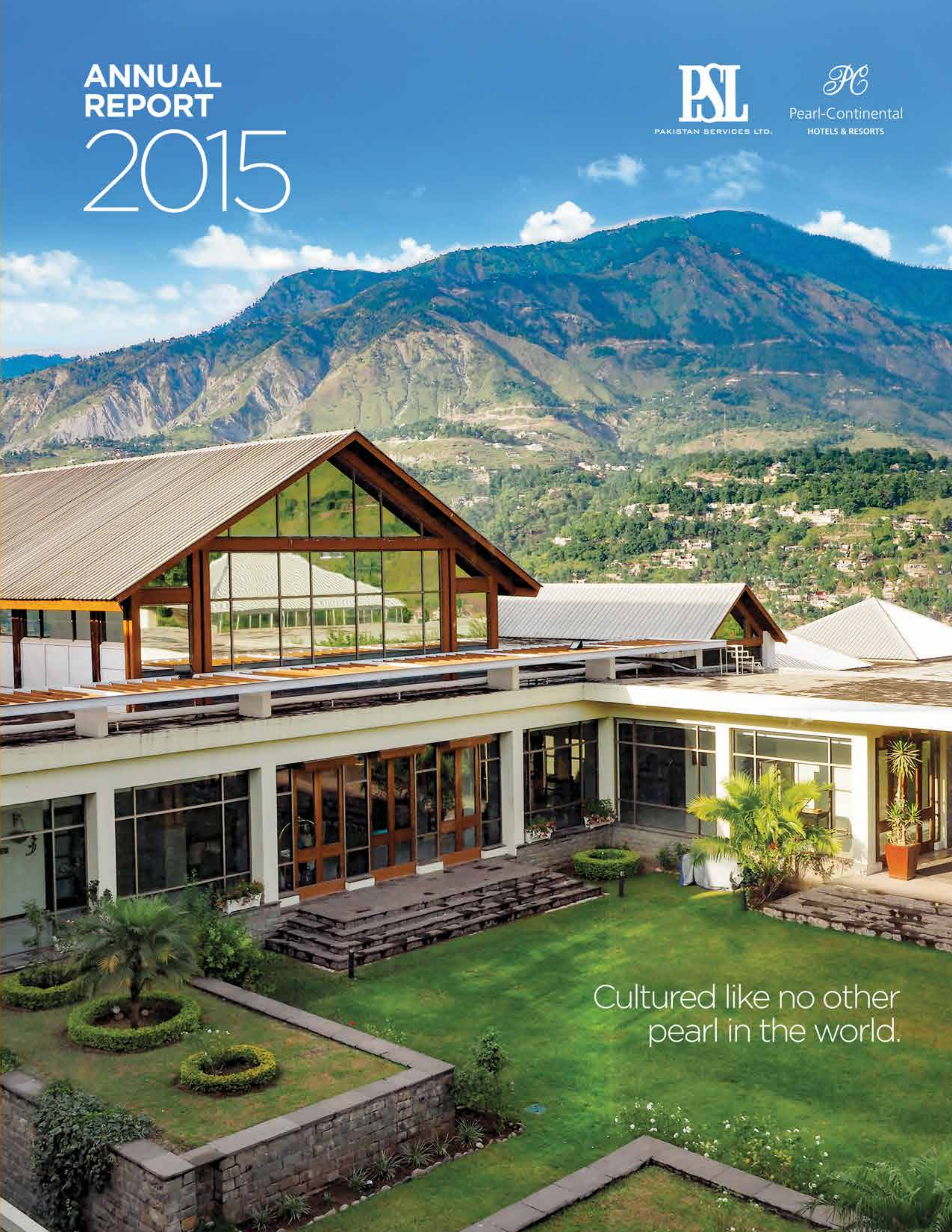
ANNUAL REPORT 2015

PSL
PAKISTAN SERVICES LTD.

Pearl-Continental
HOTELS & RESORTS



Cultured like no other
pearl in the world.

Pearl Continental Hotel - Bhurban


Cultured like no other
Pearl in the world

Content

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 Excellence 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

Ms. Sarah Hashwani

Mr. M.A.Bawany

Mr. Josef Kufer

Mr. Muhammad Rafique

Mr. Bashir Ahmed

Mr. H.A.S. Vellani

Mr. Talat Hameed

Mr. Shakir Abu Bakar

Mr. Mansoor Khan
Company Secretary

Mr. Abdul Qadeer Khan
Head of Internal Audit

Pearl Continental Hotel - Lahore

Corporate Information

Pearl Continental Hotels, a chain owned, operated and franchised by Pakistan Services Limited, sets the international standards for quality hotel accommodation across Pakistan and AJ&K and manages 6 luxury hotels in Karachi, Lahore, Rawalpindi, Peshawar, Bhurban and Muzaffarabad; comprising 1,526 rooms. It also owns and manages another small hotel with 32 rooms in Lahore city.

BOARD OF DIRECTORS

Mr. Sadruddin Hashwani — Chairman & CEO
Ms. Sarah Hashwani
Mr. M.A. Bawany
Mr. Josef Kufer
Mr. Muhammad Rafique
Mr. Bashir Ahmed
Mr. H.A.S. Vellani
Mr. Talat Hameed
Mr. Shakir Abu Bakar

AUDIT COMMITTEE

Mr. Shakir Abu Bakar
Ms. Sarah Hashwani
Mr. H.A.S. Vellani
Mr. Talat Hameed

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Sadruddin 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
Bank Alfalah Limited
JS Bank Limited
NIB Bank Limited
Silk Bank Limited
Standard Chartered Bank (Pakistan) Limited
Industrial and Commercial Bank of China

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.

Corporate Objectives

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. Disciplined 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

Core Values

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

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

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

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

Strategic Objectives

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

Pearl Continental Hotel - Bhurban

Pearl Continental Hotel - Muzaffarabad

Notice of Annual General Meeting

Notice is hereby given that the 56th Annual General Meeting of Pakistan Services Limited will be held on Thursday, October 29, 2015 at 11:00 A.M. at Islamabad Marriott Hotel to transact the following business:

1. To confirm the minutes of the Extraordinary General Meeting held on May 26, 2015.
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, 2015.
3. To approve payment of final cash dividend of Rs.5/- per share i.e. 50% as recommended by the Board of Directors.
4. To appoint Auditors for the year 2015-16 and fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit, pass the following resolution as SPECIAL RESOLUTION, with or without modification(s):

"Resolved that the sub clause no. 6 of the Object Clause of Memorandum of Association of the Company be and is hereby amended and replaced with following revised sub Clause:

"Sub Clause no. 6: To construct and operate hotels, resorts, clubs, farm houses, apartments, plazas, multi-storeyed buildings, business offices, highways, bridges, spillways, reservoirs, seaports, warehouses, factories, mills, industrial and commercial buildings, amusement parks, theme parks, water sports facilities, food courts, shopping malls, mix use projects, theatres, cinemas, swimming or bathing-pools, pontoons, baths, tennis, squash and badminton courts and generally to make provisions for any athletic or health activities."

Further resolved that the following new sub clauses having nos. 6(a) to 6(j) be and are hereby added:

"New Sub Clause no. 6(a): To carry on the business of development of housing colonies / purchase and sale of plots, development of land by the Company or with joint venture with any other Company/ undertaking(s) signing of contracts of civil, mechanical and electrical works with the Government of Pakistan, Provincial Governments, Public and Local Authorities, Municipalities or otherwise, Semi-Government, Autonomous Corporations, Private / Public Companies or any private person.

New Sub Clause no. 6(b): To carry on the business of construction of hotels, clubs, farm houses, apartments, plazas, multi-storeyed buildings,business offices, highways, airports, bridges, dams spillways, reservoirs, seaports, warehouses, factories, mills, works wharves railways, tramways, industrial and commercial building and to equip the same or any part thereof with all or any conveniences, drainage and sewerage facilities water supply electric and gas installations.

New Sub Clause no. 6(c): To carry on the business of the development of land for residential and commercial projects and farm houses and other schemes both in urban and rural areas, planning and construction of commercial markets or multi-storeyed buildings including offices, shopping centres, both inside and outside Pakistan with the permission of concerned authorities and subject to compliance with all relevant laws/ rules.

New Sub Clause no. 6(d): To lay out, develop, construct, build, erect, demolish, re-erect, alter, repair, model, re-model, improve, grade, curve, pave, macadamize, cement, maintain, levelling for paving works, devise, decorate, plan, to furnish labour, all kinds of materials to supervise, to act as valuers, appraisers, referees, assessors, carriers, to prepare estimates, designs, specifications, tender documents or models, to investigate into the condition of buildings and other structures or do any other work in connection with any building structure or scheme subject to permission from all concerned authorities and compliance with all relevant laws/rules.

New Sub Clause no. 6(e): To acquire and take over any running business of developers and property of that business including lands, buildings, machinery, contracts, privileges, rights, license, concessions with or without modifications subject to permission from all concerned authorities and compliance with all relevant laws/rules.

