



Pearl-Continental

HOTELS & RESORTS

Cultured like no other pearl in the world.™



ANNUAL REPORT 2011



PAKISTAN SERVICES LTD.

for the privileged ones

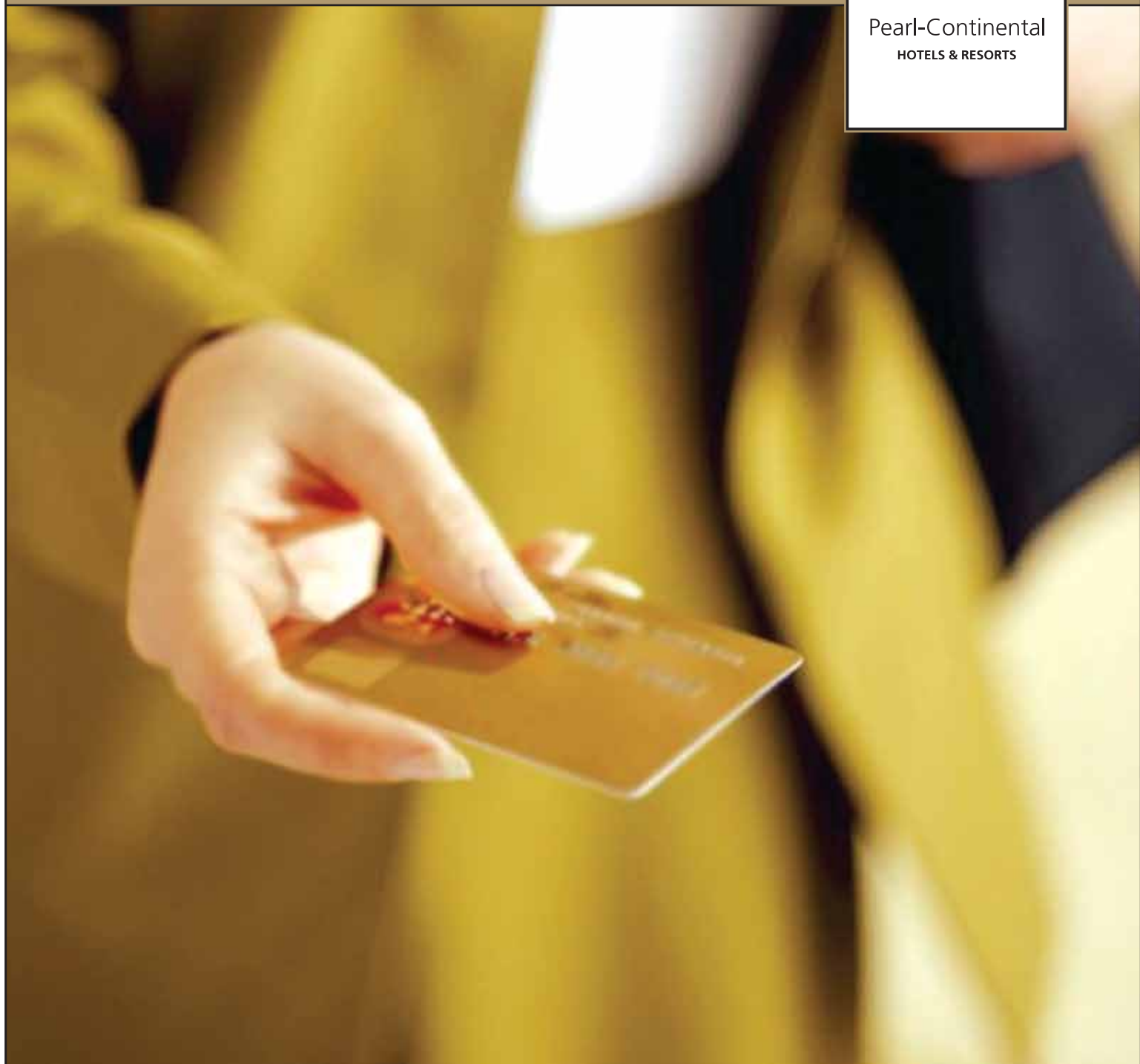
We wish our new guests the nicest possible
welcome into the privilege club

Cultured like no other pearl in the world.™

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Pearl-Continental
HOTELS & RESORTS



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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, 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 1,445 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

National Bank of Pakistan
The Bank of Punjab
Habib Bank Limited
Soneri Bank Limited
United Bank Limited
Askari Bank Limited
Albaraka Islamic Bank (Pakistan) Limited
Allied Bank Limited
Bank Alfalah Limited
JS Bank Limited
KASB Bank Limited
NIB Bank Limited
Silk Bank Limited
Standard Chartered Bank (Pakistan) Limited

REGISTERED OFFICE

9th Floor, UBL Building, Jinnah Avenue,
Blue Area, Islamabad.
Tel: 0092-51-2812142
Fax: 0092-51-2812143
<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.
Dagja House, 241-C, Block-2, PECHS, Off
Shahrah-e-Quaideen, Karachi.

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 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



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



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 52nd Annual General Meeting of Pakistan Services Limited will be held on Saturday, 29 October 2011 at 11:00 a.m. at Marriott Hotel, Islamabad to transact the following business:

1. To confirm the Minutes of the Extra Ordinary General Meeting held on 28 March 2011.
2. To receive, consider and adopt the Audited Financial Statements together with the Directors' and the Auditors' Reports thereon for the year ended 30 June 2011.
3. To appoint auditors for the year 2011-12 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 2011

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 the 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 23 October 2011 to 29 October 2011 (both days inclusive).
- iii) Shareholders are requested to notify the Company's Share Registrar, M/s Technology Trade (Private) Limited, Dagia House, 241-C, Block-2, P.E.C.H.S., Off: Shakra-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:

- 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.
- 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.

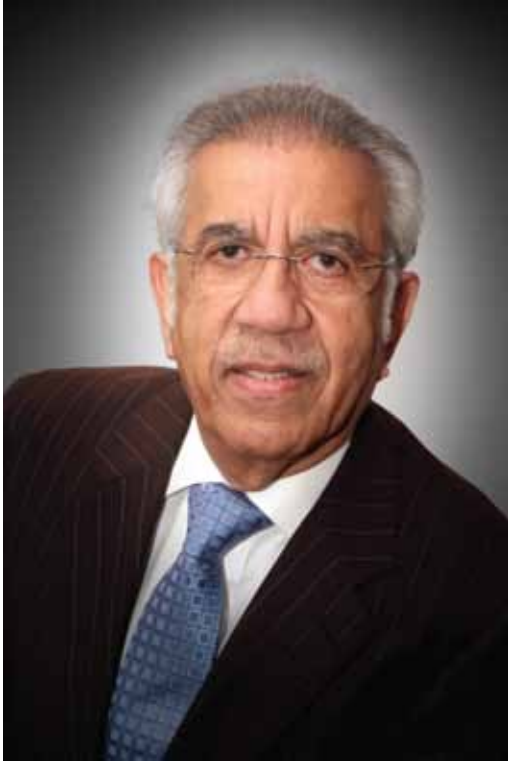
B. For Appointing Proxies:

- 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.

- The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.
- The proxy shall produce his original CNIC or original passport at the time of the meeting.
- 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



It is indeed my privilege to present the Annual Report of Pakistan Services Limited together with the Audited Financial Statements of the Company and the Auditors' Report thereon for the year ended 30 June 2011.

ECONOMIC ENVIRONMENT

The world at large is in the throes of struggling with serious challenges of one kind or the other. Natural calamities such as witnessed in the aftermath of tsunamis, hurricanes, cyclones and even tornado have increased in frequency. Flooding of vast tracts of land has become order of the day. Perhaps climate change is behind queer weather patterns all over the globe. As if vagaries of Nature were not enough, there is global turmoil with a number of hotspots, especially neighbouring Pakistan. We witnessed

Arab Spring which is still in the process of unfolding. The acts of terrorism are not restricted to any one country or region but have become a global menace. The economy suffers the most serious brunt of worldwide instability. The major currencies are under heavy stress. The mountain of debt is haunting US Economy and Europe is desperately trying to come to grips with some ailing economies of the European Union. The prices of energy and food are showing steep rise. Pakistan thus also finds itself in the midst of pervasive economic disruption. It has its own share of natural disasters and disturbed security environment. Despite the heavy odds, Pakistan shows extraordinary resilience and possesses the potential to stand on its own given its young and vibrant population, rich natural resources and exceptional resolve of the people against adversity. The per capita income in the year 2010-11 increased from US \$ 1,073 to US \$ 1,254. The target GDP for the year 2010-11 was projected at 4.5 percent but floods during that year ravaging infrastructure, standing crops and displacing millions of people uprooted from hundreds of marooned villages and continued disturbed security situation has brought it down to 2.4 percent.

Pakistan despite daunting odds will rough out the universal economic mayhem. We are saying this because we have faith in the people of Pakistan, we know that the country is intrinsically very rich and that grave crises are not new to it and as in the past it will again come out successfully from the rough patch.

OVERALL PERFORMANCE OF THE COMPANY

It needs hardly be said that your Company by virtue of its pioneering role in the hospitality industry of Pakistan and some three decades of active contributions that were trailblazers in this field has within its folds invaluable experience, extraordinary skills and leadership that is able to convert odds into opportunities. It has honed its skills to conquer issues in each department may this be energy, market competition, reduced traffic of guests, and high cost of materials or economic stagnation.

The fact is that the Company is succeeding through scientific and technological approach backed up by sound financial management and expert leadership. It is the weighted impact of these qualities that your Company during the year under report achieved growth in the overall operational performance and crossed the first ever high mark of Rs. 5 billion net-revenue with actual amount standing at Rs. 5,016 million as compared to Rs. 4,238 million of the last year, thus registering a growth of 18 percent. The gross profit of the company for the year under report climbed up from 36 percent of the last year to 40 percent.

Your Company earned a profit before tax of Rs. 964 million during the year under review relative to Rs. 605 million in the last year. This works out to a robust growth of 59 percent in profit. Profit after tax are Rs. 428 million during the year 2009-10 which went up to Rs. 669 million for the year under report.

Performance of Rooms Department

Revenue from this Department was recorded at Rs. 2,069 million (exclusive of GST) in the year under review surpassing that of the corresponding period of last year's of Rs.1,740 million (exclusive of GST) by 19 percent i.e. Rs.329 million. Average occupancy for the year under review was 53 percent as against 49 percent of the corresponding period of last year. Further, the Average Daily Room Rate (ADR) recovered to Rs.7,440 from Rs.7,217 of the preceding year which contributed towards growth in this business segment.

Performance of Food & Beverage Department

Revenue from this Department stood at Rs.2,689 million (exclusive of GST) in the year under report as against Rs.2,239 million (exclusive of GST) of the last year. The incremental revenue of Rs.450 million from this segment represents 20 percent rise over that of the last year.

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

Revenue from these minor operated segments during the year under review was recorded at Rs.258 million (exclusive of GST) as compared

to Rs. 259 million of the last year, registering a marginal decrease of Rs. 1 million during the year under review.

FUTURE PROSPECTS

Your Company is strident and continues to march forward nonstop to not only withstand the spillover impact of foreign and national adversarial forces but to rise against these to greater heights of business excellence. We are in continuous evolutionary cycle to succeed. Security systems of the properties are strengthened and security policies suited to the developing scenario. The Internet bandwidth is being continually increased to fulfill the need for new applications. Wi-Fi coverage has been improved and extended further. Old technology TVs have been replaced with latest LCD TVs. Multimedia connectivity to LCD TVs has been catered for through special design panels. New high speed computers are being progressively inducted for faster service. Opera Micros Software has been installed at PC Karachi and PC Lahore and now being installed at PC Rawalpindi and PC Bhurban.

Distinct progress has been made in major operational areas like cutting down on the cost of overheads. Quality rather than number of human resource is being emphasized. Energy saving is done through all possible measures. Replacement of machines with higher efficiency, conservation of energy through better insulation, reduction of solar heat flux by as much as 65 percent through special films (which also act as safety against flying glass debris) to reduce air-conditioning load and prevent damage to upholstery and curtains by ultraviolet rays, correct setting of automatic controls on machines, calibration of thermostats, switching to latest LED lighting (3 watt lamp against previously installed 50 watts standard lamp) and employment of specially designed energy saving devices next to the heavy load centres for best possible use of electrical energy are the type of initiatives that are making a big difference in the balance sheet.

The properties are being upgraded. Here special mention should be made of the rehabilitation of West Wing of PC Hotel Peshawar, renovation of

bathrooms and upgrading of the guestrooms of PC Hotel Bhurban. At the PC Hotel Karachi, the bathrooms are being completely revamped with new tile flooring, modern design sanitaryware, fixtures, equipment like Swiss-made hairdryers with built-in shaving socket, and new lighting arrangement. The guestrooms too will have new finish. The executive floors are being furnished with brand new specially designed imported furniture. The electrical wiring, switches, sockets, lighting arrangement is being redone with best quality electrical hardware. Each room will have its own individual electrical circuit control. The LT panels at PC Hotel, Karachi for distribution of electrical energy to the guestrooms are also being changed. A new latest design addressable Fire Alarm System is under installation at this property. Similar modernization programmes are underway to varying degrees at all the hotels of your Company to maintain lead by staying current with world-class standards.

On the financial discipline side, each project is closely scrutinized to select the most cost-efficient solution. The financial approvals are made subject to meeting of strict conditions. The marketing and customer relations teams are using the currently available computer-assisted tools to break new ground.

Your Company means business. It will stay in the lead in the hospitality industry of Pakistan, no matter what difficulties it has to surmount in this goal. Its track record proves its competence and advocates its ability and strengthens to fulfill that goal. We are optimistic about our future, the future of our people and the future of Pakistan. What better testimony to that faith than our relentless, evolutionary pursuit for progress and profitability of your Company.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

Corporate Philanthropy:

The Company has given financial support to well-reputed NGOs with good track record of

improving education, healthcare and other social welfare activities all over the country. Our guiding principles in managing social, ethical, and environmental commitments remain unchanged and we are continuing to play active role in meeting the growing needs of the social welfare sector.

The main focus of the Company is to concentrate on healthcare, education, rural development, environment conservation and strengthening of the civil society through Aga Khan Foundation and the Hashoo Foundation, who are engaged in different projects of social welfare. Your Company is working for greater financial independence and self-reliance of individuals, families and communities. During the year under review it has made an aggregate donation of Rs.88.727 million to Shaukat Khanum Memorial Cancer Hospital and Research Centre, the Aga Khan Foundation and the Hashoo Foundation. We stand committed to enhance our share in the public welfare projects regardless of whether in the areas where such projects are underway have our business presence or not. Our cause is general uplift of masses and the deprived communities.

Energy Conservation

Advance energy conservation program is being implemented on scientific and technical lines. This includes close energy audit each month conducted by highly qualified Consultant whose attention is focused on identification of heavy load centres, evaluation of performance of energy consuming machines such as air-conditioning systems and lighting, and prevention of energy loss through strict conservation measures. Change-over to Light Emitting Diode (LED) lamps is underway despite substantial investments it calls for. The installation of solar heat shield film on window glass to reduce heat load has been completed. Control devices for automatic switching on & off of machines are being accurately calibrated & set to reduce the duty cycle of machines.

A well-planned Energy Conservation strategy is in force at all the properties. It is implemented by teams constituted at the property level to develop awareness among their colleagues to

cut down energy wastes and enforce the energy savings programme. Each General Manager of property submits monthly energy consumption report numbers to the Consultant who feeds these to the computer database for comparative study, determination of consumption trend, determination of control measures and issue of advisories to the property.

Environment Protection Measures

Being a reputable corporate entity, the Company ensures that its operational activities involving wastes in form of emissions and solid are treated first before disposal for conservation of environment. Special attention is being paid to conservation of water at each utility point. Green machines and equipment that are highly efficient consuming minimum energy are being introduced. All the hotels of the Company have environment improvement programmes that promote horticulture, plantation and immaculate cleanliness of not only inside of the hotels premises but also their immediate surroundings.

Customer Protection Measures

We believe our guests deserve the best. The Company's approach to developing customer relationship stresses on continuous feedback, courtesy calls and visits. We also conduct Customer Satisfaction Surveys and based on customer feedback which is collected and reviewed at individual property, we try our best to improve services quality standards.

Health, safety and security of our customers are paramount to us and adequate arrangements are in place at our properties for that. A comprehensive schedule of inspections of each property and drills is implemented to check awareness, compliance and readiness to deal with emergencies.

Employment of Special Persons

To part with responsibilities in this stratum of CSR, the Company employs 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

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

Safe working environment with group-health and life insurance coverage is provided to employees for optimal performance of their duties.

Business Ethics and Anti-corruption Measures

The Company has 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 enforced throughout the Company.

Contribution to the National Exchequer:

During the year under review your Company contributed a hefty amount of Rs.1,393 million compared to Rs.1,386 million during the last year to the national exchequer by way of customs duties, general sales tax, income tax and other provincial and federal government levies. In addition to these direct contributions, the Company's operations generate economic activities for its employees and suppliers etc who in turn contribute to the national exchequer in the form of taxes and levies.

Awards and Recognitions:

Excellence speaks itself but it makes us proud if we are recognized by the outside corporate and esteemed professional bodies for our performance. We are happy to report the "27th Corporate Excellence Award" given to the Company by the Management Association of Pakistan for its excellent performance in the Corporate Sector. In addition, during the year under review the Company was honoured by the Association of Chartered Certified Accountants (ACCA) by

award of the Certificate of Approved Employer and by the Institute of Chartered Accountants in England and Wales (ICAEW) which conferred upon it the Certificate of Authorized Training Employer. From these certifications of such highly prestigious professional bodies renowned globally, it is evident that they admire our working environment and recognize our team of professionals for imparting quality training to students of ACCA & ICAEW.

HIGHLIGHTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated revenue during the reporting year was recorded at Rs.5,111 million (exclusive of GST) as against Rs.4,337 million (exclusive of GST) of the last year. The consolidated profit before and after tax for the year 2010-11 were recorded at Rs.1,021 million and Rs.720 million, respectively.

The wholly-owned subsidiary company, M/s Pearl Tours and Travels (Private) Limited, engaged in the business of "Rent-a-Car" and "Package Tours", generated revenue of Rs.144 million during the year under report as compared to Rs.125 million of 2009-10. This shows nearly Rs.19 million increase in revenue earned during the year under review.

Another wholly owned subsidiary company, M/s Musafa International (Private) Limited, engaged in the project management business is close to completing construction and development of underground parking located next to the Company's Pearl Continental Hotel, Karachi. During the year under review MIPL recorded loss after tax amounting to Rs.0.249 million.

