2013
annual report

Cultured like no other pearl in the world

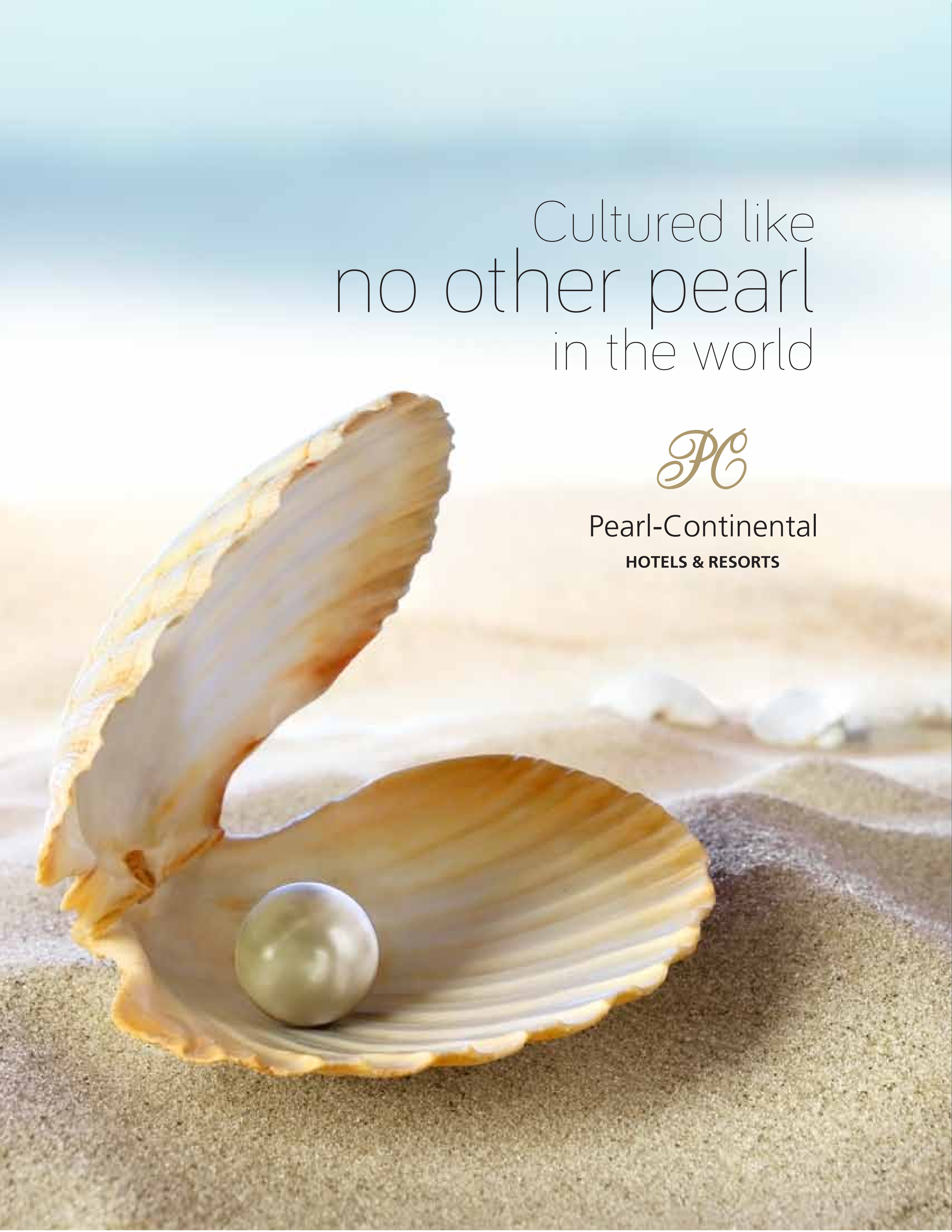
PAKISTAN SERVICES LTD.

Pearl-Continental
HOTELS & RESORTS

Pearl Continental - Bhurban

PSL

PAKISTAN SERVICES LIMITED


Cultured like
no other pearl
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Pearl-Continental
HOTELS & RESORTS

PSL
PAKISTAN SERVICES LTD.

Contents

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. Sadruddin Hashwani

Mr. Murtaza Hashwani

Ms. Sarah Hashwani


Mr. M.A. Bawany


Mr. Mansoor Akbar Ali


Syed Sajid Ali


Mr. Muhammad Rafique


Mr. Bashir Ahmed


Mr. Clive Anthony Webster


Mr. Mansoor Khan
Company Secretary


Abdul Qadeer Khan
Head of Internal Audit


BUKHARA

Corporate Profile/ Information

Pearl Continental Hotels, a chain owned and operated by Pakistan Services Limited, "the Company" sets the international standards for quality hotel accommodation in South Asia. The Company manages 6 luxury hotels at Karachi, Lahore, Rawalpindi, Peshawar, Bhurban and Muzaffarabad; comprising 1,558 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. Bashir Ahmed
Mr. Clive Anthony Webster

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

HUMAN RESOURCE & REMUNERATION 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
1st Floor, NESPAK House,
Sector G-5/2, Islamabad.
Tel: +92 51-2272890-8
Fax: +92 51-2878636
http://www.psl.com.pk
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
M/s Technology Trade (Private) Limited.
Dagia House, 241-C, Block-2, PECHS,
Off Shahrah-e-Quaideen, Karachi.

Pearl Continental - Muzaffarabad

Strategic Objectives

- Sustain potential market share through managed average daily rate
- Ensure successful completion of all expansion projects
- Seek improvement in employees' competencies and enhancing performance goals
- Continue achieving sales growth to support long term plan
- Reinforce all areas of security risks to Company's assets and guests

Code of Conduct

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

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

Core Values

Growth and development for all

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

Innovation

Listening and two-way interaction
Encouragement
Enterprise
Participation
Motivation
Initiative

Recognition and Reward

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

Trust

Cooperation
Integrity
Dignity
Respect
Candidness
Support
Teamwork
Sense of ownership
Empowerment


Pearl-Continental
HOTELS & RESORTS
for the privileged ones
We wish our new guests the nicest possible welcome into the privilege club
acceptable at Pearl Continental and Marriott Hotels*
Privilege
008521-13078-01
SHAFAQAT ALI
09/14
for details contact:
111-505-505
www.pchotels.com
*conditions apply

Notice of Annual General Meeting

Notice is hereby given that the 54th Annual General Meeting of Pakistan Services Limited will be held on **Wednesday, October 30, 2013** at **11:00 A.M**. at **Islamabad Marriott Hotel** to transact the following business:

1. To confirm the minutes of the Extra-Ordinary General Meeting held on April 29, 2013.
2. To receive, consider and adopt the Audited Financial Statements together with the Directors' and the Auditors' Reports thereon for the year ended June 30, 2013.
3. To appoint auditors for the year 2013-14 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

Islamabad: **October 01, 2013**

Notes:

A). Any member of the Company entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote instead of him/her except in case of a corporate entity which may appoint a proxy who may not be a member. Proxies must be received at the Registered Office of the Company not less than 48 hours before the time of holding the Meeting.

B). The Share Transfer Books of the Company will remain closed from October 24, 2013 to October 30, 2013 (both days inclusive).

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

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

a. For Attending the Meeting:

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

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

b. For Appointing Proxies:

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

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

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

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

v) In case of corporate entity, 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.

E). As per the directives of Securities & Exchange Commission of Pakistan, the members are requested to provide copies of their valid CNICs and Dividend Mandate including Name, Bank Account Number, Bank and Respective Branch addresses to the Company in order to enable the Company to pay cash dividend electronically. The Dividend Mandate Form is attached with Printed annual report.

Chairman's Review

- Mr. Sadruddin Hashwani, Chairman

It is indeed my privilege to present before you the 54th Annual Report of Pakistan Services Limited together with its Audited Financial Statements for the year ended June 30, 2013 and Auditors' Report thereon.

ECONOMIC ENVIRONMENT

The world economic environment is showing a favorable trend. The US economy propelled by the housing and consumer sectors registered moderate growth much better than expected. During the same period China's growth slowed down but the special measures taken by the country to boost the economic growth should show gains.

Eurozone has pulled out of depression. Currently its economy is in neutral but there are signs of some growth. The European Central Bank has kept the interest rate at historic low level of 0.5% amid signs of Eurozone recovery. UK economic growth shows rise by 0.6% in three months to June 2013.

On the other hand, IMF has cut down on the global growth forecast for 2013 and 2014 – Economic slowdown countries list includes Brazil and China. World economy growth is forecast at 3.1% this year down from projection of 3.3%. In 2014, the projection is 3.8% compared with an earlier forecast of 4%.

In Pakistan, Rupee continually remained depreciating against the US$ during the entire financial year 2012-13. The pressure on the Rupee is especially heavy due to IMF loan repayments and increasing gap between imports and exports. The helpful feature for poor foreign exchange reserves was that remittances during the Financial Year July 2012 to June 2013 marked an upward surge .

The formal inflation rate determined from Consumer Price Index is hovering around 8%. Pakistan's economy stays in the danger zone. The acts of terrorism have had serious damaging impact on the GDP. Daily incidents of target killings in Pakistan's industrial and economic activities hub Karachi have made disastrous impact on these.

The induction of new Government is expected to help the revival of sick economy. Their highest priorities are for improving the law and order situation, rehabilitation of electricity generation installed capacity, putting railways on the track, promotion of education, and stabilization of economy. We earnestly expect that the Government would be successful in improving the lot of all these sectors but it will take time to recover.

DISCRIMINATION AGAINST THE HOTEL INDUSTRY

It is very painful to say that the successive governments have meted out step-motherly treatment to the hotel industry. The discrimination against the hotel industry has continued even when it is being forced to reposition itself to make-up for the drastic reduction in the number of foreign visitors and curtailment of the economic and social activities attributable to the disturbed security situation in the country. While the other industry is enjoying privileges like specially discounted rates of utilities and concessions on taxes, the hotel industry continues to be loaded heavily with taxes and levies and given no special consideration. So it is in double squeeze - on the one hand tough business conditions and on the other having to face the full brunt of taxes, levies and rising cost of energy, which is becoming the dominant component of factors elevating the cost of operations. Even when not being given level playing field vis-a'-vis rest of the industry, it continues to be a major contributor of revenues to the government in the form of taxes and levies besides providing job opportunities and vocational skills to a large number of Pakistanis in broad set of disciplines. It is the need of the hour that the key role of the hotel industry in the development of the country is realized and it is brought at par with the rest of the industry if not shown preference over it in terms of special treatment to reduce its tax and levies burden and facilitate its unhindered healthy growth.

OVERALL PERFORMANCE

Your company is striding forward on progressive business trajectory regardless of facing multidimensional challenges. It has not only held but even enhanced the last year's performance with total net-revenue (excluding GST) of Rs. 6,801 million and recorded additional revenue of Rs. 1,040 million over that of Rs. 5,761 million achieved in the last year. Despite inflationary pressure the gross profit margin for the year under report not only maintained but also marginally increased from 42.83 percent of the immediate preceding year to 43.35 percent. This enabled the Company to achieve profit before tax of Rs. 1,259 million during the year under report as compared to Rs. 1,156 million of the last year and thereby increase in revenue in the reviewing year recorded 9 percent over last year. Profit after tax in the year 2011-12 was Rs.784 million, which went up to Rs.887 million during the year 2012-13.

Performance of Rooms Department

Revenue (exclusive of GST) from this department for the year 2012-13 was registered at Rs. 2,935 million as against Rs. 2,352 million of the last year; this shows securing an incremental business of Rs. 583 million which reflects 25 percent growth. The average rooms' occupancy for the year under report was achieved at 65 percent as against 58 percent of the last year. Further, the Average Daily Room Rate (ADR) witnessed a positive trend and increased to Rs. 7,931 from Rs. 7,540 of the corresponding period of last year.

Performance of Food & Beverage Department

The Food and Beverage department also performed well during the year 2012-13 with a revenue (exclusive of GST) of Rs. 3,457 million against Rs. 3,043 million of the last year, showing a growth of Rs. 414 million showing 14 percent increase.

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

Revenue (exclusive of GST) from these segments during the year under review was Rs. 409 million as compared to Rs. 366 million of the last year and thus an increase of Rs. 43 million. It is 12% more in the year under report against the last year.

FUTURE PROSPECTS

With bold initiatives of the newly installed Government, Pakistan should be able to rise above the problems that it has been experiencing over the past years to move on path of economic growth. There is close synergy between economic growth, security, human resource and infrastructure. Since so much more is required to be done in all these sectors, the Hotel Industry would be a direct beneficiary of progressive development in Pakistan. With renewed interest of International Financial Institutions to assist Pakistan in getting over its acute problems, we have good reasons for optimism. Pakistan is a large country rich in natural resources and full potential for self sufficiency in agricultural produce. The population of 180 million strong has a preponderance of youth humming with energy and given education and training is most critical asset of the Country. Your Company for years has concentrated in its efforts to always keep its hotels in readiness state to take up special demands of the surge in the hospitality business. Not only this, towards the same goal, it continues to expand its footprints in the country. It is now poised to build Pearl Continental Hotels in Multan in Southern Punjab & Mirpur in Azad Jammu & Kashmir. The addition of two new Five Star Hotels to the existing chain of six Pearl Continental Hotels will offer new opportunities for leisure and business in the comfort of 21st Century settings.

A thorough and vigorous program for quality enhancements of Pearl Continental Hotels is moving ahead. The décor of the Guestrooms, Restaurants, Business Centers, Meeting Halls, Boardrooms and Marquees is getting extensive facelift. To keep current with the demands of time, the IT Infrastructure, Security Systems and Plant Rooms are being modernized with new equipment and machinery. Fulltime attention is given to not only preventing the increase in the cost of energy, despite frequent upward revisions of tariffs, but also reduce it through physical measures as well as scientific and technical innovations that go to halt the energy losses.

There is also vigilance on the major operational cost contributory factors like human resource and purchase of goods and services for optimization of resources fully availing the mutual strength of the Company's Hotels. As an example, laundry operations are being consolidated at one place to serve the needs of its Hotels in the region. Combined laundry facility is being setup at the PC Hotel, Rawalpindi in the North.

We take pride in the fact that Pearl Continental Hotels of your Company are acting as springboard for educational, social, cultural and economic development of Pakistan. These present unique ambiances and settings for leisure as well as concentration, understanding and harmony and thus an enabling environment for local and foreign men and women of earnest desire who wish to dig deep into issues and opportunities that Pakistan presents to help the country emerge as a prominent player in South Asia by exploiting its full potential of extensive resources and uniqueness of position in the region.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Pakistan Services Limited, as a responsible corporate entity believes that the highest standards of corporate conduct are the cornerstones of its business dealings.

Corporate Philanthropy

The Company gave financial support to prominent NGOs who enjoy eminent reputation of working especially in the sectors of education, healthcare and social welfare across the country. Our guiding principles in discharging our social, ethical, and environmental obligations are unwavering. Being fully cognizant of corporate social responsibilities, the Company continues to play an active role in strengthening the social welfare sector.

The main focus of Company's Corporate Philanthropy is to concentrate on human resource development of the type that empowers the marginalized population of the society. We support Aga Khan Foundation, the Aga Khan Education Services, and Hashoo Foundation, who are in the lead in different projects of social welfare. During the year under review your Company made an aggregate donation of Rs. 225 million to them. Its emphasis is on projects for greater financial independence and self-reliance of individuals, families and communities. We stand committed to progressively enhance our share in the public welfare projects.

Vocational Training Opportunities:

One of the essential components of philanthropic contributions of your Company is to encourage empowerment of marginalized communities through impart of basic education, occupational skills and vocational training in areas where there is ample market demand. Under the same scheme, support has been provided for projects that contribute towards engagement of women in special industrial projects. One well-known project is Mountain Honey small scale industry for production of natural honey and its packaging which is an outstanding success story even aired by the BBC.

The hotels of your Company have actively participated in providing internship to young men and women for training in various fields of Hotel industry. In the past couple of years about 700 young individuals were trained for placements not only across Pakistan but also in the overseas. This is a typical example of how we ensure that the financial assistance that your Company provides to various humanitarian and welfare organizations as a part of its Corporate Social Responsibility is used effectively for the uplift and sustained self-support capability of the most deserving segment of general population.

Energy Conservation

The Company continued to improve upon reducing the consumption of all forms of energy: electrical, diesel, CNG and LPG during the year under report through latest technological means, training and changing the work habits of the individuals. Hotel properties' entire program of energy conservation and its monitoring remains under the close watch and direct control of a highly experienced and qualified consultant in the field. Some of the technological measures for energy savings are: installation of specially designed power factor correction units on or next to the major load centers, purchase of energy-efficient equipment and machines, removal of old electricity distribution network and replacing it with modern and safe electricity management switchgear and cabling, substitution of LEDs for standard lighting lamps, and controlling the waste of natural gas and LNG.

Environment Protection Measures

The Company ensures that its operational activities-related wastes are appropriately treated before disposal to safeguard environment. We are cutting on waste of energy and water. High-efficiency machines and equipment are being deployed gradually. A broad-based environmental conservation strategy is being pursued at all the hotels of your Company. Each hotel also pays close attention to horticulture, plantation and cleanliness of area around it, which serves the general public and at the same time adds to the positive impact of hotel.

Customers' Protection Measures

We truly believe in customers' feedback because it plays a vital role in continually improving the working of each hotel and tuning to the needs of the guests. The feedback is obtained from the guests through Customer Survey Form (CSF), and paying courtesy calls to the clients' offices. Immediate action is taken for product improvement in line with the wishes of hotel guests.

Health, safety and security of our customers are our key concerns and adequate institutional arrangements are in place at each hotel to address these. Comprehensive inspections of each property are carried out to detect any shortcomings and directives for corrective actions are issued, as necessary, and followed up regularly until such time that these are completed.

Employment of Special Persons

To comply with responsibilities in this stratum of CSR, the Company employs special persons at its different business locations and provides them opportunities for living their lives in as normal a way as possible. Not only this, the Company has an open door policy for recruitment of special persons.

Occupational Safety and Health

Occupational safety and health training programs and workshops are conducted to stress safe work premises, practices and develop awareness for safety of self, colleagues and guests alike. Full familiarity with the use of safety equipment is expected of all the key staff on duty. Any unsafe practice is strictly prohibited and checked on the spot.

Drills are conducted to verify staff proficiency in the use of safety and emergency equipment and awareness of new technological changes in these. The prime purpose of drills is to reduce emergency response time.

Umbrella of group-hospitalization and life insurance cover is provided to employees to take care of their health and financial compensation in case of any injury and loss of life.

Business Ethics and Anti-corruption Measures

The Company has zero tolerance policy for any of the corrupt practices. The monitoring is done at each tier to ensure that the employees are working within the framework

of "Statement of Ethics and Business Practices (SEBP)" and it is rigorously enforced throughout the Company.

Customers' Relationship

The real test of business success is how many clients come back for your services – not just once but again and again. It gives us pleasure and satisfaction that so many of our clients do return to us because they feel at home for the comfort of facilities and warmth of familiar serving staff. And we are especially gratified that so many individuals, corporate and institutional clients turn to us as loyal customers year after year. We attribute our long and strong client relationships to many things. Some of these are our ready accessibility to guests, immediate response to their needs and suggestions, high degree of professionalism and performance and continual upgrade of our products. We are always conscious to keep striving hard for upgrades in our products for remaining ahead of our competitors in all the departments.

Customers' Satisfaction

We run our business and serve our customers with utmost integrity. We work hard to win our customers' trust and to keep it and here are just some instances to be particularly mentioned: careful listening, courtesy, thoughtful reflection, rigorous analysis, superior products, diligent management, honest assessments and frequent two way communication. Our promises neither are not hollow words nor are they pulled from the air. They are based on decades of experience, on sound business principles and on exacting standards, delivered by talented professionals.

Contribution to the National Exchequer

Our business activities contributes significant amount to the National Exchequer every year and during the year under review your Company paid a huge amount of Rs. 2,232 million to the Federal/Provincial Governments' Treasuries, while during the immediate preceding year in 2011-12 the amount towards that direction was made to the tune of Rs. 1,965 million. The Company makes such payments in the forms of Customs duties, General Sales Tax, Income Tax and different provincial and federal government levies. In addition to these direct payments, the Company's operations generate a chain of economic activities having multiplier effect giving rise in creating more businesses and employment opportunities that become sources of income for the government. Our employees, suppliers, contractors and consultants become the drivers of expanding national gains.

HIGHLIGHTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated revenue (exclusive of GST) in the reporting year touched the new height of Rs. 6,922 million as against Rs. 5,863 million recorded in its immediate preceding year. The consolidated profit before tax for the year under report was recorded at Rs. 676 million as against Rs.1,048 million of the last year. Profit after tax in the reviewing year was achieved at Rs. 472 million in comparison to Rs.698 million of the corresponding last year.

The wholly-owned subsidiary company, M/s. Pearl Tours and Travels (Private) Limited, engaged in the business of "Rent-a-Car" and "Package Tours", earned revenue of Rs.162 million during the year under report; it was Rs. 144 million in the immediate preceding year 2011-12.

Another wholly owned subsidiary company, namely, M/s. Musafa International (Private) Limited (MIPL), engaged in the project management business, completed construction of underground parking and commenced operations in the year 2011-12. This parking site is located next to the Company's Pearl Continental Hotel, Karachi. During the year under review, MIPL earned revenue of Rs. 8.394 million and post recording of depreciation and administrative & general expenses it incurred a loss after tax amounted to Rs. 48.894 million. Merger of Musafa International (Pvt.) Ltd into the Company was initiated last year and the Islamabad High Court has given its confirmation for its merger effective from the date of its order September 26, 2013.

Two wholly owned subsidiary companies, M/s. Pearl Continental Hotels (Private) Limited and M/s. Bhurban Resorts (Private) Limited could not commence its operations during the reporting year but from funds placed in profit bearing bank accounts, Term Deposit Receipts and Government Treasury Bills, both the companies earned after tax profit of Rs. 0.449 million and Rs. 0.671 million respectively.

ACKNOWLEDGEMENT

Your Board of Directors expresses its gratitude to the shareholders, valued guests, customers and banks for their continued support, confidence and patronizing our business enterprise. Last but not the least, I must acknowledge the commitment, hard work and professionalism of our most precious resource, that is, staff and consultants/technical experts, who made it possible for the Company not only to stay in the race but also helped it to win the race in the face of difficult challenges peculiar to our environment.

For and on behalf of Board of Directors

SADRUDDIN HASHWANI
Chairman
Islamabad: October 01, 2013

Pearl in the City of Saints

Pearl Continental Multan

There is a saying in Persian that Multan is the 'City of Saints, Sufis and Beggars' (Gard, Garma, Gada o Goristan). Multan is Pakistan's fifth largest city by population and has an area of 133 square kilometres (51 sq mi) with a population of 6 million. Multan is a commercial and industrial centre which has currently gained importance and lacks civic facilities of international standards. The Hashoo group has recognized the enormous potential of this historical city and region. They have decided to pioneer the revival of Multan to its past glory.

The Pearl Continental Hotel is located on the Askaria By pass in Multan. The Location is only 2.5km from the city's Industrial district, 7.5 km from the Airport and 12 km from the motorway, connected via the southern by pass. Due to the ease of connecting with major highways, the site has the potential to service nearby cities of Bahawalpur, Muzzaffargarh and Dera Ghazi khan.

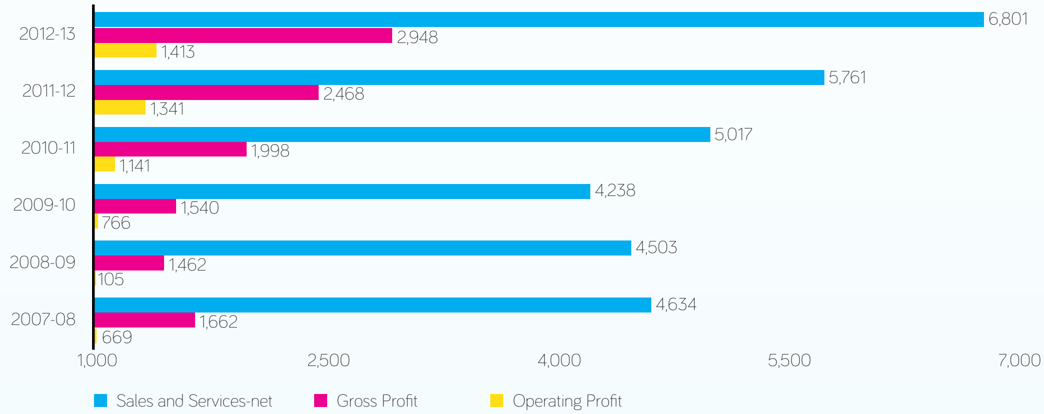
Located within Pearl City Housing Scheme; a high end residential gated community developed by the Hashoo group, the Hotel itself sits on a 14 kanal parcel of land which in turn is surrounded by parks and parking areas covering another 7 kanal. Pearl City offers all imaginable facilities including a sports club and a state of the art shopping mall. The hotel building covers approximately 300,000 Square feet of area.