New Sub Clause no. 6(f): To carry on the business of estimation, drawing up, quality surveying, supervision and execution of construction works and installation and maintenance thereof.

New Sub Clause no. 6(g): To carry on the business of construction, erection and maintenance with all its ancillary services for or in respect of bridges, roads, spillways, highways, reservoirs, seaports, water supply, apartments, multi-storeyed flats, business offices, shops, markets, warehouses, industrial and commercial buildings and structure of all description and to equip the same or any part thereof with all or any conveniences, drainage and sewerage facilities, electric and gas installations and to deal with the same in any manner, whatsoever, subject to permission from all concerned authorities and compliance with all relevant laws/rules.

New Sub Clause no. 6(h): To carry on business and profession of architects, professional engineers, surveyors, job contractors and manpower suppliers.

New Sub Clause no. 6(i): To carry in Pakistan and outside Pakistan, the businesses of generating, purchasing, importing, transforming, converting, distributing, supplying, exporting and dealing in all other forms of energy and products or services associated therewith and to perform all other acts which are necessary or incidental to the business of electricity generation, transmission, distribution and supply after fulfilling the Statutory requirements.

New Sub Clause no. 6(j): To establish, construct, equip, operate, use, manage and maintain solar power plants, wind power plants, thermal power plants and coal fired power plants, power grid station, transforming, switching, conversion, and transmission facilities, cables, overhead lines, sub-stations, switching stations, tunnels, cable bridges, link boxes, heat pumps, plant and equipment for combined heat and power schemes, offices, showrooms, depots, factories, workshops, plants, warehouses and other storage facilities after fulfilling the Statutory requirements."

Further resolved that the Company Secretary be and is hereby authorized to do all acts, deeds and things, take any or all actions to complete all legal formalities and file all necessary documents as may be necessary or incidental for the purpose of implementing the aforesaid resolution(s)."

6. To consider any other business with the permission of the Chair.

By Order of the Board

Mansoor Khan
Company Secretary
Islamabad:September 16, 2015

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 23, 2015 to October 29, 2015** (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 01 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 this report.

F). In order to transfer the amount of dividend directly into bank account, shareholders are requested to provide detail of bank account (CDC account holders to their respective members and physical shareholders to the Company or our share registrar.)

G). The Government of Pakistan through Finance

Act, 2014 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the Companies. These tax rates are as under:

(i). For filers of Income Tax return 10 %
(ii). For non-filers of Income Tax return 15 %

To enable the Company to make tax deductions on the amount of cash dividend @ 10 % instead of 15 %, all shareholders whose names are not entered into the active tax payer list (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL otherwise tax on their cash dividends will be deducted @ 15 % instead of 10 %.

For any query / problem / information, the investors may contact the Company and / or the Share Registrar on the following phone number and e-mail address:

Pakistan Services Limited
1st Floor, NESPAK House, G-5/2, Islamabad.
Phone: 051-2272890-98
E-mail: mansoorkhan@hashoogroup.com

Share Registrar
M/s. Technology Trade (Pvt.) Limited,
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
E-mail: mail@ttpl.com.pk

H). The Corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their participants, whereas corporate physical shareholders should send a copy of their NTN certificates to the Company or our share registrar i.e. M/s. Technology Trade (Pvt.) Limited. The shareholders while sending NTN or NTN certificates, as the case may be must quote company name and their respective folio numbers.

THE STATEMENT UNDER SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984 REGARDING ALTERATION IN THE MEMORANDUM OF ASSOCIATION

The Board of Directors considered and recommended to the members of the Company to pass a special resolution for altering existing sub clause no. 6 of the object clause of Memorandum of Association of the Company and adding ten new sub clauses 6(a) to 6(j) in Clause-III of the Memorandum of Association of the Company to carry on some business, not being a business specified in its memorandum, which may conveniently or advantageously be combined with the existing business of the Company.

The Directors of the Company have no personal interest in this agenda item whether directly or indirectly except to the extent of their shareholdings in the Company.

Pearl Continental Hotel - Karachi

Chairman's Review

Dear Members,

I am pleased to place before you the 56th annual report of Pakistan Services Limited ("the Company"), audited unconsolidated and consolidated financial statements for the year ended on 30 June 2015 and the auditors' report thereon.

THE ECONOMIC ENVIRONMENT

Europe

The Eurozone has been occupied with default concerns in Greece if it fails to pay an installment of US$ 1.6 billion to IMF by 30 June 2015. The potential exit of Greece from the European Union will shake the entire EU.

North America

The US Federal Reserve has deferred the decision to raise the interest rate but a hike is expected any time before the end of the year. Gross domestic product rose at a 2.3% annual rate from April to June, according to the Commerce Department. The official Q1 GDP number was revised upward to a positive 0.6% growth rate, a reversal from the contraction of 0.2% that was originally reported. The economy overall fared well and the trend for the creation of new jobs continued.

Asia

The Chinese economy appears solid but due to worldwide economic jitters it is likely to also experience shakiness. To protect the industrial growth, China's Central Bank moved to cut interest rates. The China-led Asian Infrastructure Investment Bank has taken formal shape. Japan's economy is showing signs of recovery but still there are uncertainties. South Korea battled with MERS (Middle East Respiratory Syndrome).

Pakistan

Stability in Pakistan's economy is clear with recognition from international financial institutions including the IMF. The Pak Rupee is holding steady against the US currency and the inflation rate is in check at 4.53% for the fiscal year ended 30 June 2015. The electricity generation capacity continues to be short of demand, the gap varying from 5000 MW to 6000 MW and causing a significant dent in the economy. Pakistan's largest city and economic hub suffered casualties exceeding 1200 due to a heat wave. Pak Army's initiative under Zarb-e-Azb has completed one year of operations and the incidents of terrorism in the country have been markedly reduced. The "cleanup" and gentrification operations by the paramilitary forces in the metropolitan city of Karachi have also shown encouraging results. The federal government is making steady progress in the infrastructure development, particularly to the expansion of road and rail network, as well as improving electricity generation capacity with the construction of thermal, nuclear, hydel and renewable (solar and wind) electricity power plants. Economic picture of Pakistan has potential to further improve given better fiscal management and a stabilized security situation. The China Pak Economic Corridor (CPEC) implementation purports an investment of US$ 42 billion towards large infrastructural projects with a focus on energy will likely to result in a significant leap in the GDP growth curve. The CPEC will lay a strong foundation for incremental expansion of the economy.

OVERALL PERFORMANCE OF THE COMPANY

Despite challenging business conditions, the Company achieved total revenue (exclusive of GST) of Rs. 7,922 million during the year under review in comparison to last year's revenue of Rs. 7,610 million, showing a growth of about 4 %.

The Company for the year under review earned a profit before tax of Rs. 1,538 million compared with that of Rs. 1,877 million of the previous year. The profit reduction is due to poor performance of the stock market, with a gain of only Rs. 29 million accrued against Rs. 427 million of last year.

Performance of Rooms Department

The revenue (exclusive of GST) was Rs. 3,775 million against Rs. 3,408 million in the last year indicating a growth of 11%. In terms of amount, the increase in this segment is Rs. 367 million. The Average Daily Rate (ADR) of Rs. 9,415 in the immediate preceding year increased to Rs. 10,944, showing a 16% growth.

Performance of Food & Beverage Department

The revenue (exclusive of GST) was Rs. 3,768 million as against Rs. 3,798 million of the last year. It is marginally behind that of the last year by Rs. 30 million.

Performance of other Related Services/License Fee/Travel & Tour Division

Revenue (exclusive of GST) during the year under review was Rs. 379 million as compared with Rs. 404 million of the prior year, indicating a reduction of Rs. 26 million.

FUTURE PROSPECTS

The hospitality industry is reliant upon economic growth of Pakistan, conferences and seminars, tourism and youth related activities. With the launch of the China-Pakistan Economic Corridor occurring during the visit of Chinese President His Excellency Mr. Xi Jinping in April 2015, a stream of infrastructural development projects in sectors of energy, communications, road and rail networks, airports, as well as independent projects, is anticipated, sparking the United Kingdom to express interest in joining CPEC. The government of Pakistan has projects underway in the areas of campaigns to decrease corruption, hydroelectric stations, the improvement of urban transport systems such as motorways and construction as well as the modernization of airports. The security situation has quantifiably improved as a result of the efforts of the Armed Forces of Pakistan, encouraging public morale and increasing domestic tourism.

Given the altering circumstances and room for growth, the Company has initiated projects including the construction of new properties, expansion of existing properties and large scale modernization. Special emphasis has been laid on the improvement of guestrooms, restaurants, health-clubs and business centres. Latest technologies such as Cloud for data storage and computation, among others, are being introduced. New digital PABXs have been installed and the security systems undergo regular upgrades corresponding to various threat scenarios.

The focus on environmental conservation, reducing the overall carbon footprint of operations of the properties, remains critical. Energy efficient machines and utilization of LED lights have been implemented, and the use of inverters in drive motors is being progressively removed. Water conservation practices and inclusion of plants are also underway.