Besides above, two other wholly owned subsidiary companies, namely, M/s. Pearl Continental Hotels (Private) Limited and M/s. Bhurban Resorts (Private) Limited though remained non-operational during the financial year 2010-11 but earned after tax income of Rs.0.355 million and Rs.0.613 million respectively on their funds placed in profit bearing bank accounts.

ACKNOWLEDGEMENT

On behalf of the Board, I express my gratitude to the shareholders, valued guests, customers and banks for their continued support and confidence and also acknowledge the dedication and devotion of the management and staff which made it possible for the Company to achieve impressive results even against heavy odds.

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

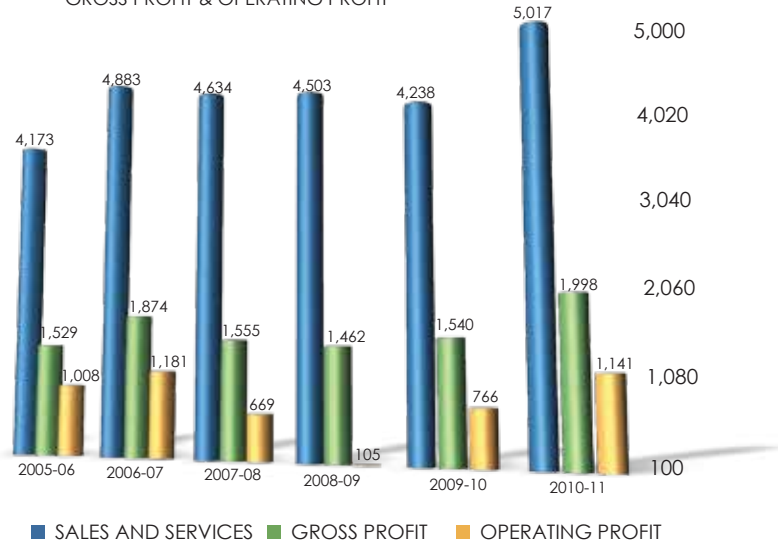
For and on behalf of Board of Directors

SADRUDDIN HASHWANI

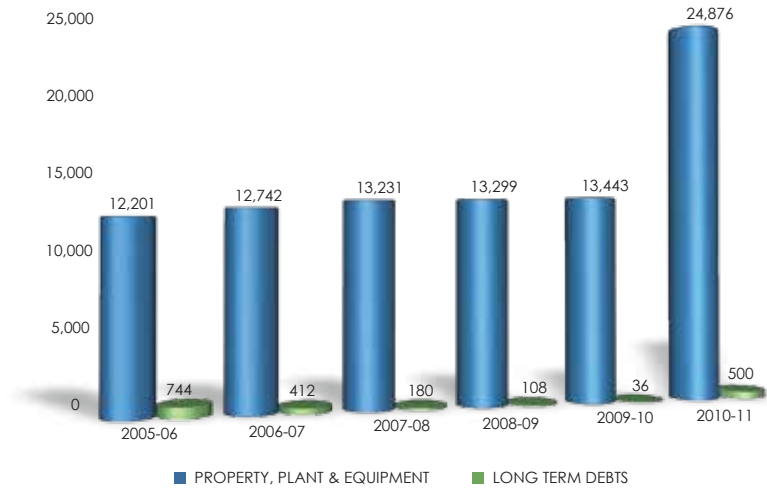
Chairman

Dubai: 26 September 2011

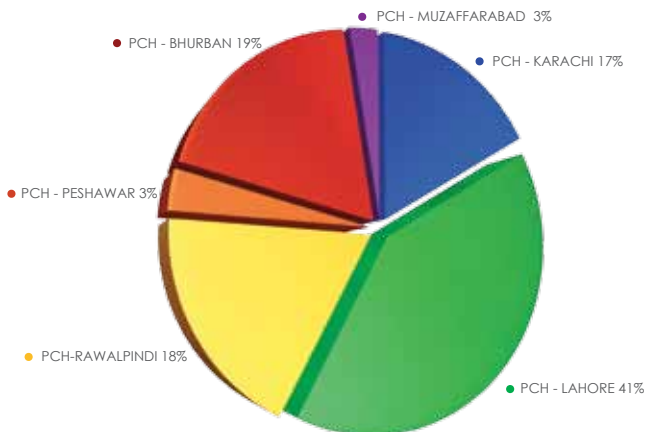
TREND ANALYSIS -SALES & SERVICES (NET), GROSS PROFIT & OPERATING PROFIT



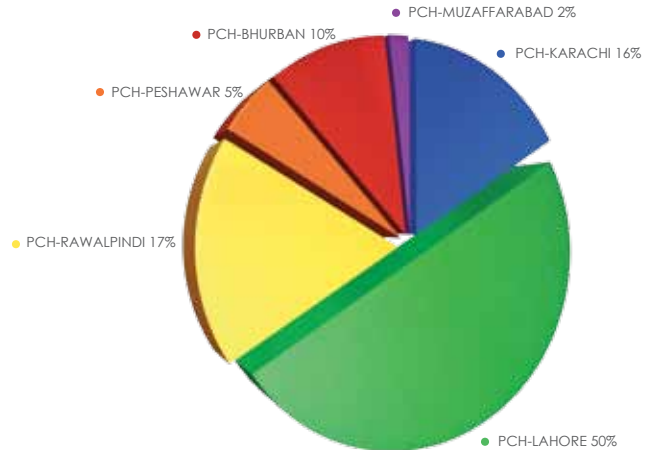
PROPERTY, PLANT & EQUIPMENT V/S LONG TERM DEBTS



ROOM REVENUE (HOTEL WISE) FINANCIAL YEAR 2010-11



FOOD & BEVERAGES REVENUE (HOTEL WISE) FINANCIAL YEAR 2010-11





PEARL CONTINENTAL HOTEL RAWALPINDI

the only
premier luxury
hotel in town



The Pearl Continental, the only 5-star hotel in Rawalpindi, is located in the heart of this commercial & shopping cosmopolitan city.

The hotel has an easy access to all major public and private sectors in Rawalpindi and Islamabad including GHQ and foreign missions. The hotel is just 10 kms from the Benazir International Airport Islamabad which is altogether about 10 to 15 minutes drive and is therefore the first choice of airlines landing and taking off from this airport. The hotel has 193 Guest rooms comprising Suites, E-Rooms, Executive and Standard Rooms. Every room is equipped with individually controlled air conditioners, Phones, Electronic Safe Lockers, Mini-Bars, Vanity Desk, Hair Dryers, 42 inch LCD televisions with satellite channels.

Besides a temperature-controlled swimming pool for all seasons, the hotel also has a latest health club which houses facilities such as low Impact cardiovascular workouts, steam, jacuzzi, sauna, local and sports massage, table tennis, snooker, tennis etc.

The Pearl Continental Rawalpindi is the place for the cognoscente as the hotel houses diversity in food and beverages. You will find great deal of options in each of the hotel's restaurants. All the restaurants such as Bukhara, Jason's Steak House, Marco Polo, Tai Pan and the Front Page Café are supervised by mavens who besides taste and quality also closely anatomize the hygienic side of the affairs by making use of the latest and highest technology and methods for portioning and preparing food. It bears remembrance that one of the former ambassadors of the Republic of China in Pakistan upon his visit to the Tai Pan, an exquisite authentic Chinese restaurant, graded it as the best he had ever experienced in this country. Similarly, the former Australian High Commissioner who had inaugurated the Jason's Steak House, was amazed at the highest quality products and services that the restaurant was offering. Marco Polo offers a combination of sumptuous Pakistani and Continental delicacies with extensive range of buffet and la carte treat. The elegantly designed Marco Polo is a perfect place for social and business meetings as well. The moment one walks into the hotel, one's breath is taken away, by the ambiance of the lobby and the connected Front Page Café it is simply stunning. The Front Page Cafe serves light snacks, sea-food, juices, ice creams, tea and most aromatic coffee round the clock. People who find time during late hours to dine late nights through the Café

Bukhara is a much sought after restaurant for those food lovers who want to indulge in specialized bar-be-cue and Pakistani traditional food for dinner amid melodious ghazals and classical dance. Retro Bukhara offers cuisines perfectly matching the



The Pearl Continental, provide the ultimate security to safeguard people, facilities and assets



traditionally and artfully decorated restaurant.

The Pearl Continental Rawalpindi also caters to the theme-based requirements of various groups, weddings and banquets with absolute perfection. Owing to extensive range of meeting rooms and halls equipped with latest technologies, corporate groups prefer the hotel for meetings and conferences.

The hotel also has the distinction of having a huge lush-green lawn, where concerts, weddings and festivals for thousands of people can be organized. The green belt, called the eastern lawn has been a big attraction as there is no other hotel in the twin cities blessed with this special feature. Besides other spacious halls, the hotel also has an elegant pillar-less Marquee meant for big occasions.

Last but not the least, the security measurements that the hotel exercises; like all the properties of the Hashoo Group, the Pearl Continental Rawalpindi too, without any compromise, provide the ultimate security to safeguard people, facilities and assets. As it involves human lives, thorough scanning of all vehicles and walk-in visitors entering into the hotel are carried out. Any small articles those are secretly concealed in can also be detected immediately by virtue of the latest equipment the hotel has.



DIRECTORS' REPORT



The Board of Directors ("the Board") of Pakistan Services Limited ("the Company") is pleased to present the 52nd Annual Report and the Audited Financial Statements along with the Auditors' Report thereon for the year ended 30 June 2011.

Summary of financial performance of the Company is as follows:

	(Rupees '000)
Profit from operations	874,217
Un-realized gain on re-measurement of investments	89,818
Profit before taxation	<u>964,035</u>
Taxation	(295,503)
Profit for the year	<u><u>668,532</u></u>

EARNINGS PER SHARE

Earnings per share for the year arrives at Rs. 20.56

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	02
Mr. Murtaza Hashwani	02
Ms. Sarah Hashwani	02
Mr. M.A. Bawany	05
Mr. Mansoor Akbar Ali	-
Syed Sajid Ali	02
Mr. Muhammad Rafique	05
Mr. Rolf Richard Bauer	05
Mr. Bashir Ahmed	05

- The leave of absence was granted to the members not attending the Board meeting.
- The Directors, Chief Financial Officer, Company Secretary and their spouses and minor children have not traded in Company's shares during the year.
- The value of investment of provident fund as per accounts for the year ended 30 June 2011 was Rs. 441.61 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 inter alia with the financial and operating results and significant deviations from last year, significant future plans and other related matters of the Company.

ELECTION OF DIRECTORS

The Shareholders in an Extra-Ordinary General Meeting held on 28 March 2011 elected nine Directors for three years term commencing

from 29 March 2011, the names of elected Directors are:

1. **Mr. Sadruddin Hashwani**
2. **Mr. Murtaza Hashwani**
3. **Ms. Sarah Hashwani**
4. **Mr. M.A. Bawany**
5. **Mr. Mansoor Akbar Ali**
6. **Syed Sajid Ali**
7. **Mr. Muhammad Rafique**
8. **Mr. Rolf Richard Bauer**
9. **Mr. Bashir Ahmed**

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 (xxiii) 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 resource.

AUDITORS

The retiring auditors, M/s KPMG Taseer Hadi & Co, Chartered Accountants being eligible, offer themselves for re-appointment as the Company's auditors. The Board, on the recommendation of the Audit Committee, has proposed appointment of M/s KPMG Taseer Hadi & Co, Chartered Accountants as auditors of the Company for the year ending 30 June 2012.

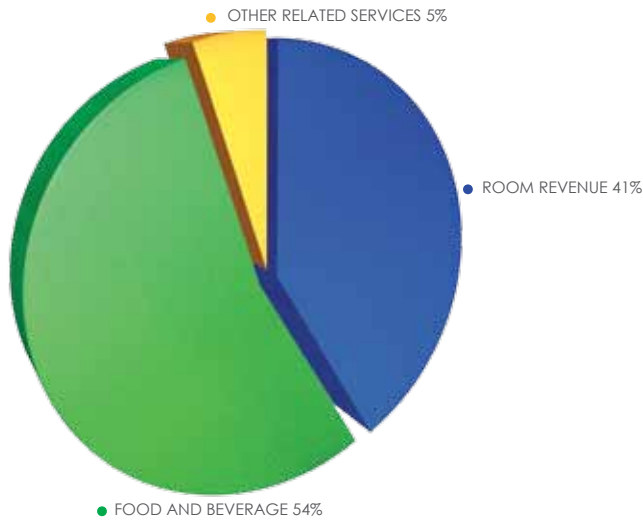
For and on behalf of the Board of Directors

MURTAZA HASHWANI

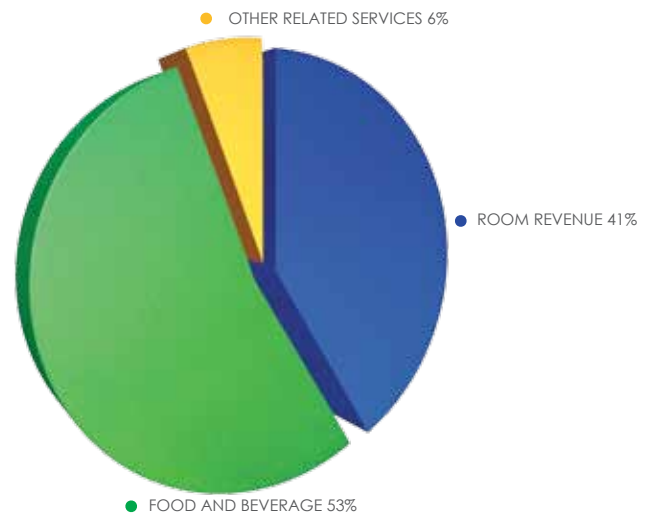
Chief Executive

Dubai: 26 September 2011

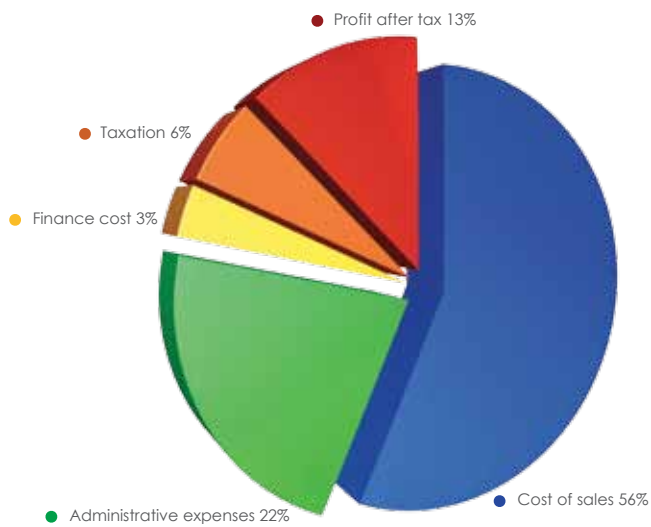
CONTRIBUTION OF MAJOR REVENUE GENERATING DEPARTMENTS
FINANCIAL YEAR 2010-11



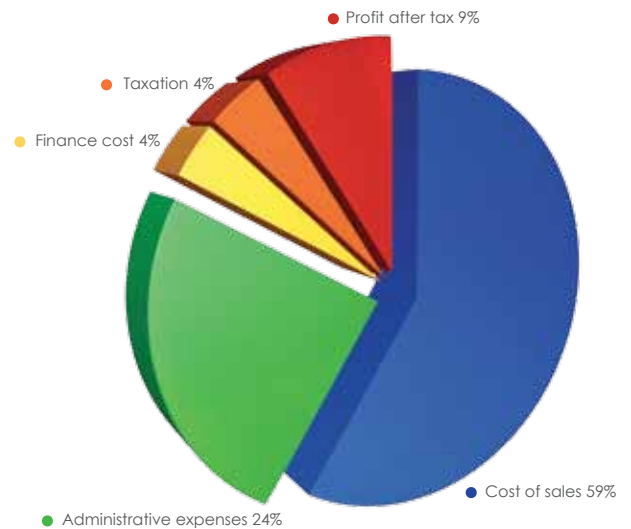
CONTRIBUTION OF MAJOR REVENUE GENERATING DEPARTMENTS
FINANCIAL YEAR 2009-10



APPLICATION OF SALES & OTHER INCOME
FINANCIAL YEAR 2010-11



APPLICATION OF SALES & OTHER INCOME
FINANCIAL YEAR 2009-10



FINANCIAL HIGHLIGHTS

BASED ON UN-CONSOLIDATED FINANCIAL STATEMENTS

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
(Rupees in Millions)						
Performance						
Sales & Services Net	5,017	4,238	4,503	4,634	4,883	4,173
Gross Profit	1,998	1,540	1,462	1,662	1,874	1,529
Operating Profit	1,141	766	105	669	1,181	1,008
Profit/ (Loss) before Taxation	964	605	(101)	536	993	805
Provision for Tax	295	177	128	233	352	51
Profit/ (Loss) After Taxation	669	428	(230)	304	641	753
Dividend Including Bonus Share	-	-	49	33	81	81
Financial Position						
Share Capital	325	325	325	325	325	325
Reserves	3,453	2,784	2,356	2,635	2,364	1,804
Share Holder Equity *	23,461	22,792	10,981	11,260	10,988	10,429
Long Term Debts	500	36	108	180	412	744
Long Term Debts & Deferred Liabilities	916	451	590	661	838	1,104
Current Liabilities	1,832	2,235	2,416	2,186	1,496	1,130
Property Plant & Equipment at cost*	24,876	24,735	13,299	13,231	12,742	12,201
Property Plant & Equipment at carrying value*	21,990	21,973	10,721	10,759	10,741	10,313
Current Assets	1,771	1,538	1,463	2,309	1,687	1,455
Net Current Assets/ Laibilities	(61)	(697)	(953)	123	191	325
Long Term Debt: Shareholders' Equity Ratio	0.02	0.00	0.01	0.02	0.04	0.07
Current Ratio	0.97	0.69	0.61	1.06	1.13	1.29
Cash to Current Liabilities	(0.17)	(0.37)	(0.08)	0.12	0.59	0.80
Cash flow from Operations to Sales	0.29	(6.66)	3.05	2.43	5.40	(0.41)
Debt Coverage Ratio	2.55	9.41	2.01	2.15	1.83	1.16
Interest Cover Ratio	6.44	4.75	0.51	5.06	6.29	4.97
Financial leverage ratio	0.27	0.36	0.40	0.35	0.31	0.58
Weighted average cost of debt	18.42	16.59	22.22	15.97	20.97	17.14
Investor's Information						
Gross Profit Ratio	39.84%	36.34%	32.46%	35.86%	38.38%	36.63%
Earning/ (loss) Per Share **	20.55	13.16	-7.07	9.34	19.71	23.16
% of Profit After Tax to Sales	13.33%	10.10%	-5.10%	6.56%	13.13%	18.05%
Return on Capital Employed	2.74%	1.84%	-1.99%	2.55%	5.42%	6.53%
Inventory Turnover Ratio	61.43	61.81	68.66	79.38	93.44	83.64
Debtor Turnover Ratio	16.27	16.12	15.71	15.09	19.93	22.18
Fixed Assets Turnover Ratio	0.23	0.19	0.42	0.43	0.45	0.40
Breakup Value per share *	721.33	700.77	337.63	346.20	337.85	320.64
Market value at the end of the year **	142.5	123	113.05	540	466	393.55
Market value high during the year **	181.99	249	530	564	466	393.55
Market value low during the year **	129.65	98.2	113.05	412	316	161.5
Price Earning Ratio	6.93	9.35	-16.00	57.79	23.64	16.99
Dividend Per Share - Bonus **	-	-	-	-	-	-
Dividend Per Share - Cash **	-	-	1.5	1	2.5	2.5
Dividend Yield Ratio %	-	-	1.33%	0.19%	0.54%	0.64%
Dividend Payout	-	-	-	11%	13%	11%
Capital Expenditure	187	61	288	581	549	75