All the rooms are furnished with carefully lavishly selected luxury finishes and brands suitable for this five star facility. In addition to this, the hotel offers 3 unique suites. 2 different presidential suites and upgraded executive rooms are located on two dedicated floors. The styling of the rooms is inspired by the art nouveau style of the late twentieth and early 21st centuries. Efforts have been made to present a continuity in the history of the region when it was lost in the second Anglo-Sikh War, after which, Multan was made part of the British Raj. The British built some rail routes to the city, but its industrial capacity was never developed till the current time. Multan has recently come back into the spot light with hopes of revival of its past glory. The design of the hotel shall endeavour to present strands of Sufism, a culture of ceramics, and the global industrial importance of the region in contemporary stylistic gestures. The fusion of historical references is aimed at creating a space which truly exhibits the rich layering of culture. All in all the 120 guestrooms available at the property will be lavishly appointed with all conceivable comforts fit for a regionally unique five star experience.

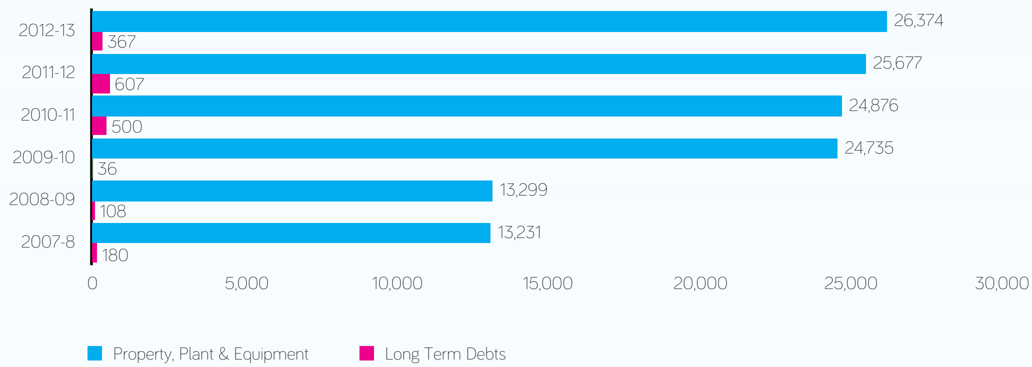
The hotel provides a 200 seat Marche concept restaurant for all day dining. A speciality fine dining experience is also available in a more formal and exclusive setting which seats only 75 persons. The hotel kitchens have a capacity to serve up to more than 6,000 meals in one day. The largest banqueting and seminar facility in Multan will be located at the Pearl Continental Hotel. The hotel will boast 2 dividable banquet halls of 34 meters by 21 meters, with a capacity to seat up to 1000 persons. There are two large seminar halls with a capacity of 100 persons each and 04 conference rooms with a capacity of up to 50 persons in each and 05 board rooms. All the meeting and banqueting facilities shall be serviced by the five star restaurants and cafe of the hotel. A business centre with private offices can meet any demand of the travelling guest. For the guests wanting to take time to relax, the hotel shall offer a state of the art health club and spa facility with segregated gyms, pools and salons for the distinguishing guest. The Grand lobby is truly a destination in itself with 12 meter high lofty ceiling and detailing to invite the imagination into the rich cultural traditions of the region. The exterior envelop of the building is especially designed to sustain the severe heat of the local climate and produce a limited energy footprint. The exterior of the guest rooms is kept especially tall to create a roomy feeling.

The hotel building will be an asset for the city; providing services to honour all aspects of life. It will exhibit to the traveller the magic of the soil and the mysteries of the peoples.

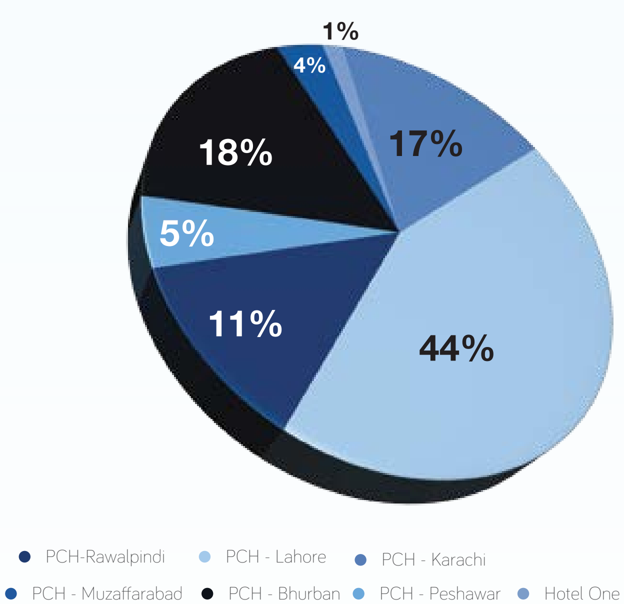
Trend Analysis - Sales & Services (Net), Gross Profit & Operating Profit (Rupees in million)



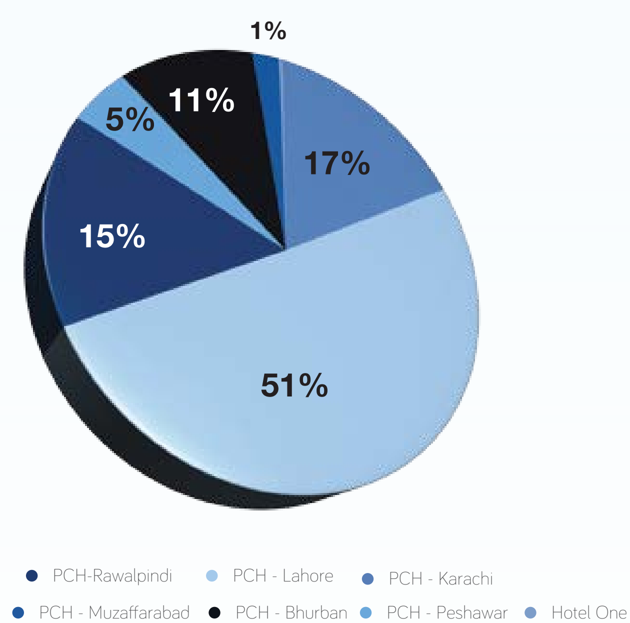
Property, Plant & Equipment v/s Long Term Debts (Rupees in million)



Rooms Revenue (Hotel Wise)



Food and Beveragas Revenue (Hotel Wise)



Another feather in the hat

Pearl Continental Mirpur

The masterfully-planned and capital-rich New Mirpur city, also known as the "Little England", is situated at about 459 meters above the sea-level. The modern city is replete with good number of modern shopping malls, government and corporate offices, eating places, and other urban facilities, making the city an ideal place for tapping tourism and business related opportunities.

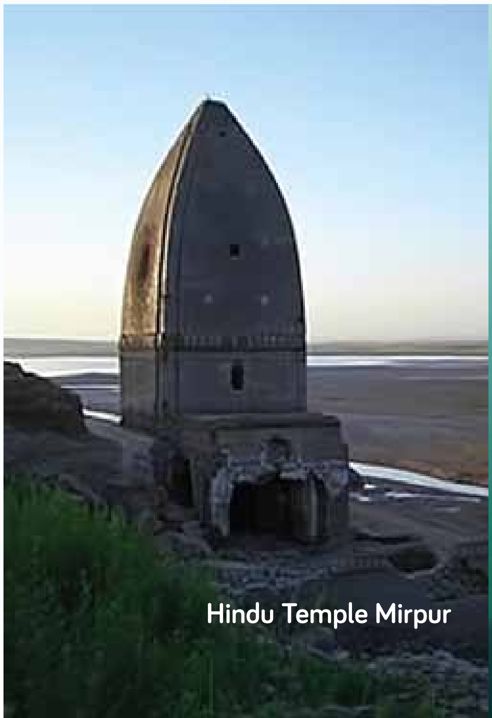
Mr. Sadruddin Hashwani, the Chairman of Hashoo Group while realizing the potential of this city, fashioned a thought to build a 5 star Pearl Continental Hotel & Resort, in close proximity to the Mangla Lake, which will not only further embellish vthe city but will also be the only tourism destination in the area. The place chosen for this purpose is none other than the Bhutto Park, which will also be developed by the Pakistan services Limited on the modern lines, hardly leaving any space for foreigners and Pakistanis settled in the most modern countries, to feel out of place. The Pearl Continental Hotel & Resort will be serving on the latest trends, with state of the art facilities, matching any world-class 5 star hotel.

Mirpur City

The construction of the hotel will open numerous venues for employment, cultural exchange, inflow of wealth by the Pakistani expats, and will surely infuse new spirit amongst the investors. The project, after completion, is expected to generate employment for thousands of people and will provide indirect support to customers, vendors and tour operators. Hotel and Resort operations will contribute huge amount of direct and indirect taxes to the national exchequer.

The hotel, with all the 5 star amenities, will be constructed in such a way that the guests will be able to view the Lake and other beautiful surroundings from the restaurants and their room balconies.
The Pearl Continental Mirpur will have upscale Shopping Mall with shops carrying all major local and international brands, health & fitness center with temperature-controlled swimming pool, variety of restaurants to cater to the needs of the locals and foreigners.

The Pearl Continental Mirpur will also be offering to its guests numerous adventurous and recreational indoor and outdoor activities such as: Water sports, Boating, Water skiing, Tubing, River rafting, Angling, Fishing, Surfing etc.



Hindu Temple Mirpur

Ramkot Fort Mirpur

Directors' Report

Mr. Murtaza Hashwani, Chief Executive

The Board of Directors ("the Board") of Pakistan Services Limited ("the Company") is pleased to present the 54th Annual Report and the Audited Financial Statements for the year ended 30 June 2013 along with the Auditors' Report thereon.

Summary of financial performance of the Company is as follows:

	(Rupees, 000)
Profit from operations	1,120,620
Un-realized gain on re-measurement of investments	137,900
Profit before taxation	1,258,520
Taxation	(371,384)
Profit for the year	887,136

EARNINGS PER SHARE

Earnings per share for the year 2012-13 arrives at Rs. 27.28

COMPLIANCE STATEMENT

The Board of the Company has throughout the year, complied with the "Code of Corporate Governance" as contained in the Listing Regulations of the Karachi Stock Exchange 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 there is no departure from IASs/ IFRSs which need to be 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.
- The Company is in phase of extensive BMR and expansion in its operations so the Board of Directors does not recommend dividend for the year ended June 30, 2013.
- There are no statutory payments on account of taxes, duties, levies, and charges which were outstanding as on June 30, 2013 except those disclosed in the financial statements.

During the year, the Board held 4 meetings, the attendance record of the Directors is as follows:

Name of Directors	Attendance
Mr. Sadruddin Hashwani	01
Mr. Murtaza Hashwani	01
Ms. Sarah Hashwani	01
Mr. M.A. Bawany	04
Mr. Mansoor Akbar Ali	04
Syed Sajid Ali	03
Mr. Muhammad Rafique	04
Mr. Clive Anthony Webster	03
Mr. Bashir Ahmed	04

- The leave of absence was granted to the Directors who could not attend the Board meeting held during the year.
- The Chairman of the Board received 70,310 shares as gift from his son also a director and daughter. Other 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 2013 was Rs. 524.988 million.
- The pattern of shareholding as required under section 236 of the Companies Ordinance, 1984 and Article (xvi) of the Code of Corporate Governance is annexed to this report.
- The Directors fully endorse the contents of the Chairman's Review included in the Annual Report which deals interalia with the financial and operating results and significant deviations from last year, significant future plans and other related matters of the Company.

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 (xxix) of the Code of Corporate Governance.

During the year, there had been 4 audit committee meetings, the attendance record of the members of the Audit Committee is as follows:

Name of Directors	Attendance
Mr. Sadruddin Hashwani	02
Ms. Sarah Hashwani	02
Mr. Mansoor Akbar Ali	03
Syed Sajid Ali	02

Human Resource & Remuneration 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.

During the year, there had been 2 Human Resource & Remuneration Committee meetings, the attendance record of the members of the Human Resource & Remuneration Committee is as follows:

Name of Directors	Attendance
Mr. Sadruddin Hashwani	02
Ms. Murtaza Hashwani	02
Mr. M. A. Bawany	02
Mr. Bashir Ahmed	02

Directors' Training Program

As per clause (xi) of the Code of Corporate Governance during the year Mr. Bashir Ahmed and Mr. Mohammad Akhtar Bawany, Directors of the Company, completed their prescribed training under Code of Corporate Governance conducted by Pakistan Institute of Corporate Governance and Institute of Cost & Management Accountants of Pakistan respectively.

Information Pursuant to Section 218 of the Companies Ordinance, 1984

Information pursuant to Section 218 of the Companies Ordinance, 1984 in respect of revised salary of Directors/ Executives has already been circulated to the members and also attached with this report.

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 2014.

For and on behalf of the Board of Directors

M. A. Bawany
Director

Muhammad Rafique
Director

Islamabad: October 01, 2013

Pearl Continental Muzaffarabad

The Pearl Continental Hotel Muzaffarabad (PCHM) reveals itself with a graceful flourish as the potential guest navigating the final curve along the private hill road leading to the premises , comes face to face with its imposing presence. Totally at home with its surroundings, it is somewhat like the proverbial pearl in the oyster, waiting to be prized open by the seasoned diver, its muted grandeur has a decidedly sobering effect on the weary traveller whose awestruck reaction to the spectacle was obviously a pre designed architectural ambition. Decidedly the best kept secret in luxury living this side of Islamabad , Pakistan's federal capital and just three to three and a half hours of sheer driving pleasure from it, the hotel lies coyly snug and undisturbed in the protective bosom of the surrounding horse shoe of mountain peaks.

Five years ago when a seven decimal five earthquake had flattened the city of Muzaffarabad to a heap of rubble, few could have even imagined that one day the city would rise from the ashes and in the process open its arms to tourist traffic of the hues and magnitude that is today hosted by the PCHM. The re-constructed city which is unique in that it is a living picture of the courage and fortitude of its people, the city is made more so by the arrival of the Peal Continental Hotel in its midst. Not only this, the hotel heralds the opening of one of the most beautiful tourist enclaves to national and international guests. Azad Kashmir is a vast reserve of scenic lakes, rich green plateaus, gloriously swerving roads, flanked by a wide range of natural growth which awaits exploration.

The PCHM becomes that essential link between the aesthetics of natural design and the human spirit of adventure as it stands magnificently on a slight elevation from the city of Muzaffarabad, which itself stands at the meeting point of two rivers: the Neelum and the Jehlum. The 102 guest rooms, each with a breath taking view of this natural wonder from one side and of the Pir Chanasi peak , on the other are equipped with luxury beddings and five star amenities of world class comfort. Besides the standard and deluxe accommodation, twenty seven Executive rooms and three special suites, the Jehlum, the Neelum and the Presidential have also been dressed up. PCHM offers banquet and meeting facilities, Hi-Speed Internet / WiFi Connectivity along with video conferencing, round the clock security, twenty four hour room service, an Executive Lounge, car rental service, a health club, and a billiard room. Shop-a-holics and souvenir, curio seeking guests can visit the city below, but the Hotel is developing its own shopping arcade, one of whose highlights is the on-call Kashmiri shawl crafts person.

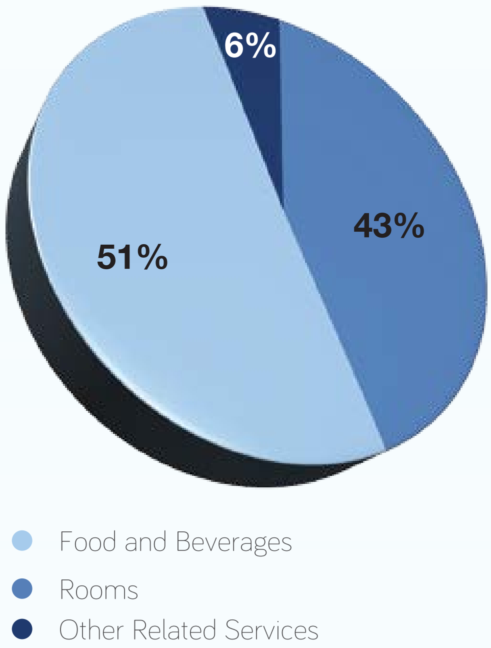
The Hotel has variety of outlets including Taipan Chinese Restaurant, Marco Polo which offers Pakistani and Continental culinary delights through its buffet and a la carte creations.

The PCHM presents a very quaint, laidback house –in-the -forest, albeit, complete with all modern amenities and impact, guests will appreciate the special architectural features that are a tribute to the management's environment friendly policies. Interestingly, while the rock formations against which the hotel stands, have been magnified by design, the prolific presence of wooden highlights in the reception area may lead many environment conscious visitor to ask for explanation; but doubts are soon assuaged as the Manager explains how concrete beams have been dressed up to look like real wood! The reception desk backed by a huge mural style collage of ten pictures of the Mirpur Ramkot fort is the heart of the hotel in many ways. It is also a vantage point for visitors looking on to the city of Muzaffarabad…a sprawling, teaming town of government offices, mystique filled bazaars and private residential and business properties. The roving eye will definitely notice the dominating pink and blue hues of the buildings which are a tribute to the friendship of neighbouring Turkey and donor organisations that helped the city to return to life after a devastating earthquake five years ago. Guests can now see first hand, how resilience and courage pays. Over breakfast or lunch, they view the Jalalabad Park and the pink mosque spread down below.

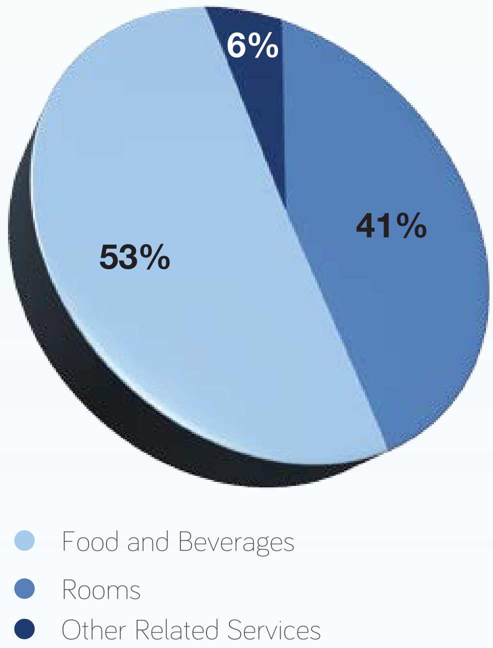
While the PCHM is a beautiful home to those away from home it is also the take off point for travellers wishing to explore the area of AJ&K. At two hours jeep drive from the hotel and worth a visit is the famous Zalzala Lake, miraculously formed as a result of the earth movements of 2005. Today it is a lovely picnic spot as is the Pir Chanasi top, a rich green plateau that can be seen from the hotel rooms. Also recommended is a nineteen kilometre trip to Pattika which is the entrance to the gloriously beautiful Neelum Valley and first stop to Sharda at an altitude of 1981 meters. Ath Makam, Kel and Kutton are also worth a visit

PCHM invites domestic and international tourists to come and explore a land whose beauty has to be experienced to be believed. The trouble-free area offers a wealth of possibilities and a unique adventure into one of nature's best preserves.

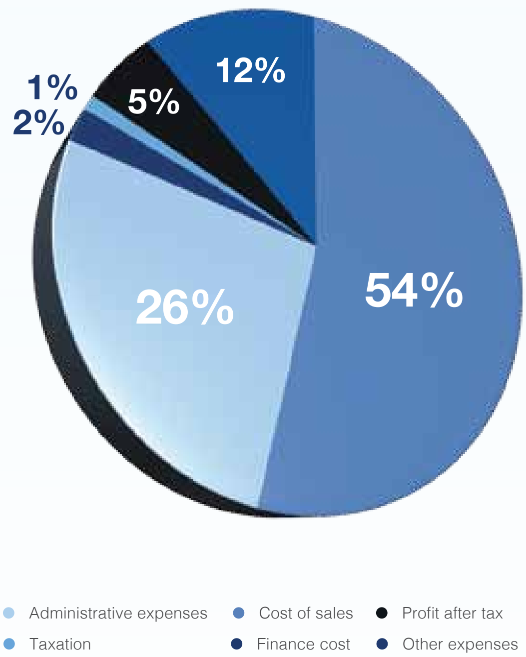
Contribution of Major
Revenue Generating Departments
Financial Year 2012-13



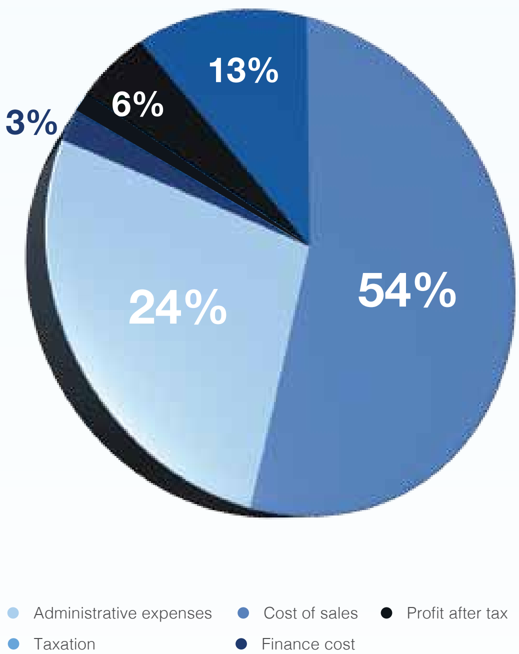
Contribution of Major
Revenue Generating Departments
Financial Year 2011-12



Application of Sales & other Income
Financial Year 2012-13



Application of Sales & other Income
Financial Year 2011-12



PAKISTAN SERVICES LTD.

Key operating and Financial Data

Based on Unconsolidated Financial Statements

		2013	2012	2011	2010	2009	2008
Profitability Ratios							
Gross profit ratio	%	43.35	42.83	39.84	36.34	32.46	35.86
Net profit to sales	%	13.04	13.61	13.33	10.10	(5.10)	6.56
EBIDTA margin to sales	%	24.70	27.16	27.26	23.98	8.03	19.10
Return on equity	%	17.31	18.50	19.36	15.37	(9.75)	11.53
Return on capital employed	%	3.42	3.10	2.74	1.84	(1.99)	2.55
Return on assets	%	3.20	2.91	2.55	1.68	(1.64)	2.15
Liquidity Ratios							
Current ratio		1.55	1.22	0.97	0.69	0.61	1.06
Quick / acid test ratio		1.44	1.12	0.89	0.63	0.55	1.00
Cash to current liabilities		0.06	0.08	0.04	0.03	0.03	0.12
Cash flow from operations to sales		0.14	0.12	0.16	0.04	0.17	0.17
Activity Turnover Ratios							
Inventory turnover	Days	8	7	6	6	5	6
Debtors turnover	Days	80	40	30	33	24	36
Creditors turnover	Days	25	23	33	32	43	16
Operating cycle	Days	63	24	3	7	(14)	26
Property, plant & equipment turnover	Times	0.30	0.26	0.23	0.19	0.42	0.43
Total assets turnover	Times	0.25	0.21	0.19	0.17	0.32	0.33
Investment / Market Ratios							
Earnings/ (loss) per share - basic and diluted	Rs	27.28	24.10	20.55	13.16	(7.07)	9.34
Price earning ratio		10.86	6.22	6.93	9.38	(16.00)	57.79
Dividend yield ratio	%	-	-	-	-	1.33	0.19
Dividend payout ratio	%	-	-	-	-	(21.23)	10.70
Dividend cover ratio		-	-	-	-	(4.71)	9.34
Cash Dividend	Rs	-	-	-	-	1.50	1.00
Stock Dividend	Rs	-	-	-	-	-	-
Market value per share at year end	Rs	296.10	150.00	142.50	123.48	113.05	540.00
Highest market value per share during the year	Rs	390.00	162.89	181.99	249.00	530.00	564.90
Lowest market value per share during the year	Rs	142.50	131.90	129.65	98.20	113.05	412.00
Breakup value per share*	Rs	772.12	744.84	721.33	700.77	337.63	346.20
Breakup value per share**	Rs	157.54	130.26	106.16	85.61	72.45	81.02
Capital Structure Ratios							
Financial leverage ratio		0.02	0.03	0.02	0.00	0.02	0.04
Debt : Equity*		0.01	0.03	0.02	0.00	0.01	0.02
Debt : Equity**		0.07	0.14	0.14	0.01	0.05	0.07
Interest cover ratio		9.17	7.26	6.44	4.75	0.51	5.06
Summary of Cash Flows							
Net cash generated from operating activities	(Rs.000)	920,364	667,313	786,691	171,993	764,035	767,323
Net cash used in investing activities	(Rs.000)	(730,338)	(551,458)	(711,241)	(719,457)	(957,769)	(1,024,238)
Net cash (used in)/generated financing activities	(Rs.000)	(223,131)	262,219	428,000	(72,000)	(278,714)	(367,636)
Net change in cash and cash equivalents	(Rs.000)	(33,105)	378,074	503,450	(619,464)	(472,448)	(624,551)