All serves as indicators that the hospitality industry in Pakistan will grow as exposure and discovery of natural and cultural resources continues.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Pakistan Services Limited is actively engaging Corporate Social Responsibility, focusing on education, healthcare, vocational training, and job placements of such trained human resources, as well as financial contributions. The goal of the programmes is to alleviate suffering and empower disadvantaged communities and bring them into mainstream population.

Corporate Philanthropy

The Company contributed a total of Rs. 222.966 million as donations to humanitarian organizations: Aga Khan Hospital and Medical College Foundation, Rs. 100 million; Army's Relief Fund for Internally Displaced Persons (IDPs), Rs. 100 million; Hashoo Foundation, Rs. 20 million; Omer Sharief Welfare Trust, Rs. 1.5 million; and Lady Reading Hospital Peshawar, Rs. 1.466 million.

Energy Conservation

Energy is in short supply and a dominant component of operating costs needs to be conserved by cutting down wasted energy by employing machinery that offer maximum efficiency. Promotion of green technologies and practices are the result of identified areas where energy saving schemes will yield the most successful results. All operating staff are trained in energy efficient habits, including usage of devices only when necessary. Measures to improve methods will grow in tandem with newer available technologies.

Environment Protection Measures

Employees are trained to exercise extreme care for protection of the environment, saving water and energy. As standard operating procedure, each employee is trained to maintain a clean environment in his/her sphere of duties within and outside the confines of the property. Landscaping, development of flowerbeds, grassy areas and planting of trees are part of the implemented environmental improvement programmes.

Customer Protection Measures

Customer feedback is considered heavily. Requisite forms are made available to the users of our facilities. In addition, the Company's staff visits the customers for their comments and suggestions. A third party customer online survey arrangement through E-Card has also been made with "Revinate Inc." which submits reports based on feedback received from random customer selection. As general practice, our products' quality and service standards are continuously under review with the goal of constant improvement to match the social and cultural milieu as well as international developments. Health, safety and security of our customers are also critical and arrangements are in place at each property. Comprehensive inspections are carried out to detect any shortcomings and prompt directives are issued for corrective actions, as necessary.

Employment of Special Persons

The Company has an open door policy for recruitment of Special Persons and currently employs a number of individuals at different business locations.

Occupational Safety and Health

Occupational safety and health training programmes and workshops are conducted regularly to stress safe work practices and to instill awareness of safety-first policies. Full familiarity with the use of various safety equipment and tools is ensured through frequent training and drills. Any unsafe practice is strictly prohibited and interdicted. Conversion training is given whenever equipment undergoes upgrades or new equipment is introduced, reducing emergency response time. Group health and life insurance coverage is provided to employees.

Business ethics and anti-corruption measures

The Code of Ethics and Business Practices are delineated clearly and each employee is made familiar with these. Regular checks occur to confirm the adherence to these codes. Any deviations are strictly forbidden.

Contribution to government exchequer

The Company in the year under review paid an amount of Rs. 2,700 million as against Rs. 2,760 million in the corresponding period of last year, to Provincial and Federal governments in the form of customs duties, general sales tax, income tax and other levies.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated revenue of the Company in the reporting year was Rs. 8,026 million, crossing the mark of Rs. 8 billion, as compared to Rs. 7,702 million that of the last year thus registering a growth of 4.2% which amounts to increase of Rs. 324 million. The consolidated profits before and after tax for the year under review were Rs. 1,491 million and Rs. 962 million respectively. This works out to a decrease in profit by Rs. 372 million.

The wholly-owned subsidiary company, M/s Pearl Tours and Travels (Private) Limited, engaged in the business of Rent-a-Car and arranging package tours, generated revenue of Rs.165 million during the year under report as compared to Rs. 142 million of corresponding period of last year. It represents an increase of Rs. 23 million.

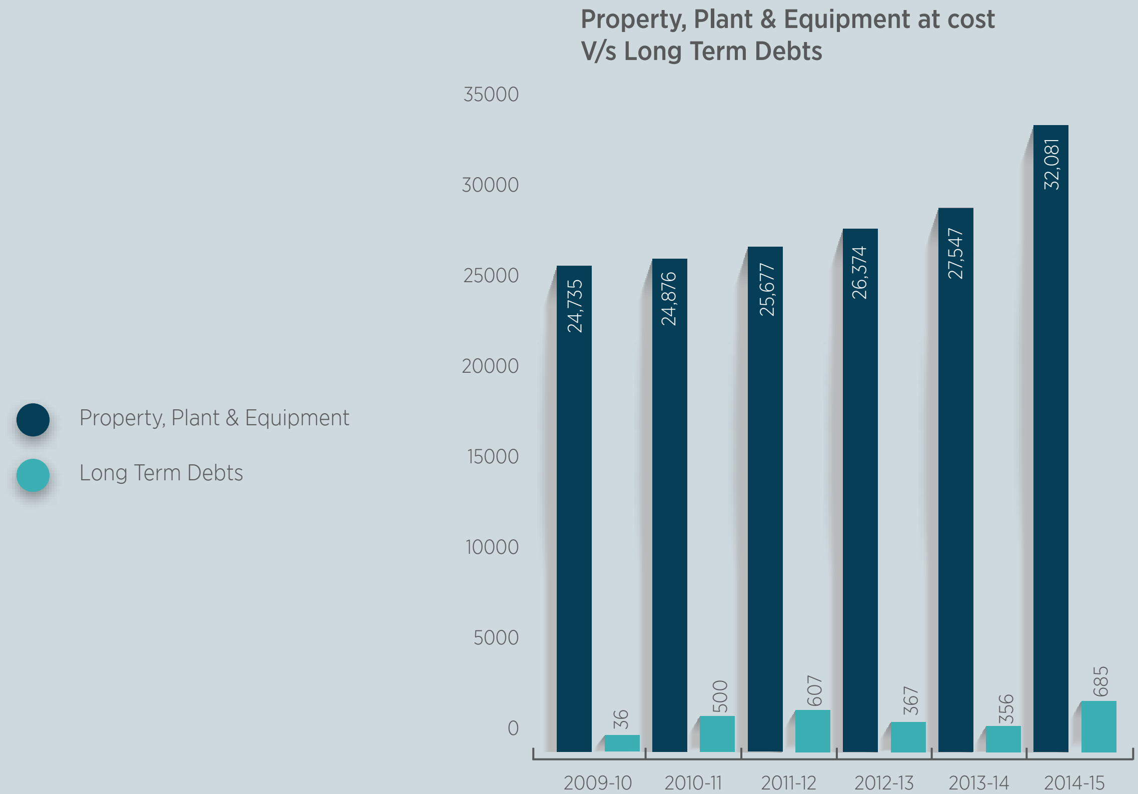
Additional wholly-owned subsidiary companies, M/s. Pearl Continental Hotels (Private) Limited and M/s. Bhurban Resorts (Private) Limited, remained non-operational during the financial year under report. Earning of these entities was limited to the interest of short-term investment funds placements with banks.

ACKNOWLEDGEMENTS

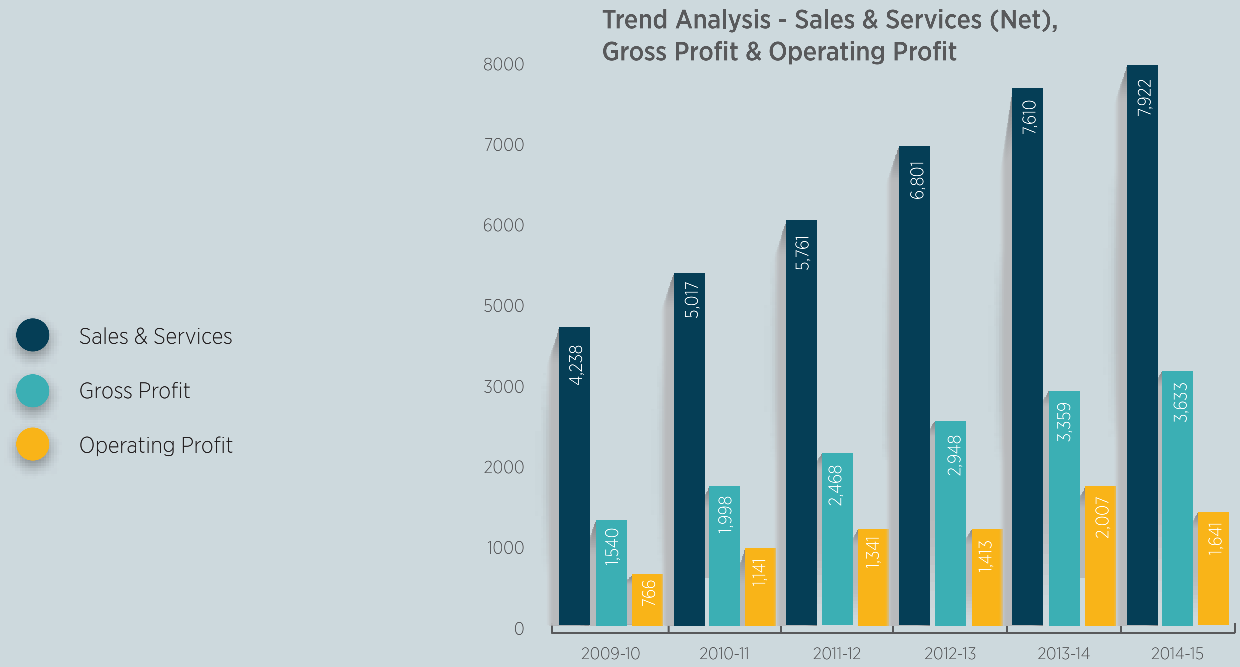
On behalf of the Board, I express my appreciation for the dedication to duty and professional conduct of the employees of the Company, as well as shareholders and stakeholders for their support. I thank the bankers of the Company for the understanding and the cooperation they have extended, and gratitude towards our loyal and confident customers. The combined efforts of all have been instrumental in the healthy growth of the Company against all odds. We all pray for a peaceful, progressive and prosperous Pakistan. Amen!