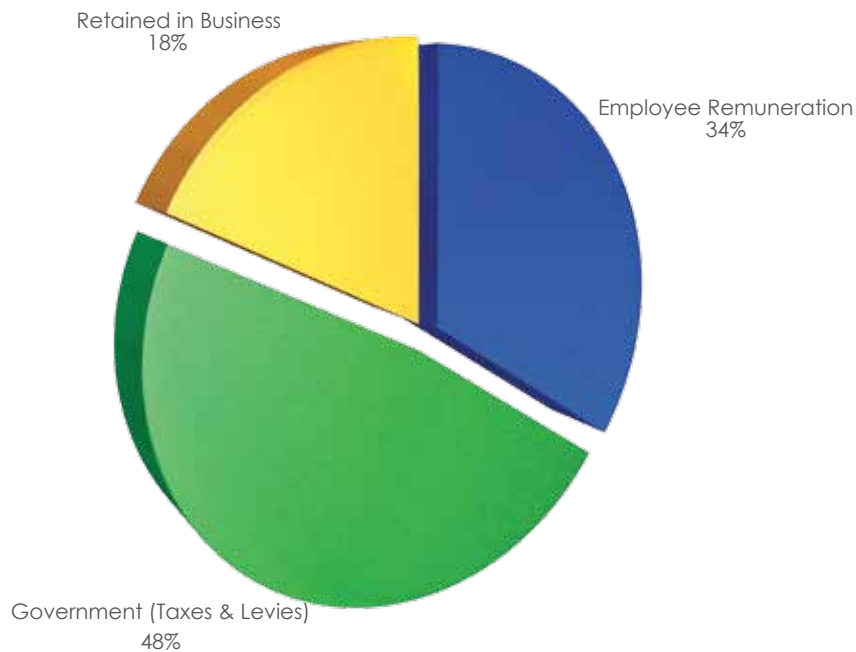
* This include impact of revaluations

** Amount in Rupees

STATEMENT OF VALUE ADDITION & ITS DISTRIBUTION

	2010-2011 (Rupees '000)
VALUE ADDED	
Sales & Services (Inclusive GST)	6,070,934
Other operating income-net	307,821
	<u>6,378,755</u>
Cost of Sales and Other expenses (Excluding remuneration)	<u>(2,584,346)</u>
	<u>3,794,409</u>
DISTRIBUTION	
Employee Remuneration	1,299,286
Government (Taxes & Levies)	1,826,591
Retained in Business	668,532
	<u>3,794,409</u>

**VALUE ADDED & DISTRIBUTION
FINANCIAL YEAR 2010-11**



● Employee Remuneration ● Government (Taxes & Levies) ● Retained in Business

SAKURA...

REAFFIRMING THE ORIENTAL TRADITION

"Good evening / good afternoon, Ladies and Gentlemen. My name is Etsu. Let me introduce you to Sakura. We are a family style contemporary Japanese restaurant proud to be reaffirming Oriental values wherein sharing food is valued tradition...."



Which rather bewildering statement from the Manager, as he offers the menu card, is a perfect start to an authentic Japanese eating experience where no bones have been spared to make the meal really and truly exciting. Charming indeed, for guests at Sakura, the Lahore Pearl Continental Hotel have the option of actually sharing meals from a single platter, a la happy family style. Reveling in their new vision of hospitality, trained staff will prompt you through an enticingly lengthy menu of exotic Japanese cuisine, which need not be a la carte in the western sense of the word. For at Sakura, everyone can have anything and almost everything that is offered on the cards, in the short span of a single meal and come away having done justice to the works.

Sakura or Cherry blossom, as the name translates, is neatly tucked away in the center of the cosmopolitan world that is the Lahore Pearl, overlooking in part, lush greens and the aquamarine waters of the swimming pool.

Well placed indeed, given the security paranoia! Far, far away from the madding crowd, this is a world where time stands still in the confines of wooden floors and bamboo walls complemented by a winning combination of furniture in the colors of Burma Teak and magenta upholstery. And yes, you guessed right, the entire décor is in sync with the four elements: Air, Water, Fire, and Earth. The Sakura setting, which is good for nearly hundred guests at a time, has some nice privacy protective corners plus a general dining area that includes Sushi and Teriyaki counters for diehard eaters who would like to see their order being constructed before their eyes.



Initiating this one of a kind eating experience with the ah so refreshing mint flavored Cherry Blossom mock tail, your server will guide you to the appetizers, of which Ebi Tempura easily takes the cake. This is one solid delight of deep fried prawns lavishly coated in Tempura sauce. Then, in Japanese order of preference, in should come Negimayak a set of thin sliced, juicy-melt-in-the mouth beef wrapped around green onion stalks in a bed of Teriyaki sauce. For the soup it would be a good idea to select Dobbin Mushi served in a specially designed kettle and your own individual cup. The flag carrier of the whole meal, Dobin Mushi vies well with Kake Soba and the other soups on the menu from where you can have your pick of other clear soups as well. Then in should come, in that very order of priority, the Vegetable Maki or Sakura Special California Maki. The latter being a delectable combo of crabsticks, cucumber and flying fish eggs. Japanese food being as immaculate in timings as in taste is served at

Sakura in quick succession, so even as the Maki group disappears from your plate, in should come a serving of bamboo skewered boneless chicken bites coated with Teriyaki sauce.

By now it being time and occasion for the main course, in could come garlic rice, Prawn Teriyaki and a choice of Chicken or Red Snapper Teppenyaki. If guests so desire they can even saunter over to the specific counters and watch Chef Rodolfo Cielo build up this threesome of edible and aesthetic delight. Most recommended selection at this stage are grilled on fire prawns, served with sweetened, spicy Teriyaki sauce, a portion of Red Snapper or chicken cooked on a hotplate, giving company to stir fried vegetables with traditionally prepared Garlic rice; which last dish requires the rice to be washed a good eight times! No short cuts here.

Guests will usually take their time in making their paces through this exotic Japanese meal which, even by the Sakura standards is a considerable journey culminating in a choice of desserts from which their Matcha Ice-cream subtly flavored with green tea will complete the experience. Well not really complete, because you will still be drinking the last part of the tea, served along with the meals in Japanese homes and which lasts through out the meal.

A combination of signature dishes hand crafted from the heart, for anybody who wants his pick of traditional and new style Japanese cuisine, the Sakura offerings have been accentuated from around the world, reflecting the diversity of the world we live in. All dishes, raw or seared and cooked in traditional methods will arrive much to your delight, in quick succession because they serve them just as they are prepared. No wonder the Pearl people named this latest restaurant on the premises as Sakura... the blossom of the Cherry tree, which captures the heart of so many. So come along and share with the Pearl Continental Lahore, their passion for all things Japanese. You will be coming back many, many times. But as you place your order for the first time, be sure to spend some reading moments going through the explanations of Teriyaki, Teppanyaki, Tofu, Shashimi and Tempura and of course made from buckwheat, Udon noodles.

STATEMENT OF COMPLIANCE

Statement of Compliance with the Code of Corporate Governance

For the year ended 30 June 2011

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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
 4. There were no casual vacancy occurred in the Board during the year.
 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. After the election of Board of Directors on 28 March 2011, the Board re-appointed Mr. Murtaza Hashwani as CEO of the Company.
 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.

STATEMENT OF COMPLIANCE

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 Board of Directors

MURTAZA HASHWANI

Chief Executive

Dubai: 26 September 2011

Statement of Compliance with the Best Practices on Transfer Pricing to the Members

For the year ended 30 June 2011

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

For and on behalf of Board of Directors

MURTAZA HASHWANI

Chief Executive

Dubai: 26 September 2011

REVIEW REPORT

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

We have reviewed the Statement of Compliance with the Best Practices ("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 January 19, 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 June 30, 2011.

Islamabad: 26 September 2011

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

AUDITORS' REPORT

TO THE MEMBERS

We have audited the annexed unconsolidated balance sheet of Pakistan Services Limited ("the Company") as at 30 June 2011 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

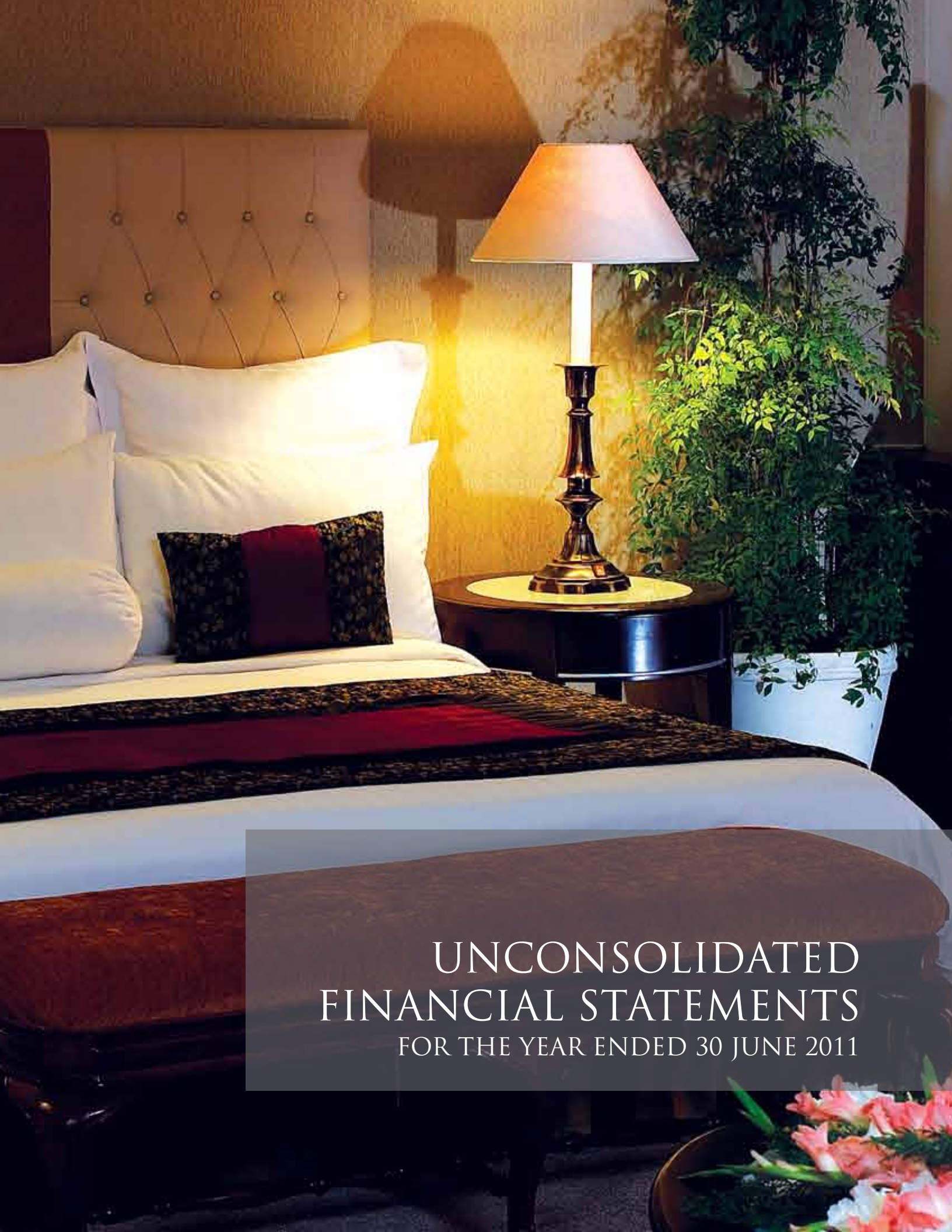
We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis,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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion-
 - (i) the unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2011 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: 26 September 2011

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





UNCONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

UNCONSOLIDATED BALANCE SHEET

As at 30 June 2011

	Note	2011 (Rupees'000)	2010
SHARE CAPITAL AND RESERVES			
Authorised share capital 50,000,000 (2010: 50,000,000) ordinary shares of Rs. 10 each		<u>500,000</u>	<u>500,000</u>
Issued, subscribed and paid up share capital	4	325,242	325,242
Reserves	5	1,869,424	1,869,424
Unappropriated profit		<u>1,258,128</u>	<u>589,596</u>
		3,452,794	2,784,262
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	12.2	20,007,770	20,007,770
NON CURRENT LIABILITIES			
Long term financing - secured	6	500,000	36,000
Long term deposits		50,884	50,426
Deferred liabilities	7	365,219	364,810
		916,103	451,236
CURRENT LIABILITIES			
Trade and other payables	8	1,327,119	1,219,783
Markup accrued		31,484	25,849
Short term borrowings - secured	9	390,233	888,088
Current portion of long term financing	6	36,000	72,000
Provision for taxation	10	47,339	29,225
		1,832,175	2,234,945
		<u>26,208,842</u>	<u>25,478,213</u>
CONTINGENCIES AND COMMITMENTS	11		

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

	Note	2011 (Rupees'000)	2010
NON CURRENT ASSETS			
Property, plant and equipment	12	21,990,412	21,972,632
Advance for capital expenditure	13	778,817	758,289
Investment property	14	391,763	45,000
Long term investments	15	1,222,418	1,065,455
Advance for equity investment	16	40,700	95,700
Long term deposits		13,382	3,526
		24,437,492	23,940,602
CURRENT ASSETS			
Stores, spare parts and loose tools	17	86,121	83,954
Stock in trade - food and beverages		53,833	44,435
Trade debts	18	319,190	297,459
Advances	19	602,955	76,726
Trade deposits and prepayments	20	37,163	23,913
Interest accrued		49,340	47,472
Other receivables	21	53,296	50,314
Other financial assets	22	456,760	841,941
Non current assets held for sale	23	35,700	-
Cash and bank balances	24	76,992	71,397
		1,771,350	1,537,611
		<u>26,208,842</u>	<u>25,478,213</u>

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2011

	Note	2011 (Rupees'000)	2010
Sales and services - net	25	5,016,601	4,238,232
Cost of sales and services	26	<u>(3,018,227)</u>	<u>(2,698,003)</u>
Gross profit		1,998,374	1,540,229
Administrative expenses	27	(1,165,102)	(1,092,180)
Other operating expenses	28	(19,201)	(21,078)
Finance cost	29	(177,058)	(161,173)
Other operating income	30	<u>327,022</u>	<u>339,339</u>
Profit before taxation		964,035	605,137
Taxation	31	(295,503)	(177,205)
Profit for the year		<u><u>668,532</u></u>	<u><u>427,932</u></u>
Earnings per share - basic and diluted (Rupees)	32	<u><u>20.56</u></u>	<u><u>13.16</u></u>

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

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	2011	2010
	(Rupees'000)	
Profit for the year	668,532	427,932
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>668,532</u>	<u>427,932</u>

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

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

UNCONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2011

	Note	2011 (Rupees'000)	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		964,035	605,137
Adjustments for:			
Depreciation		226,211	250,050
Gain on disposal of property, plant and equipment		(708)	(1,345)
Provision for staff retirement benefit - gratuity		41,289	38,411
Provision for doubtful debts		17,273	13,452
Provision for slow moving stores, spare parts and loose tools		-	2,071
Return on bank deposits and certificates of investments		(77,410)	(85,004)
Finance cost		177,058	161,173
Dividend income		(13,053)	(15,825)
Unrealised gain on revaluation of investment property to fair value		(2,000)	(3,500)
Unrealised gain on remeasurement of investments to fair value - net		(89,818)	(105,844)
Impairment loss on non current assets held for sale		5,964	-
Impairment loss on investments in associated company		13,237	-
Exchange (gain)/ loss - net		(2,226)	1,606
Impairment loss on investment in term deposit receipts		-	5,300
		<u>1,259,852</u>	<u>865,682</u>
Working capital changes			
Decrease/ (Increase) in current assets			
Stores, spare parts and loose tools		(2,167)	542
Stock in trade - food and beverages		(9,398)	(1,568)
Trade debts		(39,004)	(82,377)
Advances		(26,229)	21,900
Trade deposits and prepayments		(13,251)	15,651
Other receivables		(2,982)	65,782
Increase/ (Decrease) in current liabilities			
Trade and other payables		107,336	(302,358)
Cash generated from/ (used in) operations		14,305	(282,428)
Staff retirement benefit - gratuity paid		(19,528)	(41,271)
Income tax paid		(298,741)	(204,204)
Finance cost paid		(171,423)	(165,786)
Net cash generated from operating activities		<u>784,465</u>	<u>171,993</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(280,826)	(98,620)
Purchase of investment property		(344,763)	-
Additions to advance for capital expenditure		(27,488)	(88,218)
Proceeds from disposal of property, plant and equipment		2,839	4,357
Advance for equity investment		(115,200)	(95,700)
Purchase of other financial assets		-	(500,000)
Encashment of other financial assets		475,000	25,000
Short term advance extended		(500,000)	-
Dividend income received		13,053	15,825
Receipts of return on bank deposits and certificates of investments		75,542	50,199
Long term deposits		(9,398)	(32,300)
Net cash used in investing activities		<u>(711,241)</u>	<u>(719,457)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(72,000)	(72,000)
Proceeds from long term financing		500,000	-
Net cash generated from/ (used in) financing activities		<u>428,000</u>	<u>(72,000)</u>
Net increase/ (decrease) in cash and cash equivalents		<u>501,224</u>	<u>(619,464)</u>
Cash and cash equivalents at beginning of the year		(816,691)	(195,621)
Exchange gain/ (loss) - net		2,226	(1,606)
Cash and cash equivalents at end of the year		<u>(313,241)</u>	<u>(816,691)</u>
CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	76,992	71,397
Running finance		(390,233)	(888,088)
		<u>(313,241)</u>	<u>(816,691)</u>

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

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

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

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

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

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 9th Floor, UBL Building, Jinnah Avenue, Blue Area, Islamabad.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

These unconsolidated financial statements are separate unconsolidated financial statements of the Company in which investment in subsidiaries 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 unconsolidated financial statements have been prepared on the historical cost basis except for the following;

- certain items of property, plant and equipment have been measured at revalued amounts;
- investment property has been measured at fair value;
- other financial assets at fair value through unconsolidated profit or loss have been recognised at fair value; and
- liability related to staff retirement benefits are measured at present value.