* Including the effect of surplus on revaluation of property, plant & equipment

** Excluding surplus on revaluation of property, plant & equipment

Horizontal Analysis

(Rupeess '000)	2013	13 vs 12 %	2012	12 vs 11 %	2011	11 vs 10 %	2010	10 vs 09 %	2009	09 vs 08 %	2008
Balance Sheet											
Share Capital and Reserves											
Issued, subscribed and paid up share capital	325,242	-	325,242	-	325,242	-	325,242	-	325,242	-	325,242
Reserves	1,869,424	-	1,869,424	-	1,869,424	-	1,869,424	-	1,869,424	36.51	1,369,424
Unappropriated profit	2,929,115	43.44	2,041,979	62.30	1,258,128	113.39	589,596	264.70	161,664	(82.81)	940,288
	5,123,781	20.94	4,236,645	22.70	3,452,794	24.01	2,784,262	18.16	2,356,330	(10.57)	2,634,954
Surplus on revaluation of property, plant and equipment	19,988,725	-	19,988,725	(0.10)	20,007,770	-	20,007,770	131.98	8,624,854	-	8,624,854
Non Current Liabilities											
Long term financing	350,000	(40.00)	583,333	16.67	500,000	1,288.89	36,000	(66.67)	108,000	(40.00)	180,000
Liabilities against assets subject to finance lease	16,651	100.00	24,029	100.00	-	0.91	-	(39.11)	-	(2.43)	-
Long term deposits	-	-	-	(100.00)	50,884	0.11	50,426	(8.70)	82,813	0.84	84,877
Deferred liabilities	468,265	(4.60)	490,843	34.40	365,219	103.02	364,810	(23.57)	399,588	(10.70)	396,250
	834,916	(23.97)	1,098,205	19.88	916,103		451,236		590,401		661,127
Current Liabilities											
Trade and other payables	1,458,466	11.74	1,305,231	(1.65)	1,327,119	8.80	1,219,783	(11.55)	1,379,077	7.57	1,281,978
Markup payable	20,689	(35.99)	32,323	2.66	31,484	21.80	25,849	(85.10)	173,528	24.56	139,316
Short term borrowings - secured	75,395	17.92	63,936	(83.62)	390,233	(56.06)	888,088	15.75	767,230	53.45	500,000
Current portion of long term financing	241,186	7.86	223,606	521.13	36,000	(50.00)	72,000	-	72,000	(68.96)	231,940
Provision for taxation - net	6,335	-	-	(100.00)	47,339	61.98	29,225	20.24	24,306	(26.53)	33,081
	1,802,071	10.89	1,625,096	(11.30)	1,832,175	(18.02)	2,234,945	(7.50)	2,416,141	10.51	2,186,315
	27,749,493	2.97	26,948,671	2.82	26,208,842	2.87	25,478,213	82.15	13,987,726	(0.85)	14,107,250
Non Current Assets											
Property, plant and equipment	22,987,048	2.13	22,507,365	2.35	21,990,412	0.08	21,972,632	104.96	10,720,517	(0.36)	10,758,776
Advance for capital expenditure	1,099,645		962,220	23.55	778,817	2.71	758,289	9.31	693,712	557.89	105,445
Investment property	47,000		47,000	(88.00)	391,763	770.58	45,000	8.43	41,500	3.75	40,000
Long term investments	781,635	(40.58)	1,315,377	7.60	1,222,418	14.73	1,065,455	-	1,065,455	19.65	890,455
Advance for equity investment	-		113,080	177.84	40,700	(57.47)	95,700	100.00	-	-	-
Long term deposits	35,049	161.85	13,385	0.02	13,382	279.52	3,526	(2.41)	3,613	-	3,613
	24,950,377	(0.03)	24,958,427	2.13	24,437,492	2.08	23,940,602	91.15	12,524,797	6.16	11,798,289
Current Assets											
Stores, spare parts and loose tools	129,770	27.80	101,538	17.90	86,121	2.58	83,954	(3.02)	86,567	30.20	66,488
Stock in trade - food and beverages	80,533	22.78	65,589	21.84	53,833	21.15	44,435	3.66	42,867	(6.24)	45,721
Trade debts	554,553	19.66	463,439	45.19	319,190	7.31	297,459	30.16	228,534	(33.71)	344,743
Advances	588,170	3.15	570,211	(5.43)	602,955	685.85	76,726	(22.21)	98,626	(23.73)	129,314
Trade deposits and prepayments	71,965	21.59	59,188	59.27	37,163	55.41	23,913	(39.56)	39,565	(3.11)	40,834
Interest accrued	6,510	(15.77)	7,729	(84.34)	49,340	3.93	47,472	274.77	12,667	159.68	4,878
Other receivables	42,302	37.68	30,724	(42.35)	53,296	5.93	50,314	(56.66)	116,096	164.06	43,966
Other financial assets	631,787	27.92	493,887	8.13	456,760	(45.75)	841,941	9.86	766,398	(43.79)	1,363,457
Non Current Assets held for sale	586,403	947.99	55,955	56.74	35,700	100.00	-	-	-	-	-
Advance tax - net	-	100.00	13,215	100.00	-	-	-	-	-	-	-
Cash and bank balances	107,123	(16.81)	128,769	67.25	76,992	7.84	71,397	(0.30)	71,609	(73.43)	269,560
	2,799,116	40.64	1,990,244	12.36	1,771,350	15.20	1,537,611	5.10	1,462,929	(36.64)	2,308,961
	27,749,493	2.97	26,948,671	2.82	26,208,842	2.87	25,478,213	82.15	13,987,726	(0.85)	14,107,250
Profit and Loss Account											
Sales and services - net	6,801,170	18.06	5,760,754	14.83	5,016,601	18.37	4,238,232	(5.88)	4,502,934	(2.83)	4,633,937
Cost of sales and services	3,853,039	17.00	3,293,237	9.11	3,018,227	11.87	2,698,003	(11.29)	3,041,307	2.33	2,972,021
Gross profit	2,948,131	19.48	2,467,517	23.48	1,998,374	29.75	1,540,229	5.38	1,461,627	(12.05)	1,661,916
Administrative expenses	1,831,583	24.99	1,465,373	25.77	1,165,102	6.68	1,092,180	(1.52)	1,108,996	8.22	1,024,753
Other expenses	72,919	-	-	(100.00)	19,201	(8.91)	21,078	(96.78)	654,105	950.82	62,247
Other income	368,879	8.87	338,821	3.61	327,022	(3.63)	339,339	(16.52)	406,501	333.36	93,803
Operating profit	1,412,508	5.34	1,340,965	17.52	1,141,093	48.91	766,310	629.63	105,027	(84.29)	668,719
Finance cost	153,988	(16.65)	184,741	4.34	177,058	9.86	161,173	(21.96)	206,513	56.17	132,234
Profit / (loss) before taxation	1,258,520	8.85	1,156,224	19.94	964,035	59.31	605,137	(696.28)	(101,486)	(118.92)	536,485
Taxation	371,384	(0.27)	372,373	26.01	295,503	66.76	177,205	38.06	128,352	(44.81)	232,565
Profit / (loss) for the year	887,136	13.18	783,851	17.25	668,532	56.22	427,932	(286.19)	(229,838)	(175.62)	303,920
Earnings/ (loss) per share - basic and diluted (Rupees)	27.28	13.18	24.10	17.25	20.55	56.22	13.16	(286.19)	(7.07)	(175.62)	9.34

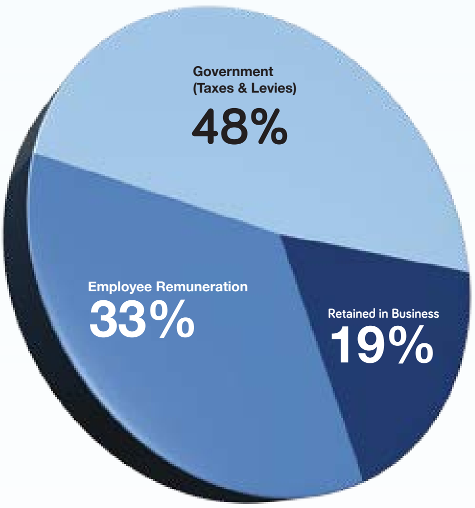
Vertical Analysis

(Rupees '000)	2013	%	2012	%	2011	%	2010	%	2009	%	2008	%
Balance Sheet												
Share Capital and Reserves												
Issued, subscribed and paid up share capital	**325,242**	1.17	325,242	1.21	325,242	1.24	325,242	1.28	325,242	2.33	325,242	2.31
Reserves	**1,869,424**	6.74	1,869,424	6.94	1,869,424	7.13	1,869,424	7.34	1,869,424	13.36	1,369,424	9.71
Unappropriated profit	**2,929,115**	10.56	2,041,979	7.58	1,258,128	4.80	589,596	2.31	161,664	1.16	940,288	6.67
	5,123,781	18.46	4,236,645	15.72	3,452,794	13.17	2,784,262	10.93	2,356,330	16.85	2,634,954	18.68
Surplus on revaluation of property, plant and equipment	**19,988,725**	72.03	19,988,725	74.17	20,007,770	76.34	20,007,770	78.53	8,624,854	61.66	8,624,854	61.14
Non Current Liabilities												
Long term financing - secured	**350,000**	1.26	583,333	2.16	500,000	1.91	36,000	0.14	108,000	0.77	180,000	1.28
Redeemable capital non-participatory, secured (term	**-**	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00
finance certificate)	**16,651**		24,029	0.09	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	**-**	0.00	-	0.00	50,884	0.19	50,426	0.20	82,813	0.59	84,877	0.60
Long term deposits	**468,265**	1.69	490,843	1.82	365,219	1.39	364,810	1.43	399,588	2.86	396,250	2.81
Deferred liabilities	**834,916**	3.01	1,098,205	4.08	916,103	3.50	451,236	1.77	590,401	4.22	661,127	4.69
Current Liabilities												
Trade and other payables	**1,458,466**	5.26	1,305,231	4.84	1,327,119	5.06	1,219,783	4.79	1,379,077	9.86	1,281,978	9.09
Markup payable	**20,689**	0.07	32,323	0.12	31,484	0.12	25,849	0.10	173,528	1.24	139,316	0.99
Short term borrowings - secured	**75,395**	0.27	63,936	0.24	390,233	1.49	888,088	3.49	767,230	5.49	500,000	3.54
Current portion of long term financing	**241,186**	0.87	223,606	0.83	36,000	0.14	72,000	0.28	72,000	0.51	231,940	1.64
Provision for taxation - net	**6,335**	0.02	-	-	47,339	0.18	29,225	0.11	24,306	0.17	33,081	0.23
	1,802,071	6.49	1,625,096	6.03	1,832,175	6.99	2,234,945	8.77	2,416,141	17.27	2,186,315	15.50
	27,749,493	100.00	26,948,671	100.00	26,208,842	100.00	25,478,213	100.00	13,987,726	100.00	14,107,250	100.00
Non Current Assets												
Property, plant and equipment	**22,987,048**	82.84	22,507,365	83.52	21,990,412	83.90	21,972,632	86.24	10,720,517	76.64	10,758,776	76.26
Advance for capital expenditure	**1,099,645**	3.96	962,220	3.57	778,817	2.97	758,289	2.98	693,712	4.96	105,445	0.75
Investment property	**47,000**	0.17	47,000	0.17	391,763	1.49	45,000	0.18	41,500	0.30	40,000	0.28
Long term investments	**781,635**	2.82	1,315,377	4.88	1,222,418	4.66	1,065,455	4.18	1,065,455	7.62	890,455	6.31
Advance for equity investment	**-**	-	113,080	0.42	40,700	0.16	95,700	0.38	-	-	-	-
Long term deposits	**35,049**	0.13	13,385	0.05	13,382	0.05	3,526	0.01	3,613	0.03	3,613	0.03
	24,950,377	89.91	24,958,427	92.61	24,437,492	93.24	23,940,602	93.96	12,524,797	89.54	11,798,289	83.63
Current Assets												
Stores, spare parts and loose tools	**129,770**	0.47	101,538	0.38	86,121	0.33	83,954	0.33	86,567	0.62	66,488	0.47
Stock in trade - food and beverages	**80,533**	0.29	65,589	0.24	53,833	0.21	44,435	0.17	42,867	0.31	45,721	0.32
Trade debts	**554,553**	2.00	463,439	1.72	319,190	1.22	297,459	1.17	228,534	1.63	344,743	2.44
Advances	**588,170**	2.12	570,211	2.12	602,955	2.30	76,726	0.30	98,626	0.71	129,314	0.92
Trade deposits and prepayments	**71,965**	0.26	59,188	0.22	37,163	0.14	23,913	0.09	39,565	0.28	40,834	0.29
Interest accrued	**6,510**	0.02	7,729	0.03	49,340	0.19	47,472	0.19	12,667	0.09	4,878	0.03
Other receivables	**42,302**	0.15	30,724	0.11	53,296	0.20	50,314	0.20	116,096	0.83	43,966	0.31
Other financial assets	**631,787**	2.28	493,887	1.83	456,760	1.74	841,941	3.30	766,398	5.48	1,363,457	9.66
Non Current Assets held for sale	**586,403**	2.11	55,955	0.21	35,700	0.14	-	-	-	-	-	-
Advance tax	**-**	-	13,215	0.05	-	-	-	-	-	-	-	-
Cash and bank balances	**107,123**	0.39	128,769	0.48	76,992	0.29	71,397	0.28	71,609	0.51	269,560	1.91
	2,799,116	10.09	1,990,244	7.39	1,771,350	6.76	1,537,611	6.04	1,462,929	10.46	2,308,961	16.37
	27,749,493	100	26,948,671	100.00	26,208,842	100.00	25,478,213	100.00	13,987,726	100.00	14,107,250	100.00
Profit and Loss Account												
Sales and services - net	**6,801,170**	100.00	5,760,754	100.00	5,016,601	100.00	4,238,232	100.00	4,502,934	100.00	4,633,937	100.00
Cost of sales and services	**3,853,039**	(56.65)	3,293,237	57.17	3,018,227	60.16	2,698,003	63.66	3,041,307	67.54	2,972,021	64.14
Gross profit	**2,948,131**	43.35	2,467,517	42.83	1,998,374	39.84	1,540,229	36.34	1,461,627	32.46	1,661,916	35.86
Administrative expenses	**1,831,583**	(26.93)	1,465,373	25.44	1,165,102	23.22	1,092,180	25.77	1,108,996	24.63	1,024,753	22.11
Other expenses	**72,919**	1.07	-	-	19,201	0.38	21,078	0.50	654,105	14.53	62,247	1.34
Other income	**368,879**	5.42	338,821	5.88	327,022	6.52	339,339	8.01	406,501	9.03	93,803	2.02
Operating profit	**1,412,508**	20.77	1,340,965	23.28	1,141,093	22.75	766,310	18.08	105,027	2.33	668,719	14.43
Finance cost	**153,988**	2.26	184,741	3.21	177,058	3.53	161,173	3.80	206,513	4.59	132,234	2.85
Profit / (loss) before taxation	**1,258,520**	18.50	1,156,224	20.07	964,035	19.22	605,137	14.28	(101,486)	(2.25)	536,485	11.58
Taxation	**371,384**	5.46	372,373	6.46	295,503	5.89	177,205	4.18	128,352	2.85	232,565	5.02
Profit / (loss) for the year	**887,136**	13.04	783,851	13.61	668,532	13.33	427,932	10.10	(229,838)	(5.10)	303,920	6.56
Earnings/ (loss) per share - basic and diluted (Rupees)	**27.28**		24.10		20.55		13.16		(7.07)		9.34	

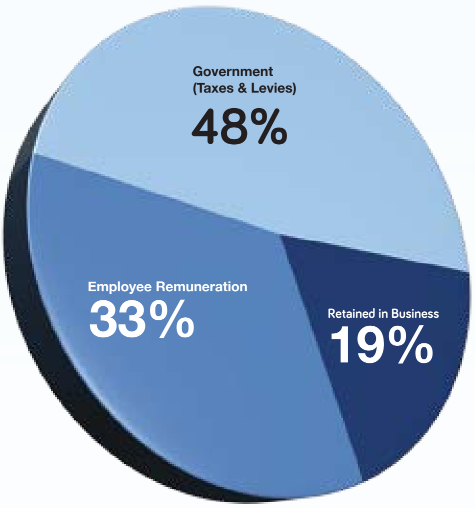
Statement of Value Addition & Its Distribution

	2012-13	2011-12
	(Rupees'000)	
VALUE ADDED		
Sales & Services (Inclusive of GST)	**8,144,249**	6,882,641
Other operating income-net	**295,960**	338,821
	8,440,209	7,221,462
Cost of Sales and Other expenses (Excluding remuneration)	**(3,790,229)**	(3,149,661)
	4,649,980	4,071,801
DISTRIBUTION		
Employees Remuneration	**1,531,283**	1,322,868
Government (Taxes & Levies)	**2,231,561**	1,965,082
Retained in Business	**887,136**	783,851
	4,649,980	4,071,801

Value added & Distribtion 2012-13



Value added & Distribtion 2011-12



Statement of Compliance

Statement of Compliance with the Code of Corporate Governance
For the year ended 30 June 2013

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 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. At present the executive directors are not more than 75% of the elected directors including chief executive. The board includes:

Category		Names
Independent Directors		None
Executive Directors	1)	Mr. Murtaza Hashwani
	2)	Mr. M.A.Bawany
	3)	Syed Sajid Ali
	4)	Mr. Muhammad Rafique
	5)	Mr. Bashir Ahmed
	6)	Mr. Clive Anthony Webster
Non-Executive Directors	1)	Mr. Sadruddin Hashwani
	2)	Ms. Sarah Hashwani
	3)	Mr. Mansoor Akbar Ali

2. The directors have confirmed that none of them is serving as director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and to the best of our knowledge none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy was occurred on the Board on 27 September 2012 and was filled immediately.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed vision 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 decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
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. During the year Mr. M. A. Bawany and Mr. Bashir Ahmed, Director of the Company has completed the prescribed training under Code of Corporate Governance, conducted by Institute of Cost and Management Accountants of Pakistan (ICMAP) and Pakistan Institute of Corporate Governance (PICG) respectively.

10. There was no new appointment of CFO and Company Secretary, however the Board has approved appointment of Mr. Abdul Qadeer Khan, the Head of Internal Audit Department including his remuneration and terms and conditions of employment.
11. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It consists of four members, including non-executive director as its chairman.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The Board has formed an HR and Remuneration Committee. It comprises four members, including non-executive Director as its Chairman.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.
22. The 'closed period', prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchange.
23. Material/ price sensitive information has been disseminated among all market participants at once through stock exchange.

For and on behalf of Board of Directors

M. A. Bawany
Director

Muhammad Rafique
Director

Islamabad: October 01, 2013

PAKISTAN SERVICES LTD.

Statement of Compliance

Statement of Compliance with the Best Practices on Transfer Pricing to the Members
For the year ended 30 June 2013

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

For and on behalf of Board of Directors

M. A. Bawany
Director

Muhammad Rafique
Director

Islamabad: October 01, 2013

Unconsolidated Financial Statements

For the year ended 30 June 2013

Auditors' Report

To the Members

We have audited the annexed unconsolidated balance sheet of Pakistan Services Limited ("the Company") as at 30 June 2013 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 above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

(b) in our opinion-

(i) the 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 accounts 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 the 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 30 June 2013 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 the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KPMG Taseer Hadi & Co.

Islamabad: 01 October 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Muhammad Rehan Chughtai

Review Report

To the Members on Directors' Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Directors' 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 Regulation No. 35 of Karachi Stock Exchange Limited where the Company is listed.

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

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

KPMG Taseer Hadi & Co.

Islamabad: 01 October 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Muhammad Rehan Chughtai

Unconsolidated Balance Sheet
As at 30 June 2013

	Note	2013	2012
		(Rupees'000)	
SHARE CAPITAL AND RESERVES			
Authorised share capital			
50,000,000 (2012: 50,000,000) ordinary shares of Rs. 10 each		**500,000**	500,000
Issued, subscribed and paid up share capital	4	**325,242**	325,242
Reserves	5	**1,869,424**	1,869,424
Unappropriated profit		**2,929,115**	2,041,979
		5,123,781	4,236,645
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	13.2	**19,988,725**	19,988,725
NON CURRENT LIABILITIES			
Long term financing - secured	6	**350,000**	583,333
Liabilities against assets subject to finance lease	7	**16,651**	24,029
Deferred liabilities	8	**468,265**	490,843
		834,916	1,098,205
CURRENT LIABILITIES			
Trade and other payables	9	**1,458,466**	1,305,231
Markup accrued		**20,689**	32,323
Short term borrowings - secured	10	**75,395**	63,936
Provision for taxation - net	24	**6,335**	-
Current portion of long term financing and liabilities against assets subject to finance lease	11	**241,186**	223,606
		1,802,071	1,625,096
		27,749,493	26,948,671
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984
At the time of the meeting of the Board of Directors, the Chief Executive was not in Pakistan, as such these unconsolidated financial statements, as approved by the Board of Directors, have been signed by two Directors.

	Note	2013	2012
		(Rupees'000)	
NON CURRENT ASSETS			
Property, plant and equipment	13	**22,987,048**	22,507,365
Advance for capital expenditure	14	**1,099,645**	962,220
Investment property	15	**47,000**	47,000
Long term investments	16	**781,635**	1,315,377
Advance for equity investment		**-**	113,080
Long term deposits and prepayments		**35,049**	13,385
		24,950,377	24,958,427
CURRENT ASSETS			
Stores, spare parts and loose tools	17	**129,770**	101,538
Stock in trade - food and beverages		**80,533**	65,589
Trade debts	18	**554,553**	463,439
Advances	19	**588,170**	570,211
Trade deposits and prepayments	20	**71,965**	59,188
Interest accrued		**6,510**	7,729
Other receivables	21	**42,302**	30,724
Other financial assets	22	**631,787**	493,887
Non current assets held for sale	23	**586,403**	55,955
Advance tax - net	24	**-**	13,215
Cash and bank balances	25	**107,123**	128,769
		2,799,116	1,990,244
		27,749,493	26,948,671

M. A. Bawany
Director

Muhammad Rafique
Director

Unconsolidated Profit and Loss Account
For the year ended 30 June 2013

	Note	2013	2012
		(Rupees'000)	
Sales and services - net	26	**6,801,170**	5,760,754
Cost of sales and services	27	**(3,853,039)**	(3,293,237)
Gross profit		**2,948,131**	2,467,517
Administrative expenses	28	**(1,831,583)**	(1,465,373)
Finance cost	29	**(153,988)**	(184,741)
Other income	30	**368,879**	338,821
Other expenses	31	**(72,919)**	-
Profit before taxation		**1,258,520**	1,156,224
Taxation	32	**(371,384)**	(372,373)
Profit after taxation		**887,136**	783,851
Earnings per share - basic and diluted (Rupees)	33	**27.28**	24.10

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984
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M. A. Bawany
Director

Muhammad Rafique
Director

Unconsolidated Statement of Comprehensive Income
For the year ended 30 June 2013

	2013	2012
	(Rupees'000)	
Profit for the year	**887,136**	783,851
Other comprehensive income for the year	**-**	-
Comprehensive income transferred to equity	**887,136**	783,851

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984
At the time of the meeting of the Board of Directors, the Chief Executive was not in Pakistan, as such these unconsolidated financial statements, as approved by the Board of Directors, have been signed by two Directors.

M. A. Bawany
Director

Muhammad Rafique
Director

Unconsolidated Cash Flow Statement
For the year ended 30 June 2013

	Note	2013	2012
		(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operating activities before working capital changes	34	**1,604,851**	1,497,157
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		**(28,232)**	(15,417)
Stock in trade - food and beverages		**(14,944)**	(11,756)
Trade debts		**(124,253)**	(161,943)
Advances		**(17,959)**	32,744
Trade deposits and prepayments		**(12,777)**	(22,025)
Other receivables		**(11,578)**	(10,887)
Increase/(decrease) in trade and other payables		**153,235**	(14,133)
Cash used in operations		**(56,508)**	(203,417)
Staff retirement benefit - gratuity paid	8.1	**(27,439)**	(18,677)
Compensated leave absences paid	8.3	**(24,700)**	(18,379)
Income tax paid	24	**(410,218)**	(405,469)
Finance cost paid		**(165,622)**	(183,902)
Net cash generated from operating activities		**920,364**	667,313
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(654,010)**	(420,777)
Additions to advance for capital expenditure		**(241,780)**	(208,815)
Proceeds from disposal of property, plant and equipment	13.4	**28,038**	18,010
Purchase of long term investments		**(12,500)**	(18,800)
Advance for equity investment		**-**	(113,080)
Dividend income received	30	**27,225**	23,625
Receipts of return on bank deposits and short term advance		**86,853**	133,682
Proceeds from disposal of non current assets held for sale		**57,500**	35,700
Long term deposits		**(21,664)**	(1,003)
Net cash used in investing activities		**(730,338)**	(551,458)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		**(216,667)**	(36,000)
Proceeds from long term financing		**-**	300,000
Repayment of liabilities against assets subject to finance lease		**(6,464)**	(1,781)
Net cash (used in) / generated from financing activities		**(223,131)**	262,219
Net (decrease) / increase in cash and cash equivalents		**(33,105)**	378,074
Cash and cash equivalents at beginning of the year		**64,833**	(313,241)
Cash and cash equivalents at end of the year	35	**31,728**	64,833

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984

At the time of the meeting of the Board of Directors, the Chief Executive was not in Pakistan, as such these unconsolidated financial statements, as approved by the Board of Directors, have been signed by two Directors.

M. A. Bawany
Director

Muhammad Rafique
Director

Unconsolidated Statement of Changes in Equity
For the year ended 30 June 2013

	Share capital	Capital reserve	Revenue reserves		Total equity
		share premium	General reserve	Unappropriated profit	
	(Rupees'000)				
Balance at 30 June 2011	325,242	269,424	1,600,000	1,258,128	3,452,794
Changes in equity for the year ended 30 June 2012					
Total comprehensive income for the year					
Profit for the year	-	-	-	783,851	783,851
Total comprehensive income for the year	-	-	-	783,851	783,851
Balance at 30 June 2012	**325,242**	**269,424**	**1,600,000**	**2,041,979**	**4,236,645**
Changes in equity for the year ended 30 June 2013					
Total comprehensive income for the year					
Profit for the year	-	-	-	887,136	887,136
Total comprehensive income for the year	-	-	-	887,136	887,136
Balance at 30 June 2013	**325,242**	**269,424**	**1,600,000**	**2,929,115**	**5,123,781**

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984

At the time of the meeting of the Board of Directors, the Chief Executive was not in Pakistan, as such these unconsolidated financial statements, as approved by the Board of Directors, have been signed by two Directors.