For and on behalf of the Board of Directors

Sadruddin Hashwani
Chairman
September 16, 2015



Property, Plant & Equipment at cost
V/s Long Term Debts
Property, Plant & Equipment
Long Term Debts
35000
30000
25000
20000
15000
10000
5000
0
24,735
36
24,876
500
25,677
607
26,374
367
27,547
356
32,081
685
2009-10
2010-11
2011-12
2012-13
2013-14
2014-15



Trend Analysis - Sales & Services (Net),
Gross Profit & Operating Profit
Sales & Services
Gross Profit
Operating Profit
8000
7000
6000
5000
3000
2000
1000
0
4,238
1,540
766
5,017
1,998
1,141
5,761
2,468
1,341
6,801
2,948
1,413
7,610
3,359
2,007
7,922
3,633
1,641
2009-10
2010-11
2011-12
2012-13
2013-14
2014-15

Pearl of LAHORE

Lahore is one of the Pakistan's busiest metropolitan cities, rich in culture and traditions. Capital of agriculturally affluent province of the Punjab, Lahore has grown with the influx of nataional and multi-national businesses. It is a unique city, which has everything that is modern while retaining its original flavor. The city is famous for its emphasis on inherited and cross-cultural variety of cuisines. Its lush greenery and parks are soothing to the weary travelers.

Highlights from the Pearl-Continental Lahore

The Pearl Continental Hotel Lahore, one of the landmarks of Lahore is a preferred choice for discerning corporate and leisure travelers. Vibrant and progressive, it retains the warmth and the spirit of Pakistan, while offering a variety of rooms, stylish restaurants and contemporary business facilities, establishing itself as an undisputed, premier business hotel.

ACCOMODATION

In every room, we have created an environment of absolute comfort, using soft muted colours, deep luxurious mattresses and fresh crisp linens of the highest quality. Whether you choose any one of our suites or opt for any guestroom, you can always be sure of a fantastic sleep to leave you feeling refreshed and revitalised.

Guest rooms & Suites	607	Business Suites	28
Presidential Suites	03	Royal Suites	03
Deluxe Suites	17	Executive Suites	02

Just 25 minutes away from the Allama Iqbal International Airport, the hotel is located on Shahrah-e-Quaid-e-Azam (Mall Road). The concierge will be happy to arrange pick and drop service through the airport shuttle if informed.

SPECIAL FEATURES

Express capsule lifts take you directly to various floors of Atrium & Mall wing. Mosque, centrally air-conditioned shopping arcade, express check-in & check-out facility on the executive floor, full emergency self power generated back-up system, valet parking, 24 hours on call Doctor's facility. Number of specialty restaurants and huge banquet halls facility.

DINING OUTLETS

NADIA
For some, it's relaxing over afternoon tea in the delightful Nadia, for others, it's sipping a favourite cocktail, or enjoying an exquisite dining experience. Whatever your preference, Nadia offers deliciously different opportunities to indulge your every taste, mood and desire.

MARCOPOLO
Marco Polo remains committed to offering warm, friendly, personal service and a broad menu featuring quality food for breakfast, lunch, dinner, and evening snacks. Bright, calming and airy, Marco Polo is one of the pinnacle eatery in the city. Marco Polo is open for round the clock.

TAI-PAN
Serving traditional Chinese cuisine with an essence of the Canton and Shanghai provinces, Tai-Pan specialties are prepared using the four Chinese cooking methods: steamed, braised, baked, and fried. Our chefs offer a menu that is constantly changing to take advantage of seasonal offerings.

Café Latte
Invite your taste buds to a performance they'll never forget. The Café Latte serves mouth-watering sandwiches. But don't forget about the perfectly seasoned soups, fresh salads, and pastries.

242
A small lounge for in-house nonmuslim guests serving various alcoholic and non alcoholic beverages.

SAKURA
It's the ultimate destination for Japanese cuisine. Sakura features freshly prepared ingredients, stellar sushi and the widest sake selection this side of the Pacific. Experience the sleek urban elegance of Sakura with live teppanyaki counter and transport yourself to the Far-from-ordinary East.

COVO
From Sicily to Milan, COVO presents traditional Italian cuisine in sleek surroundings. Featuring fresh pastas hand-crafted daily, with imported steaks & aromatic Pizzas.

DUMPUKHT
A traditional Mughlai point where the recipes would mesmerize your taste buds with the magic of their chefs. It's a fine dining restaurant and offers up gourmet delights akin to those produced by the royal khansamahs.

BUKHARA
The romance of the Delicious Lahori live Bar-b-Que Buffet comes alive at this authentic, restaurant making it a landmark-dining destination in Lahore. Bukhara recreates the charm of the traditional clay oven or tandoor with its delicious menu of succulent tandoor-cooked kebabs, vegetables and breads.

BAKER'S BOUTIQUE
Maintaining the tradition of making the best cakes & bakery delights in the city.

BUSINESS CENTER

Paving the way for the formal and informal connections that make business succeed, our business center is equipped with "State of the art" equipment facilities. Round the clock business center consist of 02 boardrooms and 04 private offices.

CONFERENCE & BANQUET FACILITIES

Whatever your business, Pearl-Continental Hotel Lahore is an excellent venue for corporate events, exhibitions and entertainment. And with a wide variety of well-equipped boardrooms and meeting rooms, we can provide first-class corporate services.

Pearl-Continental is the perfect place to inspire and motivate your colleagues, or to impress your clients. Our dedicated events team is always on hand to help you strike the right balance between business and pleasure.

Our conference and banquet facilities are a great choice for your next event with flexible meeting space ready to welcome 10 to 1000 people.

The lavishly selected banqueting venues and ballroom have played host to many prestigious gala dinners, weddings, fashion shows, musical events and official ceremonies.

OUTSIDE CATERING

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Pearl Continental Hotel - Karachi

Directors' Report

Dear Members,

The Board of Directors ("the Board") of Pakistan Services Limited ("the Company") is pleased to present the 56th Annual Report with the audited financial statements of the Company for the year ended on 30 June 2015 along with the Auditors' Report thereon.

Summary of financial performance of the Company is as follows:

	(Rupees '000)
Profit from operations	1,509,194
Un-realized gain on re-measurement of investments	28,754
Profit before taxation	1,537,948
Taxation	(486,077)
Profit for the year	1,051,871
Other comprehensive income for the year	8,133
Un-appropriated profit brought forward	4,230,956
Profit available for appropriation	5,290,960

EARNINGS PER SHARE

Earnings per share for the year 2014-15 arrived at Rs.32.34

COMPLIANCE STATEMENT

The Board of the Company has throughout the year, as a matter of policy, complied with the "Code of Corporate Governance" as contained in the Listing of Regulations of the Karachi Stock Exchange Limited and is pleased to confirm that:

- The financial statement prepared by the management of the Company gives an accurate picture of state of affairs of the Company, and results 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 the 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 the preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a "going concern".
- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.
- There has been no material departure from the best practices of transfer pricing.
- Key operating and financial data of the last

six years in summarized form is annexed to this report.

- The Board of Directors proposed final cash dividend of Rs. 5/- per share for the year ended June 30, 2015.

- There are no statutory payments on account of taxes, duties, levies, and charges which were outstanding as on June 30, 2015 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	2
Mr. Murtaza Hashwani	1
Ms. Sarah Hashwani	2
Mr. M.A. Bawany	4
Mr. Mansoor Akbar Ali	1
Syed Sajid Ali	Nil
Mr. Josef Kufer	3
Mr. Muhammad Rafique	4
Mr. Bashir Ahmed	4
Mr. H.A.S Vellani	3
Mr. Talat Hameed	2
Mr. Shakir Abu Bakar	1

- The leave of absence was granted to the Directors who could not attend the Board meeting held during the year.

- During the year Mr. Sadruddin Hashwani disposed of 1,208,650 shares and Mr. Josef Kufer acquired 500 shares of the Company whereas 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 audited financial statements of Employees' Provident Fund-Pakistan Services Limited for the year ended on 30 June 2015 was Rs.630.795 million.