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

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4 USE OF ESTIMATES AND JUDGMENTS

The preparation of unconsolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

2.4.1 Property, plant and equipment

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

2.4.2 Taxation

The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from 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.

2.4.3 Staff retirement benefit - gratuity

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

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

The Company reviews the carrying value of stores, spare parts and loose tools and stock in trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

2.4.5 Provision against trade debts, advances and other receivables

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

2.4.6 Impairment of financial assets

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

2.5 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning from the dates specified below:

IAS 24 Related Party Disclosures (revised 2009)-(effective for annual periods beginning on or after 01 January 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

Amendments to IAS 12 deferred tax on investment property (effective for annual periods beginning on or after 01 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

Amendments to IFRIC 14 IAS 19 The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 01 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

Improvements to IFRSs 2010 in May 2010 the IASB issued improvements to IFRSs 2010 which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after 01 January 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements, add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

IAS 27 Separate Financial Statements (2011)-(effective for annual periods beginning on or after 01 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 01 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 01 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 01 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

Disclosures Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 01 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments have no impact on financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

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

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

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

Depreciation is recognised in unconsolidated profit and loss account on diminishing balance

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

method over the estimated useful lives of each part of an item of property, plant and equipment at rates given in note 12 to these unconsolidated financial statements. Land and capital work in progress are not depreciated. Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is acquired or capitalized while no depreciation is charged for the month in which property, plant and equipment is disposed off.

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

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

3.2 Investments

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

3.2.1 Investment property

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

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

3.2.2 Investments in subsidiaries

Investments in subsidiaries are initially recognised at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the unconsolidated profit and loss account.

3.2.3 Investment in associates and jointly control entities

Investments in associates and jointly controlled entities are initially recognised at cost. At subsequent reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense in the unconsolidated profit and loss account. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the unconsolidated profit and loss account.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

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

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

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

3.3 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at weighted average cost except for items in transit which are stated at cost incurred upto the unconsolidated balance sheet date less impairment, if any. For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated net realisable value. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence.

3.4 Stock in trade

Stock of food and beverages

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

Goods in transit

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

3.5 Trade debts and other receivables

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

3.6 Trade and other payables

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

3.7 Markup bearing borrowings

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

3.8 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs relate to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

3.9 Provisions

A provision is recognized in the unconsolidated balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre tax rate that reflects current market assessment of the time value of the money and the risk specific to the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.10 Staff retirement benefits

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

Gratuity

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

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

Provident fund

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

3.11 Taxation

Current

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

Deferred

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

3.12 Revenue recognition

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

3.13 Foreign currency translation

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

3.14 Financial assets and liabilities

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

3.15 Finance income

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

3.16 Offsetting of financial assets and financial liabilities

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

3.17 Dividend

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

3.18 Impairment

The carrying amount of the Company's 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. Impairment losses are recognized as expense in the unconsolidated profit and loss account. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. For non-financial assets and financial assets measured at amortized cost, the reversal is recognised in unconsolidated profit and loss account.

3.19 Earnings per share

The Company presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

3.20 Non current assets held for sale

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. Thereafter the assets, are measured at the lower of their carrying amount and fair value less costs to sell.

3.21 Cash and cash equivalents

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2011	2010		2011	2010
Numbers of share			(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
<u>32,524,170</u>	<u>32,524,170</u>		<u>325,242</u>	<u>325,242</u>

	Note	2011	2010
		(Rupees'000)	
5. RESERVES			
Capital reserve	5.1	269,424	269,424
General reserve		1,600,000	1,600,000
		<u>1,869,424</u>	<u>1,869,424</u>

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

	Note	2011	2010
		(Rupees'000)	
6. LONG TERM FINANCING - secured			
From banking companies:			
Habib Bank Limited	6.1	36,000	108,000
The Bank of Punjab	6.2	500,000	-
		<u>536,000</u>	<u>108,000</u>
Current portion of long term financing		<u>(36,000)</u>	<u>(72,000)</u>
		<u>500,000</u>	<u>36,000</u>

6.1 This carries markup equal to 3-month KIBOR plus 3% (2010: 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 (2010: Rs. 480 million) and first hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi for Rs. 250 million. The loan is repayable in twenty equal quarterly installments of Rs. 18 million each commenced from February 2007.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

6.2 This represents term finance loan of Rs. 500 million (2010: Rs. Nil) which carries markup equal to 3-month KIBOR plus 2.75% (2010: Nil) per annum and is secured against first pari passu equitable mortgage on land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 667 million (2010: Rs. Nil), first pari passu hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi of Rs. 667 million (2010: Rs. Nil) and personal guarantees of sponsor directors of the Company. At present, ranking charge on assets of Pearl Continental Hotel, Rawalpindi has been registered and charge up-gradation to first pari passu is in process. The loan is repayable in twelve equal quarterly installments of Rs. 41.667 million each which will commence from September 2012 that is fifteenth month after the date of disbursement.

	Note	2011 (Rupees'000)	2010
7. DEFERRED LIABILITIES			
Staff retirement benefit - gratuity	7.1	242,967	221,206
Deferred tax	7.2	122,252	143,604
		<u>365,219</u>	<u>364,810</u>
7.1 Movement in the liability recognised in the balance sheet			
Opening balance		221,206	224,066
Charge for the year		41,289	38,411
Payments made during the year		(19,528)	(41,271)
Closing balance		<u>242,967</u>	<u>221,206</u>
Reconciliation of the liability recognised in the balance sheet			
Present value of defined benefit obligation		235,678	214,440
Actuarial gains unrecognised		7,289	6,766
Net liability at end of the year		<u>242,967</u>	<u>221,206</u>
Charge to profit and loss account for the year			
Current service cost		18,167	17,060
Interest cost		23,122	21,351
		<u>41,289</u>	<u>38,411</u>
The latest actuarial valuation was carried out on 30 June 2010 using projected unit credit method.			
Actuarial assumption		2011	2010
Discount rate		12%	12%
Expected increase in eligible salary		12.50%	12.50%
Mortality rate		EFU (61-66)	EFU (61-66)
		Mortality Table	Mortality Table
Historical information			
		2011	2010
		2011	2010
		2009	2008
		2009	2008
		2007	2007
(Rupees'000)		242,967	221,206
		224,066	216,286
			211,050

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

	2011	2010
	(Rupees'000)	
7.2 Deferred tax		
Taxable temporary differences		
Accelerated tax depreciation	238,509	246,199
Less: deductible temporary differences		
Provision for staff retirement benefit	85,038	77,422
Provision for bad and doubtful debts	28,314	22,268
Impairment loss in value of investment	1,855	1,855
Provision for stores, spare parts and loose tools	1,050	1,050
	116,257	102,595
	<u>122,252</u>	<u>143,604</u>

The liability for deferred tax has been calculated at enacted tax rate of 35% (2010: 35%).

	Note	2011	2010
		(Rupees'000)	
8. TRADE AND OTHER PAYABLES			
Creditors		280,762	243,547
Accrued liabilities		489,892	485,410
Advances from customers		134,296	119,773
Unclaimed dividend		3,534	3,536
Retention money		38,646	42,641
Workers' welfare fund		-	13,790
Due to related parties		15,984	7,884
Federal excise duty		5,685	5,685
Sales tax - net		109,906	86,704
Bed tax		85,428	80,955
Property tax		8,718	11,590
Income tax deducted at source		3,355	3,416
Un-earned income		103,630	70,986
Other liabilities		47,283	43,866
		<u>1,327,119</u>	<u>1,219,783</u>

9. SHORT TERM BORROWINGS - secured

Running finance from banking companies

National Bank of Pakistan	9.1	200,822	638,205
Habib Bank Limited	9.2	139,188	155,823
Soneri Bank Limited	9.3	223	94,060
The Bank of Punjab	9.4	50,000	-
		<u>390,233</u>	<u>888,088</u>

9.1 This represents running finance facility of Rs. 650 million (2010: Rs. 650 million) at markup rate of 1-month KIBOR plus 1.75% (2010: 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 Rs. 866.67 million (2010: Rs. 866.67 million).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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- 9.2 This represents running finance facility of Rs. 350 million (2010: Rs. 350 million) at markup rate of 1-month KIBOR plus 3% (2010: 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 (2010: Rs. 667 million) and first hypothecation charge over all present and future movable assets of the Pearl Continental Hotel, Rawalpindi for Rs. 250 million (2010: Rs. 250 million).
- 9.3 This represents running finance facility of Rs. 100 million (2010: Rs. 100 million) at mark-up rate of 6-month KIBOR plus 2.5 % (2010: 6-month KIBOR plus 2.5%) per annum payable quarterly. The facility is secured against lien on shares of M/s New Jubilee Insurance Company Limited, owned by the Company with 50% margin (refer note - 22.1.1) and ranking hypothecation charge over all present and future current assets of the Pearl Continental Hotel Rawalpindi for Rs. 134 million (2010: Rs.134 million).
- 9.4 This represents running finance facility of Rs. 50 million (2010: Rs. Nil) at markup rate of 3-month KIBOR plus 2.25% (2010: Nil) per annum payable quarterly. The facility is secured against first pari passu equitable mortgage on land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 67 million (2010: Rs. Nil), first pari passu hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 67 million (2010: Rs. Nil) and personal guarantees of sponsor directors of the Company. At present, ranking charge on asset of Pearl Continental Hotel, Rawalpindi has been registered and charge up-gradation to first pari passu is in process.

10. PROVISION FOR TAXATION	2011 (Rupees'000)	2010
Opening balance	29,225	24,306
Income tax paid during the year	(298,741)	(204,204)
Charge for the year	316,855	209,123
Closing balance	<u>47,339</u>	<u>29,225</u>

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

- 11.1.1 The income tax assessments of the Company have been finalized and returns have been filed up to and including the tax year 2010. However for the assessment year 1999-2000, an appeal is pending with the Appellate Tribunal, Inland Revenue. In case of adverse decision of the appeal, the tax liability of Rs. 73.165 million (2010: Rs. 73.165 million) would arise against the Company for which no provision has been recognised by the Company in the books. These comprise of disallowances of certain expenses and arbitrary additions to the income of the Company. Based on appellate history and merits, the Company is confident of a favorable outcome of the appeal. Therefore, the Company considers that provision against this tax liability is not required.

	2011 (Rupees'000)	2010
11.1.2 Guarantees	<u>100,824</u>	<u>69,343</u>
11.2 Commitments		
11.2.1 Commitments for capital expenditure	<u>75,940</u>	<u>40,138</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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12. 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	Capital work in progress (Note 12.1)	Total
(Rupees'000)										
Cost/ revalued amounts										
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	-	-	-	-	-	-	-	(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
Balance as at 01 July 2010	9,881,790	10,280,265	641,045	821,758	2,232,625	606,225	134,483	137,263	152,196	24,887,650
Additions during the year	-	-	319	5,295	32,548	33,081	8,091	15,443	193,009	287,786
Disposals	-	-	-	-	-	-	-	(4,185)	-	(4,185)
Transfer	-	-	24,817	-	31,034	35,873	-	-	(91,724)	-
Transfer to non current assets held for sale (Note 12.3)	(41,664)	-	-	-	-	-	-	-	-	(41,664)
Balance as at 30 June 2011	9,840,126	10,280,265	666,181	827,053	2,296,207	675,179	142,574	148,521	253,481	25,129,587
Depreciation										
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	-	-	-	-	-	-	-	(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
Balance as at 01 July 2010	-	-	385,557	377,462	1,574,968	409,861	93,880	73,290	-	2,915,018
Charge for the year	-	-	25,785	44,618	101,793	31,119	12,877	10,019	-	226,211
On disposals	-	-	-	-	-	-	-	(2,054)	-	(2,054)
Balance as at 30 June 2011	-	-	411,342	422,080	1,676,761	440,980	106,757	81,255	-	3,139,175
Carrying value - 2011	9,840,126	10,280,265	254,839	404,973	619,446	234,199	35,817	67,266	253,481	21,990,412
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
Rates of depreciation per annum	-	-	10%	10%	15%	15%	30%	15%	-	15%

12.1 This includes construction work on expansion of Pearl Continental Hotel Peshawar amounting to Rs. 72.081 million (2010: Rs. 72.081 million), which is under suspension due to a dispute with the Military Estate Office.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

12.2 Surplus on revaluation of property, plant and equipment

Free hold and lease hold lands having cost of Rs. 112.621 million were revalued by M/s Engineering Pakistan International (Private) Limited and M/s Iqbal A.Nanjee & Co. (Private) Limited (independent valuers) based on existing use basis method as at 30 June 2010 resulting in addition of Rs. 11,382.92 million. This revaluation resulted in a cumulative surplus of Rs. 20,007.77 million, which has been included in the book value of respective lands and credited to the surplus on revaluation of property, plant and equipment.

Had the aforementioned revaluation not carried out, the book values of freehold and leasehold lands would have been Rs. 112.621 million only (2010: Rs. 112.621 million).

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

12.4	Depreciation charge for the year has been allocated as follows:	Note	2011 (Rupees'000)	2010
	Cost of sales and services	26	203,591	225,045
	Administrative expenses	27	22,620	25,005
			<u>226,211</u>	<u>250,050</u>

12.5 Detail of disposal of property, plant and equipment:

Description	Cost	Accumulated depreciation	Carrying value	Sale proceeds	Gain on disposal	Mode of disposal	Purchaser
(Rupees'000)							
Vehicle	1,650	420	1,230	1,780	550	Insurance claim	PICIC Insurance Limited
Vehicle	1,248	854	394	552	158	Negotiation	Raja Irfanullah
Vehicle	1,287	780	507	507	-	Negotiation	Mr. Irshad B. Anjum
2011	<u>4,185</u>	<u>2,054</u>	<u>2,131</u>	<u>2,839</u>	<u>708</u>		
2010	<u>6,818</u>	<u>3,807</u>	<u>3,012</u>	<u>4,357</u>	<u>1,345</u>		

13.	ADVANCE FOR CAPITAL EXPENDITURE	Note	2011 (Rupees'000)	2010
	Purchase of land	13.1	626,820	626,820
	Purchase of apartment		40,509	40,509
	Malir Delta Land	13.2	84,000	84,000
	Purchase of furniture and office equipment		27,488	6,960
			<u>778,817</u>	<u>758,289</u>

13.1 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.

13.2 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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

14.	INVESTMENT PROPERTY	Note	2011 (Rupees'000)	2010	
	Opening balance		45,000	41,500	
	Unrealised gain on remeasurement of investment property to fair value	14.1	2,000	3,500	
			47,000	45,000	
	Purchased during the year	14.2	344,763	-	
	Closing balance		<u>391,763</u>	<u>45,000</u>	
14.1	An independent exercise was carried out to determine the fair value of investment property on 30 June 2011. 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.				
14.2	This represents investment property purchased during the year and is currently given on rent to an associated company.				
15.	LONG TERM INVESTMENTS	Percentage of holding	Note	2011 (Rupees'000)	2010
	Investments in related parties				
	Subsidiary companies - at cost - unquoted				
	Pearl Continental Hotels (Private) Limited	100%	15.1	5,000	5,000
	Bhurban Resorts (Private) Limited	100%	15.2	10,000	10,000
	Pearl Tours and Travels (Private) Limited - (PTTL)	100%	15.3	5,000	5,000
	Musafa International (Private) Limited	100%	15.4	295,200	125,000
				315,200	145,000
	Associated undertaking - at cost - unquoted				
	Hashoo Group Limited - British Virgin Island				
	98,000 (2010: 98,000) ordinary shares of US\$ 100 each	16% /25%		586,403	586,403
	Hotel One (Private) Limited-Pakistan				
	500,000 (2010: 500,000) ordinary shares of Rs.100 each	31% /35%		50,000	50,000
	Impairment loss			(13,237)	-
				<u>36,763</u>	<u>50,000</u>
				623,166	636,403
	Investment in jointly controlled entity				
	Pearl Continental Hotels Limited - UAE				
	95 (2010: 95) ordinary shares of US\$ 50,000 each	50%		284,052	284,052
	Other investments				
	Available for sale - unquoted company				
	Malam Jabba Resorts Limited			1,000	1,000
	Impairment loss			(1,000)	(1,000)
				-	-
				<u>1,222,418</u>	<u>1,065,455</u>

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For the year ended 30 June 2011

15.1 Pearl Continental Hotels (Private) Limited

500,000 (2010: 500,000) ordinary shares of Rs. 10 each.

Break-up value per share based on audited financial statements for the year ended 30 June 2011 was Rs. 16.21 (2010: Rs. 15.98).

15.2 Bhurban Resorts (Private) Limited

1,000,000 (2010: 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 2011 was Rs. 12.59 (2010: Rs. 12.15).

15.3 Pearl Tours and Travels (Private) Limited

500,000 (2010: 500,000) ordinary shares of Rs. 10 each.

Break-up value per share based on audited financial statements for the year ended 30 June 2011 was Rs. 103.38 (2010: Rs. 102.07).

15.4 Musafa International (Private) Limited

2,952,000 (2010: 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 2011 was Rs. 101.31 (2010: Rs. 103.32).

16. ADVANCE FOR EQUITY INVESTMENT

This represents advance given to M/s Musafa International (Private) Limited a wholly owned subsidiary of the Company for issuance of 407,000 ordinary shares of Rs. 100 each.