Bawany

M. A. Bawany
Director

Muhammad Rafique
Director

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2013

1 STATUS AND NATURE OF BUSINESS

Pakistan Services Limited ("the Company") was incorporated on 6th December 1958 in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) as a public limited company and is quoted on Karachi Stock Exchange Limited. The Company is principally engaged in the hotel business and owns and operates the chain of Pearl Continental Hotels in Pakistan and Azad Jammu & Kashmir. The Company also owns one small property in Lahore operating under budget hotel concept. The Company's registered office is situated at 1st Floor, NESPAK House, Sector G-5/2, Islamabad.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Basis of measurement

These unconsolidated financial statements have been prepared under historical cost convention except for the following;

- certain items of property, plant & equipment have been measured at revalued amounts;

- investment property has been measured at fair value;
- held for trading investments have been recognised at fair value; and
- liability related to staff retirement gratuity is measured at values determined through actuarial valuation.

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

These financial statements are the separate financial statements of the Company in which investments in subsidiary companies, associate and jointly controlled entities are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

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 and thus presented in Pakistan Rupee 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 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.

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2013

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. Fair value of property, plant and equipment is determined by independent surveyors on market value. 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, impairment, revaluation surplus and related deferred tax liability.

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 that 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 cost of completion and 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 a regular basis.

2.4.6 Impairment of financial assets

In making an estimate of future cash flows of the Company's financial assets including investments in subsidiaries, associates and joint ventures, the management considers estimated cash flows and their terminal value for impairment testing.

2.4.7 Fair value of investment property

Fair value of investment property is determined using market value basis. Any change in the estimate might effect carrying amount of investment property with corresponding effect in profit and loss account.

2.4.8 Fair value of investments - 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. Any change in the estimate might effect carrying amount of investments held for trading with corresponding effect in profit and loss account.

2.4.9 Provision

The Company reviews the carrying amount of liabilities on a regular basis and appropriate amount of provision is made as and when necessary.

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2013

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 on or after 01 July 2013:

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 amendments will result in recognition of unrecognised gain or loss amounting to Rs. 9.71 million in other comprehensive income.

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. 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 1 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 financial statements of the Company.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments have no impact on financial statements of the Company.

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments have no impact on financial statements of the Company.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations. The amendments have no impact on financial statements of the Company.

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2013

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after I January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. lAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The amendments have no impact on financial statements of the Company.

IAS 39 Financial Instrument: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to lAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a Novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments have no impact on financial statements of the Company.

Amendment to lAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to lAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments have no impact on financial statements of the Company.

3. 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

Owned

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment loss, if any, except for land (free hold and lease hold) which is carried at revalued amount and capital work in progress and advance for capital expenditure which are carried 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 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 method over the estimated useful lives of each part of an item of property, plant and equipment at rates given in note 13 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.

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2013

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.

Leased

- **Finance lease**

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

- Ijarah

Rentals payable under ijarah arrangement are charged to profit and loss account on a straight line basis over the term of the Ijarah lease arrangement.

3.2 Long term investments

All purchases and sale of investments are recognized using settlement date accounting that 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, 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 controlled 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.

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 up to 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 realizable value. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence.

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2013

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 Financial instruments

Non-derivative financial assets
These are initially recognized on the date that they are originated i.e. on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. Investments are recognised on settlement date.

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company classifies non-derivative financial assets into the following categories: held to maturity, financial assets at fair value through profit or loss, available for sale investments and loans and receivables.

Held to maturity
If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held to maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Held-to-maturity financial assets comprise debt securities

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 investments using settlement date accounting.

Available for sale
Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available for sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Available for sale financial assets comprise equity securities and debt securities.

Loans and receivables
Loans and receivables comprise deposits, advances, cash and cash equivalents and trade and other receivables.

Deposits and trade and other receivables
Deposits and trade and other receivable are stated initially at the fair value, subsequent to initial recognition these are stated at their fair value as reduced by appropriate provision for impairment. Known impaired receivables are written off, while receivables considered doubtful of recovery are fully provided for.

The allowance for doubtful accounts is based on the Company's assessment of the collectability of counterparty accounts. The

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2013

Company regularly reviews its debts and receivables that remain outstanding past their applicable payment terms and establishes allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances, short term running finance and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Non-derivative financial liabilities

The Company initially recognises non derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Non derivative financial liabilities comprise markup bearing borrowings including long term financing, obligations under finance lease, short term borrowings and trade and other payables.

Offsetting of financial assets and financial liabilities
Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.6 Borrowing costs

Borrowings which are directly attributable to the acquisition, construction or production of a qualifying asset 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. All other borrowing costs are charged to profit and loss.

3.7 Provisions

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

3.8 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 2012.

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.

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2013

Compensated leave absences

The Company has the policy to provide for compensated absences of its employees in accordance with respective entitlement as per the Company policy; related expected cost thereof has been included in the financial statements.

3.9 Taxation

Current

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

Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between carrying amounts of assets and liabilities in the 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.

3.10 Revenue recognition

Room revenue is recognized as income on performance of services to the guests. Food and beverage sales are recognized on utilization of food and beverages services. Communication towers and other rental income and shop license fee is recognized in profit or loss on a straight-line basis over the term of the lease. Revenue from minor operating departments is recognized as and when services are provided to the customers. Privilege Club Card fee is recognised in the unconsolidated profit and loss account on a straight line basis over the term of the related card.

3.11 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.

3.12 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 advances and 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.

3.13 Dividend

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

3.14 Impairment

(i) Non-derivative financial assets

All financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2013

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers and economic conditions that correlate with defaults or the disappearance of an active market for a security.

The Company considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in as allowance against financial asset measured at amortized cost. Interest on the impaired asset is recognized only to the extent it is considered recoverable. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss.

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.

3.15 Earnings per share

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

3.16 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.

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2013

4 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2013	2012		Note	2013	2012
Number of shares				(Rupees'000)	
		Ordinary shares of Rs.10 each			
25,672,620	25,672,620	- Fully paid in cash		256,726	256,726
362,100	362,100	- For consideration other than cash (against property)		3,621	3,621
6,489,450	6,489,450	- Fully paid bonus shares		64,895	64,895
32,524,170	32,524,170			325,242	325,242

5 RESERVES

	Note	2013	2012
Capital reserve	5.1	269,424	269,424
General reserve		1,600,000	1,600,000
		1,869,424	1,869,424

5.1 Capital reserve represents share premium received in the years 1992, 1994 and 1996 on issue of 21,724,720 right shares at a premium of Rs. 15 each adjusted by Rs. 56.45 million issued as bonus shares in the years 2000 and 2004.

6 LONG TERM FINANCING - secured

	Note	2013	2012
		(Rupees'000)	
From banking companies		583,333	800,000
Current portion of long term financing	11	(233,333)	(216,667)
		350,000	583,333

This represents term finance loans carrying markup ranging from 3-month KIBOR plus 2.50% per annum to 2.75% per annum (2012: 3-month KIBOR plus 2.50% per annum to 2.75% per annum). These are secured against first pari passu equitable mortgage charge on land and building of Pearl Continental Hotel, Rawalpindi and Karachi for an amount of Rs. 1,095.57 million; ranking hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi to the extent of Rs. 667 million; hypothecation charge over plant, machinery, equipment and other movable assets of Pearl Continental Hotel, Karachi to the extent of Rs. 428.57 million and personal guarantees of directors of the Company. The loans are repayable in twelve equal quarterly installments of Rs. 41.667 million each commenced from September 2012 and eighteen equal quarterly installments of Rs. 16.667 million each commenced from October 2012.

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2013			2012		
		Present value of minimum lease	Financial charges for future periods	Total lease rentals	Present value of minimum lease	Financial charges for future periods	Total lease rentals
		(Rupees'000)					
Not later than one year	11	7,853	2,608	10,461	6,939	3,989	10,928
Later than one year and not later than five years		16,651	2,133	18,784	24,029	6,371	30,400
		24,504	4,741	29,245	30,968	10,360	41,328

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This represents utilised amount out of total lease finance facility of Rs. 50 million (June 2012: Rs. 50 million) availed for purchase of vehicles and carries markup equal to 3-month KIBOR plus 2.50% (2012: 3-month KIBOR plus 2.50%). The facility is secured against pari passu mortgage charge over land, building and fixed assets of Pearl Continental Hotel, Karachi for an amount of Rs. 71.43 million; hypothecation charge over plant, machinery, equipment and other movable assets of Pearl Continental Hotel, Karachi for an amount of Rs. 71.43 million and personal guarantee of a director of the Company and ownership of leased vehicles.

		Note	2013	2012
			(Rupees'000)	
8	**DEFERRED LIABILITIES**			
	Staff retirement benefit - gratuity	8.1	**291,048**	267,918
	Deferred tax	8.2	**91,326**	149,710
	Compensated leave absences	8.3	**85,891**	73,215
			468,265	490,843
8.1	**Movement in the liability recognised in the balance sheet**			
	Opening balance		**267,918**	242,967
	Charge for the year		**50,569**	43,628
	Payments made during the year		**(27,439)**	(18,677)
	Closing balance		**291,048**	267,918
	Reconciliation of the liability recognised in the balance sheet			
	Present value of defined benefit obligation		**281,337**	258,207
	Actuarial gains unrecognised		**9,711**	9,711
	Net liability at end of the year		**291,048**	267,918
	Charge to profit and loss account for the year			
	Current service cost		**17,002**	15,346
	Interest cost		**33,567**	28,282
			50,569	43,628

The latest actuarial valuation was carried out on 30 June 2012 using projected unit credit method.

Actuarial assumption

	2013	2012
Discount rate	**13%**	13%
Expected increase in eligible salary	**13%**	13%
Mortality rate	**EFU (61-66)**	EFU (61-66)

Historical information

	2013	2012	2011	2010	2009
	(Rupees'000)				
Present value of defined benefits obligation	**281,337**	258,207	235,678	214,440	213,499
Experience adjustment on defined benefits obligation	**-**	2,422	523	(3,801)	-

Notes to the Unconsolidated Financial Statements
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		2013	2012
		(Rupees'000)	
8.2	**Deferred tax**		
	Taxable temporary differences		
	Accelerated tax depreciation	**291,886**	280,892
	Less: deductible temporary differences		
	Provision for staff retirement benefit	**128,159**	93,771
	Provision for bad and doubtful debts	**44,787**	34,506
	Impairment loss in value of investment	**26,594**	1,855
	Provision for stores, spare parts and loose tools	**1,020**	1,050
		200,560	131,182
		91,326	149,710

The liability for deferred tax has been calculated at tax rate of 34% (2012: 35%).

		2013	2012
8.3	**Movement in the liability recognised in the balance sheet**		
	Opening balance	**73,215**	57,639
	Charge for the year	**37,376**	33,955
	Payments made during the year	**(24,700)**	(18,379)
	Closing balance	**85,891**	73,215

Actuarial valuation has not been carried out as the impact is considered to be immaterial. These have been reclassified from current liabilities during the year for appropriate presentation. However, information relating to opening balance of comparative information has not been presented on the balance sheet as the impact of reclassification was not considered material in relation to the balance sheet.

		Note	2013	2012
			(Rupees'000)	
9	**TRADE AND OTHER PAYABLES**			
	Creditors		**265,424**	212,370
	Accrued liabilities		**452,249**	412,801
	Advances from customers		**189,151**	171,269
	Shop deposits	9.1	**51,016**	49,884
	Unclaimed dividend		**3,534**	3,534
	Retention money		**37,254**	40,261
	Due to related parties - unsecured		**84,226**	36,506
	Federal excise duty		**5,685**	5,796
	Sales tax - net		**140,606**	125,410
	Bed tax		**81,518**	85,319
	Property tax		**-**	6,626
	Income tax deducted at source		**5,523**	2,734
	Un-earned income		**116,733**	110,728
	Other liabilities		**25,547**	41,993
			1,458,466	1,305,231

9.1 These have been reclassified from non current liabilities during the year for appropriate presentation. However, information relating to opening balance of comparative information has not been presented on the balance sheet as the impact of reclassification was not considered material in relation to the balance sheet.

Notes to the Unconsolidated Financial Statements
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		Note	2013	2012
			(Rupees'000)	
10	**SHORT TERM BORROWINGS - secured**			
	Running finance from banking companies	10.1	**75,395**	63,936

10.1 The Company has facilities amounting to Rs. 1,050 million (2012: 1,150 million) which are secured against pari-passu equitable mortgage charge on fixed assets and hypothecation charge on stock-in-trade, trade debts, receivables and all other moveable assets of Pearl Continental Hotel Karachi and Rawalpindi and lien on certain listed securities held by the Company. Mark-up rates ranges from 1-month KIBOR to 6 - month KIBOR plus 1.5% to 2.5%. (2012: 1-month KIBOR to 6 - month KIBOR plus 2.5% to 3%)

		Note	2013	2012
			(Rupees'000)	
11	**CURRENT PORTION OF LONG TERM FINANCING AND LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**			
	Current portion of long term financing	6	**233,333**	216,667
	Current portion of liabilities against assets subject to finance lease	7	**7,853**	6,939
			241,186	223,606

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 The income tax assessments of the Company have been finalized and returns have been filed up to and including the tax year 2012. 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 (2012: Rs. 73.165 million) may 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.

		2013	2012
		(Rupees'000)	
12.1.2	**Guarantees**	**128,736**	108,528
12.2	**Commitments**		
	Commitments for capital expenditure	**65,757**	277,957

13 PROPERTY, PLANT AND EQUIPMENT

	Owned assets									Leased assets	
	Freehold land	Leasehold 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 13.1)	Vehicles	Total
	Rupees'000										
Cost / revalued amounts											
Balance at 01 July 2011	10,020,271	10,100,120	709,645	783,589	2,296,207	675,179	142,574	148,521	253,481	-	**25,129,587**
Additions during the year / transfer from advance for capital expenditure	-	-	-	148	64,049	67,680	17,241	7,800	290,470	31,550	**478,938**
Disposals	-	-	-	-	(17,485)	(12,862)	(15,604)	(351)	-	-	**(46,302)**
Transfer from investment property	297,020	-	40,674	-	4,361	2,408	300				**344,763**
Transfer from CWIP	-	-	-	204,121	49,577	121,241	13,556	-	(388,495)	-	**-**
Write down of assets to fair value	-	(19,045)	-	-	-	-	-	-	-	-	**(19,045)**
Transfer to non current assets held for sale	-	(55,955)	-	-	-	-	-	-	-	-	**(55,955)**
Balance at 30 June 2012	10,317,291	10,025,120	750,319	987,858	2,396,709	853,646	158,067	155,970	155,456	31,550	**25,831,986**
Balance at 01 July 2012	10,317,291	10,025,120	750,319	987,858	2,396,709	853,646	158,067	155,970	155,456	31,550	**25,831,986**
Additions during the year / transfer from advance for capital expenditure	216,574	-	66,735	-	92,818	196,743	12,258	2,197	168,830	2,210	**758,365**
Disposals	-	-	-	-	(1,324)	-	(90)	(34,072)	-	-	**(35,486)**
Transfer from CWIP	-	-	-	44,377	41,275	53,566	4,511	-	(143,729)	-	**-**
Balance at 30 June 2013	**10,533,865**	**10,025,120**	**817,054**	**1,032,235**	**2,529,478**	**1,103,955**	**174,746**	**124,095**	**180,557**	**33,760**	**26,554,865**
Depreciation											
Balance at 01 July 2011	-	-	438,713	394,709	1,676,761	440,980	106,757	81,255	-	-	**3,139,175**
Charge for the year	-	-	27,877	41,877	91,261	40,804	11,137	10,216	-	563	**223,735**
On disposals	-	-	-	-	(14,804)	(9,475)	(13,782)	(228)	-	-	**(38,289)**
Balance at 30 June 2012	-	-	466,590	436,586	1,753,218	472,309	104,112	91,243	-	563	**3,324,621**
Balance at 01 July 2012	-	-	466,590	436,586	1,753,218	472,309	104,112	91,243	-	563	**3,324,621**
Charge for the year	-	-	29,538	53,703	95,348	60,090	15,865	8,567	-	4,602	**267,713**
On disposals	-	-	-	-	(379)	-	(31)	(24,107)	-	-	**(24,517)**
Balance at 30 June 2013	**-**	**-**	**496,128**	**490,289**	**1,848,187**	**532,399**	**119,946**	**75,703**	**-**	**5,165**	**3,567,817**
Carrying value - 2013	**10,533,865**	**10,025,120**	**320,926**	**541,946**	**681,291**	**571,556**	**54,800**	**48,392**	**180,557**	**28,595**	**22,987,048**
Carrying value - 2012	10,317,291	10,025,120	256,358	578,643	643,491	381,337	53,955	64,727	155,456	30,987	**22,507,365**
Rates of depreciation per annum	-	-	10%	10%	15%	15%	30%	15%	-	15%	

Notes to the Unconsolidated Financial Statements
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13.1 This represent civil works carried out at various hotel properties.

13.2 Surplus on revaluation of property, plant and equipment

Freehold and leasehold land having cost of Rs. 112.621 million were revalued on 30 June 2010 by M/s. Engineering Pakistan International (Private) Limited and M/s. Iqbal A. Nanjee & Company (Private) Limited, an independent valuer, based on market value basis method.

Had the aforementioned revaluation not carried out, the book values of freehold and leasehold land would have been Rs. 570.26 million (2012: Rs. 353.686 million).

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

	Note	2013	2012
		(Rupees'000)	
Cost of sales and services	27	**240,942**	201,362
Administrative expenses	28	**26,771**	22,373
		267,713	223,735

13.4 Detail of disposal of property, plant and equipment:

Description	Cost	Carrying value	Sale proceeds	Mode of disposal	Purchaser
	(Rupees'000)				
Plant & machinery	1,324	945	945	Negotiation	Hashwani Hotels Limited, a related party
Computers	90	59	59	Negotiation	Syed Naveed Ali
Vehicle	846	315	710	Auction	Syed Naveed Ali
Vehicle	517	160	319	Auction	Mr. Shafiq-ur-Rehman
Vehicle	521	101	279	Auction	Mr. Shafiq-ur-Rehman
Vehicle	795	155	725	Auction	Dr. Saulat-ul-Islam
Vehicle	516	159	300	Auction	Mr. Rafi Raza Abbasi
Vehicle	886	270	745	Auction	Mr. Saeed Ahmed Khan *
Vehicle	1,238	377	852	Auction	Mr. Rashid Rauf Banday
Vehicle	835	198	656	Auction	Mr. Abdul Rashid
Vehicle	846	285	840	Auction	Mr. Siyal Afzal
Vehicle	886	253	705	Auction	Mr. Siyal Afzal
Vehicle	1,209	306	306	Negotiation	Mr. Syed Sajid Ali *
Vehicle	1,526	766	1,600	Insurance claim	PICIC Insurance Limited
Vehicle	650	360	656	Auction	Mr. Tahir Mahmood *
Vehicle	886	270	805	Auction	Mr. Sajid Anis *
Vehicle	1,347	1,046	1,300	Insurance claim	PICIC Insurance Limited
Vehicle	886	263	716	Auction	Mr. Abdul Rashid
Vehicle	522	100	400	Auction	Mr. Shahid Iqbal
Vehicle	555	189	471	Auction	Mr. Adnan Ahmed Saeed *
Vehicle	555	189	402	Auction	Mr. Shujah Jadoon *
Vehicle	879	251	778	Auction	Mr. Malik Mohammad Arif
Vehicle	835	251	763	Auction	Mr. Sajawal Khan
Vehicle	739	258	462	Auction	Sheikh Abdul Waheed
Vehicle	769	75	731	Auction	Mr. Fahad Farooq
Vehicle	795	151	700	Auction	Mr. Shahid Iqbal
Vehicle	835	254	739	Auction	Mr. Shahzad Ali Attari
Vehicle	555	199	450	Auction	Mr. Asim Ali
Vehicle	836	248	767	Auction	Mr. Irfan Ejaz Awan
Vehicle	795	147	731	Auction	Mr. Kanwar Asif Maqsood
Vehicle	795	182	651	Auction	Mr. Hassan Mobeen Alam

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Description		Cost	Carrying value	Sale proceeds	Mode of disposal	Purchaser
		(Rupees'000)				
Vehicle		886	253	678	Auction	Mr. Malik Mohammad Arif
Vehicle		846	285	731	Auction	Mr. Hassan Badar
Vehicle		835	251	813	Auction	Mr. Sajawal Khan
Vehicle		795	153	743	Auction	Mr. Sajawal Khan
Vehicle		795	155	502	Auction	Mr. Akbar Ali *
Vehicle		1,288	368	820	Auction	Mr. Malik Mohammad Arif
Vehicle		1,248	253	252	Negotiation	Sardar Mohammad Akbar
Vehicle		795	155	754	Auction	Mr. Sajid Hussain Gondal
Vehicle		739	261	433	Auction	Mr. Sajawal Khan
Aggregate of other items with individual book values not exceeding Rs. 50 thousand		1,990	53	1,750		
	2013	**35,486**	**10,969**	**28,038**		
						*Executives of the Company
	2012	46,302	8,013	18,010		

		Note	2013	2012
14	**ADVANCE FOR CAPITAL EXPENDITURE**		(Rupees'000)	
	Purchase of land	14.1	**626,820**	626,820
	Purchase of apartment	14.2	**40,509**	40,509
	Malir Delta Land	14.3	**379,156**	190,537
	Advance for purchase of fixed assets		**53,160**	4,354
	Multan Land	14.4	**-**	100,000
			1,099,645	962,220

14.1 This represents amount paid to M/s Associated Builders (Private) Limited, a related party, for purchase of tourist site land measuring 7.29 acres in Gwadar. Development work on land is in progress and therefore land will be handed over to the Company upon completion of such work.

14.2 This represents amount paid to M/s Creek Marina (Private) Limited ("the developer") for purchase of an apartment. The developer failed to complete the construction within time frame stipulated in the agreement. The Company, in order to safeguard its interest has filed a case for recovery of its investment.

14.3 This represents amount paid for purchase of 113.34 acres of land and fee for regularization of land as per the value assessed by the Land Regularization Committee established by the Government of Sindh under the Sindh Ordinance, 2001. During the year, Honourable High Court of Sindh at Karachi dismissed the Constitution Petition filed by the Company challenging the impugned order of the Accountability Court Karachi declaring that any transfer of title or creation of any third party interest in the said land was declared void. The Company being aggrieved and dissatisfied with this impugned judgment for dismissal of its Constitution Petition has filed an Appeal (CPLA) in the Honourable Supreme Court of Pakistan which is pending. Though the management is hopeful for favourable outcome of this matter, in the eventuality of an adverse outcome, the management, on the basis of legal opinion, believes that the Company will be able to recover the purchase consideration and land regularization fee paid to the Land Regularization Department.

14.4 This has been capitalized during the year.

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		2013	2012
15	**INVESTMENT PROPERTY**	(Rupees'000)	
	Opening balance	**47,000**	391,763
	Transferred to property, plant and equipment	**-**	(344,763)
	Closing balance	**47,000**	47,000

15.1 On 30 June 2013, an exercise was carried out by the independent valuer to calculate the fair value of investment property. To assess the land prices, market research was carried out in the area around the plot where the investment property is situated.

		% of holding	Note	2013	2012
16	**LONG TERM INVESTMENTS**			(Rupees'000)	
	Investments in related parties				
	Subsidiary companies - at cost - unquoted				
	Pearl Continental Hotels (Private) Limited	100%	16.1	**5,000**	5,000
	Bhurban Resorts (Private) Limited	100%	16.2	**10,000**	10,000
	Pearl Tours and Travels (Private) Limited	100%	16.3	**38,460**	38,460
	Musafa International (Private) Limited	100%	16.4	**480,280**	354,700
				533,740	408,160
	Associated undertaking - at cost - unquoted				
	Hashoo Group Limited - British Virgin Island				
	98,000 (2012: 98,000) ordinary shares of US$ 100 each	14%		**586,403**	586,403
	Transferred to non-current asset held for sale		23.1	**(586,403)**	-
	Hotel One (Private) Limited- Pakistan				
	500,000 (2012: 500,000) ordinary shares of Rs.100 each	17. 85%		**36,762**	36,762
				36,762	623,165
	Investment in jointly controlled entity				
	Pearl Continental Hotels Limited - UAE				
	95 (2012: 95) ordinary shares of US$ 50,000 each	50%	16.5	**284,052**	284,052
	Impairment loss		31	**(72,919)**	-
				211,133	284,052
	Other investments				
	Available for sale - unquoted company				
	Malam Jabba Resorts Limited			**1,000**	1,000
	Impairment loss			**(1,000)**	(1,000)
				-	-
				781,635	1,315,377

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16.1 Pearl Continental Hotels (Private) Limited

Break-up value per share based on audited financial statements for the year ended 30 June 2013 was Rs. 18.41 (2012: Rs. 17.51).