- The pattern of shareholding as required under section 236 of the Companies Ordinance, 1984 and Clause (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 inter alia with the financial and operating results and significant deviations from the last year, major future plans and other related matters of the Company.

- The Board has been making arrangements for orientation course for its directors to apprise them of their duties and responsibilities, during the year one of its directors Mr. Shakir Abu Bakar attended the directors training program.

Change in Board of Directors

During the year, Mr. Murtaza Hashwani resigned from the position of Director and Chief Executive Officer (CEO) of the Company and Mr. Sadruddin Hashwani took over charge of CEO on unanimous request of the directors. Further Mr. Mansoor Akbar Ali, Syed Sajid Ali and Mr. Ahmed Elsayed-Mohamed Youssef Aly also resigned from the Board and Mr. Josef Kufer, Mr. H.A.S. Vellani, Mr. Talat Hameed and Mr. Shakir Abu Bakar joined the Board as directors of the company to fill the casual vacancies. The Board wishes to place on record its appreciation for the services rendered by the outgoing Directors and welcomes new Directors and look forward to their valuable contributions during their ensuing tenure.

PRINCIPAL BOARD COMMITTEES

Audit Committee

This Committee consists of four members including non-executive Director as its Chairman and is responsible to assist the Board in the management of business risk, internal controls and the conduct of the business in an effective and efficient manner. The Committee meets at least once in every quarter prior to the approval of interim financial results of the Company by the Board. The terms of reference of the Audit Committee have been approved by the Board of Directors.

During the year, there had been 4 Committee meetings, the attendance record of its members are as follows:

Name of Directors	Attendance
Ms. Sarah Hashwani	4
Mr. Ahmed Elsayed-Mohamed Youssef Aly	2
Mr. Mansoor Akbar Ali	1
Syed Sajid Ali	Nil
Mr. H.A.S. Vellani	3
Mr. Talat Hameed	3
Mr. Shakir Abu Bakar*	1

*Mr. Shakir Abu Bakar was appointed as new Chairman of the Audit Committee by the Board.

Human Resource & Remuneration Committee

This Committee consists of three members to assist the Board to enhance the level of competency and intellectual potential of Company's human resource.

AUDITORS

The retiring auditors, M/s. KPMG Taseer Hadi & Co, Chartered Accountants being eligible, offer themselves for re-appointment as the Company's auditors. The Board, on the recommendation of the Audit Committee, has proposed appointment of M/s KPMG Taseer Hadi & Co, Chartered Accountants as auditors of the Company for the year ending 30 June 2016.

For and on behalf of the Board of Directors

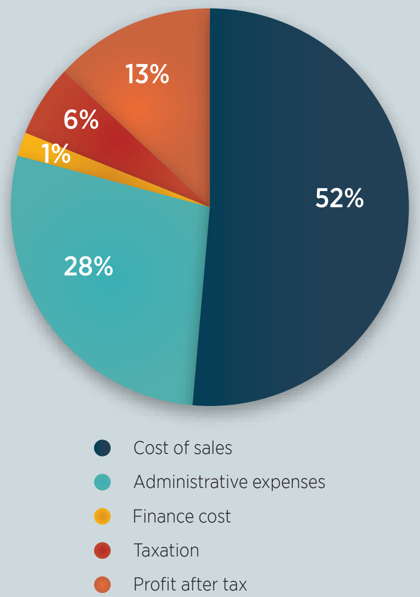
M.A. Bawany
Director

Muhammad Rafique
Director

Islamabad: September 16, 2015

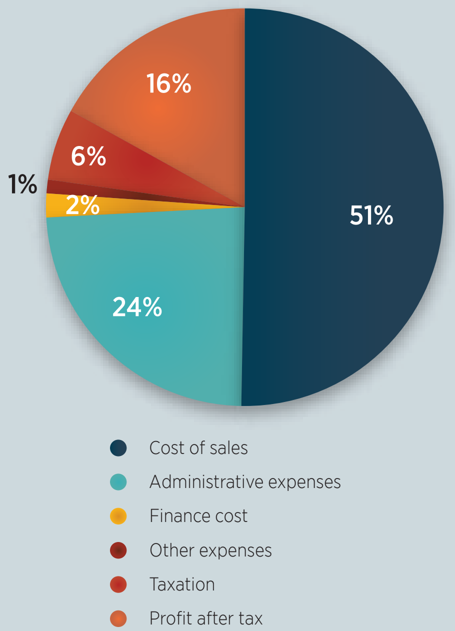
Application of Sales & Other Income

2014-15



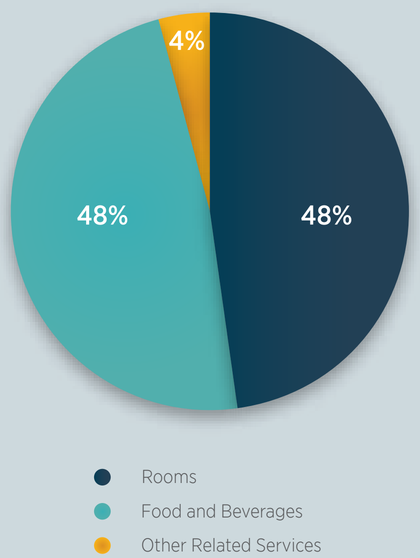
Application of Sales & Other Income

2013-14



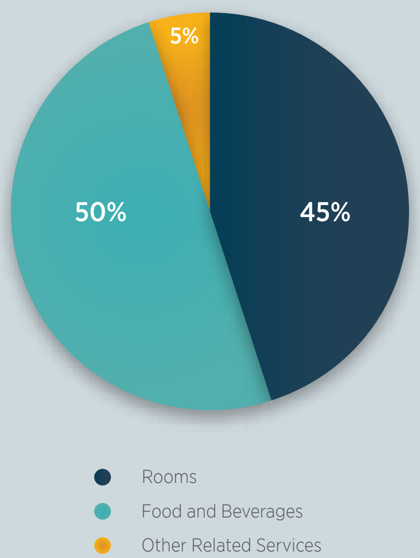
Contribution of Major Revenue Generating Departments

2014-15



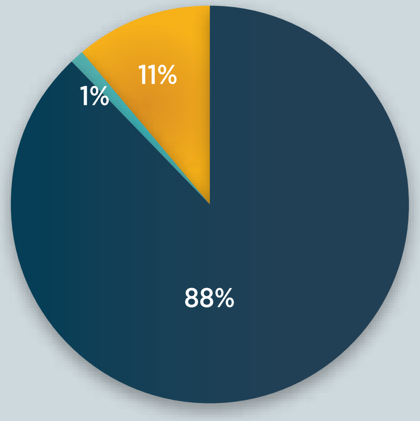
Contribution of Major Revenue Generating Departments