17. STORES, SPARE PARTS AND LOOSE TOOLS	Note	2011 (Rupees'000)	2010
Stores		66,677	62,829
Spare parts and loose tools		22,443	24,124
		<u>89,120</u>	<u>86,953</u>
Provision for obsolescence		(2,999)	(2,999)
		<u>86,121</u>	<u>83,954</u>
18. TRADE DEBTS			
Considered good			
Due from related parties	18.1	10,169	6,825
Others		309,021	290,634
		<u>319,190</u>	<u>297,459</u>
Considered doubtful		80,894	63,621
		<u>400,084</u>	<u>361,080</u>
Provision against doubtful debts		(80,894)	(63,621)
		<u>319,190</u>	<u>297,459</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

18.1	Due from related parties	Note	2011 (Rupees'000)	2010
	Pearl Tours and Travels (Private) Limited		3,895	717
	Hashwani Hotels Limited		366	328
	Hashoo (Private) Limited		42	42
	Hotel One (Private) Limited		4,148	4,199
	New Jubilee Insurance Company Limited		104	-
	Ocean Pakistan Limited (Formerly Orient Petroleum Int. Inc.)		733	356
	OPI Gas (Private) Limited		-	389
	Pearl Continental Hotels Limited		153	100
	Pearl Communication (Private) Limited		69	-
	Trans Air Travels (Private) Limited		593	560
	Tejari Pakistan Limited		66	134
			<u>10,169</u>	<u>6,825</u>
19.	ADVANCES			
	Considered good			
	Advances to:			
	Employees		2,575	2,736
	Suppliers and contractors		100,380	73,990
	Related party	19.1	500,000	-
			<u>602,955</u>	<u>76,726</u>
19.1	This represents short term advance of Rs. 500 million (2010: Rs. Nil) extended to a related party M/s Hashwani Hotels Limited for a period of one year and carries markup rate of 1-year KIBOR plus 3% (2010: Rs. Nil) per annum payable on maturity.			
20.	TRADE DEPOSITS AND PREPAYMENTS		2011 (Rupees'000)	2010
	Trade deposits		9,520	9,316
	Prepayments		27,643	14,597
			<u>37,163</u>	<u>23,913</u>
21.	OTHER RECEIVABLES			
	Due from subsidiary - PTTL		33,461	30,013
	Other receivables		19,835	20,301
			<u>53,296</u>	<u>50,314</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

22. OTHER FINANCIAL ASSETS	Note	2011 (Rupees'000)	2010 (Rupees'000)
Held to maturity			
Letters of placements/ certificates of investments		5,300	480,300
Provision for impairment loss		(5,300)	(5,300)
		-	475,000
Available for sale - unquoted			
National Technology Development Corporation (Private) Limited		200	200
Indus Valley Solvent Oil Extraction Limited		500	500
Impairment loss		(700)	(700)
		-	-
Financial assets at fair value through profit or loss - held for trading			
Short term investments in shares of listed companies	22.1	456,760	366,941
		<u>456,760</u>	<u>841,941</u>
22.1 Short term investments in shares of listed companies			
Pakistan Telecommunication Company Limited			
350,000 (2010: 350,000) ordinary shares		4,977	6,230
Lotte Pakistan PTA Limited			
150,000 (2010: 150,000) ordinary shares		2,075	1,209
Fauji Fertilizer Bin Qasim Limited			
50,000 (2010: 50,000) ordinary shares		2,108	1,302
New Jubilee Insurance Company Limited			
7,500,000 (2010: 6,000,000) ordinary shares	22.1.1	447,600	358,200
		<u>456,760</u>	<u>366,941</u>
22.1.1 Increase in number of shares represents bonus shares received during the year. Out of total shares held by the Company, 5,000,000 (2010: 5,000,000) ordinary shares are placed/ lien marked as security against running finance facility amounting to Rs. 100 million availed by the Company from Soneri Bank Limited (refer note - 9.3).			
23. NON CURRENT ASSETS HELD FOR SALE	Note	2011 (Rupees'000)	2010 (Rupees'000)
Transfer from property, plant and equipment	12.3	41,664	-
Impairment loss on non current assets held for sale	28	(5,964)	-
	23.1	<u>35,700</u>	<u>-</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

23.1 This represents realisable value of free hold land held for sale under agreements executed during the year which are expected to be finalised and executed within next twelve months.

24. CASH AND BANK BALANCES	Note	2011 (Rupees'000)	2010
Cash in hand		15,831	10,489
Cash at bank:			
Current accounts - Local currency		34,508	7,595
Deposit accounts - Local currency	24.1	19,252	43,511
- Foreign currency	24.2	7,401	9,802
		<u>76,992</u>	<u>71,397</u>

24.1 Deposit accounts carry interest rate ranging from 5% to 11% (2010: 5% to 10%) per annum.

24.2 This comprise USD 86,261 (2010: USD 114,510) deposited with banks and carry interest rates ranging from 0.25% to 0.75% (2010: 0.25% to 0.75%) per annum.

25. SALES AND SERVICES - net	Note	2011 (Rupees'000)	2010
Rooms		2,458,933	2,039,614
Food and beverages		3,161,456	2,603,778
Other related services	25.1	299,323	288,233
Shop license fees		7,076	7,317
		<u>5,926,788</u>	<u>4,938,942</u>
Discounts and commissions		(12,391)	(11,867)
Sales tax		(897,796)	(688,843)
		<u>5,016,601</u>	<u>4,238,232</u>

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

26. COST OF SALES AND SERVICES	Note	2011 (Rupees'000)	2010
Food and beverages			
Opening balance		44,435	42,867
Purchases during the year		<u>1,036,758</u>	<u>841,698</u>
		1,081,193	884,565
Closing balance		<u>(53,833)</u>	<u>(44,435)</u>
Consumption during the year		1,027,360	840,130
Direct expenses			
Salaries, wages and benefits	26.1	696,390	619,737
Heat, light and power		474,792	435,697
Repairs and maintenance		287,241	302,423
Provision for slow moving stores, spare parts and loose tools		-	2,071
Depreciation	12.4	203,591	225,045
Guest supplies		120,662	98,677
Linen, china and glassware		67,667	45,998
Communication and other related services		53,546	43,192
Banquet and decoration		39,247	43,393
Transportation		14,738	12,168
Uniforms		17,155	14,416
Music and entertainment		6,766	7,148
Others		<u>9,072</u>	<u>7,908</u>
		<u>3,018,227</u>	<u>2,698,003</u>

26.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 38.140 million (2010: Rs. 33.698 million).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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27. ADMINISTRATIVE EXPENSES	Note	2011 (Rupees'000)	2010
Salaries, wages and benefits	27.1	602,896	519,594
Rent, rates and taxes		90,920	73,306
Advertisement and sales promotion		25,300	35,084
Repairs and maintenance		42,070	38,337
Heat, light and power		57,196	49,492
Traveling and conveyance		69,962	73,150
Depreciation	12.4	22,620	25,005
Communications		22,420	14,640
Printing and stationery		22,927	22,565
Legal and professional charges		45,138	38,508
Insurance		30,506	34,297
Entertainment		8,166	13,863
Subscriptions		6,915	2,507
Laundry and dry cleaning		4,116	3,122
Uniforms		4,555	3,463
Auditors' remuneration	27.2	1,931	1,706
Provision against doubtful debts		17,273	13,452
Donations	27.3	88,737	125,800
Miscellaneous		1,454	4,289
		<u>1,165,102</u>	<u>1,092,180</u>

27.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 21.403 million (2010: Rs. 21.257 million).

27.2 Auditors' remuneration	2011 (Rupees'000)	2010
Annual audit fee	980	850
Audit of consolidated financial statements	175	150
Half yearly review	380	330
Special reports and certificates	230	200
Out of pocket expenses	166	176
	<u>1,931</u>	<u>1,706</u>

27.3 Donations

Out of total amount of Rs. 88.737 million (2010: Rs. 125.800 million), donations amounting to Rs. 38.050 million (2010: Rs. 25.000 million) include the following in which directors or their spouse have interest:

Name	Interest in Donee	Name and address of Donee	2011 (Rupees'000)	2010
Mr. Sadruddin Hashwani Ms. Sarah Hashwani	Patron-in-Chief Chairperson	Hashoo Foundation House # 7-A, Street # 65, F-8/3, Islamabad	38,050	25,000

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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28. OTHER OPERATING EXPENSES	Note	2011 (Rupees'000)	2010
Workers' welfare fund		-	13,661
Exchange loss - net		-	1,606
Impairment loss on investment in term deposit receipts		-	5,300
Accrued interest on term deposit receipts written-off		-	511
Impairment loss on investment in associated company	15	13,237	-
Impairment loss on non current assets held for sale	23	5,964	-
		<u>19,201</u>	<u>21,078</u>
29. FINANCE COST			
Exchange risk fee		11,063	11,063
Markup on long term financing		13,402	22,787
Markup on short term borrowings		126,048	105,979
Credit cards discount, bank and other charges		26,545	21,344
		<u>177,058</u>	<u>161,173</u>
30. OTHER OPERATING INCOME			
Income from financial assets			
Return on bank deposits		3,860	6,135
Exchange gain - net		2,226	-
Dividend income		13,053	15,825
Unrealised gain on remeasurement of investments to fair value-net		89,818	105,844
Interest on short term advance to a related party		3,817	-
Return on certificates of investments/ letters of placements		73,550	78,869
		186,324	206,673
Income from non financial assets			
Concessions and commissions		1,875	2,224
Gain on disposal of property, plant and equipment	12.5	708	1,345
Unrealised gain on revaluation of investment property to fair value		2,000	3,500
Liabilities written back		59,440	51,344
Communication towers and other rental income		26,448	21,616
Rental income from investment property		9,435	-
Scrap sales		8,541	4,350
Insurance claims		1,025	24,254
Others - net		31,226	24,033
		<u>140,698</u>	<u>132,666</u>
		<u>327,022</u>	<u>339,339</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

31. TAXATION	2011	2010
	(Rupees'000)	
Provision for taxation - current	328,846	216,332
Provision for taxation - prior	(11,991)	(7,209)
	316,855	209,123
- Deferred	(21,352)	(31,918)
	<u>295,503</u>	<u>177,205</u>
Relationship between accounting profit and tax expense is as follows:		
Accounting profit for the year	<u>964,035</u>	<u>605,137</u>
Tax charge @ 35% (2010: 35%)	337,412	211,798
Tax effect of permanent differences	(17,649)	(17,849)
Tax effect of income subject to lower taxation	(12,269)	(9,535)
Prior years' tax charge	(11,991)	(7,209)
	<u>295,503</u>	<u>177,205</u>

32. EARNINGS PER SHARE

Profit for the year (Rupees '000)	<u>668,532</u>	<u>427,932</u>
Weighted average number of ordinary shares (Numbers)	<u>32,524,170</u>	<u>32,524,170</u>
Earnings per share - basic (Rupees)	<u>20.56</u>	<u>13.16</u>

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

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2011			2010		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees'000)					
Managerial remuneration	12,000	41,993	90,609	12,000	15,659	90,285
Contribution to provident fund	-	806	3,735	-	378	3,068
Provision for gratuity	-	961	7,849	-	220	4,819
Housing	-	985	22,492	-	-	18,357
	<u>12,000</u>	<u>44,745</u>	<u>124,685</u>	<u>12,000</u>	<u>16,257</u>	<u>116,529</u>
Number of Persons	<u>1</u>	<u>6</u>	<u>67</u>	<u>1</u>	<u>5</u>	<u>66</u>

33.1 In addition to the above, Chairman, Chief Executive and certain executives are provided with Company maintained vehicles, residential equipment, reimbursement of utilities, furnished accommodation, medical expenses and leave passage as per the Company's policy. The Chairman does not draw any salary.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

34. FINANCIAL INSTRUMENTS

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

Credit risk

Liquidity risk

Market risk

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

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

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

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

34.1 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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

conditions are offered. Credit limits are established for each customer, which are regularly reviewed and approved by the management. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Cash investment

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

Exposure to credit risk

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

	2011	2010
	(Rupees'000)	
Long term deposits	13,382	3,526
Trade deposits	9,520	9,316
Trade debts	319,190	297,459
Advances	500,000	-
Interest accrued	49,340	47,472
Other receivables	53,296	50,314
Other financial assets	456,760	841,941
Bank balances	61,161	60,908
	<u>1,462,649</u>	<u>1,310,936</u>

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:

	2011	2010
	(Rupees'000)	
From related parties	547,447	45,487
From government institutions	20,064	24,629
From foreign embassies	917	889
Banks and financial institutions	563,444	914,018
Others	330,777	325,913
	<u>1,462,649</u>	<u>1,310,936</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

Impairment losses

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

	2011		2010	
	Gross	Impairment	Gross	Impairment
	Rupees'000		Rupees'000	
Aging				
Past due 0-30 days	211,993	-	193,240	-
Past due 30-60 days	46,471	-	42,022	-
Past due 60-90 days	19,473	-	26,393	-
Past due 90-360 days	41,253	-	35,804	-
Over 360 days	80,894	80,894	63,621	63,621
	<u>400,084</u>	<u>80,894</u>	<u>361,080</u>	<u>63,621</u>

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

	2011	2010
	(Rupees'000)	
Opening balance	63,621	50,169
Provision made during the year	<u>17,273</u>	<u>13,452</u>
Closing balance	<u>80,894</u>	<u>63,621</u>

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

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

	2011	2010
	(Rupees'000)	
Opening balance	(5,300)	-
Provision made during the year	<u>-</u>	<u>(5,300)</u>
Closing balance	<u>(5,300)</u>	<u>(5,300)</u>

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

34.2 Liquidity risk

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

There were no defaults on loans payable during the year.

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

	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year and up to five years
	(Rupees'000)			
2011				
Long term financing	536,000	774,206	127,956	646,250
Long term deposits	50,884	50,884	50,884	-
Trade and other payables	1,089,193	1,089,193	1,089,193	-
Markup accrued	31,484	31,484	31,484	-
Short term borrowings	390,233	390,233	-	-
	<u>2,097,794</u>	<u>2,336,000</u>	<u>1,299,517</u>	<u>646,250</u>
2010				
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 accrued	25,849	25,849	25,849	-
Short term borrowings	888,088	888,088	-	-
	<u>2,101,390</u>	<u>2,115,473</u>	<u>1,189,373</u>	<u>38,012</u>

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 9 to these unconsolidated financial statements.

34.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the 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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

34.3.1 Currency risk

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

	2011		2010	
	(Rupees'000)	(USD'000)	(Rupees'000)	(USD'000)
Bank Balance	7,401	86	9,802	115

The following significant exchange rates were applied during the year:

	Average rates		Balance sheet date rate	
	2011	2010	2011	2010
US Dollars	85	84	86	86

Sensitivity Analysis

A 5 % strengthening of the functional currency against USD at 30 June 2011 would have decreased profit and loss by Rs. 370 thousand (2010: Rs. 490 thousand). A 5 % weakening of the functional currency against USD at 30 June 2011 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 loan and running finance arrangement based on Pakistan Rupees 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:

	2011	2010	2011	2010
	Effective interest rate		(Rupees'000)	
Fixed rate instruments				
Financial assets	5% to 11%	5% to 16%	<u>26,653</u>	<u>528,313</u>
Variable rate instruments				
Financial liabilities	KIBOR + (1.75% to 3%)	KIBOR + (1.75% to 3%)	<u>926,233</u>	<u>996,088</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

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 2010.

	Profit or loss	
	100 basis points increase	100 basis points decrease
	(Rupees'000)	
Cash flow sensitivity (net)		
30 June 2011	(8,995)	8,995
30 June 2010	<u>(9,428)</u>	<u>9,428</u>

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 securities having sound market performance. Certain investments are designated as held for trading because their performance is actively monitored and these are managed on a fair value basis. Equity price risk arises from investments at fair value through profit and loss.

Sensitivity analysis – equity price risk

For quoted investments classified as held for trading, a 1 percent increase in market price at reporting date would have increased profit or loss by Rs. 2,969 thousand after tax (2010: an increase of Rs. 2,385 thousand); an equal change in the opposite direction would have decreased profit or loss after tax by the same amount. The analysis is performed on the same basis for 2010 and assumes that all other variables remain the same.

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

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	2011		2010	
		Carrying amount	Fair values	Carrying amount	Fair values
(Rupees'000)					
Assets carried at amortised cost					
Deposits	20	22,902	22,902	12,842	12,842
Trade debts	18	319,190	319,190	297,459	297,459
Advances	19	500,000	500,000	-	-
Interest accrued		49,340	49,340	47,472	47,472
Other receivables	21	53,296	53,296	50,314	50,314
Cash and bank balances	24	76,992	76,992	71,397	71,397
Held-to-maturity investments		-	-	475,000	475,000
		<u>1,021,720</u>	<u>1,021,720</u>	<u>954,484</u>	<u>954,484</u>
Assets carried at fair value					
Financial assets at fair value through profit or loss - held for trading	22	<u>456,760</u>	<u>456,760</u>	<u>366,941</u>	<u>366,941</u>
Liabilities carried at amortised cost					
Long term financing	6	536,000	536,000	108,000	108,000
Long term deposits		50,884	50,884	50,426	50,426
Trade and other payables	8	1,089,193	1,089,193	1,029,027	1,029,027
Markup accrued		31,484	31,484	25,849	25,849
Short term borrowings	9	390,233	390,233	888,088	888,088
		<u>2,097,794</u>	<u>2,097,794</u>	<u>2,101,390</u>	<u>2,101,390</u>

The basis for determining fair values is as follows:

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

Fair value hierarchy

The table below analysis 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).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

	Level 1	Level 2 (Rupees'000)	Level 3
30 June 2011			
Assets carried at fair value			
Financial assets at fair value through profit or loss - held for trading	456,760	-	-
30 June 2010			
Assets carried at fair value			
Financial assets at fair value through profit or loss - held for trading	366,941	-	-

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

34.4 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Investment at fair value through profit and loss account - held for trading

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

34.5 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business. The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions to maximise the return. In order to maintain an optimal capital structure, the Company adjusts distributions to shareholders, capitalisation of accumulated profits and issue of fresh equity.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

35. TRANSACTIONS WITH RELATED PARTIES

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

		2011	2010
	Note	(Rupees'000)	
Transactions with subsidiary companies			
Sales		745	306
Services provided		5,075	657
Services availed		43,870	25,043
Advance for equity investment		115,200	95,700
Transactions with associated undertakings			
Sales		1,847	3,837
Services provided		15,622	7,587
Services availed		45,373	24,786
Purchases		153,639	99,007
Purchase of air tickets		16,505	18,990
Purchase of property, plant and equipment		1,904	8,194
Insurance claims received		-	56,278
Contribution to the defined contribution plan		18,255	16,545
Purchase of investment property		322,000	-
Short term advance		500,000	-
Advance for purchase of land		-	71,725
Dividend received		12,000	15,000
Donation	27.3	38,050	25,000
Transactions with key management personnel			
Remuneration and allowances	35.1	56,745	28,257
35.1 Compensation to key management personnel			
Salaries and other benefits		54,978	27,659
Contribution to provident fund		806	378
Provision for gratuity		961	220
		<u>56,745</u>	<u>28,257</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