16.2 Bhurban Resorts (Private) Limited

Break-up value per share based on audited financial statements for the year ended 30 June 2013 was Rs. 14.10 (2012: Rs.13.43).

16.3 Pearl Tours and Travels (Private) Limited

Break-up value per share based on audited financial statements for the year ended 30 June 2013 was Rs. 24.37 (2012: Rs. 23.50).

16.4 Musafa International (Private) Limited

Break-up value per share based on audited financial statements for the year ended 30 June 2013 was Rs. 86.73 (2012: Rs. 95.81).

The shareholders of the Company in an Extraordinary General Meeting held on 17 June 2013 have approved merger of Musafa International (Private) Limited with the Company. Subsequent to the balance sheet date, Honourable High Court of Islamabad approved the merger with effective date of 26 September 2013. Accordingly, accounting adjustments relating to merger have not been incorporated in the unconsolidated financial statements.

16.5 Pearl Continental Hotels Limited - UAE

During the year, the Company has recorded an impairment loss of Rs. 72.92 million against the Company's investment in Pearl Continental Hotels Limited - UAE. Based on the assessment of recoverable amount of assets and liabilities of Pearl Continental Hotels Limited - UAE, management is confident that the carrying amount of investment as at 30 June 2013 is not lower than its recoverable amount.

	Note	2013	2012
		(Rupees'000)	
17 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		**101,191**	81,886
Spare parts and loose tools		**31,578**	22,651
		132,769	104,537
Provision for obsolescence		**(2,999)**	(2,999)
		129,770	101,538
18 TRADE DEBTS			
Considered good			
Due from related parties - unsecured	18.1	**11,606**	8,535
Others		**542,947**	454,904
		554,553	463,439
Considered doubtful		**131,727**	98,588
		686,280	562,027
Provision against doubtful debts		**(131,727)**	(98,588)
		554,553	463,439

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		Note	2013	2012
			(Rupees'000)	
18.1	**Due from related parties**			
	Pearl Tours and Travels (Private) Limited		**1,754**	2,266
	Hashwani Hotels Limited		**276**	261
	Hashoo Foundation		**249**	784
	Hotel One (Private) Limited		**4,947**	3,674
	Jubilee General Insurance Company Limited		**2**	-
	Ocean Pakistan Limited		**1,121**	727
	OPI Gas (Private) Limited		**14**	14
	Pearl Communications (Private) Limited		**128**	127
	Trans Air Travels (Private) Limited		**719**	635
	Tejari Pakistan Limited		**328**	19
	Zahdan Technologies (Private) Limited		**2,036**	-
	Zaver Petroleum Corporation Limited		**32**	28
			11,606	8,535
	Age analysis of due from related parties is as follows:			
	Past due by 30 days		**1,043**	3,085
	Past due by 31 to 90 days		**2,954**	1,691
	Past due over 90 days		**7,609**	3,759
			11,606	8,535
19	**ADVANCES, considered good**			
	Advances to:			
	Employees		**2,943**	1,780
	Suppliers and contractors		**85,227**	68,431
	Related party	19.1	**500,000**	500,000
			588,170	570,211

19.1 This represents short term advance of Rs. 500 million (2012: Rs. 500 million) extended to a related party M/s Hashwani Hotels Limited, carries markup rate of 1 - year KIBOR plus 3% (2012: 1 - year KIBOR plus 3%) per annum and secured against ranking charge on Karachi Marriott Hotel.

		2013	2012
		(Rupees'000)	
20	**TRADE DEPOSITS AND PREPAYMENTS**		
	Trade deposits	**13,017**	12,479
	Prepayments	**58,948**	46,709
		71,965	59,188
21	**OTHER RECEIVABLES**		
	Due from Pearl Tours and Travels (Private) Limited, subsidiary company	**14,767**	10,000
	Other	**27,535**	20,724
		42,302	30,724

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		Note	2013	2012
			(Rupees'000)	
22	**OTHER FINANCIAL ASSETS**			
	Held to maturity			
	Letter of placements / certificate of investments		5,300	5,300
	Provision for impairment loss		(5,300)	(5,300)
			-	-
	Available for sale - unquoted			
	National Technology Development Corporation 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	631,787	493,887
			631,787	493,887
22.1	**Short term investments in shares of listed companies**			
	Pakistan Telecommunication Company Limited 350,000 (2012: 350,000) ordinary shares		7,767	4,791
	Lotte Chemical Pakistan Limited (Formerly Lotte Pakistan PTA Limited) 150,000 (2012: 150,000) ordinary shares		1,143	1,055
	Fauji Fertilizer Bin Qasim Limited 50,000 (2012: 50,000) ordinary shares		1,877	2,041
	Jubilee General Insurance Company Limited - an associated company 10,350,000 (2012: 9,000,000) ordinary shares	22.1.1	621,000	486,000
			631,787	493,887

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 (2012: 5,000,000) ordinary shares are placed / lien marked as security against running finance facility amounting to Rs. 100 million availed by the Company (Note 10.1).

		Note	2013	2012
			(Rupees'000)	
23	**NON CURRENT ASSETS HELD FOR SALE**			
	Opening balance		55,955	35,700
	Transfer from property, plant and equipment		-	55,955
	Held for sale assets sold during the year		(55,955)	(35,700)
	Transfer from long term investments	23.1	586,403	-
			586,403	55,955

23.1 The Company intends to sell 98,000 shares in Hashoo Group Limited - British Virgin Island and has received an offer for purchase of the Company's investment for total consideration of USD 5.99 million. Accordingly, these have been classified as asset held for sale as required by International Financial Reporting Standard 5 - Non-current Assets Held for Sale and Discontinued Operations. The sale is expected to be finalised within the next twelve months.

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		Note	2013	2012
			(Rupees'000)	
24	**ADVANCE TAX - net**			
	Opening balance		**13,215**	(47,339)
	Income tax paid during the year		**410,218**	405,469
	Charge for the year		**(429,768)**	(344,915)
	Closing balance		**(6,335)**	13,215
25	**CASH AND BANK BALANCES**			
	Cash in hand		**65,624**	29,486
	Cash at bank :			
	Current accounts - Local currency		**339**	26,516
	Deposit accounts - Local currency	25.1	**40,908**	56,481
	- Foreign currency	25.2	**252**	16,286
			41,499	99,283
			107,123	128,769

25.1 Deposit accounts carry interest rate ranging from 5% to 9% (2012: 5% to 11.25%) per annum.

25.2 This comprising USD 2,527 (2012: USD 173,254) deposited with bank and carries interest rates ranging from 0.20% to 0.25% (2012: 0.25% to 0.75%) per annum.

		Note	2013	2012
			(Rupees'000)	
26	**SALES AND SERVICES - net**			
	Rooms		**3,466,216**	2,762,767
	Food and beverages		**4,059,324**	3,562,750
	Other related services	26.1 & 26.2	**523,196**	467,263
	Shop license fees		**12,205**	7,868
			8,060,941	6,800,648
	Discounts and commissions		**(126,376)**	(87,266)
	Sales tax		**(1,133,395)**	(952,628)
			6,801,170	5,760,754

26.1 This includes Privilege Club Cards fee and revenue from telephone, laundry and other ancillary services.

26.2 This includes Rs. 146.54 million reclassified from discounts and administrative and general expenses for appropriate presentation.

		Note	2013	2012
27	**COST OF SALES AND SERVICES**		(Rupees'000)	
	Food and beverages			
	Opening balance		**65,589**	53,833
	Purchases during the year		**1,280,074**	1,110,803
	Closing balance		**(80,533)**	(65,589)
	Consumption during the year		**1,265,130**	1,099,047
	Direct expenses			
	Salaries, wages and benefits	27.1	**880,233**	765,198
	Heat, light and power		**736,768**	588,785
	Repairs and maintenance		**271,664**	259,817
	Depreciation	13.3	**240,942**	201,362
	Guest supplies		**172,147**	144,557
	Linen, china and glassware		**93,641**	72,945
	Communication and other related services		**60,009**	61,266
	Banquet and decoration		**57,189**	44,663
	Transportation		**34,674**	21,851
	Uniforms		**20,091**	17,104
	Music and entertainment		**9,248**	7,281
	Others		**11,303**	9,361
			3,853,039	3,293,237

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27.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 45.533 million (2012: Rs. 39.442 million).

28 ADMINISTRATIVE EXPENSES	Note	2013	2012
		(Rupees'000)	
Salaries, wages and benefits	28.1	651,050	557,670
Rent, rates and taxes		170,809	112,469
Security and protective services		169,542	135,119
Advertisement and sales promotion		79,197	96,519
Repairs and maintenance		37,629	30,109
Heat, light and power		82,935	71,119
Travelling and conveyance		115,732	95,828
Depreciation	13.3	26,771	22,373
Communications		25,373	28,458
Printing and stationery		33,359	27,817
Legal and professional charges		65,421	58,621
Insurance		44,437	43,078
Entertainment		6,837	7,297
Subscriptions		14,998	7,086
Laundry and dry cleaning		6,629	4,823
Uniforms		5,400	4,842
Auditors' remuneration	28.2	1,808	1,894
Provision against doubtful debts		33,139	17,694
Donations	28.3	225,000	131,000
Vehicle rentals and registration charges	28.4	23,600	-
Franchise fee		8,486	6,851
Miscellaneous		3,431	4,706
		1,831,583	1,465,373

28.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 26.567 million (2012: Rs. 24.239 million).

28.2 Auditors' remuneration	2013	2012
	(Rupees'000)	
Annual audit fee	1,080	980
Audit of consolidated financial statements	200	175
Half yearly review	428	428
Special reports and certificates	100	311
	1,808	1,894

28.3 Donations

Out of total amount of Rs. 225 million (2012: Rs. 131 million), donation amounting to Rs. 115 million (2012: Rs. 80.200 million) includes the following in which directors, their spouse or close family members have interest:

Name	Interest in Donee	Name and address of Donee	2013	2012
			(Rupees'000)	
Ms. Noor Sultan Close family member of Mr. Murtaza Hashwani & Ms. Sarah Hashwani (Directors)	Chairperson	Umeed-e-Noor Trust House # 7, Street # 72, F- 8/3, Islamabad	-	200
Mr. Sadruddin Hashwani Ms. Sarah Hashwani	Patron-in-Chief Chairperson	Hashoo Foundation House # 7-A, Street # 65, F-8/3, Islamabad	115,000	80,000
			115,000	80,200

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28.4 This includes Ijarah payments of Rs. 22.17 million (2012: Nil) and vehicles registration charges under an Ijarah (lease) agreement. As required under IFAS 2 " IJARAH" (notified through SRO 43(1) / 2007 by Securities & Exchange Commission of Pakistan) ujrah payments under an Ijarah (lease) agreement are recognized as an expense in the profit and loss account on straight line basis over the term of Ijarah. The amount of future ujrah payments and the periods in which these will be due are as follows:

	Note	2013	2012
		(Rupees'000)	
Within one year		**27,547**	-
After one but not more than five years		**71,174**	-
		98,721	-

29 FINANCE COST

	Note	2013	2012
Markup on long term financing		**92,288**	99,896
Markup on short term borrowings		**13,458**	44,303
Markup on liabilities against assets subject to finance lease		**3,656**	1,604
Credit cards, bank and other charges		**44,586**	38,938
		153,988	184,741

30 OTHER INCOME

	Note	2013	2012
Income from financial assets			
Return on bank deposits		**9,856**	6,683
Exchange gain - net		**1,722**	3,417
Dividend income		**27,225**	23,625
Unrealised gain on remeasurement of investments to fair value - net		**137,900**	37,127
Interest on short term advance to related party		**75,778**	85,388
		252,481	156,240
Income from non financial assets			
Concessions and commissions		**4,113**	2,596
Gain on disposal of property, plant and equipment		**17,069**	9,997
Gain on disposal of non current assets held for sale		**1,545**	-
Liabilities written back		**2,651**	81,285
Communication towers and other rental income		**40,516**	41,319
Rental income from investment property		**-**	7,500
Scrap sales		**7,973**	8,163
Insurance claims		**1,175**	1,280
Others - net		**41,356**	30,441
		116,398	182,581
		368,879	338,821

31 OTHER EXPENSE

	Note	2013	2012
Impairment loss on investment in jointly controlled entity	16	**72,919**	-

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		Note	2013	2012
			(Rupees'000)	
32	**TAXATION**			
	Provision for taxation			
	- Current		433,516	341,921
	- Prior		(3,748)	2,994
			429,768	344,915
	- Deferred		(58,384)	27,458
			371,384	372,373
	Relationship between accounting profit and tax expense is as follows:			
	Accounting profit for the year		1,258,520	1,156,224
	Tax charge @ 35% (2012: 35%)		440,482	404,678
	Tax effect of permanent differences		2,258	(4,159)
	Tax effect of exempt income		(48,265)	(12,994)
	Tax effect of income subject to lower taxation		(16,657)	(18,146)
	Tax effect of decrease in tax rate		(2,686)	-
	Prior years' tax charge		(3,748)	2,994
			371,384	372,373
33	**EARNINGS PER SHARE**			
	Profit for the year (Rupees '000)		887,136	783,851
	Weighted average number of ordinary shares (Numbers)		32,524,170	32,524,170
	Earnings per share - basic (Rupees)		27.28	24.10
	There is no dilution effect on the basic earnings per share of the Company.			
34	**CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES**			
	Profit before taxation		1,258,520	1,156,224
	Adjustments for:			
	Depreciation	13.3	267,713	223,735
	Gain on disposal of property, plant and equipment	30	(17,069)	(9,997)
	Gain on disposal of non current assets held for sale	30	(1,545)	-
	Provision for staff retirement benefit - gratuity	8.1	50,569	43,628
	Provision for compensated absences	8.3	37,376	33,955
	Provision for doubtful debts	28	33,139	17,694
	Return on bank deposits	30	(9,856)	(6,683)
	Interest on short term advance to related party	30	(75,778)	(85,388)
	Finance cost	29	153,988	184,741
	Dividend income	30	(27,225)	(23,625)
	Unrealised gain on remeasurement of investments to fair value	30	(137,900)	(37,127)
	Impairment loss on investment in jointly controlled entity	16 & 31	72,919	-
			1,604,851	1,497,157
35	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances	25	107,123	128,769
	Running finance	10	(75,395)	(63,936)
			31,728	64,833

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36 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2013			2012		
	Chief Executive	**Directors**	**Executives**	Chief Executive	Directors	Executives
	(Rupees '000)					
Managerial remuneration	**12,000**	**62,680**	**173,069**	12,000	47,208	146,702
Provident fund contribution	**-**	**1,257**	**5,477**	-	1,005	4,716
Provision for gratuity	**-**	**4,877**	**21,781**	-	1,008	9,503
Meeting fee	**-**	**90***	**-**	-	-	-
	12,000	**68,904**	**200,327**	12,000	49,221	160,921
Number of Persons	**1**	**5**	**95**	1	5	79

* This includes Rs. 15,000 (2012: Nil) paid to a non-executive director of the Company.

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

37 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated and subsidiary 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 disclosed in note 9, 14, 16, 18, 19, 21 and 22 to the unconsolidated financial statements. Transactions with related parties are as follows:

	Note	2013	2012
		(Rupees'000)	
Transactions with subsidiary companies			
Sales		**736**	533
Services provided		**3,174**	3,849
Services availed		**45,356**	36,912
Advance extended during the year		**4,767**	10,000
Investment during the year		**125,580**	92,960
Advance for equity investment		**-**	113,080
Transactions with associated undertakings			
Sales		**2,917**	1,222
Services provided		**3,226**	3,472
Services availed		**97,247**	81,023
Purchases		**146,648**	140,254
Purchase of air tickets		**24,197**	20,941
Franchise fee received		**2,387**	2,482
Franchise fee paid		**8,486**	3,000
Rent received from investment property		**-**	7,500
Purchase of property, plant and equipment		**234,105**	39,397
Sale of property, plant and equipment		**1,251**	-
Advance for purchase of property, plant and equipment		**1,818**	-
Advance for purchase of land		**-**	100,000
Contribution to the defined contribution plan		**23,113**	20,054
Dividend received		**27,000**	22,500
Donation	28.3	**115,000**	80,200
Markup on short term advance		**75,745**	85,388
Accrued markup on short term advance		**6,008**	7,163

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	Note	2013	2012
		(Rupees'000)	
Transactions with key management personnel			
Remuneration and allowances including staff retirement benefits	37.1	**80,904**	61,221
Personal guarantee to Bank against the Company's borrowings (Note 6 & 7)			

37.1 Compensation to key management personnel

	2013	2012
Salaries and other benefits	**74,680**	59,208
Contribution to provident fund	**1,257**	1,005
Provision for gratuity	**4,877**	1,008
Meeting fee	**90**	-
	80,904	61,221
Number of persons	**5**	5

38 FINANCIAL INSTRUMENTS

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

- Credit risk;
- Liquidity risk; and
- 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.

38.1 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:

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

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

	2013	2012
	(Rupees'000)	
Long term deposits	**35,049**	13,385
Trade deposits	**13,017**	12,479
Trade debts	**554,553**	463,439
Advances	**500,000**	500,000
Interest accrued	**6,510**	7,729
Other receivables	**42,302**	30,724
Bank balances	**41,499**	99,283
	1,192,930	1,127,039

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:

	2013	2012
	(Rupees'000)	
From related parties	**511,606**	508,534
From government institutions	**38,899**	34,305
From foreign embassies	**2,186**	407
Banks and financial institutions	**48,009**	107,012
Others	**592,230**	476,781
	1,192,930	1,127,039

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Impairment Losses

The aging of trade debts at the reporting date was:

	2013		2012	
	Gross	Impairment	Gross	Impairment
	(Rupees' 000)		(Rupees' 000)	
Past due 0-30 days	**308,246**	**-**	277,215	-
Past due 30-60 days	**88,524**	**-**	63,934	-
Past due 60-90 days	**53,338**	**-**	40,752	-
Past due 90-360 days	**104,445**	**-**	81,538	-
Over 360 days	**131,727**	**131,727**	98,588	98,588
	686,280	**131,727**	562,027	98,588

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

	2013	2012
	(Rupees'000)	
Opening balance	**98,588**	80,894
Provision made during the year	**33,139**	17,694
Closing balance	**131,727**	98,588

Based on past experience, the Company believes that no impairment allowance is necessary in respect of trade receivables past due.

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.

38.2 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.

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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)			
2013				
Long term financing	**583,333**	**689,515**	**293,625**	**395,890**
Liabilities against assets subject to finance lease	**24,504**	**29,245**	**10,461**	**18,784**
Trade and other payables	**919,250**	**919,250**	**919,250**	**-**
Markup payable	**20,689**	**20,689**	**20,689**	**-**
Short term borrowings	**75,395**	**75,395**	**75,395**	**-**
	1,623,171	**1,734,094**	**1,319,420**	**414,674**
2012				
Long term financing	800,000	1,028,750	323,542	705,208
Liabilities against assets subject to finance lease	30,968	41,328	10,928	30,400
Trade and other payables	797,349	797,349	797,349	-
Markup payable	32,323	32,323	32,323	-
Short term borrowings	63,936	63,936	63,936	-
	1,724,576	1,963,686	1,228,078	735,608

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, 7 and 10 to these unconsolidated financial statements.

38.3 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.

38.3.1 Currency risk

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

	2013		2012	
	Rupees'000	**USD'000**	Rupees'000	USD'000
Bank Balance	**252**	**2.53**	16,286	173

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2013	2012	**2013**	2012
US Dollars	**96.85**	90.00	**99.70**	94.14

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Sensitivity Analysis

A 5% strengthening of the functional currency against USD at 30 June 2013 would have decreased profit and loss by Rs. 12.61 thousand (2012: Rs. 814 thousand). A 5 % weakening of the functional currency against USD at 30 June 2013 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

38.3.2 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 Pakistan Rupees based loans and running finance arrangement at variable rates. The local currency loans have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR).

Profile

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

	2013	2012	2013	2012
	Effective interest rates		(Rupees'000)	
Fixed rate instruments				
Financial assets	**5% to 9%**	5% to 11.25%	**41,160**	72,767
Variable rate instruments				
Financial assets	**1-year KIBOR plus 3%**		**500,000**	500,000
Financial liabilities	**KIBOR + (1.5% to 2.75%)**	KIBOR + (2.5% to 3%)	**(683,232)**	(894,904)
			(183,232)	(394,904)

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. Therefore a change in interest rates at the reporting date would not effect profit or loss account.

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) profit and loss by Rs. 1.83 million (2012: 3.95 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

Other market price risk

The primary goal of the Company's investment strategy is to maximize 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 at 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. 6,317 thousand (2012: Rs. 4,939 thousand); an equal change in the opposite direction would have decreased profit or loss by the same amount. The analysis is performed on the same basis for 2012 and assumes that all other variables remain the same.

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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	2013		2012	
		Carrying amount	**Fair values**	Carrying amount	Fair values
		(Rupees'000)			
Assets carried at amortised cost - Loans and receivables					
Deposits	20	**48,066**	**48,066**	25,864	25,864
Trade debts	18	**554,553**	**554,553**	463,439	463,439
Advances	19	**500,000**	**500,000**	500,000	500,000
Interest accrued		**6,510**	**6,510**	7,729	7,729
Other receivables	21	**42,302**	**42,302**	30,724	30,724
Cash and bank balances	25	**107,123**	**107,123**	128,769	128,769
		1,258,554	**1,258,554**	1,156,525	1,156,525
Assets carried at fair value					
Financial assets at fair value through profit or loss - held for trading	22	**631,787**	**631,787**	493,887	493,887
Liabilities carried at amortised cost					
Long term financing	6	**583,333**	**583,333**	800,000	800,000
Liabilities against assets subject to finance lease	7	**24,504**	**24,504**	30,968	30,968
Trade and other payables	9	**919,250**	**919,250**	797,349	797,349
Markup accrued		**20,689**	**20,689**	32,323	32,323
Short term borrowings	10	**75,395**	**75,395**	63,936	63,936
		1,623,171	**1,623,171**	1,724,576	1,724,576

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).

Assets carried at fair value	Level 1	Level 2	Level 3
		(Rupees'000)	
2013			
Financial assets at fair value through profit or loss - held for trading	**631,787**	-	-
2012			
Financial assets at fair value through profit or loss - held for trading	**493,887**	-	-

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2013

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

38.4 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.

38.5 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 maximize the return. In order to maintain or adjust the optimal capital structure , the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or / and issue new shares.

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2013

39 CAPACITY

	Note	No. of letable rooms 2013	2012	Average occupancy 2013 %	2012 %
Pearl Continental Hotel					
- Karachi		**286**	286	**73**	58
- Lahore		**607**	607	**68**	60
- Rawalpindi		**193**	193	**73**	66
- Peshawar	39.1	**148**	78	**42**	62
- Bhurban		**190**	190	**67**	58
- Muzaffarabad		**102**	102	**43**	33
- Hotel One The Mall, Lahore	39.2	**32**	32	**73**	70

39.1 The PC Hotel Peshawar was fully operational during the year.

39.2 This is a budget hotel owned and operated by the Company.

40 NUMBER OF EMPLOYEES

	2013	2012
Number of employees as at June 30	**3,594**	3,319
Average number of employees	**3,502**	3,300

41 EMPLOYEES' PROVIDENT FUND

	2013	2012
Size of the fund	**524,988**	470,596
Cost of investment made	**481,758**	451,502
Percentage of investment made	**92%**	96%
Fair value of investments	**508,404**	442,631

Fair value of investments made:	2013 (Rupees'000)	2013 %	2012 (Rupees'000)	2012 %
Listed shares	**86,309**	**17%**	67,494	15%
Mutual funds	**28,921**	**6%**	121,340	27%
Term Finance Certificates				
- Listed	**41,272**	**8%**	56,343	13%
- Unlisted	**22,448**	**4%**	28,008	6%
Treasury bills	**329,454**	**65%**	169,446	38%
	508,404	**100%**	442,631	100%

All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2013

42 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on 01 October 2013.

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

At the time of the meeting of the Board of Directors, the Chief Executive was not in Pakistan, as such these unconsolidated financial statements, as approved by the Board of Directors, have been signed by two Directors.