2013-14



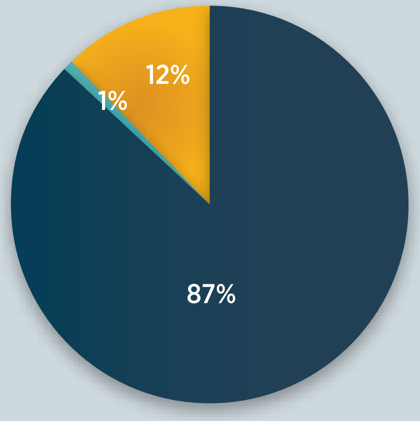
ASSETS

2014-15



Non current assets
Long term investments
Current Assets

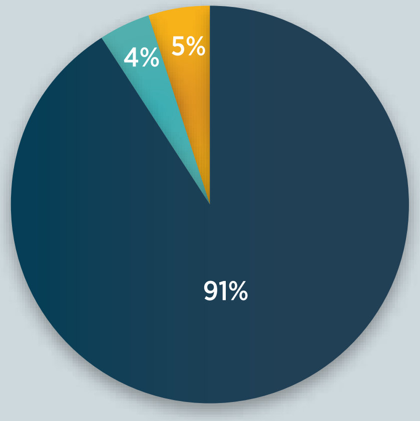
2013-14



Non current assets
Long term investments
Current Assets

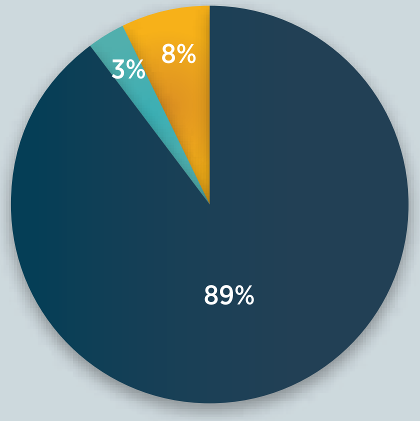
EQUITY AND LIABILITIES

2014-15



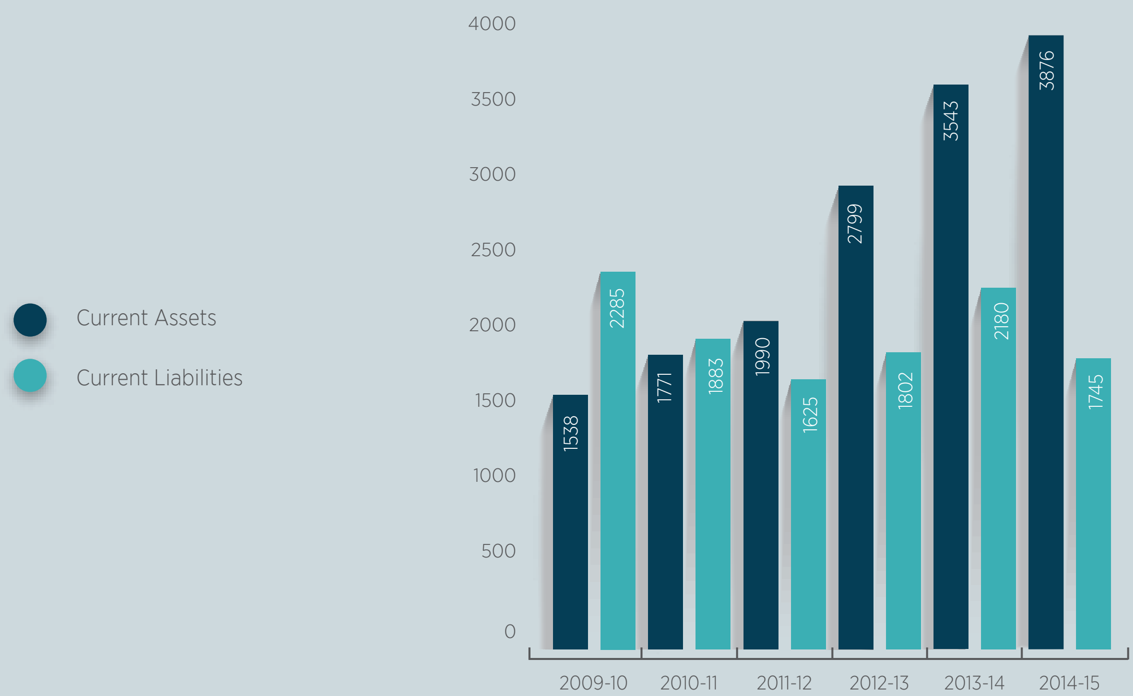
Shareholders' Equity
Non Current Liabilities
Current Liabilities

2013-14

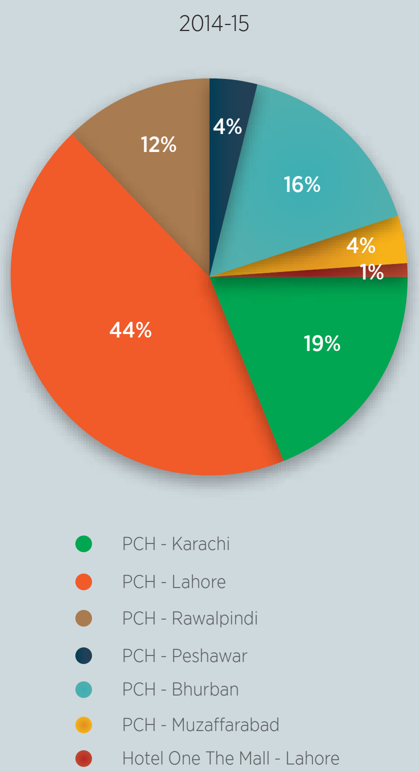


Shareholders' Equity
Non Current Liabilities
Current Liabilities

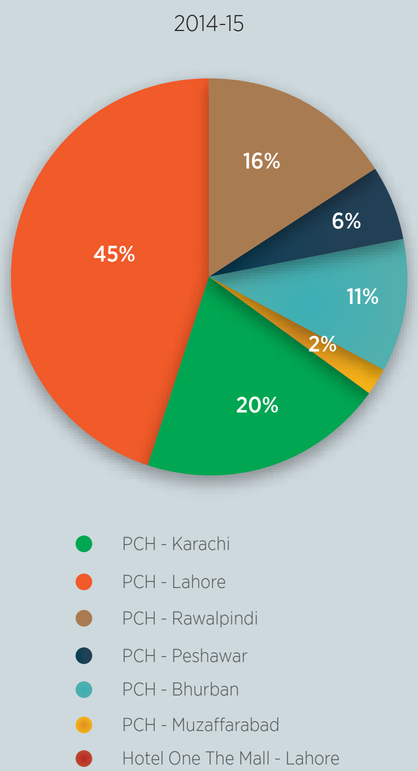
Current Assets V/s Current Liabilities



Rooms Revenue - Hotel Wise



Food and Beverages Revenue - Hotel Wise



Key Operating and Financial Data

Based on Un-consolidated Financial Statements

For the year ended / as at June, 30

		2015	2014	2013	2012	2011	2010
Profitability Ratios							
Gross profit ratio	%	**45.87**	44.14	43.35	42.83	39.84	36.34
Net profit to sales	%	**13.28**	18.44	13.04	13.61	13.33	10.10
EBIDTA margin to sales	%	**25.99**	30.91	24.70	27.16	27.26	23.98
Return on equity	%	**14.05**	21.84	17.29	18.50	19.36	15.37
Return on capital employed	%	**3.23**	5.14	3.42	3.10	2.74	1.84
Return on assets	%	**3.06**	4.76	3.20	2.91	2.55	1.68
Liquidity Ratios							
Current ratio		**2.22**	1.63	1.55	1.22	0.97	0.69
Quick / acid test ratio		**2.08**	1.52	1.44	1.12	0.89	0.63
Cash to current liabilities		**0.44**	0.07	0.06	0.08	0.04	0.03
Cash flow from operations to sales		**0.13**	0.19	0.14	0.12	0.16	0.04
Activity Turnover Ratios							
Inventory turnover	Days	**24**	23	23	21	19	19
Debtors turnover	Days	**40**	42	41	40	30	33
Creditors turnover	Days	**34**	51	25	23	33	32
Operating cycle	Days	**30**	14	39	38	16	20
Property, plant & equipment turnover	Times	**0.27**	0.31	0.30	0.26	0.23	0.19
Total assets turnover	Times	**0.23**	0.26	0.25	0.21	0.19	0.17
Investment / Market Ratios							
Earnings per share - basic and diluted	Rs	**32.34**	43.15	27.28	24.10	20.55	13.16
Price earning ratio		**15.31**	11.39	10.86	6.22	6.93	9.38
Dividend yield ratio	%	**1.01**	-	-	-	-	-
Dividend payout ratio	%	**15.46**	-	-	-	-	-
Dividend cover ratio		**6.47**	-	-	-	-	-
Cash dividend per share	Rs	**5.00**	-	-	-	-	-
Market value per share at year end	Rs	**495.00**	491.36	296.10	150.00	142.50	123.48
Highest market value per share during the year	Rs	**574.50**	520.00	390.00	162.89	181.99	249.00
Lowest market value per share during the year	Rs	**411.00**	222.00	142.50	131.90	129.65	98.20
Breakup value per share (Including the effect of surplus on revaluation of property, plant & equipment).	Rs	**961.29**	807.99	772.31	745.04	721.33	700.77
Breakup value per share (Excluding surplus on revaluation of property, plant & equipment).	Rs	**230.16**	197.56	157.73	130.46	106.16	85.61
Capital Structure Ratios							
Financial leverage ratio		**0.02**	0.02	0.02	0.03	0.02	0.00
Debt : Equity (Including the effect of surplus on revaluation of property, plant & equipment)		**0.02**	0.01	0.01	0.03	0.02	0.00
Debt : Equity (Excluding surplus on revaluation of property, plant & equipment)		**0.09**	0.06	0.07	0.14	0.14	0.01
Interest cover ratio		**15.92**	15.37	9.17	7.26	6.44	4.75
Summary of Cash Flows							
Net cash flow from operating activities	(Rs.000)	**1,024,401**	1,465,055	920,364	667,313	786,691	171,993
Net cash flow from investing activities	(Rs.000)	**(578,166)**	(1,325,932)	(730,338)	(551,458)	(711,241)	(719,457)
Net cash flow from financing activities	(Rs.000)	**157,785**	(10,227)	(223,131)	262,219	428,000	(72,000)
Net change in cash and cash equivalents	(Rs.000)	**604,020**	128,896	(33,105)	378,074	503,450	(619,464)