36. CAPACITY	Note	No. of rooms letable in		Average occupancy	
		2011	2010	2011	2010
Pearl Continental Hotels				%	%
-Karachi		286	286	45	43
-Lahore		607	561	52	47
-Rawalpindi		193	193	83	69
-Peshawar	36.1	67	58	40	26
-Bhurban		190	190	58	59
-Muzaffarabad		102	102	24	21

36.1 There were 67 rooms operational on 30 June 2011.

37. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 26 September 2011.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

PATTERN OF SHAREHOLDINGS

As at 30 June 2011

NO. OF SHAREHOLDERS		SHAREHOLDINGS		NO. OF SHARES HELD	
676	Shareholding From	1	To	100	15,397
221	Shareholding From	101	To	500	46,067
33	Shareholding From	501	To	1000	22,080
39	Shareholding From	1001	To	5000	90,097
8	Shareholding From	5001	To	10000	51,027
1	Shareholding From	10001	To	15000	13,168
2	Shareholding From	15001	To	20000	34,738
2	Shareholding From	20001	To	25000	44,589
1	Shareholding From	25001	To	30000	28,815
1	Shareholding From	45001	To	50000	47,088
1	Shareholding From	65001	To	70000	68,273
1	Shareholding From	75001	To	80000	78,169
1	Shareholding From	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	375001	To	380000	376,141
1	Shareholding From	415001	To	420000	418,460
1	Shareholding From	470001	To	475000	474,238
1	Shareholding From	1050001	To	1055000	1,052,085
1	Shareholding From	1100001	To	1105000	1,104,551
1	Shareholding From	1310001	To	1315000	1,313,759
1	Shareholding From	1710001	To	1715000	1,714,853
1	Shareholding From	1880001	To	1885000	1,881,132
1	Shareholding From	2310001	To	2315000	2,312,260
1	Shareholding From	2375001	To	238000	2,377,705
1	Shareholding From	2535001	To	254000	2,538,500
1	Shareholding From	2885001	To	289000	2,885,668
1	Shareholding From	3145001	To	315000	3,150,000
2	Shareholding From	3165001	To	317000	6,340,000
1	Shareholding From	3175001	To	318000	3,179,255
1,006					32,524,170

Categories of Shareholders:	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	1,793,776	5.52
Associated Companies, undertaking and related parties	13,969,648	42.95
National Bank of Pakistan (Trustee Department)	1,104,551	3.40
Banks, Development Financial Institutions and Non-Banking Financial Institutions	691,100	2.12
Insurance Companies	28,815	0.09
Foreign Investors	13,045,396	40.11
General Public:		
a. Local	218,096	0.67
b. Foreign	-	-
Others		
Galadari Invest International	1,052,085	3.23
President of Pakistan (Ministry of Housing & Workers, Govt. of Pakistan)	336,535	1.03
Pakistan International Airlines Corporation	172,913	0.53
Kaizen Construction (Private) Limited	23,443	0.08
Asian Co-operative Society Limited	47,088	0.14
National Investment Trust Limited	21,146	0.07
Other Joint Stock Companies	19,577	0.06
Securities & Exchange Commission of Pakistan	1	-

DISCLOSURE TO PATTERN OF SHAREHOLDINGS

As at 30 June 2011

SHAREHOLDERS	SHARES HELD
ASSOCIATED COMPANIES:	
Bagh-e-Landhi Properties (Private) Limited	2,312,260
Hashoo Holdings (Private) Limited	479,742
Nadia Estate (Private) Limited	2,885,668
Zaver Petroleum Corporation Limited	1,881,132
Murtaza Construction Corporation (Private) Limited	2,377,705
Hassan Ali & Co. (Private) Limited	180,882
Hashoo Limited	1,313,759
Bagh-e-Korangi (Private) Limited	2,538,500
NIT/ ICP:	
National Bank of Pakistan (Trustee Department)	1,104,551
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN:	
Mr. Sadruddin Hashwani	1,714,853
Mr. Murtaza Hashwani	68,273
Mr. Muhammad Rafique	3,125
Mr. M. A. Bawany	2,875
Mr. Mansoor Akber Ali	2500
Mr. Bashir Ahmed	650
Ms. Sarah Hashwani	500
Syed Sajid Ali	500
Mr. Rolf Richard Bauer	500
EXECUTIVE:	
PUBLIC SECTOR COMPANIES & CORPORATIONS:	
Pakistan International Airlines Corporation	172,913
President of Pakistan (Ministry of Housing & Workers, Govt. of Pakistan)	336,535
Securities & Exchange Commission of Pakistan	1
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE, COMPANIES, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS:	
National Bank of Pakistan	496,629
The Bank of Punjab	175,725
The Bank of Khyber	18,744
Faysal Bank Limited	2
Alpha Insurance Co. Limited	28,815
FOREIGN INVESTORS:	
Ocean Pakistan Limited (Orient Petroleum International Inc.)	3,170,000
Orient Drilling & Oilfield Services Limited	376,141
Dominion Hospitality Investments Limited	3,150,000
Bexley Services Limited	3,179,255
Castle Participations Inc.	3,170,000
OTHERS:	
Galadari Invest International	1,052,085
Kaizen Construction (Private) Limited	23,443
Asian Co-operative Society Limited	47,088
National Investment Trust Limited	21,146
Other Joint stock Companies	19,577
GENERAL PUBLIC:	218,096
TOTAL	32,524,170



A person wearing a red dress is standing in the background area, partially obscured by the window frame.



Pearl-Continental
LAWSON

A photograph of the interior of a restaurant named 'Nadia'. The name 'Nadia' is written in a large, elegant, gold-colored script font on a white wall above a large window. The window is decorated with dark, draped curtains. Inside the restaurant, several tables are set with chairs. A man in a light-colored shirt is standing near a table, talking on a mobile phone. Other people are seated at tables. The lighting is warm and ambient. A large potted plant is visible on the right side of the frame.

Nadia

CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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 2011.

The financial results of the Consolidated Financial Statements for the year ended 30 June 2011 are as under:

	(Rupees '000)
Profit before taxation	1,021,048
Taxation	(300,929)
Profit after taxation	<u>720,119</u>

Earnings per share

Earnings per share for the year arrives at Rs. 22.14

During the period under review; M/s Pearl Tours & Travels (Private) Limited (PTTL) which is engaged in the business of rent a car and arrangement of tour packages, has generated revenue of Rs.144 million as compared to Rs.125 million of last year which shows an increase of 15 percent in the revenue. During the period under review PTTL recorded profit after tax Rs.0.657 million as compared to loss after tax of Rs.7.495 million in last year.

Wholly owned subsidiary company M/s Musafa International (Private) Limited (MIPL), principally engaged in project management business, recorded loss after tax amounting to Rs.0.294 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 2010-11.

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

MURTAZA HASHWANI
Chief Executive

Dubai: 26 September 2011

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 2011 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 unconsolidated financial statements of Pakistan Services Limited and its subsidiary companies except for 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 consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 2011, and the result of its operations, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Islamabad: 26 September 2011

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2011

	Note	2011 (Rupees'000)	2010
SHARE CAPITAL AND RESERVES			
Authorised share capital 50,000,000 (2010: 50,000,000) ordinary shares of Rs. 10 each		<u>500,000</u>	<u>500,000</u>
Issued, subscribed and paid up share capital	4	325,242	325,242
Reserves	5	2,102,445	2,098,189
Unappropriated profit		<u>1,174,103</u>	<u>453,984</u>
		3,601,790	2,877,415
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	14.2	20,007,770	20,007,770
NON CURRENT LIABILITIES			
Long term financing-secured	6	500,000	36,000
Liabilities against assets subject to finance lease	7	7,996	21,803
Long term deposits		50,884	50,426
Deferred liabilities	8	494,931	488,657
		1,053,811	596,886
CURRENT LIABILITIES			
Trade and other payables	9	1,368,282	1,240,018
Markup accrued		31,484	25,849
Short term borrowings-secured	10	390,233	888,088
Current portion of long term borrowings	11	51,764	88,671
Provision for taxation	12	29,692	14,464
		1,871,455	2,257,090
		<u>26,534,826</u>	<u>25,739,161</u>
CONTINGENCIES AND COMMITMENTS	13		

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

	Note	2011 (Rupees'000)	2010
NON CURRENT ASSETS			
Property, plant and equipment	14	22,353,007	22,277,858
Advance for capital expenditure	15	840,405	766,494
Investment property	16	391,763	45,000
Long term investments	17	1,577,088	1,444,122
Long term deposits		17,045	8,175
		25,179,308	24,541,649
CURRENT ASSETS			
Stores, spare parts and loose tools	18	86,121	83,954
Stock in trade - food and beverages		53,833	44,435
Trade debts	19	332,043	312,699
Advances	20	604,871	77,741
Trade deposits and prepayments	21	39,222	25,149
Interest accrued		49,591	47,472
Other receivables	22	26,541	22,393
Other financial assets	23	9,160	483,741
Non current assets held for sale	24	35,700	-
Cash and bank balances	25	118,436	99,928
		1,355,518	1,197,512
		<u>26,534,826</u>	<u>25,739,161</u>

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2011

	Note	2011 (Rupees'000)	2010
Sales and services - net	26	5,110,651	4,337,027
Cost of sales and services	27	<u>(3,077,084)</u>	<u>(2,759,207)</u>
Gross profit		2,033,567	1,577,820
Administrative expenses	28	(1,193,454)	(1,139,797)
Other operating expenses	29	(5,964)	(21,061)
Finance cost	30	(181,610)	(167,066)
Other operating income	31	<u>282,328</u>	<u>298,531</u>
		934,867	548,427
Share of profit in equity accounted investment	17.1, 17.2	<u>86,181</u>	<u>5,740</u>
Profit before taxation		1,021,048	554,167
Taxation	32	<u>(300,929)</u>	<u>(179,068)</u>
Profit for the year		<u><u>720,119</u></u>	<u><u>375,099</u></u>

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

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	2011	2010
	(Rupees'000)	
Profit for the year	720,119	375,099
Other comprehensive income for the year		
Exchange gain on translation of long term investments	6,548	42,397
Income tax on other comprehensive income	(2,292)	(14,839)
Other comprehensive income for the year	4,256	27,558
Total comprehensive income for the year	724,375	402,657

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

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2011

Note	2011	2010
	(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,021,048	554,167
Adjustments for:		
Depreciation	240,017	265,235
Gain on disposal of property, plant and equipment	(1,754)	(4,288)
Provision for staff retirement benefit - gratuity	41,289	38,411
Provision for doubtful debts	18,621	22,902
Provision for slow moving stores, spare parts and loose tools	-	2,071
Return on bank deposits, term deposit receipts, and letters of placements	(83,524)	(88,417)
Share of gain of associated companies	(86,181)	(5,740)
Finance cost	181,610	167,066
Dividend income	(1,053)	(825)
Unrealised gain on revaluation of investment property to fair value	(2,000)	(3,500)
Unrealised gain on remeasurement of investments to fair value	(419)	(1,394)
Impairment loss on investments in associated companies	(52,236)	(71,430)
Impairment loss on non current assets held for sale	5,964	-
Exchange (gain)/ loss - net	(2,238)	1,590
Impairment loss on investment in term deposit receipts	-	5,300
Working capital changes	1,279,144	881,148
(Increase)/ decrease in current assets		
Stores, spare parts and loose tools	(2,167)	2,157
Stock in trade - food and beverages	(9,398)	(1,568)
Trade debts	(37,397)	(85,348)
Advances	(27,130)	49,330
Trade deposits and prepayments	(14,073)	18,663
Other receivables	(4,715)	69,221
Increase/ (decrease) in current liabilities		
Trade and other payables	128,261	(293,309)
Cash generated from/ (used in) operations	33,381	(240,854)
Staff retirement benefit - gratuity paid	(19,528)	(41,271)
Income tax paid	(303,479)	(210,084)
Finance cost paid	(175,975)	(171,679)
Net cash from operating activities	813,543	217,260
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(355,326)	(242,004)
Purchase of investment property	(344,763)	-
Additions to advance for capital expenditure	(73,911)	(96,422)
Proceeds from disposal of property, plant and equipment	5,350	11,193
Purchase of other financial assets	-	(500,000)
Encashment of other financial assets	475,000	25,000
Short term advance extended	(500,000)	-
Dividend income received	13,053	15,825
Receipt of return on bank deposits, term deposit receipts, and letters of placements	81,405	53,632
Long term deposits	(8,412)	(33,194)
Net cash used in investing activities	(707,604)	(765,970)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(72,000)	(72,000)
Proceeds from term financing	500,000	-
Repayment of liabilities against assets subject to finance lease	(19,814)	(21,638)
Net cash generated from/ (used in) financing activities	408,186	(93,638)
Net Increase/(decrease) in cash and cash equivalents	514,125	(642,348)
Cash and cash equivalents at beginning of the year	(788,160)	(144,222)
Exchange gain/ (loss) - net	2,238	(1,590)
Cash and cash equivalents at end of the year	(271,797)	(788,160)
CASH AND CASH EQUIVALENTS		
Cash and bank balances	25	118,436
Running finance	10	(390,233)
		(271,797)
		(788,160)

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

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Share capital	Capital reserve	Revenue reserves			Total equity
		Share premium	General reserve	Exchange gain on translation of long term investments	Unappropriated profit	
(Rupees'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
Changes in equity for the year ended 30 June 2011						
Total comprehensive income for the year						
Profit for the year	-	-	-	-	720,119	720,119
Exchange gain on translation of long term investments - net of tax	-	-	-	4,256	-	4,256
Total comprehensive income for the year	-	-	-	4,256	720,119	724,375
Balance as at 30 June 2011	325,242	269,424	1,600,000	233,021	1,174,103	3,601,790

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

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

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 9th Floor, UBL Building, Jinnah Avenue, Blue Area, 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 Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 BASIS OF CONSOLIDATION

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

Subsidiaries

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

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

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Jointly controlled entities are those entities over whose activities the group has joint control, established by contractual agreement and required unanimous consent for

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

strategic financial and operating decisions.

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

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group companies' interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3 BASIS OF MEASUREMENT

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

- certain items of property, plant and equipment have been measured at revalued amounts less accumulated depreciation;
- investment property have been measured at fair value;
- other financial assets at fair value through profit or loss have been recognised at fair value; and
- liability related to staff retirement benefits are measured at present value.

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

2.4 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.5 USE OF ESTIMATES AND JUDGMENTS

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

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

Judgments made by the management in the application of approved accounting standards that may have significant effect on the consolidated financial statements and estimates with a significant risk of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

material adjustment in the next year are explained in the ensuing paragraphs.

2.5.1 Property, plant and equipment

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

2.5.2 Taxation

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

2.5.3 Staff retirement benefit - gratuity

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

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

The group reviews the net realisable value of stores, spare parts and loose tools and stock in trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

2.5.5 Provision against trade debts, advances and other receivables

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

2.5.6 Impairment of financial assets

In making estimates in future cash flows from the group's financial assets, the management considers estimated future dividend stream and their terminal value.

2.6 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning from the dates specified below:

IAS 24 Related Party Disclosures (revised 2009)-(effective for annual periods beginning on or after 01 January 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

Amendments to IAS 12 - deferred tax on investment property (effective for annual periods beginning on or after 01 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on consolidated financial statements of the group.

Amendments to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 01 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment has no impact on group's consolidated financial statements.

Improvements to IFRSs 2010 - In May 2010 the IASB issued improvements to IFRSs 2010 which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after 01 January 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements, add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the consolidated financial statements.

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 01 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on consolidated financial statements of the group.

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 01 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on consolidated financial statements of the group.

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The group does not plan to adopt this standard early and the extent of the impact has not been determined.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 01 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on consolidated financial statements of the group.

Disclosures Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 01 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments have no impact on consolidated financial statements of the group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

Owned

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

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

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

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

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

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

Leased

Leases in term of which the group assumes substantially all 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

lower of their fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Outstanding obligations under the lease less finance charges allocated to the future periods are shown as liability. Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the group.

3.2 Investments

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

3.2.1 Investment property

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

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

3.2.2 Investment at fair value through profit or loss - held for trading

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of 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 group recognizes the regular way purchase or sale of financial assets using settlement date accounting.

3.3 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at weighted average cost except for items in transit which are stated at cost incurred upto the consolidated balance sheet date less impairment, if any. For items which are slow moving and / or identified as surplus to the group's requirements, adequate provision is made for any excess book value over estimated net realisable value. The group reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence.

3.4 Stock in trade

Stock of food and beverages

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

Goods in transit

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

3.5 Trade debts and other receivables

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

3.6 Trade and other payables

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

3.7 Markup bearing borrowings

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

3.8 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs relate to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

3.9 Provisions

A provision is recognized in the consolidated balance sheet when the group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre tax rate that reflects current market assessment of the time value of the money and the risk specific to the obligation. However, provisions are reviewed at each consolidated balance sheet date and adjusted to reflect current best estimate.

3.10 Staff retirement benefits

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

Gratuity

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

The amount recognised in the consolidated balance sheet represents the present value of defined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

benefit obligations adjusted for actuarial gains and losses, unrecognised past service cost and interest cost.

Provident fund

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

3.11 Taxation

Current

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

Deferred

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

3.12 Revenue recognition

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

3.13 Foreign currency translation

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

3.14 Financial assets and liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

3.15 Finance income

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

3.16 Offsetting of financial assets and financial liabilities

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

3.17 Segment reporting

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

3.18 Dividend

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

3.19 Impairment

The carrying amount of the group's 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. Impairment losses are recognized as expense in the consolidated profit and loss account. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. For non-financial assets and financial assets measured at amortized cost, the reversal is recognised in consolidated profit and loss account.

3.20 Non current assets held for sale

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the group's accounting policies. Thereafter the assets, are measured at the lower of their carrying amount and fair value less costs to sell.