M. A. Bawany
Director

Muhammad Rafique
Director

Pattern of Shareholdings
As at 30 June 2013

NO. OF SHAREHOLDERS	SHAREHOLDINGS				NO.OF SHARES HELD
638	Shareholding from	1	to	100	15,582
222	Shareholding from	101	to	500	48,206
32	Shareholding from	501	to	1000	21,561
43	Shareholding from	1001	to	5000	96,433
7	Shareholding from	5001	to	10000	44,779
4	Shareholding from	10001	to	15000	48,016
1	Shareholding from	20001	to	25000	21,146
1	Shareholding from	25001	to	30000	28,815
1	Shareholding from	45001	to	50000	47,088
1	Shareholding from	50001	to	55000	51,975
1	Shareholding from	75001	to	80000	75,074
1	Shareholding from	125001	to	130000	126,185
1	Shareholding from	170001	to	175000	172,913
1	Shareholding from	320001	to	325000	321,705
1	Shareholding from	335001	to	340000	336,535
1	Shareholding from	380001	to	385000	382,900
1	Shareholding from	415001	to	420000	418,460
1	Shareholding from	750001	to	755000	753,000
1	Shareholding from	995001	to	1000000	1,000,000
1	Shareholding from	1050001	to	1055000	1,052,085
1	Shareholding from	1095001	to	1100000	1,100,000
1	Shareholding from	1100001	to	1105000	1,104,551
1	Shareholding from	1110001	to	1115000	1,115,000
1	Shareholding from	1645001	to	1650000	1,648,832
1	Shareholding from	1780001	to	1785000	1,780,626
1	Shareholding from	2310001	to	2315000	2,312,260
1	Shareholding from	2755001	to	2760000	2,760,000
1	Shareholding from	2970001	to	2975000	2,971,188
1	Shareholding from	3145001	to	3150000	3,150,000
2	Shareholding from	3165001	to	3170000	6,340,000
1	Shareholding from	3175001	to	3180000	3,179,255
972					**32,524,170**

Categories of Shareholders:	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	1,798,413	5.53
Associated Companies, undertaking and related parties	6,282,786	19.32
National Bank of Pakistan (Trustee Department)	1,182,259	3.64
Banks, Development Financial Institutions and Non-Banking Financial Institutions	418,947	1.29
Modarabas and Mutual Funds	16,600	0.05
Insurance Companies	28,815	0.09
Foreign Investors	19,400,443	59.65
General Public:		
a. Local	215,205	0.66
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	64,075	0.20
Asian Co-operative Society Limited	47,088	0.14
National Investment Trust Limited	21,146	0.06
Penoramic International General Trading	382,900	1.18
Bagh-e-Korangi (Private) Limited	1,100,000	3.38
Other Joint stock Companies	3,959	0.01
Securities & Exchange Commission of Pakistan	1	-

Disclosure to Pattern of Shareholdings
As at 30 June 2013

SHAREHOLDERS	SHARES HELD
ASSOCIATED COMPANIES:	
Bagh-e-Landhi Properties (Private) Limited	2,312,260
Hashoo Holdings (Private) Limited	131,689
Nadia Estate (Private) Limited	1,115,000
Zaver Petroleum Corporation Limited	1,648,832
Hashoo (Private) Limited	300
OPI Gas (Private) Limited	753,000
Murtaza Construction Corporation (Private) Limited	321,705
NIT/ ICP:	
National Bank of Pakistan (Trustee Department)	1,182,259
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN:	
Mr. Sadruddin Hashwani	1,785,163
Mr. Murtaza Hashwani	2,500
Ms. Sarah Hashwani	500
Mr. M. A. Bawany	2,875
Mr. Mansoor Akber Ali	2,500
Syed Sajid Ali	500
Mr. Muhammad Rafique	3,125
Mr. Clive Anthony Webster	500
Mr. Bashir Ahmed	650
EXECUTIVES:	
Mr. Mansoor Khan	100
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	418,921
The Bank of Punjab, Treasury Division	26
CDC - Trustee AKD Index Tracker Fund	3,400
MCBFSL - Trustee NAMCO Balanced Fund	13,200
Alpha Insurance Co. Limited	28,815
FOREIGN INVESTORS:	
Brickwood Investment Holding S.A.	1,000,000
Ocean Pakistan Limited (Orient Petroleum International Inc.)	3,170,000
Orient Drilling & Oilfield Services Limited	2,971,188
Dominion Hospitality Investments Limited	3,150,000
Bexley Services Limited	3,179,255
Castle Participations Inc.	3,170,000
Sharan Associates S.A.	2,760,000
OTHERS:	
Galadari Invest International	1,052,085
Kaizen Construction (Private) Limited	64,075
Asian Co-operative Society Limited	47,088
National Investment Trust Limited	21,146
Penoramic International General Trading	382,900
Bagh-e-Korangi (Private) Limited	1,100,000
Other Joint stock Companies	3,959
GENERAL PUBLIC:	215,205
TOTAL	**32,524,170**

Destinations of the World - Pakistan

Pakistan Services Limited, besides hotels business, is dealing in the "travels & tour related business" and running it under a prestigious banner of the DESTINATIONS OF THE WORLD (DOTW). This special venture is licensed under a master franchise agreement signed with DOTW, Dubai (United Arab Emirates).Since the establishment of the DOTW- Pakistan in 2001, it has consistently practiced trade neutrality and continues successfully to this day as a dedicated B2B travel industry wholesaler. Its core practices are focused on successfully connecting travel professionals around the globe, loyalty to our business customers i.e. Travel Agents , Tour Operators , Destinations Management Companies , Travel Management Campiness fair trading and being easy to do business with. These core practices are fully supported and disciplined by our pioneering technology and our dedicated team of professionals country wide & worldwide.

We now have 4 offices countrywide, achieved though continuous investment in people and technology. Destinations of the world have over 100,000 ground services in over 7,500 cities worldwide, which are accessed by over 450,000 travel agents, tour operators, OTA's, airlines, wholesalers, customers of Travel Technology companies and GDS's which include Amadeus, Travel port and Sabre. We currently process more than 3,000 bookings globally every day, generating over 2.3 million bed nights per annum.

Key business growth plans during 2013 include increasing our customer distribution in existing markets and to connect new XML customers from new markets across the world. Improve our products by contracting more hotels and inventory to meet the needs of new markets and by adding more hotel chains on direct dynamic connectivity to increase the existing number of properties from 80,000 to at least 100,000 over the next 12 months.

Key Benefits Provided to Travel Industry Customers

- Accessible 24 hours a day, 365 days a year
- Seamless connectivity to over 100,000 services in more than 7,500 cities worldwide
- Real-time online booking confirmations at competitive wholesale rates
- Up-to-date product images, descriptions, amenities, location and interactive maps
- Option to mark-up net rates and re-distribute to sub agents
- Vouchers branded with agent's Logo
- Multi-currency rate options
- XML Interface
- White Label

- Accessible 24 hours a day, 365 days a year
- Accessed by over 450,000 travel professionals worldwide
- Seamless booking process between the supplier and travel agents
- Online contracting
- Payment by Single Use Credit Card
- Extranet to manage your profile, descriptions, images, rates, inventory, special offers and reservations
- Manage policies including cancellation deadlines, charges and child policies
- Option to contract all room types
- Open and close free sale

Destinations of the World Online Booking System

Lunched (February 2008) - DOTW connect

Launched in February 2008 our proprietary system "DOTW connect" was specifically designed for the travel trade, with a focus on seamless communication and direct connectivity to customer and supplier systems. DOTW Connect was two years in the making and is completely developed, enhanced and managed in house with the support of a dedicated team of IT professionals. DOTW connect v2.0 was launched in April 2009 and continues with real-time enhancements based on further continuous feedback from our trade customers, which is easily managed as DOTW connect is a flexible technology platform and allows the rapid development of both front and back end features.

Key features include Direct Connect, XML interface, White Label, Extranet, E-commerce, Dynamic Pricing and Dynamic Exchange Rates. Current enhancements include XML connectivity to hotel chains, 3rd party suppliers and global distribution systems, web services for channel managers, Car Rental, Travel Insurance and, last but not least, Dynamic Packaging.

www.dotw.com
res@dotwpakistan.com

WORLD
DESTINATIONS OF THE WORLD
KARACHI - ISLAMABAD - LAHORE - FAISALABAD

Consolidated Financial Statements

For the year ended 30 June 2013

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 2013.

The financial results of the Consolidated Financial Statements for the year ended 30 June 2013 are as under:

	(Rupees '000)
Profit before taxation	675,818
Taxation	(204,185)
Profit after taxation	471,633

Earnings per share

Earnings per share for the year arrives at Rs. 14.50

During the period under review; M/s. Pearl Tours & Travels (Private) Limited which is engaged in the business of rent a car and arrangement of tour packages, has generated revenue of Rs. 162 million as compared to Rs. 144 million of last year which shows 13% increase the revenue. During the period under review the Company recorded profit after tax of Rs. 3.361 million as compared to that of Rs. 5.226 million achieved in last year.

Wholly owned Company M/s. Musafa International (Private) Limited (MIPL), principally engaged in project management business, recorded loss after tax amounting to Rs. 48.894 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 2012-13.

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

M. A. Bawany
Director

Muhammad Rafique
Director

Islamabad: 01 October 2013

Auditors' Report on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Pakistan Services Limited and its subsidiary companies as at 30 June 2013 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 then ended. We have also expressed separate opinions on the financial statements of Pakistan Services Limited and its subsidiary companies except for Musafa International (Private) Limited which was audited by other firm of auditors 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 such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Pakistan Services Limited and its subsidiary companies as at 30 June 2013 and the results of their operations for the year then ended.

KPMG Taseer Hadi & Co.

Islamabad: 01 October 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Muhammad Rehan Chughtai

Consolidated Balance Sheet
As at 30 June 2013

	Note	2013	2012
		(Rupees'000)	
SHARE CAPITAL AND RESERVES			
Authorised share capital			
50,000,000 (2012: 50,000,000) ordinary shares of Rs. 10 each		500,000	500,000
Issued, subscribed and paid up share capital	4	325,242	325,242
Reserves	5	2,574,085	2,506,078
Unappropriated profit		2,321,690	1,850,056
		5,221,017	4,681,376
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	13.2	19,988,725	19,988,725
NON CURRENT LIABILITIES			
Long term financing - secured	6	350,000	583,333
Liabilities against assets subject to finance lease - secured	7	16,651	26,024
Deferred liabilities	8	379,445	556,239
		746,096	1,165,596
CURRENT LIABILITIES			
Trade and other payables	9	1,457,944	1,309,761
Markup accrued		20,689	32,323
Short term borrowings - secured	10	75,395	63,936
Current portion of long term financing and liabilities against assets subject to finance lease	11	243,081	229,595
		1,797,109	1,635,615
		27,752,947	27,471,312
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984

At the time of the meeting of the Board of Directors, the Chief Executive of the Parent Company was not in Pakistan, as such these consolidated financial statements, as approved by the Board of Directors, have been signed by two Directors.

	Note	2013	2012
		(Rupees'000)	
NON CURRENT ASSETS			
Property, plant and equipment	13	**23,449,336**	23,016,357
Advance for capital expenditure	14	**1,099,645**	962,220
Investment property	15	**47,000**	47,000
Long term investments	16	**859,751**	1,852,348
Long term deposits and prepayments		**35,049**	17,048
		25,490,781	25,894,973
CURRENT ASSETS			
Stores, spare parts and loose tools	17	**129,770**	101,538
Stock in trade - food and beverages		**80,533**	65,589
Trade debts	18	**570,770**	484,135
Advances	19	**590,273**	573,255
Trade deposits and prepayments	20	**77,970**	65,056
Interest accrued		**7,202**	8,364
Other receivables	21	**28,794**	22,957
Other financial assets	22	**32,652**	24,884
Non current assets held for sale	23	**597,203**	55,955
Advance tax - net	24	**17,726**	33,816
Cash and bank balances	25	**129,273**	140,790
		2,262,166	1,576,339
		27,752,947	27,471,312

M. A. Bawany
Director

Muhammad Rafique
Director

Consolidated Profit and Loss Account
For the year ended 30 June 2013

	Note	2013	2012
		(Rupees'000)	
Sales and services - net	26	**6,922,021**	5,863,187
Cost of sales and services	27	**(4,012,612)**	(3,401,602)
Gross profit		**2,909,409**	2,461,585
Administrative expenses	28	**(1,839,584)**	(1,474,847)
Other expenses	29	**(458,046)**	(29,134)
Finance cost	30	**(154,326)**	(186,705)
Other income	31	**291,410**	293,061
		748,863	1,063,960
Share of loss in equity accounted investments - net	16.1 & 16.2	**(73,045)**	(16,138)
Profit before taxation		**675,818**	1,047,822
Taxation	32	**(204,185)**	(349,625)
Profit after taxation		**471,633**	698,197

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984
At the time of the meeting of the Board of Directors, the Chief Executive of the Parent Company was not in Pakistan, as such these consolidated financial statements, as approved by the Board of Directors, have been signed by two Directors.

M. A. Bawany
Director

Muhammad Rafique
Director

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2013

	2013	2012
	(Rupees'000)	
Profit for the year	**471,633**	698,197
Other comprehensive income for the year		
Exchange gain on translation of long term investments in equity accounted investees	**68,101**	163,018
Surplus on remeasurement of available for sale securities	**14,364**	6,801
Related deferred tax liability	**(14,458)**	(45,794)
Other comprehensive income for the year	**68,007**	124,025
Total comprehensive income for the year	**539,640**	822,222

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984
At the time of the meeting of the Board of Directors, the Chief Executive of the Parent Company was not in Pakistan, as such these consolidated financial statements, as approved by the Board of Directors, have been signed by two Directors.

M. A. Bawany
Director

Muhammad Rafique
Director

Consolidated Cash Flow Statement
For the year ended 30 June 2013

	Note	2013	2012
		(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operating activites before working capital changes	33	**1,616,546**	1,510,796
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		**(28,232)**	(15,417)
Stock in trade - food and beverages		**(14,944)**	(11,756)
Trade debts		**(120,918)**	(170,296)
Advances		**(17,018)**	31,616
Trade deposits and prepayments		**(12,914)**	(25,834)
Other receivables		**(5,837)**	3,584
Increase / (decrease) in trade and other payables		**148,183**	(50,766)
Cash used in operations		**(51,680)**	(238,869)
Staff retirement benefit - gratuity paid	8.1	**(27,439)**	(18,677)
Compensated leave absences paid	8.3	**(24,700)**	(18,379)
Income tax paid	24	**(415,153)**	(410,364)
Finance cost paid		**(165,960)**	(185,866)
Net cash generated from operating activities		**931,614**	638,641
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(664,863)**	(539,137)
Additions to advance for capital expenditure		**(241,780)**	(208,815)
Proceeds from disposal of property, plant and equipment	13.4	**29,837**	34,005
Purchase of other financial assets		**(4,868)**	(16,996)
Dividend income received		**27,225**	23,625
Receipts of return on bank deposits, short term advance and certificates of investments		**89,580**	136,188
Proceeds from disposal of non current assets held for sale		**57,500**	35,700
Long term deposits		**(18,001)**	(1,003)
Net cash used in investing activities		**(725,370)**	(536,433)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - repayments		**(216,667)**	(36,000)
Proceeds from long term financing - disbursements		**-**	300,000
Repayment of liabilities against assets subject to finance lease		**(12,553)**	(17,557)
Net cash (used in) / generated from financing activities		**(229,220)**	246,443
Net (decrease) / increase in cash and cash equivalents		**(22,976)**	348,651
Cash and cash equivalents at beginning of the year		**76,854**	(271,797)
Cash and cash equivalents at end of the year	34	**53,878**	76,854

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984

At the time of the meeting of the Board of Directors, the Chief Executive of the Parent Company was not in Pakistan, as such these consolidated financial statements, as approved by the Board of Directors, have been signed by two Directors.

M. A. Bawany	**Muhammad Rafique**
Director	Director

Consolidated Statement of Changes in Equity
For the year ended 30 June 2013

	Note	Share capital	Capital reserve: Share premium	Capital reserve: Share of associate's capital reserve	Revenue reserves: General reserve	Revenue reserves: Exchange translation reserve (net of tax)	Revenue reserves: Surplus on remeasurement of available for sale securities	Revenue reserves: Unappropriated profit	Total equity
		---	---	---	---	(Rupees'000)	---	---	---
Balance at 01 July 2011 - as previously reported		325,242	269,424	147,221	1,600,000	385,227	-	1,172,092	3,899,206
Effect of restatement									
- Surplus on remeasurement of available for sale securities	16.1.3	-	-	-	-	-	73,248	(73,248)	-
- Deferred tax	8.2.1	-	-	-	-	(93,067)	-	53,015	(40,052)
Balance at 01 July 2011 - as restated		325,242	269,424	147,221	1,600,000	292,160	73,248	1,151,859	3,859,154
Changes in equity for the year ended 30 June 2012									
Total comprehensive income for the year									
Profit for the year		-	-	-	-	-	-	698,197	698,197
Other comprehensive income for the year		-	-	-	-	117,224	6,801	-	124,025
Total comprehensive income for the year		-	-	-	-	117,224	6,801	698,197	822,222
Balance at 30 June 2012		**325,242**	**269,424**	**147,221**	**1,600,000**	**409,384**	**80,049**	**1,850,056**	**4,681,376**
Balance at 01 July 2012 - as previously reported		325,242	269,424	147,221	1,600,000	548,245	-	1,842,756	4,732,888
Effect of restatement									
- Surplus on remeasurement of available for sale securities	16.1.3	-	-	-	-	-	80,049	(80,049)	-
- Deferred tax	8.2.1	-	-	-	-	(138,861)	-	87,350	(51,511)
Balance at 01 July 2012 - as restated		325,242	269,424	147,221	1,600,000	409,384	80,049	1,850,057	4,681,377
Changes in equity for the year ended 30 June 2013									
Total comprehensive income for the year									
Profit for the year		-	-	-	-	-	-	471,633	471,633
Other comprehensive income for the year		-	-	-	-	53,643	14,364	-	68,007
Total comprehensive income for the year		-	-	-	-	53,643	14,364	471,633	539,640
Balance at 30 June 2013		**325,242**	**269,424**	**147,221**	**1,600,000**	**463,027**	**94,413**	**2,321,690**	**5,221,017**

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984

At the time of the meeting of the Board of Directors, the Chief Executive of the Parent Company was not in Pakistan, as such these consolidated financial statements, as approved by the Board of Directors, have been signed by two Directors.

M. A. Bawany
Director

Muhammad Rafique
Director

Notes to the Consolidated Financial Statements
For the year ended 30 June 2013

1 THE GROUP AND ITS OPERATIONS

Pakistan Services Limited ("the Parent Company") was incorporated on 6th December 1958 in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) as a public limited company and is quoted on Karachi Stock Exchange 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 & Kashmir. The Parent Company also owns one small property in Lahore operating under budget hotel concept. The Parent Company's registered office is situated at 1st Floor, NESPAK House, Sector G-5/2, 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%

The shareholders of the Parent Company in an Extraordinary General Meeting held on 17 June 2013 have approved merger of Musafa International (Private) Limited with the Parent Company. Subsequent to the balance sheet date, Honourable High Court of Islamabad approved the merger with effective date of 26 September 2013.
Accordingly, accounting adjustments relating to merger have not been incorporated in the consolidated financial statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives 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 statement 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 statement of the subsidiary companies have been consolidated on a line-by-line basis.

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

Associates are those entities in which the group has significant influence, but not control or joint 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 strategic financial and operating decisions.

Interests in associates and jointly controlled entities

Interests in associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost which includes transactions costs. Subsequent to initial recognition, the consolidated financial statements include the group's share of the profit or loss and other comprehensive income of equity accounted investees, untill the date on which significant influence or joint control exists.

Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investments are eliminated against the investment to the extent of group's interest in investee. Unrealised losses are eliminated in the same way as unreliased 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 item of property, plant and equipment have been measured at revalued amounts;
- investment property have been measured at fair value;
- held for trading investments have been recognised at fair value;
- liability related to staff retirement gratuity is measured at values determined through actuarial valuation.

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. Amounts presented in Pakistan Rupees have been rounded off to nearest thousand.

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 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, surplus on revaluation 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

Notes to the Consolidated Financial Statements
For the year ended 30 June 2013

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 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 cost of completion and 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 an estimates of future cash flows from the group's financial assets including investments in subsidiaries and associates, the management considers estimated cash flows and their terminal value for impairment testing.

2.5.7 Fair value of investment property

Fair value of investment property is determined using market value basis, any change in the estimate might affect carrying amount of investment property with corresponding affect in consolidated profit and loss account.

2.5.8 Fair value of investments - 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. Any change in the estimate might effect carrying amount of investments held for trading with corresponding effect in consolidated profit and loss account.

2.5.9 Provision

The Company reviews the carrying amount of liabilities on a regular basis and appropriate amount of provision is made as and when necessary.

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 on or after 01 July 2013:

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 amendments will result in recognition of unrecognised gain or loss amounting to Rs. 9.71 million in other comprehensive income.

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. 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 1 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.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial nstruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments have no impact on consolidated financial statements of the group.

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments have no impact on consolidated financial statements of the group.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations. The amendments have no impact on consolidated financial statements of the group.

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period which is the preceding period is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on consolidated financial statements of the group.

IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after I January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event).The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the Levy.The amendments have no impact on consolidated financial statements of the group.

AS 39 Financial Instrument: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to lAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a Novation indicates that parties to a contract agree to replace their origina1counterparty with a new one).The amendments have no impact on consolidated financial statements of the group.

Amendment to lAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to lAS 36 Impairment of Assets address the

Notes to the Consolidated Financial Statements
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disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments have no impact on consolidated financial statements of the group.

3. 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 are carried at cost less accumulated depreciation and accumulated impairment loss, if any, except for land (free hold and lease hold) which is carried at revalued amount and capital work in progress and advance for capital expenditure which are carried 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 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 13 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

- Finance lease

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

- Ijarah

Rentals payable under ijarah arrangement are charged to profit and loss account on a straight line basis over the term of the Ijarah lease arrangement.

3.2 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 it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

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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 up to the 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 realizable 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 balance sheet date, less impairment losses, if any.

3.5 Financial instruments

Non-derivative financial assets

These are initially recognized on the date that they are originated i.e. on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. Investments are recognised on settlement date.

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company classifies non-derivative financial assets into the following categories: held to maturity, financial assets at fair value through profit or loss - held for trading, available for sale investments and loans and receivables.

3.5.1 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 portfolio of financial instruments exhibiting short term profit taking, are classified as held for trading and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in the consolidated profit and loss account.

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

3.5.2 Held to maturity investments

Investments with fixed or determinable payments and fixed maturity and where the group has positive intent and ability to hold investments to maturity are classified as investments held to maturity. These are initially recognized at cost being fair value of consideration given inclusive of transaction costs and are subsequently carried at amortized cost using the effective interest rate method, less any impairment losses.

3.5.3 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than (a) those that the group intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the group upon initial recognition designates as at fair value through consolidated profit and loss account; (b) those that the group upon initial recognition designates as available for sale; or (c) those for which the group may not recovers substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale. Loans and receivables include deposits, trade debts, advances, other receivables, other financial assets and cash and cash equivalents.

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These are initially recognized at cost being fair value of consideration given inclusive of transaction costs and are subsequently carried at amortized cost using the effective interest rate method, less any impairment losses. Gain or loss is also recognized in consolidated profit and loss account when loans and receivables are derecognized or impaired, and through the amortization process. Known impaired receivables are written off, while receivables considered doubtful of recovery are fully provided for.

3.5.4 Available for sale

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available for sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Available for sale financial assets comprise equity securities and debt securities.

Non-derivative financial liabilities

The Company initially recognises non derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Non derivative financial liabilities comprise markup bearing borrowings including long term financing, obligations under finance lease, short term borrowings and trade and other payables.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.6 Borrowing costs

Borrowings which are directly attributable to the acquisition, construction or production of a qualifying asset 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. All other borrowing costs are charged to consolidated profit and loss account.

3.7 Provisions

Provisions are 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 balance sheet date and adjusted to reflect current best estimate.

3.8 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 Parent 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

Notes to the Consolidated Financial Statements
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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 2012.

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

Provident fund

The 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.

Compensated leave absences

The Parent Company has the policy to provide for compensated absences of its employees in accordance with respective entitlement on cessation of service; related expected cost thereof has been included in the financial statements.

3.9 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 these relate to income taxes levied by the same tax authority.

3.10 Revenue recognition

Room revenue is recognized as income on performance of services to the guests. Food and beverage sales are recognized on utilization of food and beverages services. Communication towers and other rental income and shop license fee is recognized in profit or loss on a straight-line basis over the term of the lease. Revenue from minor operating departments is recognized as and when services are provided to the customers. Privilege Club Card fee is recognised in the consolidated profit and loss account on a straight line basis over the term of the related card. Vehicle rental income, income from tour packages and commission on pilgrimage tours is recognized on the performance of services.

3.11 Foreign currency

Foreign currency transactions

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

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Pak Rupees at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Pak Rupees at exchange rates at the dates of the transactions."

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Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed off in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.12 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 and advances 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.

3.13 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.

3.14 Dividend

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

3.15 Impairment

(i) Non-derivative financial assets

All financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the group on terms that the group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers and economic conditions that correlate with defaults or the disappearance of an active market for a security.

The group considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in as allowance against financial asset measured at amortized cost. Interest on the impaired asset is recognized only to the extent it is considered recoverable. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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(ii) Non-financial assets

The carrying amounts of the group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss.

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.

3.16 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.

3.17 Cash and cash equivalents

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.

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4 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2013	2012		Note	2013	2012
Number of shares				(Rupees'000)	
		Ordinary shares of Rs.10 each:			
25,672,620	25,672,620	- Fully paid in cash		256,726	256,726
362,100	362,100	- Issued for consideration other than cash against property		3,621	3,621
6,489,450	6,489,450	- Issued as fully paid bonus shares		64,895	64,895
32,524,170	32,524,170			325,242	325,242

5 RESERVES

	Note	2013	2012
Capital reserve - Share premium	5.1	269,424	269,424
- Share of associate's capital reserve		147,221	147,221
Revenue - General reserve		1,600,000	1,600,000
- Exchange gain on translation of long term investments		463,027	409,384
- Surplus on remeasurement of available for sale securities		94,413	80,049
		2,574,085	2,506,078

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 56.45 million issued as bonus shares in the years 2000 and 2004.