Horizontal Analysis

As at / for the ended June, 30

Balance Sheet

(Rupees '000)	2015	15 Vs 14 %	2014	14 Vs 13 %	2013	13 Vs 12 %	2012	12 Vs 11 %	2011	11 Vs 10 %	2010
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	-	1,869,424
Unappropriated profit	**5,290,960**	**25.05**	4,230,956	44.13	2,935,427	43.31	2,048,291	62.80	1,258,128	113.39	589,596
	7,485,626	**16.50**	6,425,622	25.25	5,130,093	20.91	4,242,957	22.88	3,452,794	24.01	2,784,262
Surplus on revaluation of property, plant and equipment	**23,779,515**	**19.77**	19,853,565	(0.68)	19,988,725	-	19,988,725	(0.10)	20,007,770	-	20,007,770
Non Current Liabilities											
Long term financing - secured	**685,128**	**97.06**	347,667	(0.67)	350,000	(40.00)	583,333	16.67	500,000	1,288.89	36,000
Liabilities against assets subject to finance lease	**-**	**(100.00)**	7,748	(53.47)	16,651	100.00	24,029	100.00	-	-	-
Long term deposits	**-**	**-**	-	-	-	-	-	(100.00)	50,884	0.91	50,426
Deferred liabilities	**645,072**	**0.40**	642,532	39.09	461,953	(4.66)	484,531	32.67	365,219	0.11	364,810
	1,330,200	**33.29**	997,947	20.44	828,604	(24.11)	1,091,893	19.19	916,103	103.02	451,236
Current Liabilities											
Trade and other payables	**1,632,709**	**(12.46)**	1,865,041	27.88	1,458,466	11.74	1,305,231	(1.65)	1,327,119	8.80	1,219,783
Markup payable	**38,253**	**9.10**	35,063	69.48	20,689	(35.99)	32,323	2.66	31,484	21.80	25,849
Short term borrowings - secured	**-**	**-**	-	(100.00)	75,395	17.92	63,936	(83.62)	390,233	(56.06)	888,088
Current portion of long term financing	**74,392**	**(69.28)**	242,195	0.42	241,186	7.86	223,606	521.13	36,000	(50.00)	72,000
Provision for taxation - net	**-**	**(100.00)**	37,617	493.80	6,335	100.00	-	(100.00)	47,339	61.98	29,225
	1,745,354	**(19.93)**	2,179,916	20.97	1,802,071	10.89	1,625,096	(11.30)	1,832,175	(18.02)	2,234,945
	34,340,695	**16.58**	29,457,050	6.15	27,749,493	2.97	26,948,671	2.82	26,208,842	2.87	25,478,213
Non Current Assets											
Property, plant and equipment	**28,897,404**	**18.78**	24,328,755	5.84	22,987,048	2.13	22,507,365	2.35	21,990,412	0.08	21,972,632
Advance for capital expenditure	**1,175,457**	**(0.85)**	1,185,480	7.81	1,099,645	14.28	962,220	23.55	778,817	2.71	758,289
Investment property	**45,000**	**-**	45,000	(4.26)	47,000	-	47,000	(88.00)	391,763	770.58	45,000
Long term investments	**328,360**	**17.54**	279,360	(64.26)	781,635	(40.58)	1,315,377	7.60	1,222,418	14.73	1,065,455
Advance for equity investment	**-**	**(100.00)**	55,000	100.00	-	(100.00)	113,080	177.84	40,700	(57.47)	95,700
Long term deposits and prepayments	**18,864**	**(7.23)**	20,335	(41.98)	35,049	161.85	13,385	0.02	13,382	279.52	3,526
	30,465,085	**17.56**	25,913,930	3.86	24,950,377	(0.03)	24,958,427	2.13	24,437,492	2.08	23,940,602
Current Assets											
Stores, spare parts and loose tools	**150,389**	**3.28**	145,619	12.21	129,770	27.80	101,538	17.90	86,121	2.58	83,954
Stock in trade - food and beverages	**90,715**	**4.24**	87,021	8.06	80,533	22.78	65,589	21.84	53,833	21.15	44,435
Trade debts	**510,208**	**(12.61)**	583,847	5.28	554,553	19.66	463,439	45.19	319,190	7.31	297,459
Advances	**580,723**	**1.01**	574,928	(2.25)	588,170	3.15	570,211	(5.43)	602,955	685.85	76,726
Trade deposits and prepayments	**63,883**	**8.17**	59,057	(17.94)	71,965	21.59	59,188	59.27	37,163	55.41	23,913
Interest accrued	**5,768**	**(24.20)**	7,610	16.90	6,510	(15.77)	7,729	(84.34)	49,340	3.93	47,472
Other receivables	**35,518**	**26.26**	28,130	(33.50)	42,302	37.68	30,724	(42.35)	53,296	5.93	50,314
Other financial assets	**1,082,204**	**(17.32)**	1,308,955	107.18	631,787	27.92	493,887	8.13	456,760	(45.75)	841,941
Non Current Assets held for sale	**586,403**	**-**	586,403	-	586,403	947.99	55,955	56.74	35,700	100.00	-
Advance tax - net	**4,229**	**100.00**	-	-	-	(100.00)	13,215	100.00	-	-	-
Cash and bank balances	**765,570**	**373.89**	161,550	50.81	107,123	(16.81)	128,769	67.25	76,992	7.84	71,397
	3,875,610	**9.38**	3,543,120	26.58	2,799,116	40.64	1,990,244	12.36	1,771,350	15.20	1,537,611
	34,340,695	**16.58**	29,457,050	6.15	27,749,493	2.97	26,948,671	2.82	26,208,842	2.87	25,478,213
Profit and Loss Account											
Sales and services - net	**7,922,016**	**4.10**	7,609,885	11.89	6,801,170	18.06	5,760,754	14.83	5,016,601	18.37	4,238,232
Cost of sales and services	**4,288,554**	**0.88**	4,251,249	10.33	3,853,039	17.00	3,293,237	9.11	3,018,227	11.87	2,698,003
Gross profit	**3,633,462**	**8.18**	3,358,636	13.92	2,948,131	19.48	2,467,517	23.48	1,998,374	29.75	1,540,229
Administrative expenses	**2,261,625**	**15.21**	1,963,093	7.18	1,831,583	24.99	1,465,373	25.77	1,165,102	6.68	1,092,180
Other operating expenses	**-**	**(100.00)**	55,273	(24.20)	72,919	100.00	-	(100.00)	19,201	(8.91)	21,078
Other operating income	**269,184**	**(59.65)**	667,149	80.86	368,879	8.87	338,821	3.61	327,022	(3.63)	339,339
Operating profit	**1,641,021**	**(18.25)**	2,007,419	42.12	1,412,508	5.34	1,340,965	17.52	1,141,093	48.91	766,310
Finance cost	**103,073**	**(21.10)**	130,639	(15.16)	153,988	(16.65)	184,741	4.34	177,058	9.86	161,173
Profit before taxation	**1,537,948**	**(18.05)**	1,876,780	49.13	1,258,520	8.85	1,156,224	19.94	964,035	59.31	605,137
Taxation	**486,077**	**2.68**	473,411	27.47	371,384	(0.27)	372,373	26.01	295,503	66.76	177,205
Profit for the year	**1,051,871**	**(25.05)**	1,403,369	58.19	887,136	13.18	783,851	17.25	668,532	56.22	427,932
Earnings per share - basic and diluted (Rupees)	**32.34**	**(25.05)**	43.15	58.19	27.28	13.18	24.10	17.25	20.55	56.22	13.16