3.21 Cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2011	2010		Note	2011	2010
Numbers 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
<u>32,524,170</u>	<u>32,524,170</u>			<u>325,242</u>	<u>325,242</u>

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		233,021	228,765
		<u>2,102,445</u>	<u>2,098,189</u>

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

6. LONG TERM FINANCING - secured

From banking companies:

	Note	2011	2010
		(Rupees'000)	
Habib Bank Limited	6.1	36,000	108,000
The Bank of Punjab	6.2	500,000	-
		<u>536,000</u>	<u>108,000</u>
Current portion of long term financing	11	(36,000)	(72,000)
		<u>500,000</u>	<u>36,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

- 6.1 This carries markup equal to 3-month KIBOR plus 3% (2010: 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 (2010: Rs.480 million) and first hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi for Rs.250 million. The loan is repayable in twenty equal quarterly installments of Rs.18 million each commenced from February, 2007.
- 6.2 This represents term finance loan of Rs. 500 million (2010: Rs. Nil) which carries markup equal to 3-month KIBOR plus 2.75% (2010: Nil) per annum and is secured against first pari passu equitable mortgage on land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 667 million (2010: Nil), first pari passu hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi of Rs. 667 million (2010: Nil) and personal guarantees of sponsor directors of the Parent Company. At present, ranking charge on assets of Pearl Continental Hotel, Rawalpindi has been registered and charge up-gradation to first pari passu is in process. The loan is repayable in twelve equal quarterly installments of Rs. 41.667 million each which will commence from September, 2012 that is fifteenth month after the date of disbursement.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2011			2010		
	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	15,764	1,925	17,689	16,671	3,922	20,593
Later than one year and not later than five	7,996	391	8,387	21,803	1,714	23,517
	<u>23,760</u>	<u>2,316</u>	<u>26,076</u>	<u>38,474</u>	<u>5,636</u>	<u>44,110</u>

- 7.1 Minimum lease payments have been discounted by using financing rates ranging from 13.5% to 17.74% (2010: 13.5% to 16.5%) 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. 3.663 million (2010: Rs. 4.649 million) paid against such assets.

8. DEFERRED LIABILITIES	Note	2011	2010
		(Rupees'000)	
Staff retirement benefit - gratuity	8.1	242,967	221,206
Deferred tax	8.2	251,964	267,451
		<u>494,931</u>	<u>488,657</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

8.1	Movement in the liability recognised in the balance sheet		2011	2010	
			(Rupees'000)		
	Opening balance		221,206	224,066	
	Charge for the year		41,289	38,411	
	Payments made during the year		(19,528)	(41,271)	
	Closing balance		<u>242,967</u>	<u>221,206</u>	
	Reconciliation of the liability recognised in the balance sheet				
	Present value of defined benefit obligation		235,678	214,440	
	Actuarial gains unrecognised		7,289	6,766	
	Net liability at end of the year		<u>242,967</u>	<u>221,206</u>	
	Charge to profit and loss account for the year				
	Current service cost		18,167	17,060	
	Interest cost		23,122	21,351	
			<u>41,289</u>	<u>38,411</u>	
	The latest actuarial valuation was carried out on 30 June 2010 using projected unit credit method.				
	Actuarial assumption		2011	2010	
	Discount rate		12%	12%	
	Expected increase in eligible salary		12.50%	12.50%	
	Mortality rate		EFU (61-66)	EFU (61-66)	
	Historical information		Mortality Table	Mortality Table	
		2011	2010	2009	2008
	(Rupees'000)	242,967	221,206	224,066	216,286
					2007
					211,050
8.2	Deferred tax		2011	2010	
			(Rupees'000)		
	<i>Taxable temporary differences</i>				
	Accelerated tax depreciation		247,045	250,660	
	Deferred tax on translation of long term investments		125,473	123,182	
	Share in profit of associate		3,829	4,125	
			<u>376,347</u>	<u>377,967</u>	
	<i>Less: deductible temporary differences</i>				
	Provision for staff retirement benefit		85,039	77,422	
	Provision for bad and doubtful debts		32,310	25,793	
	Unabsorbed tax losses		4,129	4,396	
	Impairment loss in value of investments		1,855	1,855	
	Provision for stores, spare parts and loose tools		1,050	1,050	
			<u>124,383</u>	<u>110,516</u>	
			<u>251,964</u>	<u>267,451</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

9.	TRADE AND OTHER PAYABLES	Note	2011 (Rupees'000)	2010
	Creditors		300,516	254,236
	Accrued liabilities		496,784	491,414
	Advances from customers		135,888	119,773
	Unclaimed dividend		3,534	3,536
	Retention money		45,860	42,641
	Workers' welfare fund		-	13,789
	Due to related parties		21,549	11,413
	Federal excise duty		5,685	5,685
	Sales tax - net		109,906	86,704
	Bed tax		85,428	80,955
	Property tax		8,718	11,590
	Income tax deducted at source		3,499	3,423
	Un-earned income		103,630	70,986
	Other liabilities		47,285	43,873
			<u>1,368,282</u>	<u>1,240,018</u>
10.	SHORT TERM BORROWINGS - secured			
	Running finance from banking companies			
	National Bank of Pakistan	10.1	200,822	638,205
	Habib Bank Limited	10.2	139,188	155,823
	Soneri Bank Limited	10.3	223	94,060
	The Bank of Punjab	10.4	50,000	-
			<u>390,233</u>	<u>888,088</u>
10.1	This represents running finance facility of Rs. 650 million (2010: Rs. 650 million) at markup rate of 1-month KIBOR plus 1.75% (2010: 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 Rs. 866.67 million (2010: Rs. 866.67 million).			
10.2	This represents running finance facility of Rs. 350 million (2010: Rs. 350 million) at markup of 1-month KIBOR plus 3% (2010: 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 (2010: Rs. 667 million) and first hypothecation charge over all present and future movable assets of the Pearl Continental Hotel, Rawalpindi for Rs. 250 million (2010: Rs.250 million).			
10.3	This represents running finance facility of Rs. 100 million (2010: Rs 100 million) at mark-up rate of 6-month KIBOR plus 2.5 % (2010: 6-month KIBOR plus 2.5%) per annum payable quarterly. The 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 - 17.1.1) and ranking hypothecation charge over all present and future current assets of the Pearl Continental Hotel Rawalpindi for Rs.134 million (2010: Rs.134 million).			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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- 10.4 This represents running finance facility of Rs. 50 million (2010: Rs. Nil) at markup rate of 3-month KIBOR plus 2.25% (2010: Nil) per annum payable quarterly. The facility is secured against first pari passu equitable mortgage on land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 67 million (2010: Rs. Nil), first pari passu hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 67 million (2010: Nil) and personal guarantees of sponsor directors of the Parent Company. At present, ranking charge on asset of Pearl Continental Hotel, Rawalpindi has been registered and charge up-gradation to first pari passu is in process.

	Note	2011 (Rupees'000)	2010
11. CURRENT PORTION OF LONG TERM BORROWINGS			
Current portion of long term financing	6	36,000	72,000
Current portion of liabilities against subject to finance lease	7	15,764	16,671
		<u>51,764</u>	<u>88,671</u>
12. PROVISION FOR TAXATION			
Opening balance		14,464	14,225
Income tax paid during the year		(303,479)	(210,084)
Charge for the year		318,707	210,323
Closing balance		<u>29,692</u>	<u>14,464</u>

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies - Parent Company

- 13.1.1 The income tax assessment of the Parent Company have been finalised and returns have been filed upto and including the tax year 2010. However for the assessment year 1999-2000, an appeal is pending with the Appellate Tribunal, Inland Revenue. In case of adverse decision of the appeal, the tax liability of Rs. 73.165 million (2010: 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.

	2011 (Rupees'000)	2010
13.1.2 Guarantees	<u>101,459</u>	<u>69,978</u>
13.2 Commitments		
13.2.1 Commitments for capital expenditure	<u>97,940</u>	<u>105,764</u>
13.3 Share of contingencies & commitments in associated company		
13.3.1 Contingencies		

The group's share of associate's income tax related contingencies amounts to Rs.4.97 million (2010: Rs.7.347 million) which are in appeals at various forums. The management and tax advisor of the associated company are confident of favourable outcome against these appeals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

14. PROPERTY, PLANT AND EQUIPMENT

	Owned assets							Leased assets		Total	
	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	Capital work in progress (Note 14.1)		Vehicles
	(Rupees'000)										
Cost/ revalued amounts											
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
Balance as at 01 July 2010	9,881,790	10,280,265	641,044	821,758	2,232,822	612,629	135,215	203,045	368,645	81,487	25,258,700
Additions during the year	-	-	319	5,295	32,548	33,092	8,231	15,443	260,398	5,100	360,426
Disposals	-	-	-	-	-	-	-	(8,496)	-	-	(8,496)
Transfer	-	-	24,817	-	31,034	35,873	-	-	(91,724)	-	-
Adjustments	-	-	-	-	-	-	-	40,867	-	(40,867)	-
Transfer to non current assets held for sale (Note 14.3)	(41,664)	-	-	-	-	-	-	-	-	-	(41,664)
Balance as at 30 June 2011	9,840,126	10,280,265	666,180	827,053	2,296,404	681,594	143,446	250,859	537,319	45,720	25,568,966
Depreciation											
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
Balance as at 01 July 2010	-	-	385,559	377,461	1,575,164	412,750	95,390	111,780	-	22,738	2,980,842
Charge for the year	-	-	25,785	44,618	101,793	31,478	13,000	17,529	-	5,814	240,017
On disposals/ transfer	-	-	-	-	-	-	-	(4,900)	-	-	(4,900)
Adjustments	-	-	-	-	-	-	-	17,063	-	(17,063)	-
Balance as at 30 June 2011	-	-	411,344	422,079	1,676,957	444,228	108,390	141,472	-	11,489	3,215,959
Carrying value - 2011	9,840,126	10,280,265	254,836	404,974	619,447	237,366	35,056	109,387	537,319	34,231	22,353,007
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
Rates of depreciation per annum	-	-	10%	10%	15%	15%	30%	15%	-	15%	15%

14.1

This includes construction work on expansion of Pearl Continental Hotel Peshawar amounting to Rs. 72.081 million (2010: Rs. 72.081 million), which is under suspension due to a dispute with the Military Estate Office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

14.2 Surplus on revaluation of property, plant and equipment

Free hold and lease hold lands having cost of Rs. 112.621 million were revalued by M/s Engineering Pakistan International (Private) Limited and M/s Iqbal A. Nanjee & Co. (Private) Limited (independent valuers) based on existing use basis method as at 30 June 2010 resulting in addition of Rs.11,382.92 million. This revaluation resulted in a cumulative surplus of Rs.20,007.77 million, which has been included in the book value of respective lands and credited to the surplus on revaluation of property, plant and equipment.

Had the aforementioned revaluations not carried out, the book values of free hold and lease hold lands would have been Rs.112.621 million only (2010: Rs.112.621 million).

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

14.4	Depreciation charge for the year has been allocated as follows: Note	2011 (Rupees'000)	2010 (Rupees'000)
	Cost of sales and services	27	216,016
	Administrative expenses	28	24,001
		<u>240,017</u>	<u>265,236</u>

14.5 Details of disposal of property, plant and equipment:

Description	Cost	Accumulated depreciation	Carrying value	Sale proceeds	Gain on disposal	Mode of disposal	Purchaser
Owned (Rupees'000)							
Vehicle	1,650	420	1,230	1,780	550	Insurance claim	PICIC Insurance Limited
Vehicle	1,248	854	394	552	158	Negotiation	Raja Irfanullah
Vehicle	1,287	780	507	507	-	Negotiation	Mr. Irshad B. Anjum
Vehicle	555	360	195	560	365	Negotiation	Mr. Malik Lakhani
Vehicle	2,795	1,815	980	1,251	271	Negotiation	Mr. Nasir Javaid
Vehicle	961	671	290	700	410	Insurance claim	PICIC Insurance Limited
2011	<u>8,496</u>	<u>4,900</u>	<u>3,596</u>	<u>5,350</u>	<u>1,754</u>		
2010	<u>17,829</u>	<u>10,923</u>	<u>6,906</u>	<u>11,193</u>	<u>4,287</u>		

15.	ADVANCE FOR CAPITAL EXPENDITURE	Note	2011 (Rupees'000)	2010 (Rupees'000)
	Purchase of land	15.1	626,820	626,820
	Purchase of apartment		40,509	40,509
	Malir Delta land	15.2	84,000	84,000
	Purchase of furniture and office equipment		27,488	6,960
	Others		61,588	8,205
			<u>840,405</u>	<u>766,494</u>

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.

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For the year ended 30 June 2011

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 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.

16.	INVESTMENT PROPERTY	Note	2011 (Rupees'000)	2010
	Opening balance		45,000	41,500
	Unrealised gain on remeasurement of investment property to fair value	16.1	2,000	3,500
			47,000	45,000
	Purchased during the year	16.2	344,763	-
	Closing balance		391,763	45,000

16.1 An independent exercise was carried out to determine the fair value of investment property on 30 June 2011. 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.

16.2 This represents investment property purchased during the year and is currently given on rent to an associated company.

17.	LONG TERM INVESTMENTS	Percentage of holding	Note	2011 (Rupees'000)	2010
	<i>Associated undertaking - unquoted</i>				
	Hashoo Group Limited - British Virgin Island 98,000 (2010: 98,000) ordinary shares of US\$ 100 each	16%/ 25%		714,842	660,743
	Hotel One (Private) Limited - Pakistan 500,000 (2010: 500,000) ordinary shares of Rs.100 each	31%/ 35%		36,762	43,159
				751,604	703,902
	<i>Associated undertaking - quoted</i>				
	New Jubilee Insurance Company Limited 7,500,000 (2010: 6,000,000) ordinary shares	7.6%	17.1.1, 17.1.2 17.1	447,600	358,200
	<i>Investment in jointly controlled entity</i> Pearl Continental Hotels Limited - UAE 95 (2010: 95) ordinary shares of US\$ 50,000 each	50%	17.2	1,199,204	1,062,102
				377,884	382,020
	<i>Other investments</i>				
	<i>Available for sale - unquoted company</i>				
	Malam Jabba Resorts Limited			1,000	1,000
	Impairment loss			(1,000)	(1,000)
				-	-
				1,577,088	1,444,122

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	2011	2010
	(Rupees'000)	
17.1 Investment in associated undertaking		
Cost of investment	1,534,083	1,534,083
Post acquisition loss brought forward	(155,054)	(147,123)
Share of profit for the year	92,455	7,069
Dividend received	(12,000)	(15,000)
	80,455	(7,931)
Accumulated impairment losses	(505,988)	(558,225)
Exchange reserve	245,708	241,298
Balance as at 30 June	<u>1,199,204</u>	<u>1,062,102</u>

Summarised financial information of associates is as follows:

	Non current assets	Non current liabilities	Current assets	Current liabilities	Revenues	Expenses	Profit/ (loss)
	(Rupees'000)						
2011	9,955,888	(4,272,090)	4,527,516	(2,471,253)	2,914,074	2,460,564	449,825
2010	6,984,422	(3,292,452)	4,182,466	(2,316,652)	2,670,188	2,163,218	506,163

The reporting date of Hashoo Group Limited and New Jubilee Insurance Company Limited is 31 December while reporting date of Hotel One (Private) Limited is 30 June. For the purpose of applying equity method of accounting assets, liabilities and profit and loss account are based on the financial statements of the year/ period ended 30 June 2011.

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

17.1.2 Out of total shares held by the Parent Company, 5,000,000 (2010: 5,000,000) ordinary shares are placed/ lien marked as security against short term loan facility amounting to Rs.100 million from Soneri Bank Limited (refer note - 10.3)

	2011	2010
	(Rupees'000)	
17.2 Investment in jointly controlled entity		
Cost of investment	284,052	284,052
Post acquisition loss brought forward	(12,681)	(11,352)
Share of loss for the year	(6,274)	(1,329)
Exchange reserve	112,787	110,649
Balance as at 30 June	<u>377,884</u>	<u>382,020</u>

Summarised financial information of jointly controlled entity is as follows:

	Non current assets	Non current liabilities	Current assets	Current liabilities	Revenues	Expenses	Profit/ (loss)
	(Rupees'000)						
2011	46,740	-	740,123	(9,466)	-	3,685	(3,685)
2010	46,500	-	736,323	(4,743)	-	807	(807)

The reporting date of Pearl Continental Hotels Limited is 31 December. For the purpose of applying equity method of accounting, assets, liabilities and profit and loss account are based on the financial statements of the period ended 30 June 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

18. STORES, SPARE PARTS AND LOOSE TOOLS	Note	2011 (Rupees'000)	2010
Stores		66,677	62,829
Spare parts and loose tools		22,443	24,124
		<u>89,120</u>	<u>86,953</u>
Provision for obsolescence		(2,999)	(2,999)
		<u>86,121</u>	<u>83,954</u>
19. TRADE DEBTS			
<i>Considered good</i>			
Due from related parties	19.1	7,890	7,214
Others		324,153	305,485
		<u>332,043</u>	<u>312,699</u>
Considered doubtful		88,370	70,317
		<u>420,413</u>	<u>383,016</u>
Provision against doubtful debts		(88,370)	(70,317)
		<u>332,043</u>	<u>312,699</u>
19.1 Due from related parties			
Hashwani Hotels Limited		1,825	1,427
HOAP Foundation		7	7
Hashoo (Private) Limited		42	42
Hotel One (Private) Limited		4,148	4,199
New Jubilee Insurance Company Limited		104	-
Ocean Pakistan Limited (Formerly Orient Petroleum Int. Inc.)		733	356
OPI Gas (Private) Limited		-	389
Pearl Continental Hotels Limited		153	100
Pearl Communications (Private) Limited		69	-
Trans Air Travels (Private) Limited		743	560
Tejari Pakistan Limited		66	134
		<u>7,890</u>	<u>7,214</u>
20. ADVANCES			
<i>Considered good</i>			
Advances to:			
Employees		4,464	3,725
Suppliers and contractors		100,407	74,016
Related party	20.1	500,000	-
		<u>604,871</u>	<u>77,741</u>
20.1	This represents short term advance of Rs. 500 million (2010: Rs Nil) extended to a related party M/s Hashwani Hotels Limited for a period of one year and carries markup rate of 1-year KIBOR plus 3% (2010: Nil) per annum payable on maturity.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

21. TRADE DEPOSITS AND PREPAYMENTS	Note	2011 (Rupees'000)	2010
Trade deposits		10,684	10,434
Prepayments		28,538	14,715
		<u>39,222</u>	<u>25,149</u>
 22. OTHER RECEIVABLES			
Other receivables - considered good		26,541	22,393
- considered doubtful		3,946	3,378
		30,487	25,771
Provision for doubtful receivables		(3,946)	(3,378)
		<u>26,541</u>	<u>22,393</u>
 23. OTHER FINANCIAL ASSETS			
<i>Held to maturity</i>			
Letters of placements/ certificates of investments		5,300	480,300
Provision for impairment loss		(5,300)	(5,300)
		-	475,000
<i>Available for sale - unquoted</i>			
National Technology Development Corp. (Pvt.) Ltd.		200	200
Indus Valley Solvent Oil Extraction Limited		500	500
Impairment loss		(700)	(700)
		-	-
<i>Financial assets at fair value through profit or loss - held for trading</i>			
Short term investments in shares of listed companies	23.1	9,160	8,741
		<u>9,160</u>	<u>483,741</u>
 23.1 Short term investments in shares of listed companies			
Pakistan Telecommunication Company Limited			
350,000 (2010: 350,000) ordinary shares		4,977	6,230
Lotte Pakistan PTA Limited			
150,000 (2010: 150,000) ordinary shares		2,075	1,209
Fauji Fertilizer Bin Qasim Limited			
50,000 (2010: 50,000) ordinary shares		2,108	1,302
		<u>9,160</u>	<u>8,741</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