6 LONG TERM FINANCING - secured

	Note	2013	2012
		(Rupees'000)	
From banking companies		583,333	800,000
Current portion of long term financing	11	(233,333)	(216,667)
		350,000	583,333

This represents term finance loans carrying markup ranging from 3- month KIBOR plus 2.50% per annum to 2.75% per annum (2012: 3- month KIBOR plus 2.50% per annum to 2.75% per annum). These are secured against first pari passu equitable mortgage charge on land and building of Pearl Continental Hotel, Rawalpindi and Karachi for an amount of Rs. 1,095.57 million; ranking hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi to the extent of Rs. 667 million; hypothecation charge over plant, machinery, equipment and other movable assets of Pearl Continental Hotel, Karachi to the extent of Rs. 428.57 million and personal guarantees of directors of the Parent Company. The loans are repayable in twelve equal quarterly installments of Rs. 41.667 million each commenced from September 2012 and eighteen equal quarterly installments of Rs. 16.667 million each commenced from October 2012.

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - secured

	Note	2013			2012		
		Present value of minimum lease	Financial charges for future periods	Total lease rentals	Present value of minimum lease	Financial charges for future periods	Total lease rentals
		(Rupees'000)					
Not later than one year	11	9,748	2,617	12,365	12,928	4,332	17,260
Later than one year and not later than five years		16,651	5,530	22,181	26,024	6,376	32,400
		26,399	8,147	34,546	38,952	10,708	49,660

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This represents utilised amount out of total lease finance facility of Rs. 50 million (June 2012: Rs. 50 million) for purchase of vehicles which carries markup equal to 3-month KIBOR plus 2.50% (2012: 3-month KIBOR plus 2.50%). The facility is secured against pari passu mortgage charge over land, building and fixed assets of Pearl Continental Hotel, Karachi for an amount of Rs 71.43 million; hypothecation charge over plant, machinery, equipment and other movable assets of Pearl Continental Hotel, Karachi for an amount of Rs 71.43 million and personal guarantee of director of the Parent Company and ownership of leased vehicles.

		Note	2013	2012
8	**DEFERRED LIABILITIES**		(Rupees'000)	
	Staff retirement benefit - gratuity	8.1	**291,048**	267,918
	Deferred tax	8.2	**2,506**	215,106
	Compensated leave absences	8.3	**85,891**	73,215
			379,445	556,239
8.1	**Movement in the liability recognised in the balance sheet**			
	Opening balance		**267,918**	242,967
	Charge for the year		**50,569**	43,628
	Payments made during the year		**(27,439)**	(18,677)
	Closing balance		**291,048**	267,918
	Reconciliation of the liability recognised in the balance sheet			
	Present value of defined benefit obligation		**281,337**	258,207
	Actuarial gains unrecognised		**9,711**	9,711
	Net liability at end of the year		**291,048**	267,918
	Charge to profit and loss account for the year			
	Current service cost		**17,002**	15,346
	Interest cost		**33,567**	28,282
			50,569	43,628

The latest actuarial valuation was carried out on 30 June 2012 using projected unit credit method.

Actuarial assumption	2013	2012
Discount rate	**13%**	13%
Expected increase in eligible salary	**13%**	13%
Mortality rate	**EFU (61-66)**	EFU (61-66)

Historical information

	2013	2012	2011	2010	2009
	(Rupees'000)				
Present value of defined benefits obligation	**281,337**	258,207	235,678	214,440	213,499
Experience adjustment on defined benefits obligation	**-**	2422	523	(3,801)	-

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		2013	2012
		(Rupees'000)	
8.2	**Deferred tax (asset) / liability - net**		
	Taxable temporary differences		
	Accelerated tax depreciation	**305,373**	294,445
	Exchange translation reserve	**153,319**	138,861
		458,692	433,306
	Less: deductible temporary differences		
	Provision for staff retirement benefit	**128,159**	93,771
	Provision for bad and doubtful debts and other receivables	**49,233**	38,681
	Unabsorbed tax losses	**1,816**	2,329
	Impairment loss in value of investment	**1,802**	1,855
	Provision for stores, spare parts and loose tools	**1,020**	1,050
	Share in loss of associate	**118,420**	80,514
	Write down of investment to its net selling price (non-current asset held for sale)	**155,736**	-
		456,186	218,200
		2,506	215,106

8.2.1 Upto last year, the group had not recorded deferred tax on exchange translation difference on an equity accounted associate and share of loss on certain equity accounted associates. These have been recognised during the year by restating the comparative figures of 30 June 2012 in accordance with the requirements of International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". However, as the impact of this change is not considered significant in overall context of the financial statements, third balance sheet has not been presented. This change has resulted in increase in deferred tax liability as at 30 June 2011 by Rs. 93.067 million and during the year ended 30 June 2012 by Rs. 45.794 million with the corresponding decrease in the balance of exchange translation reserve. Further, this has resulted in decrease in deferred tax liability as at 30 June 2011 by Rs. 53.015 million and during the year ended 30 June 2012 by Rs. 34.334 million with the corresponding effect in unappropriated profit.

8.2.2 The liability for deferred tax has been calculated at tax rate of 34% (2012: 35%).

		2013	2012
		(Rupees'000)	
8.3	**Movement in the liability recognised in the balance sheet**		
	Opening balance	**73,215**	57,639
	Charge for the year	**37,376**	33,955
	Payments made during the year	**(24,700)**	(18,379)
	Closing balance	**85,891**	73,215

Actuarial valuation has not been carried out as the impact is considered to be immaterial. These have been reclassified from current liabilities during the year for appropriate presentation. However, information relating to opening balance of comparative information has not been presented on the balance sheet as the impact of reclassification was not considered material in relation to the balance sheet.

Notes to the Consolidated Financial Statements
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9 TRADE AND OTHER PAYABLES

	Note	2013	2012
		(Rupees'000)	
Creditors		**271,020**	228,638
Accrued liabilities		**460,522**	419,812
Advances from customers		**189,219**	171,335
Unclaimed dividend		**3,534**	3,534
Retention money		**37,704**	44,136
Shop deposits	9.1	**51,016**	49,884
Due to related parties - unsecured		**69,281**	13,815
Federal excise duty		**5,685**	5,796
Sales tax - net		**140,606**	125,410
Bed tax		**81,518**	85,319
Property tax		**-**	6,626
Income tax deducted at source		**5,546**	2,734
Un-earned income		**116,733**	110,728
Other liabilities		**25,560**	41,994
		1,457,944	1,309,761

9.1 These have been reclassified from current liabilities during the year for appropriate presentation. However, information relating to opening balance of comparative information has not been presented on the balance sheet as the impact of reclassification was not considered material in relation to the balance sheet.

10 SHORT TERM BORROWINGS - secured

	Note	2013	2012
		(Rupees'000)	
Running finance from banking companies	10.1	**75,395**	63,936

10.1 The Parent Company has facilities amounting to Rs. 1,050 million (2012: 1,150 million) which are secured against pari-passu equitable mortgage charge on fixed assets and hypothecation charge on stock-in-trade, trade debts, receivables and all other moveable assets of Pearl Continental Hotel Karachi and Rawalpindi and lien on certain listed securities held by the Parent Company. Mark-up rates ranges from 1-month KIBOR to 6 - month KIBOR plus 1.5% to 2.5%. (2012: 1-month KIBOR to 6 - month KIBOR plus 2.5% to 3%)

11 CURRENT PORTION OF LONG TERM FINANCING AND LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2013	2012
		(Rupees'000)	
Current portion of long term financing	6	**233,333**	216,667
Current portion of liabilities against assets subject to finance lease	7	**9,748**	12,928
		243,081	229,595

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies - Parent Company

12.1.1 The income tax assessments of the Parent Company have been finalized and returns have been filed up to and including the tax year 2012. 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 (2012: Rs. 73.165 million) may 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 favorable outcome of the appeal. Therefore, the Parent Company considers that provision against this tax liability is not required.

	2013	2012
	(Rupees'000)	
12.1.2 Guarantees	**128,737**	109,163
12.2 Commitments		
Commitments for capital expenditure	**65,757**	277,957

13 PROPERTY, PLANT AND EQUIPMENT

	Owned assets									Leased assets	
	Freehold land	Leasehold 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 13.1)	Vehicles	Total
	Rupees'000										
Cost / revalued amounts											
Balance at 01 July 2011	10,020,271	10,100,120	709,644	783,589	2,296,404	681,594	143,446	250,859	537,319	45,720	**25,568,966**
Additions during the year / transfer from advance for capital expenditure	3,523	-	5,600	124,250	110,189	68,062	17,444	7,800	290,470	31,550	**658,888**
Disposals	-	-	-	-	(17,485)	(14,224)	(15,604)	(18,851)	-	-	**(66,164)**
Transfer from investment property	297,020	-	40,674	-	4,361	2,408	300	-	-	-	**344,763**
Transfer from CWIP	-	-	-	485,980	54,140	118,657	13,556	-	(672,333)	-	**-**
Write down of assets to fair value	-	(19,045)	-	-	-	-	-	-	-	-	**(19,045)**
Transfer to non current assets held for sale	-	(55,955)	-	-	-	-	-	-	-	-	**(55,955)**
Balance at 30 June 2012	10,320,814	10,025,120	755,918	1,393,819	2,447,609	856,497	159,142	239,808	155,456	77,270	**26,431,453**
Balance at 01 July 2012	10,320,814	10,025,120	755,918	1,393,819	2,447,609	856,497	159,142	239,808	155,456	77,270	**26,431,453**
Additions during the year / transfer from advance for capital expenditure	216,866	-	66,787	-	92,818	196,970	12,477	12,259	168,830	2,210	**769,217**
Disposals	-	-	-	-	(1,324)	(38)	(111)	(35,742)	-	-	**(37,215)**
Transfer from CWIP	-	-	-	44,377	41,275	53,566	4,511	-	(143,729)	-	**-**
Transfer from leased assets to owned assets	-	-	-	-	-	-	-	40,620	-	(40,620)	**-**
Balance at 30 June 2013	10,537,680	10,025,120	822,705	1,438,196	2,580,378	1,106,995	176,019	256,945	180,557	38,860	**27,163,455**
Depreciation											
Balance at 01 July 2011	-	-	438,715	394,708	1,676,957	444,228	108,390	141,472	-	11,489	**3,215,959**
Charge for the year	-	-	28,064	55,409	93,663	41,146	11,266	16,225	-	5,698	**251,471**
On disposals	-	-	-	-	(14,804)	(10,005)	(13,782)	(13,743)	-	-	**(52,334)**
Balance at 30 June 2012	**-**	**-**	466,779	450,117	1,755,816	475,369	105,874	143,954	-	17,187	**3,415,096**
Balance at 01 July 2012	-	-	466,779	450,117	1,755,816	475,369	105,874	143,954	-	17,187	**3,415,096**
Charge for the year	-	-	69,325	53,703	102,199	60,301	16,046	17,386	-	5,810	**324,770**
On disposals	-	-	-	-	(379)	(14)	(49)	(25,305)	-	-	**(25,747)**
Adjustment	-	-	-	-	-	-	-	16,002	-	(16,002)	**-**
Balance at 30 June 2013	-	-	**536,104**	**503,820**	**1,857,636**	**535,656**	**121,871**	**152,037**	-	**6,995**	**3,714,119**
Carrying value - 2013	**10,537,680**	**10,025,120**	**286,601**	**934,376**	**722,742**	**571,339**	**54,148**	**104,908**	**180,557**	**31,865**	**23,449,336**
Carrying value - 2012	10,320,814	10,025,120	289,139	943,702	691,793	381,128	53,268	95,854	155,456	60,083	23,016,357
Rates of depreciation per annum	-	-	10%	10%	15%	15%	30%	15%	-	15%	

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13.1 This represent civil works carried out at various hotel properties.

13.2 Surplus on revaluation of property, plant and equipment

Freehold and leasehold land having cost of Rs. 112.621 million were revalued on 30 June 2010 by M/s. Engineering Pakistan International (Private) Limited and M/s. Iqbal A.Nanjee & Co. (Private) Limited (independent valuers) based on market value basis method.

Had the aforementioned revaluation not carried out, the book values of freehold and leasehold land would have been Rs.574.075 million (2012: Rs. 357.209 million).

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

	Note	2013	2012
		(Rupees'000)	
Cost of sales and services	27	**296,905**	227,918
Administrative expenses	28	**27,867**	23,553
		324,772	251,471

13.4 Detail of disposal of property, plant and equipment:

Description	Cost	Carrying value	Sale proceeds	Mode of disposal	Purchaser
	(Rupees'000)				
Plant & machinery	1,324	945	945	Negotiation	"Hashwani Hotels Limited, a related party"
Computers	90	59	59	Negotiation	Syed Naveed Ali
Vehicle	846	315	710	Auction	Syed Naveed Ali
Vehicle	517	160	319	Auction	Mr. Shafiq-ur-Rehman
Vehicle	522	102	279	Auction	Mr. Shafiq-ur-Rehman
Vehicle	795	155	725	Auction	Dr. Saulat-ul-Islam
Vehicle	517	160	300	Auction	Mr. Rafi Raza Abbasi
Vehicle	886	270	745	Auction	Mr. Saeed Ahmed Khan *
Vehicle	1,238	377	852	Auction	Mr. Rashid Rauf Banday
Vehicle	835	198	656	Auction	Mr. Abdul Rashid
Vehicle	846	285	840	Auction	Mr. Siyal Afzal
Vehicle	886	253	705	Auction	Mr. Siyal Afzal
Vehicle	1,209	306	306	Negotiation	Syed Sajid Ali *
Vehicle	1,526	766	1,600	Auction	PICIC Insurance Limited
Vehicle	650	360	656	Auction	Mr. Tahir Mahmood *
Vehicle	886	270	805	Auction	Mr. Sajid Anis *
Vehicle	1,347	1,046	1,300	Auction	PICIC Insurance Limited
Vehicle	886	263	716	Auction	Mr. Abdul Rashid
Vehicle	522	100	400	Auction	Mr. Shahid Iqbal
Vehicle	555	189	471	Auction	Mr. Adnan Ahmed Saeed *
Vehicle	555	189	402	Auction	Mr. Shujah Jadoon *
Vehicle	879	251	778	Auction	Mr. Malik Mohammad Arif
Vehicle	835	251	763	Auction	Mr. Sajawal Kahn
Vehicle	739	258	462	Auction	Sheikh Abdul Waheed
Vehicle	769	75	731	Auction	Mr. Fahad Farooq
Vehicle	795	151	700	Auction	Mr. Shahid Iqbal
Vehicle	835	254	739	Auction	Mr. Shahzad Ali Attari
Vehicle	555	199	450	Auction	Mr. Asim Ali
Vehicle	836	248	767	Auction	Mr. Irfan Ejaz Awan
Vehicle	795	147	731	Auction	Mr. Kanwar Asif Maqsood
Vehicle	795	182	651	Auction	Mr. Hassan Mobeen Alam

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Description	Cost	Carrying value	Sale proceeds	Mode of disposal	Purchaser
	(Rupees'000)				
Vehicle	886	253	678	Auction	Mr. Malik Mohammad Arif
Vehicle	846	285	731	Auction	Mr. Hassan Badar
Vehicle	835	251	813	Auction	Mr. Sajawal Khan
Vehicle	795	153	743	Auction	Mr. Sajawal Khan
Vehicle	795	155	502	Auction	Mr. Akbar Ali *
Vehicle	1,288	368	820	Auction	Mr. Malik Mohammad Arif
Vehicle	1,248	253	252	Negotiation	Sardar Mohammad Akbar
Vehicle	795	155	754	Auction	Mr. Sajid Hussain Gondal
Vehicle	739	261	433	Auction	Mr. Sajawal Khan
Vehicle	555	133	560	Auction	Mr. Sajjad Hussain
Vehicle	560	207	600	Auction	Mr. Mubashir Javaid
Vehicle	555	132	600	Auction	Mr. Mansoor Ahmed
Aggregate of other items with individual book values not exceeding Rs. 50 thousand	2,050	78	1,788		*Executive of the Parent Company
2013	**37,218**	**11,468**	**29,837**		
2012	66,164	13,830	34,005		

	Note	2013	2012
14 ADVANCE FOR CAPITAL EXPENDITURE		(Rupees'000)	
Purchase of land	14.1	**626,820**	626,820
Purchase of apartment	14.2	**40,509**	40,509
Malir Delta Land	14.3	**379,156**	190,537
Advance for purchase of fixed assets		**53,160**	4,354
Multan land	14.4	**-**	100,000
		1,099,645	962,220

14.1 This represents amount paid to M/s. Associated Builders (Private) Limited, a related party, for purchase of tourist site land measuring 7.29 acres in Gwadar. Development work on land is in progress and therefore land will be handed over to the Parent Company upon completion of such work.

14.2 This represents amount paid to M/s. Creek Marina (Private) Limited ("the developer") for purchase of an apartment. The developer failed to complete the construction within time frame stipulated in the agreement. The Parent Company, in order to safeguard its interest has filed a case for recovery of its investment.

14.3 This represents amount paid for purchase of 113.34 acres of land and fee for regularization of land as per the value assessed by the Land Regularization Committee established by the Government of Sindh under the Sindh Ordinance, 2001. During the year, Honourable High Court of Sindh at Karachi dismissed the Constitution Petition filed by the Parent Company challenging the impugned order of the Accountability Court Karachi declaring that any transfer of title or creation of any third party interest in the said land was declared void. The Parent Company being aggrieved and dissatisfied with this impugned judgment for dismissal of its Constitution Petition has filed an Appeal (CPLA) in the Honourable Supreme Court of Pakistan which is pending. Though the management is hopeful for favourable outcome of this matter, in the eventuality of an adverse outcome, the management, on the basis of legal opinion, believes that the Parent Company will be able to recover the purchase consideration and land regularization fee paid to the Land Regularization Department.

14.4 This has been capitalized during the year.

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		Note	2013	2012
15	**INVESTMENT PROPERTY**		(Rupees'000)	
	Opening balance	15.1	**47,000**	391,763
	Transferred to property, plant and equipment		**-**	(344,763)
	Closing balance		**47,000**	47,000

15.1 On 30 June 2013, an exercise was carried out by the independent valuer to calculate the fair value of investment property. To assess the land prices, market research was carried out in the area around the plot where the investment property is situated.

		% of holding	Note	2013		2012	
16	**LONG TERM INVESTMENTS**			(Rupees'000)			
	Associated undertaking - unquoted						
	Hashoo Group Limited - British Virgin Island						
	98,000 (2012: 98,000) ordinary shares of US$ 100 each	14%		**1,055,249**		1,008,653	
	Transferred to non current assets held for sale		23	**(1,055,249)**		-	
	Hotel One (Private) Limited - Pakistan						
	500,000 (2012: 500,000) ordinary shares of Rs.100 each	17. 85%		**27,617**		28,739	
					27,617		1,037,392
	Associated undertaking - quoted						
	Jubilee General Insurance Company Limited - an associated company		16.1.1, 16.1.2,				
	10,350,000 (2012: 9,000,000) ordinary shares	7. 6%	16.1.3 & 16.1.4		**621,000**		486,000
			16.1		**648,617**		1,523,392
	Investment in jointly controlled entity						
	Pearl Continental Hotels Limited - UAE						
	95 (2012: 95) ordinary shares of US$ 50,000 each	50%	16.2		**211,134**		328,956
	Other investments						
	Available for sale - unquoted company						
	Malam Jabba Resorts Limited			**1,000**		1,000	
	Impairment loss			**(1,000)**		(1,000)	
					-		-
					859,751		1,852,348

		Note	2013			2012		
16.1	**Investment in associated undertaking**							
	Cost of investment				**1,534,083**			1,534,083
	Share of equity brought forward			**692,299**			501,460	
	Share of profit for the year		**58,694**			75,691		
	Share of surplus on remeasurement of available for sale securities for the year		**14,364**			6,801		
	Share of exchange translation reserve for the year		**54,184**			130,847		
	Dividend received		**(27,000)**			(22,500)		
				100,242			190,839	
					792,541			692,299
	Accumulated impairment losses				**(622,758)**			(702,990)
	Transfer to non current assets held for sale	23			**(1,055,249)**			-
	Balance as at 30 June				**648,617**			1,523,392

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Summarised financial information of jointly controlled entity is as follows;

	Non current assets	Non current liabilities	Current assets	Current liabilities	Revenues	Expenses	Profit
	(Rupees'000)						
2013	**6,343,632**	**(5,147,945)**	**6,025,174**	**(2,855,504)**	**4,552,885**	**(3,674,978)**	**877,907**
2012	12,797,541	(4,574,188)	5,141,612	(2,449,908)	3,168,165	(2,346,221)	821,944

The reporting date of Jubilee General 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 2013.

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

16.1.2 Out of total shares, 5,000,000 (2012: 5,000,000) ordinary shares are placed / lien marked as security against running finance facility amounting to Rs. 100 million availed by the Parent Company (refer note - 10.1).

16.1.3 Upto the last year, share on the associate's surplus / deficit on remeasurement of available for sale investments and investment property was not recognised. During the year, this has been accounted for retrospectively in accordance with the requirements of International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". This has resulted in increase in surplus on remeasurement of available for sale investment by Rs. 14.36 million during the year ended 30 June 2013 (2012: Rs. 6.80 million) with corresponding increase in other comprehensive income for the year by Rs. 14.36 million (2012: Rs. 6.80 million) with cumulative effect on surplus on remeasurement of available for sale investments as at 1 July 2011 by Rs. 73.248 million. Further, due to recognising the group's share in fair value of investment property of associate, the group's share of loss as disclosed in consolidated profit and loss account for the year ended 30 June 2012 has decreased by Rs. 13.61 million. Consequent to these adjustments, impairment loss for the year ended 30 June 2012 has increased by Rs. 20.42 million to bring down the investment to its recoverable amount. However, as this change does not have any impact on net equity or net carrying value of investment, third balance sheet has not been presented.

16.1.4 Impairment loss on investment in Jubilee General Insurance Company Limited amounting to Rs. 80.23 million has been reversed during the year on the basis of management's assessment of recoverable amount. Management estimate for recoverable amount is based on fair market value of the equity securities of investee company quoted on the stock exchange where investee company is listed.

	2013	2012
16.2 Investment in jointly controlled entity	(Rupees'000)	
Cost of investment	**284,052**	284,052
Post acquisition loss brought forward	**44,904**	104,562
Share of loss for the year	**(131,739)**	(91,829)
Share of exchange translation reserve for the year	**13,917**	32,171
	(117,822)	(59,658)
	(72,918)	44,904
Balance as at 30 June	**211,134**	328,956

Summarised financial information of jointly controlled entity is as follows;

	Non current assets	Non current liabilities	Current assets	Current liabilities	Revenues	Expenses	(Loss) / profit
	(Rupees'000)						
2013	**-**	**-**	**430,520**	**(11,744)**	**-**	**(263,479)**	**(263,479)**
2012	-	-	663,146	(8,724)	-	1,254	1,254

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The reporting date of Pearl Continental Hotels Limited - UAE 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 2013.

		Note	2013	2012
17	**STORES, SPARE PARTS AND LOOSE TOOLS**		(Rupees'000)	
	Stores		**101,191**	81,886
	Spare parts and loose tools		**31,578**	22,651
			132,769	104,537
	Provision for obsolescence		**(2,999)**	(2,999)
			129,770	101,538
18	**TRADE DEBTS**			
	Considered good			
	Due from related parties - unsecured	18.1	**11,952**	8,712
	Others		**558,818**	475,423
			570,770	484,135
	Considered doubtful		**140,315**	106,574
			711,085	590,709
	Provision against doubtful debts		**(140,315)**	(106,574)
			570,770	484,135
18.1	**Due from related parties - unsecured**			
	Hashwani Hotels Limited		**2,219**	2,548
	HOAP Foundation		**7**	7
	Hashoo Foundation		**249**	784
	Hotel One (Private) Limited		**4,947**	3,673
	Jubilee General Insurance Company Limited		**2**	-
	Ocean Pakistan Limited		**1,121**	727
	OPI Gas (Private) Limited		**14**	14
	Zahdan Technologies (Private) Limited		**2,036**	-
	Pearl Communications (Private) Limited		**128**	127
	Zaver Petroleum Corporation Limited		**32**	28
	Trans Air Travels (Private) Limited		**869**	785
	Tejari Pakistan Limited		**328**	19
			11,952	8,712
	Age analysis of due from related parties is as follows:			
	Past due by 30 days		**1,128**	3,085
	Past due by 31 to 90 days		**2,954**	1,711
	Past due over 90 days		**7,870**	3,916
			11,952	8,712
19	**ADVANCES**			
	Considered good			
	Advances to:			
	Employees		**5,046**	4,659
	Suppliers and contractors		**85,227**	68,596
	Related party	19.1	**500,000**	500,000
			590,273	573,255

19.1 This represents short term advance of Rs. 500 million (2012: Rs. 500 million) extended to a related party M/s. Hashwani Hotels Limited, carries markup rate of 1-year KIBOR plus 3% (2012: 1-year KIBOR plus 3%) per annum and secured against ranking charge on Karachi Marriott Hotel.

