing	6	**108,000**	**108,000**	180,000	180,000
Liabilities against assets subject to finance lease	7	**38,474**	**38,474**	19,493	19,493
Long term deposits	8	**50,426**	**50,426**	82,813	82,813
Trade and other payables	10	**1,049,259**	**1,049,259**	1,349,384	1,349,384
Markup payable	11	**25,849**	**25,849**	30,462	30,462
Short term borrowings	12	**888,088**	**888,088**	767,230	767,230
		2,160,096	**2,160,096**	2,429,382	2,429,382

The basis for determining fair values is as follows:

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

Fair value hierarchy

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

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

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

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

	Level 1	**Level 2**	**Level 3**
Assets carried at fair value			
Financial assets at fair value through profit or loss			
30 June 2010	**8,741**	-	-
30 June 2009	7,348	-	-

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

37.4 Capital risk management

The group's objective when managing capital is to safeguard the group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The group manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the group may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares.

38. TRANSACTIONS WITH RELATED PARTIES

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

	Note	2010	2009
Transactions with associates undertakings		**(Rupees'000)**	
Sales		**3,855**	4,295
Services provided		**17,792**	11,452
Services availed		**35,783**	64,475
Purchases		**105,095**	118,483
Purchase of air tickets		**37,991**	39,177
Purchase of property, plant and equipment		**8,194**	7,138
Insurance expenses		**-**	37,180
Insurance claims received		**56,278**	-
Disposal of motor vehicle		**-**	7,138
Contribution to the defined contribution plan		**16,545**	17,677
Advance for purchase of land		**71,725**	555,095
Dividend paid		**-**	37,354
Donation	31.3	**25,000**	75,900
Transactions with key management personnel			
Remuneration and allowances	38.1	**28,257**	24,541

38.1 Compensation to key management personnel

	2010	2009
Salaries and other benefits	**27,659**	24,093
Contribution to provident fund	**378**	179
Provision for gratuity	**220**	269
	28,257	24,541

39. CAPACITY

	Note	No. of rooms letable		Average occupancy	
		2010	2009	**2010**	2009
				%	%
Pearl Continental Hotels					
-Karachi		**286**	286	**43**	50
-Lahore		**561**	561	**47**	53
-Rawalpindi		**193**	193	**69**	52
-Peshawar	39.1	**58**	148	**26**	36
-Bhurban		**190**	190	**59**	57
-Muzaffarabad		**102**	102	**21**	18

39.1 There were 58 rooms operational on 30 June 2010.

40. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Parent Company in their meeting held on 26 September 2010.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

PEARL-CONTINENTAL, BHURBAN

PAKISTAN SERVICES LIMITED
FORM OF PROXY
FOR THE YEAR ENDED 30 JUNE 2010

I / We ______________________________ of ______________ being a member of

Pakistan Services Limited hereby appoint Mr./Mrs./Miss. ______________________________

of ____________________ failing whom Mr./Mrs./Miss. ______________________________

of ____________________ as my proxy to attend and act for me, and on my behalf, at the

Annual General Meeting of the Company to be held on 28 October 2010 at 11:00 a.m.

at Marriott Hotel, Islamabad, and any adjournment thereof.

Dated this __________ day of __________ 2010.

Revenue
Stamp Rs. 5/=

____
Specimen Signature of Proxy

Folio No. ____________________

Participant I.D. No. ____________________

Sub Account No. ____________________

____
Signature of Shareholder

Folio No. ____________________

Participant I.D. No. ____________________

Sub Account No. ____________________

____
Specimen Signature of Alternate Proxy

Folio No. ____________________

Participant I.D. No. ____________________

Sub Account No. ____________________

Note:

1. If a member is unable to attend the Meeting, he / she may appoint another member as his / her proxy and send this form to Pakistan Services Limited, 3rd Floor, Saudi Pak Tower, 61/A, Jinnah Avenue, Islamabad to reach not less than 48 hours before the time appointed for holding the meeting.
2. Attested copies of CNIC or the passport of the beneficial owners and the proxy holder shall be furnished with the proxy form.
3. The proxy holder shall produce his / her original CNIC or original passport at the time of meeting.
4. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted alongwith proxy form to the Company.