24.	NON CURRENT ASSETS HELD FOR SALE	Note	2011 (Rupees'000)	2010
	Transfer from property, plant and equipment	14	41,664	-
	Impairment loss on non current assets held for sale	29	(5,964)	-
		24.1	<u>35,700</u>	<u>-</u>
24.1	This represents realisable value of free hold land held for sale under agreements executed during the year which are expected to be finalised and executed within next twelve months.			
25.	CASH AND BANK BALANCES	Note	2011 (Rupees'000)	2010
	Cash in hand		16,212	10,724
	Cash at bank:			
	Current accounts - Local currency		34,799	7,798
	Deposit accounts - Local currency	25.1	59,952	71,532
	- Foreign currency	25.2	7,473	9,874
			<u>118,436</u>	<u>99,928</u>
25.1	Deposit accounts carry interest rate ranging from 5% to 11% (2010: 5% to 10%) per annum.			
25.2	This comprise USD 87,104 (2010: USD 115,351) deposited with banks and carries interest rates ranging from 0.25% to 0.75% (2010: 0.25% to 0.75%) per annum.			
26.	SALES AND SERVICES - net	Note	2011 (Rupees'000)	2010
	Rooms		2,453,858	2,039,308
	Food and beverages		3,160,711	2,603,121
	Other related services	26.1	331,766	321,195
	Vehicles rental		67,427	66,796
	Shop license fees		7,076	7,317
			<u>6,020,838</u>	<u>5,037,737</u>
	Discounts and commissions		(12,391)	(11,867)
	Sales tax		(897,796)	(688,843)
			<u>5,110,651</u>	<u>4,337,027</u>
26.1	This includes income from Privilege Club Cards, tour package income and revenue from telephone, laundry and other ancillary services.			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

27. COST OF SALES AND SERVICES	Note	2011 (Rupees'000)	2010
Food and beverages			
Opening balance		44,435	42,867
Purchases during the year		1,036,013	841,041
		<u>1,080,448</u>	<u>883,908</u>
Closing balance		(53,833)	(44,435)
Consumption during the year		<u>1,026,615</u>	<u>839,473</u>
Direct expenses			
Salaries, wages and benefits	27.1	696,390	619,737
Heat, light and power		474,792	435,697
Repairs and maintenance		289,202	303,769
Provision for slow moving stores, spare parts and loose tools		-	2,071
Depreciation	14.4	216,016	238,713
Guest supplies		120,662	98,677
Linen, china and glassware		67,667	45,998
Communication and other related services		53,546	43,192
Banquet and decoration		39,247	43,393
Transportation		8,157	15,492
Uniforms		17,155	14,416
Music and entertainment		6,766	7,148
Insurance		3,763	4,320
Vehicles operating expense		39,530	29,911
Vehicle rental and clearance charges		1,639	1,811
Hotel bookings		5,893	7,101
Others		10,044	8,288
		<u>3,077,084</u>	<u>2,759,207</u>

27.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 38.140 million (2010 : Rs. 33.698 million).

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For the year ended 30 June 2011

	Note	2011 (Rupees'000)	2010
28. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	28.1	639,939	553,479
Rent, rates and taxes		92,562	74,858
Advertisement and sales promotion		26,102	35,758
Repairs and maintenance		42,079	38,788
Heat, light and power		60,648	52,614
Traveling and conveyance		49,544	67,147
Depreciation	14.4	24,001	26,522
Communications		24,037	16,327
Printing and stationery		23,523	23,057
Legal and professional charges		45,361	38,634
Insurance		30,571	34,297
Entertainment		8,176	13,913
Subscriptions		7,058	2,628
Laundry and dry cleaning		4,116	3,122
Uniforms		4,555	3,463
Auditors' remuneration	28.2	2,309	2,050
Provision against doubtful debts		18,621	22,902
Donations	28.3	88,737	125,800
Miscellaneous		1,515	4,438
		<u>1,193,454</u>	<u>1,139,797</u>

28.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 21.403 million (2010 : Rs. 21.257 million).

	2011 (Rupees'000)	2010
28.2 Auditors' remuneration KPMG Taseer Hadi & Co.		
Annual audit fee	1,240	1,115
Audit of consolidated financial statements	175	150
Half yearly review	380	330
Special reports and certificates	230	200
Out of pocket expenses	269	240
Sandhu & Co.		
Annual audit fee	15	15
	<u>2,309</u>	<u>2,050</u>

28.3 Donations

Out of total donation of Rs. 88.737 million (2010: Rs. 125.800 million), donations amounting to Rs. 38.050 million (2010: Rs. 25.000 million) include the following in which directors of the Parent Company or their spouse has interest:

Name	Interest in Donee	Name and address of Donee	2011 (Rupees'000)	2010
Mr. Sadruddin Hashwani	Patron-in-Chief	Hashoo Foundation	38,050	25,000
Ms. Sarah Hashwani	Chairperson	House # 7-A, Street # 65, F-8/3, Islamabad		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

29. OTHER OPERATING EXPENSES	Note	2011 (Rupees'000)	2010
Workers' welfare fund		-	13,660
Exchange loss - net		-	1,590
Impairment loss on investment in term deposit receipts		-	5,300
Accrued interest on term deposit receipts written-off		-	511
Impairment loss on non current assets held for sale	24	5,964	-
		<u>5,964</u>	<u>21,061</u>
30. FINANCE COST			
Exchange risk fee		11,063	11,063
Markup on long term financing		13,402	22,787
Markup on short term borrowings		126,048	105,979
Finance cost on liabilities against assets subject to finance lease		4,329	5,736
Credit cards discount, bank and other charges		26,768	21,501
		<u>181,610</u>	<u>167,066</u>
31. OTHER OPERATING INCOME			
Income from financial assets			
Return on bank deposits		6,157	9,548
Exchange gain - net		2,238	-
Dividend income		1,053	825
Unrealised loss on remeasurement of investments to fair value - net		419	1,394
Reversal of impairment loss on investment in associated companies		52,236	71,430
Interest on short term advance to a related party		3,817	-
Return on certificates of investments/ letters of placements		73,550	78,869
		139,470	162,066
Income from non financial assets			
Concessions and commissions		1,875	2,224
Gain on disposal of property, plant and equipment	14.5	1,754	4,287
Unrealised gain on revaluation of investment property to fair value		2,000	3,500
Liabilities written back		59,440	51,344
Communication towers and other rental income		26,340	21,616
Rental income from investment property		9,543	-
Scrap sales		8,541	4,350
Insurance claims		1,025	24,254
Others - net		32,340	24,890
		<u>142,858</u>	<u>136,465</u>
		<u>282,328</u>	<u>298,531</u>

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For the year ended 30 June 2011

32. TAXATION	2011	2010
	(Rupees'000)	
Provision for taxation - current	330,698	217,532
- prior	(11,991)	(7,209)
	318,707	210,323
- Deferred	(17,778)	(31,255)
	<u>300,929</u>	<u>179,068</u>

Relationship between accounting profit and tax expense is as follows:

Accounting profit for the year	<u>1,021,048</u>	<u>554,167</u>
Tax charge @ 35% (2010: 35%)	357,367	193,958
Tax effect of permanent differences	(2,014)	3,863
Tax effect of income subject to lower taxation	(12,269)	(9,535)
Tax effect of share of profit in associates not recognised	(30,164)	(2,009)
Prior years' tax charge	(11,991)	(7,209)
	<u>300,929</u>	<u>179,068</u>

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2011			2010		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees'000)					
Managerial remuneration	12,000	41,993	93,953	12,000	15,659	93,190
Contribution to provident fund	-	806	3,735	-	378	3,068
Provision for gratuity	-	961	7,849	-	220	4,819
Housing	-	985	22,492	-	-	18,357
	<u>12,000</u>	<u>44,745</u>	<u>128,029</u>	<u>12,000</u>	<u>16,257</u>	<u>119,434</u>
Number of Persons	<u>1</u>	<u>6</u>	<u>69</u>	<u>1</u>	<u>3</u>	<u>68</u>

33.1 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. The Chairman does not draw any salary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. FINANCIAL INSTRUMENTS

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

Credit risk

Liquidity risk

Market risk

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

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

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

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

34.1 Credit risk

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

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

Counterparties

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

Receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The group has established a credit policy under which each new customer is analysed individually for creditworthiness before the group's standard payment terms and conditions are

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offered. Credit limits are established for each customer, which are regularly reviewed and approved by the management. 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:

	2011	2010
	(Rupees'000)	
Long term deposits	17,045	8,175
Trade debts	332,043	312,699
Trade deposits	10,684	10,434
Advances	500,000	-
Interest accrued	49,591	47,472
Other receivables	26,541	22,393
Other financial assets	9,160	483,741
Bank balances	102,224	89,204
	<u>1,047,288</u>	<u>974,118</u>

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:

	2011	2010
	(Rupees'000)	
From related parties	512,968	7,214
From government institutions	20,064	24,629
From foreign embassies	917	889
Banks and financial institutions	157,158	642,188
Others	356,181	299,198
	<u>1,047,288</u>	<u>974,118</u>

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Impairment losses

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

	2011		2010	
	Gross	Impairment	Gross	Impairment
	(Rupees'000)		(Rupees'000)	
Aging				
Past due 0-30 days	237,037	-	219,080	-
Past due 30-60 days	47,529	-	44,978	-
Past due 60-90 days	24,639	-	27,494	-
Past due 90-360 days	49,379	-	43,540	-
Over 360 days	92,316	92,316	73,695	73,695
	<u>450,900</u>	<u>92,316</u>	<u>408,787</u>	<u>73,695</u>

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

	2011	2010
	(Rupees'000)	
Opening balance	73,695	50,793
Provision made during the year	18,621	22,902
Closing balance	<u>92,316</u>	<u>73,695</u>

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

Based on past experience and negotiations, management of the group believes that overdue balances against which impairment has not been recorded have reasonable prospects of recovery.

	2011	2010
	(Rupees'000)	
Opening balance	(5,300)	-
Provision made during the year	-	(5,300)
Closing balance	<u>(5,300)</u>	<u>(5,300)</u>

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

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

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34.2 Liquidity risk

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

There were no defaults on loans payable during the year.

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

	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year and up to five years
2011	(Rupees'000)			
Long term financing	536,000	774,206	127,956	646,250
Liabilities against assets subject to finance lease	23,760	26,076	17,689	8,387
Long term deposits	50,884	50,884	50,884	-
Trade and other payables	1,128,764	1,128,764	1,128,764	-
Markup accrued	31,484	31,484	31,484	-
Short term borrowings	390,233	390,233	-	-
	<u>2,161,125</u>	<u>2,401,647</u>	<u>1,356,777</u>	<u>654,637</u>
2010				
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 accrued	25,849	25,849	25,849	-
Short term borrowings	888,088	888,088	-	-
	<u>2,160,096</u>	<u>2,179,815</u>	<u>1,230,198</u>	<u>61,529</u>

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 10 to these consolidated financial statements.

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34.3 Market risk

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

34.3.1 Currency risk

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

	2011		2010	
	(Rupees'000)	(USD' 000)	(Rupees'000)	(USD' 000)
Bank Balance	7,473	87.1	9,874	115

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2011	2010	2011	2010
US Dollars	85.8	84	85.6	86

Sensitivity Analysis

A 5 % strengthening of the functional currency against USD at 30 June 2011 would have decreased profit and loss by Rs.374 thousand (2010: Rs.494 thousand). A 5 % weakening of the functional currency against USD at 30 June 2011 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 Pakistan Rupee based long term 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:

	2011	2010	2011	2010
	Effective interest rate		(Rupees'000)	
Fixed rate instruments				
Financial assets	5% to 11%	5% to 16%	<u>67,425</u>	<u>556,406</u>
Variable rate instruments				
Financial liabilities	KIBOR + (1.75% to 3%)	KIBOR + (1.75% to 3%)	<u>949,993</u>	<u>1,034,562</u>

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Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit or loss	
	100 basis points increase	100 basis points decrease
	(Rupees'000)	
Cash flow sensitivity (net)		
30 June 2011	(8,826)	8,826
30 June 2010	<u>(9,532)</u>	<u>9,532</u>

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 COs. Certain investments are designated at fair value through profit or loss because their performance is actively monitored and these are managed on a fair value basis. Equity price risk arises from investments at fair value through profit and loss.

Sensitivity analysis – equity price risk

For quoted investments classified as held for trading, a 1 percent increase in market price at reporting date would have increased profit or loss by Rs. 60 thousand after tax (2010: an increase of Rs. 57 thousand); an equal change in the opposite direction would have decreased profit or loss after tax by the same amount. The analysis is performed on the same basis for 2010 and assumes that all other variables remain the same.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

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	2011		2010	
		Carrying amount	Fair values	Carrying amount	Fair values
(Rupees'000)					
Assets carried at amortised cost					
Deposits	21	27,729	27,729	18,609	18,609
Trade debts - net of provision	19	332,043	332,043	312,699	312,699
Advances	20	500,000	500,000	-	-
Interest accrued		49,591	49,591	47,472	47,472
Other receivables	22	26,541	26,541	22,393	22,393
Cash and bank balances	25	118,436	118,436	99,928	99,928
Held-to-maturity investments	23	-	-	475,000	475,000
		<u>1,054,340</u>	<u>1,054,340</u>	<u>976,101</u>	<u>976,101</u>
Assets carried at fair value					
Financial assets at fair value through profit or loss - held for trading	23	<u>9,160</u>	<u>9,160</u>	<u>8,741</u>	<u>8,741</u>
Liabilities carried at amortised cost					
Long term financing	6	536,000	536,000	108,000	108,000
Liabilities against assets subject to finance lease	7	23,760	23,760	38,474	38,474
Long term deposits		50,884	50,884	50,426	50,426
Trade and other payables	9	1,128,764	1,128,764	1,049,259	1,049,259
Markup accrued		31,484	31,484	25,849	25,849
Short term borrowings	10	390,233	390,233	888,088	888,088
		<u>2,161,125</u>	<u>2,161,125</u>	<u>2,160,096</u>	<u>2,160,096</u>

The basis for determining fair values is as follows:

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

Fair value hierarchy

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

	Level 1	Level 2 (Rupees'000)	Level 3
30 June 2011			
Assets carried at fair value			
Financial assets at fair value through profit or loss - held for trading	9,160	-	-
30 June 2010			
Assets carried at fair value			
Financial assets at fair value through profit or loss - held for trading	8,741	-	-

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

34.4 Determination of fair values

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Investment at fair value through profit and loss account - held for trading

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date

34.5 Capital risk management

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

35. TRANSACTIONS WITH RELATED PARTIES

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

	Note	2011 (Rupees'000)	2010
Transactions with associates undertakings			
Sales		1,847	3,837
Services provided		22,136	13,308
Services availed		49,049	25,227
Purchases		154,057	99,007
Purchase of air tickets		16,505	18,990
Purchase of property, plant and equipment		1,904	8,194
Insurance claims received		-	56,278
Contribution to the defined contribution plan		18,255	16,545
Purchase of investment property		322,000	-
Short term advance		500,000	-
Advance for purchase of land		-	71,725
Dividend received		12,000	15,000
Donation	27.3	38,050	25,000
Transactions with key management personnel			
Remuneration and allowances	35.1	56,745	28,257
35.1 Compensation to key management personnel			
Salaries and other benefits		54,978	27,659
Contribution to provident fund		806	378
Provision for gratuity		961	220
		<u>56,745</u>	<u>28,257</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

36. CAPACITY	Note	No. of rooms letable in		Average occupancy	
		2011	2010	2011	2010
Pearl Continental Hotels				%	%
- Karachi		286	286	45	43
- Lahore		607	561	52	47
- Rawalpindi		193	193	83	69
- Peshawar	36.1	67	56	40	26
- Bhurban		190	190	58	59
- Muzaffarabad		102	102	24	21

36.1 There were 67 rooms operational on 30 June 2011.

37. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Parent Company in their meeting held on 26 September 2011.

Murtaza Hashwani
Chief Executive

M. A. Bawany
Director

PAKISTAN SERVICES LIMITED
FORM OF PROXY
For the year ended 30 June 2011

I / We _____ of _____ being a member of Pakistan Services Limited hereby appoint Mr./ M/s. _____ of _____ failing whom Mr./ M/s. _____ of _____ as my proxy to attend and act for me, and on my behalf, at the Annual General Meeting of the Company to be held on Saturday, 29 October 2011 at 11:00 a.m. at the Marriott Hotel, Islamabad, and any adjournment thereof.

Dated this _____ day _____ of 2011.



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, 9th Floor, UBL Building, Jinnah Avenue, Blue Area, Islamabad to reach not less than 48 hours before the time appointed for holding the meeting.
2. Attested copies of CNIC or the passport of the beneficial owners and the proxy holder shall be furnished with the proxy form.
3. The proxy holder shall produce his/ her original CNIC or original passport at the time of meeting.
4. In case of corporate entity, the Board of Directors' Resolution/ Power of Attorney with specimen signature shall be submitted along with proxy form to the Company.

DESTINATION AT YOUR DOORSTEP



Commenced operation in the year 2001, Destination of the World (DOTW)-Pakistan serves as a unique interface between the leading travel agents, across the globe, providing quality travel related ground services to holiday makers and corporate travelers. Offering hotels, tours and other services at wholesale prices; the real strength of DOTW lies in very close relationships with its partners at each destination.

As pioneers in introducing the concept of pre-paid holidays in Pakistan, DOTW chooses the best products and services for its privileged customer and maintains the quality of every aspect of a holiday, as well as providing unrivalled service at the destination.

Being region's premier wholesale travel company, DOTW provides travel agents with a central source for arranging and handling hotel bookings, conference logistics, meetings at wholesale rates for pre-booked and pre-paid accommodation at over 17,000 hotels in 650 cities worldwide.

DOTW's services include complete ground handling, arranging short and long term accommodation in all star hotels, furnished apartments, car hire, sightseeing tours, excursion and packages across the globe. It has issued Pakistani first electronic travel manual giving access to a database of information in about 660 cities.

DOTW is the only dedicated with a global travel network and is a master franchise of UAE based Destination of the World L.L.C, DOTW-Pakistan with its head office in Karachi and branches in Lahore, Islamabad and Faisalabad.

www.dotw.com
res@dotwpakistan.com



DESTINATION OF THE WORLD
KARACHI • ISLAMABAD • LAHORE • FAISALABAD



PAKISTAN SERVICES LTD.

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OWNERS AND OPERATORS OF



Pearl-Continental

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