Notes to the Consolidated Financial Statements
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		Note	2013	2012
			(Rupees'000)	
20	**TRADE DEPOSITS AND PREPAYMENTS**			
	Trade deposits		**16,227**	14,148
	Prepayments		**61,743**	50,908
			77,970	65,056
21	**OTHER RECEIVABLES**			
	Other receivables - considered good		**28,794**	22,957
	- considered doubtful		**4,488**	3,946
			33,282	26,903
	Provision for doubtful receivables		**(4,488)**	(3,946)
			28,794	22,957
22	**OTHER FINANCIAL ASSETS**			
	Loans and receivables			
	Letter of placements / certificate of investments / treasury bills		**27,165**	22,296
	Provision for impairment loss		**(5,300)**	(5,300)
			21,865	16,996
	Available for sale - unquoted			
	National Technology Development Corporation 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	**10,787**	7,888
			32,652	24,884
22.1	**Short term investments in shares of listed companies**			
	Pakistan Telecommunication Company Limited 350,000 (2012: 350,000) ordinary shares		**7,767**	4,792
	Lotte Chemical Pakistan Limited (Formerly Lotte Pakistan PTA Limited) 150,000 (2012: 150,000) ordinary shares		**1,143**	1,055
	Fauji Fertilizer Bin Qasim Limited 50,000 (2012: 50,000) ordinary shares		**1,877**	2,041
			10,787	7,888
23	**NON CURRENT ASSETS HELD FOR SALE**			
	Opening balance		**55,955**	35,700
	Transfer from property, plant and equipment		**-**	55,955
	Transfer from long term investments	23.1	**1,055,249**	-
	Adjustment to write down the investment to its net selling price	29	**(458,046)**	-
			597,203	-
	Held for sale assets sold during the year		**(55,955)**	(35,700)
			597,203	55,955

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23.1 The Parent Company intends to sell 98,000 shares in Hashoo Group Limited - British Virgin Island and has received an offer for purchase of the Company's investment for total consideration of USD 5.99 million. Accordingly, these have been classified as asset held for sale as required by International Financial Reporting Standard 5 - Non-current Assets Held for Sale and Discontinued Operations. The sale is expected to be finalised within the next twelve months.

		Note	2013	2012
24	**ADVANCE TAX - net**		(Rupees'000)	
	Opening balance		**33,816**	(29,692)
	Income tax paid during the year		**415,153**	410,364
	Charge for the year		**(431,243)**	(346,856)
	Closing balance		**17,726**	33,816
25	**CASH AND BANK BALANCES**			
	Cash in hand		**66,099**	29,834
	Cash at bank :			
	Current accounts - Local currency		**1,291**	27,529
	Deposit accounts - Local currency	25.1	**61,547**	67,134
	- Foreign currency	25.2	**336**	16,293
			63,174	110,956
			129,273	140,790

25.1 Deposit accounts carry interest rate ranging from 5% to 9% (2012: 5% to 11.25%) per annum.

25.2 This represents USD 3,371 (2012: USD 173,254) deposited with bank carrying interest rate ranging from 0.20% to 0.75% (2012: 0.25% to 0.75%) per annum.

		Note	2013	2012
26	**SALES AND SERVICES - net**		(Rupees'000)	
	Rooms		**3,463,042**	2,758,918
	Food and beverages		**4,058,588**	3,562,217
	Other related services	26.1 & 26.2	**538,841**	491,613
	Vehicle rental		**105,582**	81,413
	Parking fee		**3,534**	1,052
	Shop license fees		**12,205**	7,868
			8,181,792	6,903,081
	Discounts and commissions		**(126,376)**	(87,266)
	Sales tax		**(1,133,395)**	(952,628)
			6,922,021	5,863,187

26.1 This includes Privilege Club Cards fee and revenue from telephone, laundry and other ancillary services.

26.2 This includes Rs. 146.54 million reclassified from discounts and administrative and general expenses for appropriate presentation.

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		Note	2013	2012
			(Rupees'000)	
27	**COST OF SALES AND SERVICES**			
	Food and beverages			
	Opening balance		**65,589**	53,833
	Purchases during the year		**1,279,338**	1,110,270
	Closing balance		**(80,533)**	(65,589)
	Consumption during the year		**1,264,394**	1,098,514
	Direct expenses			
	Salaries, wages and benefits	22.1	**923,032**	798,956
	Heat, light and power		**739,515**	588,785
	Repairs and maintenance		**274,104**	262,077
	Depreciation	13.3	**296,905**	227,918
	Guest supplies		**172,147**	144,557
	Linen, china and glassware		**93,641**	72,945
	Communication and other related services		**60,073**	61,285
	Banquet and decoration		**57,189**	44,663
	Transportation		**17,015**	11,345
	Uniforms		**20,091**	17,104
	Music and entertainment		**9,248**	7,311
	Insurance		**3,917**	3,679
	Vehicle operating expense		**47,934**	38,228
	Vehicle rental and registration charges		**16,554**	8,966
	Hotel booking		**1,828**	3,949
	Others		**15,025**	11,320
			4,012,612	3,401,602

27.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 45.533 million (2012: Rs. 39.442 million).

		Note	2013	2012
28	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	28.1	**664,864**	570,525
	Rent, rates and taxes		**172,563**	114,182
	Security and protective services		**169,542**	135,119
	Advertisement and sales promotion		**79,511**	97,388
	Repairs and maintenance		**37,629**	30,129
	Heat, light and power		**86,999**	74,844
	Travelling and conveyance		**97,644**	78,596
	Depreciation	13.3	**27,867**	23,553
	Communications		**27,036**	30,136
	Printing and stationery		**34,089**	28,500
	Legal and professional charges		**66,398**	60,518
	Insurance		**44,437**	43,491
	Entertainment		**6,837**	7,340
	Subscriptions		**14,998**	7,204
	Laundry and dry cleaning		**6,629**	4,823
	Uniforms		**5,400**	4,842
	Auditors' remuneration	28.2	**2,133**	2,235
	Provision against doubtful debts and other receivables		**34,283**	18,204
	Donations	28.3	**225,000**	131,000
	Vehicle rentals and registration charges	28.4	**23,600**	-
	Franchise fee		**8,486**	6,851
	Miscellaneous		**3,639**	5,367
			1,839,584	1,474,847

28.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 26.567 million (2012: Rs. 24.239 million).

Notes to the Consolidated Financial Statements
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28.2 Auditors' remuneration

	2013	2012
	(Rupees'000)	
KPMG Taseer Hadi & Co. Chartered Accountants		
Annual audit fee	1,375	1,294
Audit of consolidated financial statements	200	175
Half yearly review	428	428
Special reports and certificates	100	311
Out of pocket expenses	-	12
Sandhu & Co. Chartered Accountants		
Annual audit fee	15	15
Special reports and certificates	15	-
	2,133	2,235

28.3 Donations

Out of total amount of Rs. 225 million (2012: Rs. 131 million), donation amounting to Rs. 115 million (2012: Rs. 80.200 million) includes the following in which directors, their spouse or close family members have interest:

Name	Interest in Donee	Name and address of Donee	2013	2012
			(Rupees'000)	
Ms. Noor Sultan Close family member of Mr. Murtaza Hashwani & Ms. Sarah Hashwani (Directors)	Chairperson	Umeed-e-Noor Trust House # 7, Street # 72, F- 8/3, Islamabad	-	200
Mr. Sadruddin Hashwani Ms. Sarah Hashwani	Patron-in-Chief Chairperson	Hashoo Foundation House # 7-A, Street # 65, F-8/3, Islamabad	115,000	80,000
			115,000	80,200

28.4 This includes Ijarah payments of Rs. 22.17 million (2012: Nil) and vehicles registration charges under an Ijarah (lease) agreement as required under IFAS 2 " IJARAH". (notified through SRO 43(1) / 2007 by Securities & Exchange Commission of Pakistan) ujrah payments under an Ijarah (lease) agreement are recognized as an expense in the consolidated profit and loss account on straight line basis over the term of Ijarah.

The amount of future ujrah payments and the periods in which these will be due are as follows:

	Note	2013	2012
		(Rupees'000)	
Within one year		27,547	-
After one but not more than five years		71,174	-
		98,721	-

29 OTHER EXPENSES

	Note	2013	2012
Unrealised loss on remeasurement of investments to fair value - net		-	1,272
Impairment loss on investment in associated companies	16.1.3	-	27,862
Adjustment to write down the investment to its net selling price	23	458,046	-
		458,046	29,134

Notes to the Consolidated Financial Statements
For the year ended 30 June 2013

		Note	2013	2012
			(Rupees'000)	
30	**FINANCE COST**			
	Markup on long term financing		**92,288**	99,896
	Markup on short term borrowings		**13,458**	44,303
	Markup on liabilities against assets subject to finance lease		**3,834**	3,421
	Credit cards, bank and other charges		**44,746**	39,085
			154,326	186,705
31	**OTHER INCOME**			
	Income from financial assets			
	Return on bank deposits		**12,504**	9,573
	Exchange gain - net		**1,850**	3,527
	Dividend income		**225**	1,125
	Unrealised gain on remeasurement of investments to fair value - net		**2,900**	-
	Interest on short term advance to related party		**75,914**	85,388
			93,393	99,613
	Income from non financial assets			
	Concessions and commissions		**4,113**	2,596
	Gain on disposal of property, plant and equipment		**18,369**	20,175
	Gain on disposal of non current assets held for sale		**1,545**	-
	Liabilities written back		**2,651**	81,285
	Communication towers and other rental income		**40,516**	41,319
	Reversal of impairment loss on associate	16.1.4	**80,232**	-
	Rental income from investment property		**-**	7,500
	Scrap sales		**7,973**	8,163
	Insurance claims		**1,175**	1,280
	Others - net		**41,443**	31,130
			198,017	193,448
			291,410	293,061
32	**TAXATION**			
	Provision for taxation - current		**435,007**	343,862
	- prior		**(3,764)**	2,994
			431,243	346,856
	- Deferred		**(227,058)**	2,769
			204,185	349,625
	Relationship between accounting profit and tax expense is as follows:			
	Accounting profit for the year		**675,818**	1,047,822
	Tax charge @ 35% (2012: 35%)		**236,536**	366,738
	Tax effect of permanent differences		**(4,840)**	11,033
	Tax effect of exempt income		**(1,555)**	(12,994)
	Tax effect of income subject to lower taxation		**(26,627)**	(18,146)
	Tax effect of change in tax rate		**4,435**	-
	Prior years' tax charge		**(3,764)**	2,994
			204,185	349,625

Notes to the Consolidated Financial Statements
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	Note	2013	2012
		(Rupees'000)	
33 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES			
Profit before taxation		**675,818**	1,047,822
Adjustments for:			
Depreciation	13.3	**324,772**	251,471
Gain on disposal of property, plant and equipment	31	**(18,369)**	(20,175)
Gain on disposal of non current assets held for sale	31	**(1,545)**	-
Provision for staff retirement benefit - gratuity	8.1	**50,569**	43,628
Provision for compensated absences	8.3	**37,376**	33,955
Provision for doubtful debts	28	**34,283**	18,204
Return on bank deposits	31	**(12,504)**	(9,573)
Interest on short term advance to related party	31	**(75,914)**	(85,388)
Share of loss on equity accounted investments	16.1 & 16.2	**73,045**	16,138
Finance cost	30	**154,326**	186,705
Dividend income	31	**(225)**	(1,125)
(Reversal of loss) / impairment on investments in associated companies	31	**(80,232)**	27,862
Unrealized (gain) / loss on remeasurement of investment to fair value	31	**(2,900)**	1,272
Adjustment to write down the investment to its net selling price	29	**458,046**	-
		1,616,546	1,510,796
34 CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**129,273**	140,790
Running finance	10	**(75,395)**	(63,936)
		53,878	76,854

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2013			2012		
	Chief Executive	**Directors**	**Executives**	Chief Executive	Directors	Executives
	Rupees '000					
Managerial remuneration	**12,000**	**62,680**	**179,376**	12,000	47,208	152,469
Contribution to provident fund	**-**	**1,257**	**5,477**	-	1,005	4,716
Retirement benefits	**-**	**4,877**	**21,781**	-	1,008	9,503
Meeting fee	**-**	**90 ***	**-**	-	-	-
	12,000	**68,904**	**206,634**	12,000	49,221	166,688
Number of Persons	**1**	**5**	**99**	1	5	83

* This includes Rs. 15,000 (2012: Nil) paid to a non-executive director of the Parent Company.

35.1 In addition to the above, Chairman, Chief Executive and certain executives are provided with group maintained vehicles, 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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36 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, jointly controlled entities, directors and close family members, companies with common directorship, key management personnel, major shareholders and staff retirement fund of the group. Balances with related parties including investment are disclosed in the note 9, 14.1, 16, 18, 19 and 23 to the consolidated financial statements. Transactions with related parties are as follows:

	Note	2013	2012
		(Rupees'000)	
Transactions with associated undertakings			
Sales		**2,917**	1,222
Services provided		**16,118**	12,413
Services availed		**99,050**	81,728
Purchases		**146,953**	141,022
Purchase of air tickets		**29,682**	29,319
Franchise fee received		**2,387**	2,482
Franchise fee paid		**8,486**	3,000
Rent received from Investment property		**-**	7,500
Purchase of property, plant and equipment		**234,105**	39,397
Sale of property, plant and equipment		**1,251**	-
Advance for Purchase of property, plant and equipment		**1,818**	-
Advance for purchase of land		**-**	100,000
Contribution to the defined contribution plan		**23,113**	20,054
Dividend received		**27,000**	22,500
Donation	28.3	**115,000**	80,200
Interest on short term advance		**75,914**	85,388
Accrued Interest on short term advance		**6,008**	7,163
Transactions with key management personnel			
Remuneration and allowances - includes staff retirement benefits	36.1	**80,904**	61,221
Personal guarantee to Bank against the Company's borrowings (Note 6 & 7)			

36.1 Compensation to key management personnel

	2013	2012
Salaries and other benefits	**74,680**	59,208
Contribution to naiprovident fund	**1,257**	1,005
Provision for gratuity	**4,877**	1,008
Meeting fee	**90**	-
	80,904	61,221

37 FINANCIAL INSTRUMENTS

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

- Credit risk;
- Liquidity risk; and
- 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, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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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.

37.1 Credit risk

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

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

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

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

The group 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 group 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:

	2013	2012
	(Rupees'000)	
Long term deposits	**35,049**	17,048
Trade deposits	**16,227**	14,148
Trade debts	**570,770**	484,135
Advances	**500,000**	500,000
Interest accrued	**7,202**	8,364
Other receivables	**28,794**	22,957
Other financial asstes	**21,865**	14,097
Bank balances	**63,174**	110,956
	1,243,081	1,171,705

Geographically there is no concentration of credit risk.

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

	2013	2012
	(Rupees'000)	
From related parties	**511,848**	514,826
From government institutions	**38,899**	34,305
From foreign embassies	**2,186**	407
Banks and financial institutions	**70,376**	119,320
Others	**619,772**	502,847
	1,243,081	1,171,705

Impairment Losses

The aging of trade debts at the reporting date was:

	2013		2012	
	Gross	Impairment	Gross	Impairment
	(Rupees' 000)		(Rupees' 000)	
Aging				
Past due 0-30 days	**307,988**	**-**	301,666	-
Past due 30-60 days	**92,257**	**-**	68,821	-
Past due 60-90 days	**61,539**	**-**	48,492	-
Past due 90-360 days	**108,986**	**-**	88,113	-
Over 360 days	**140,315**	**140,315**	110,520	110,520
	711,085	**140,315**	617,612	110,520

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

	2013	2012
	(Rupees'000)	
Opening balance	**106,575**	88,371
Provision made during the year	**33,740**	18,204
Closing balance	**140,315**	106,575

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 over due balances against which impairment has not been recorded have reasonable prospect of recovery.

37.2 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, prudent fund management practices 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:

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	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year and up to five years
	(Rupees'000)			
2013				
Long term financing	**583,333**	**689,515**	**293,625**	**395,890**
Liabilities against assets subject to finance lease	**26,399**	**34,546**	**12,365**	**22,181**
Trade and other payables	**918,637**	**918,637**	**918,637**	**-**
Markup payable	**20,689**	**20,689**	**20,689**	**-**
Short term borrowings	**75,395**	**75,395**	**75,395**	**-**
	1,624,453	**1,738,782**	**1,320,711**	**418,071**
2012				
Long term financing	800,000	1,028,750	323,542	705,208
Liabilities against assets subject to finance lease	38,952	49,660	17,260	32,400
Trade and other payables	801,813	801,813	801,813	-
Markup payable	32,323	32,323	32,323	-
Short term borrowings	63,936	63,936	63,936	-
	1,737,024	1,976,482	1,238,874	737,608

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, 7 and 10 to these consolidated financial statements.

37.3 Market risk

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

37.3.1 Currency risk

The 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.

	2013		2012	
	Rupees'000	**USD'000**	Rupees'000	USD'000
Bank Balance	**336**	**3.37**	16,293	173

The following significant exchange rate applied during the year:

	Average rates		**Balance sheet date rate**	
	2013	2012	**2013**	2012
US Dollars	**96.85**	90	**99.70**	94

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Sensitivity Analysis

A 5 % strengthening of the functional currency against USD at 30 June 2013 would have decreased profit and loss by Rs. 16.81 thousand (2012: Rs. 844 thousand). A 5 % weakening of the functional currency against USD at 30 June 2013 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

37.3.2 Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The group has long term Pakistan Rupees based loans and running finance arrangement at variable rates.

Profile

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

	2013	2012	**2013**	2012
	Effective interest rates		**(Rupees'000)**	
Fixed rate instruments				
Financial assets	**0.2% to 9%**	0.25% to 11.25%	**61,883**	100,423
Variable rate instruments				
Financial assets	**1-year KIBOR plus 3%**		**500,000**	500,000
Financial liabilities	**KIBOR + (1.5% to 2.75%)**	KIBOR + (2.5% to 3%)	**(685,127)**	(902,888)
			(185,127)	(402,888)

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. 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) profit and loss by Rs. 1.85 million (2012: Rs. 4.03 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

37.3.3 Other market price risk

The primary goal of the group's investment strategy is to maximize investment returns on surplus funds. The group adopts a policy of ensuring to minimize its price risk by investing in securities having sound market performance. Certain investments are designated at 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. 108 thousand (2012: Rs. 79 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 2012 and assumes that all other variables remain the same.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2013

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	2013		2012	
		Carrying amount	Fair values	Carrying amount	Fair values
		(Rupees'000)			
Assets carried at amortised cost - Loans and receivables					
Deposits		**51,276**	**51,276**	31,196	31,196
Trade debts	18	**570,770**	**570,770**	484,135	484,135
Advances	19	**500,000**	**500,000**	500,000	500,000
Interest accrued		**7,202**	**7,202**	8,364	8,364
Other receivables	21	**28,794**	**28,794**	22,957	22,957
Other financial assets		**21,865**	**21,865**	14,097	14,097
Cash and bank balances	25	**129,273**	**129,273**	140,790	140,790
		1,309,180	**1,309,180**	1,201,539	1,201,539
Assets carried at fair value					
Financial assets at fair value through profit or loss - held for trading	22	**10,787**	**10,787**	7,888	7,888
Liabilities carried at amortised cost					
Long term financing	6	**583,333**	**583,333**	800,000	800,000
Liabilities against assets subject to finance lease	7	**26,399**	**26,399**	38,952	38,952
Trade and other payables	9	**918,637**	**918,637**	801,813	801,813
Markup accrued		**20,689**	**20,689**	32,323	32,323
Short term borrowings	10	**75,395**	**75,395**	63,936	63,936
		1,624,453	**1,624,453**	1,737,024	1,737,024

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).

Assets carried at fair value	Level 1	Level 2	Level 3
2013			
Financial assets at fair value through profit or loss - held for trading	**10,787**	-	-
2012			
Financial assets at fair value through profit or loss - held for trading	7,888	-	-

Notes to the Consolidated Financial Statements
For the year ended 30 June 2013

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

37.4 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.

37.5 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 to maximize the return. In order to maintain or adjust the capital structure , the group may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares.

38 CAPACITY

	Note	No. of letable rooms		Average occupancy	
		2013	2012	2013 %	2012 %
Pearl Continental Hotels					
-Karachi		286	286	73	58
-Lahore		607	607	68	60
-Rawalpindi		193	193	73	66
-Peshawar	38.1	148	78	42	62
-Bhurban		190	190	67	58
-Muzaffarabad		102	102	43	33
-Hotel One The Mall - Lahore	38.2	32	32	73	70

38.1 The PC Hotel Peshawar was fully operational during the year.

38.2 This is a budget hotel owned and operated by the Parent Company.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2013

39 NUMBER OF EMPLOYEES

	2013	2012
Number of employees as at June 30	3,782	3,494
Average number of employees	3,680	3,477

40 EMPLOYEES PROVIDENT FUND TRUST

	2013	2012
	(Rupees'000)	
Size of the Fund	524,988	470,596
Cost of investemnts made	481,758	451,502
Percentage of investments made	92%	96%
Fair value of investments	508,404	442,631

40.1 Fair value of investments made

	2013		2012	
	Fair value (Rupees'000)	%	Fair value (Rupees'000)	%
Listed shares	86,309	17%	67,494	15%
Mutual Fund	28,921	6%	121,340	27%
Term Finance Certificates				
- Listed	41,272	8%	56,343	13%
- Unlisted	22,448	4%	28,008	6%
Treasury bills	329,454	65%	169,446	38%
	508,404	100%	442,631	100%

All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

41 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Parent Company in its meeting held on 01 October 2013.

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

At the time of the meeting of the Board of Directors, the Chief Executive of the Parent Company was not in Pakistan, as such these consolidated financial statements, as approved by the Board of Directors, have been signed by two Directors.

M. A. Bawany
Director

Muhammad Rafique
Director

Pakistan Services Limited

Form of Proxy
For the year ended 30 June 2013

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 Wednesday, 30 October 2013 at 11:00 a.m. at Marriott Hotel, Islamabad, and any

adjournment thereof.

Dated this ________ day of ________ 2013.

Revenue Stamp Rs. 5/=

____

Specimen Signature of Proxy

Folio No.

Participant I.D. No.

Sub Account No.

____

Signature of Shareholder

Folio No. ___________________________

Participant I.D. No. ______________________

Sub Account No. _______________________

____

Specimen Signature of Alternate Proxy

Folio No. ___________________________

Participant I.D. No. ______________________

Sub Account No. _______________________

Note:

1. If a member is unable to attend the Meeting, he / she may appoint another member as his / her proxy and send this form to Pakistan Services Limited, 1st Floor, NESPAK House, Sector G-5/2, 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.

TECHNOLOGY TRADE (PVT.) LTD.

Dagia House, 241-C, Block-2,
P.E.C.H.S., Off: Shahrah-e-Quaideen,
Karachi.
Tel: (+92-21) 4391316-7 & 19, 4387960-61
Fax: (+92-21) 4391318
For open Ended Funds : (+92-21) 4313207

Dear Shareholder,

SUBJECT : DIVIDEND MANDATE OPTION

1. It is to inform you that under section 250 of the Companies Ordinance, 1984 a shareholder may, if so desire, directs a company to pay dividend through his/her/its bank account.
2. In pursuance of the directions given by the Securities and Exchange Commission of Pakistan vide Circular Number 18 of 2012 dated June 5, 2012, we on behalf of our client M/S. PAKISTAN SERVICES LIMITED hereby give you the opportunity to authorize the Company to directly credit in your bank account cash dividend, if any, declared by the Company in future.

[PLEASE NOTE THAT THIS DIVIDEND MANDATE IS OPTIONAL AND NOT COMPULSORY. IN CASE YOU DO NOT WISH YOUR DIVIDEND TO BE DIRECTLY CREDITED INTO YOUR BANK ACCOUNT THEN THE SAME SHALL BE PAID TO YOU THROUGH THE DIVIDEND WARRANTS.]

3. In case you wish the cash dividend declared by the Company, if any, is directly credited in your bank account, instead of issuance of dividend warrants then please provide the information mentioned on the attached Form and return the same to us on the following address.

ADDRESS: Technology Trade (Pvt.) Ltd. - Dagia House, 241-C, Block-2, PECHS, Off: Shahra-e-Quaideen, Karachi.

NOTE : THE SHAREHOLDER WHO HOLD SHARES IN PHYSICAL FORM ARE REQUESTED TO SUBMIT THE ATTACHED DIVIDEND MANDATE FORM AFTER DULY FILLED ALONG WITH COPY OF CNIC TO THE SHARE REGISTRAR.
THE SHAREHOLDER WHO HOLDS THE SHARES IN DEMAT FORM (CDC ACCOUNT) ARE REQUESTED TO SUBMIT THE ATTACHED DIVIDEND MANDATE FORM AFTER DULY FILLED INTO THEIR PARTICIPANT/INVESTOR ACCOUNT SERVICES.

4. COMPLIANCE WITH THE REQUIREMENT OF INSERTION OF CNIC NUMBER ON DIVIDEND WARRANTS

In pursuance with the Securities and Exchange Commission of Pakistan ("SECP") Notification No SRO.831 (1)/2012 of July 5th, 2012 in supersession of earlier notification No. SRO 779 (1)/2011 of August 18, 2011, SECP directed all listed companies to mention Computerized National Identity Card (CNIC) / NTN numbers of the registered members on the dividend warrant.

As per the said Notification of Securities and Exchange Commission of Pakistan (SECP), you are requested to send us a copy of your Computerized National Identity Card (CNIC) / NTN Number (other than Individual) / Passport Number (for non-resident only) WITHIN TEN DAYS FROM THE RECEIPT OF THIS LETTER. It is important that the requisite copy of the above document may please be sent along with the lower portion of this letter duly filled, to our Share Registrar, M/s. Technology Trade (Pvt.) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Off Shahrah-e-Quaideen, Karachi.

In case of non-receipt of copy of valid CNIC and non-compliance of the above-mentioned SRO of SECP, the Company may be constrained to withhold dispatch of dividend warrants if issued.

Your compliance will facilitate us in complying with the directives of SECP.

Regards,

GENERAL MANAGER

PSL

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