Vertical Analysis

As at / for the ended June, 30

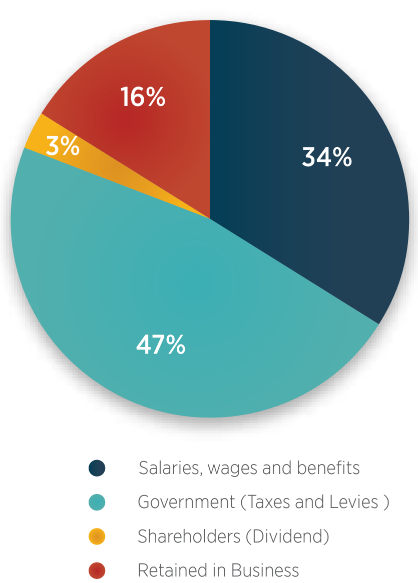
Balance Sheet

(Rs. '000)	2015	%	2014	%	2013	%	2012	%	2011	%	2010	%
Share Capital and Reserves												
Issued, subscribed and paid up share capital	**325,242**	**0.95**	325,242	1.10	325,242	1.17	325,242	1.21	325,242	1.24	325,242	1.28
Reserves	**1,869,424**	**5.44**	1,869,424	6.35	1,869,424	6.74	1,869,424	6.94	1,869,424	7.13	1,869,424	7.34
Unappropriated profit	**5,290,960**	**15.41**	4,230,956	14.36	2,935,427	10.58	2,048,291	7.60	1,258,128	4.80	589,596	2.31
	7,485,626	**21.80**	6,425,622	21.81	5,130,093	18.49	4,242,957	15.74	3,452,794	13.17	2,784,262	10.93
Surplus on revaluation of property, plant and equipment	**23,779,515**	**69.25**	19,853,565	67.40	19,988,725	72.03	19,988,725	74.17	20,007,770	76.34	20,007,770	78.53
Non Current Liabilities												
Long term financing - secured	**685,128**	**2.00**	347,667	1.18	350,000	1.26	583,333	2.16	500,000	1.91	36,000	0.14
Liabilities against assets subject to finance lease	**-**	**-**	7,748	0.03	16,651	0.06	24,029	0.09	-	-	-	-
Long term deposits		**-**	**-**	**-**	-	-	-	0.00	50,884	0.19	50,426	0.20
Deferred liabilities	**645,072**	**1.88**	642,532	2.18	461,953	1.66	484,531	1.80	365,219	1.39	364,810	1.43
	1,330,200	**3.87**	997,947	3.39	828,604	2.99	1,091,893	4.05	916,103	3.50	451,236	1.77
Current Liabilities												
Trade and other payables	**1,632,709**	**4.75**	1,865,041	6.33	1,458,466	5.26	1,305,231	4.84	1,327,119	5.06	1,219,783	4.79
Markup payable	**38,253**	**0.11**	35,063	0.12	20,689	0.07	32,323	0.12	31,484	0.12	25,849	0.10
Short term borrowings - secured		**-**	-	-	75,395	0.27	63,936	0.24	390,233	1.49	888,088	3.49
Current portion of long term financing	**74,392**	**0.22**	242,195	0.82	241,186	0.87	223,606	0.83	36,000	0.14	72,000	0.28
Provision for taxation - net	**-**	**-**	37,617	0.13	6,335	0.02	-	-	47,339	0.18	29,225	0.11
	1,745,354	**5.08**	2,179,916	7.40	1,802,071	6.49	1,625,096	6.03	1,832,175	6.99	2,234,945	8.77
	34,340,695	**100.00**	29,457,050	100.00	27,749,493	100.00	26,948,671	100.00	26,208,842	100.00	25,478,213	100.00
Non Current Assets												
Property, plant and equipment	**28,897,404**	**84.15**	24,328,755	82.59	22,987,048	82.84	22,507,365	83.52	21,990,412	83.90	21,972,632	86.24
Advance for capital expenditure	**1,175,457**	**3.42**	1,185,480	4.02	1,099,645	3.96	962,220	3.57	778,817	2.97	758,289	2.98
Investment property	**45,000**	**0.13**	45,000	0.15	47,000	0.17	47,000	0.17	391,763	1.49	45,000	0.18
Long term investments	**328,360**	**0.96**	279,360	0.95	781,635	2.82	1,315,377	4.88	1,222,418	4.66	1,065,455	4.18
Advance for equity investment	**-**	**-**	55,000	0.19	-	-	113,080	0.42	40,700	0.16	95,700	0.38
Long term deposits and prepayments	**18,864**	**0.05**	20,335	0.07	35,049	0.13	13,385	0.05	13,382	0.05	3,526	0.01
	30,465,085	**88.71**	25,913,930	87.97	24,950,377	89.91	24,958,427	92.61	24,437,492	93.24	23,940,602	93.96
Current Assets												
Stores, spare parts and loose tools	**150,389**	**0.44**	145,619	0.49	129,770	0.47	101,538	0.38	86,121	0.33	83,954	0.33
Stock in trade - food and beverages	**90,715**	**0.26**	87,021	0.30	80,533	0.29	65,589	0.24	53,833	0.21	44,435	0.17
Trade debts	**510,208**	**1.49**	583,847	1.98	554,553	2.00	463,439	1.72	319,190	1.22	297,459	1.17
Advances	**580,723**	**1.69**	574,928	1.95	588,170	2.12	570,211	2.12	602,955	2.30	76,726	0.30
Trade deposits and prepayments	**63,883**	**0.19**	59,057	0.20	71,965	0.26	59,188	0.22	37,163	0.14	23,913	0.09
Interest accrued	**5,768**	**0.02**	7,610	0.03	6,510	0.02	7,729	0.03	49,340	0.19	47,472	0.19
Other receivables	**35,518**	**0.10**	28,130	0.10	42,302	0.15	30,724	0.11	53,296	0.20	50,314	0.20
Other financial assets	**1,082,204**	**3.15**	1,308,955	4.44	631,787	2.28	493,887	1.83	456,760	1.74	841,941	3.30
Non Current Assets held for sale	**586,403**	**1.71**	586,403	1.99	586,403	2.11	55,955	0.21	35,700	0.14	-	-
Advance tax - net	**4,229**	**0.01**	-	-	-	-	13,215	0.05	-	-	-	-
Cash and bank balances	**765,570**	**2.23**	161,550	0.55	107,123	0.39	128,769	0.48	76,992	0.29	71,397	0.28
	3,875,610	**11.29**	3,543,120	12.03	2,799,116	10.09	1,990,244	7.39	1,771,350	6.76	1,537,611	6.04
	34,340,695	**100.00**	29,457,050	100.00	27,749,493	100	26,948,671	100.00	26,208,842	100.00	25,478,213	100.00
Profit and Loss Account												
Sales and services - net	**7,922,016**	**100.00**	7,609,885	100.00	6,801,170	100.00	5,760,754	100.00	5,016,601	100.00	4,238,232	100.00
Cost of sales and services	**4,288,554**	**(54.13)**	4,251,249	(55.86)	3,853,039	(56.65)	3,293,237	57.17	3,018,227	60.16	2,698,003	63.66
Gross profit	**3,633,462**	**45.87**	3,358,636	44.14	2,948,131	43.35	2,467,517	42.83	1,998,374	39.84	1,540,229	36.34
Administrative expenses	**2,261,625**	**28.55**	1,963,093	25.80	1,831,583	26.93	1,465,373	25.44	1,165,102	23.22	1,092,180	25.77
Other operating expenses	**-**	**-**	55,273	0.73	72,919	1.07	-	-	19,201	0.38	21,078	0.50
Other operating income	**269,184**	**3.40**	667,149	8.77	368,879	5.42	338,821	5.88	327,022	6.52	339,339	8.01
Operating profit	**1,641,021**	**20.71**	2,007,419	26.38	1,412,508	20.77	1,340,965	23.28	1,141,093	22.75	766,310	18.08
Finance cost	**103,073**	**1.30**	130,639	1.72	153,988	2.26	184,741	3.21	177,058	3.53	161,173	3.80
Profit before taxation	**1,537,948**	**19.41**	1,876,780	24.66	1,258,520	18.50	1,156,224	20.07	964,035	19.22	605,137	14.28
Taxation	**486,077**	**6.14**	473,411	6.22	371,384	5.46	372,373	6.46	295,503	5.89	177,205	4.18
Profit for the year	**1,051,871**	**13.28**	1,403,369	18.44	887,136	13.04	783,851	13.61	668,532	13.33	427,932	10.10
Earnings per share - basic and diluted (Rupees)	**32.34**		43.15		27.28		24.10		20.55		13.16	

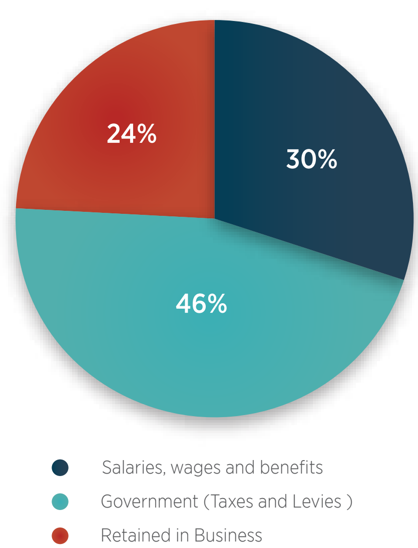
Statement of Value Addition & Its Distribution

	2014 - 15	2013 - 14
	(Rupees'000)	
VALUE ADDED		
Sales & Services (inclusive of GST and other taxes)	**9,234,002**	9,074,194
Other operating income - net	**269,184**	611,876
	9,503,186	9,686,070
Cost of Sales and Other expenses (excluding salaries, wages and benefits & taxes)	**(3,805,090)**	(3,739,393)
	5,698,096	5,946,677
DISTRIBUTION		
Salaries, wages and benefits	**1,945,881**	1,783,777
Government (taxes and levies)	**2,700,344**	2,759,531
Shareholders (dividend)	**162,621**	-
Retained in Business	**889,250**	1,403,369
	5,698,096	5,946,677

Value added & Distribtion 2014-15



Value added & Distribtion 2013-14



Statement of Compliance

Statement of Compliance with the Code of Corporate Governance For the year ended 30 June 2015

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 and directors representing minority interests on its board of directors. At present the board includes:

Category	Names	
Independent Director	1)	Mr. Shakir Abu Bakar
Executive Directors	1) 2) 3)	Mr. Sadruddin Hashwani Mr. M.A.Bawany Mr. Muhammad Rafique
Non-Executive Directors	1) 2) 3) 4) 5)	Ms. Sarah Hashwani Mr. Josef Kufer Mr. Bashir Ahmed Mr. H.A.S. Vellani Mr. Talat Hameed

The Independent director meets the criteria of independence under clause I (b) of the CCG.

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. During the year, Mr. Murtaza Hashwani resigned from the position of Director and Chief Executive Officer (CEO) of the Company on 25 September 2014 and Mr. Sadruddin Hashwani took over charge of CEO on unanimous request of the directors. Further Mr. Mansoor Akbar Ali and Syed Sajid Ali resigned from the board on 22 October 2014 while Mr. Ahmed Elsayed-Mohamed Youssef Aly also resigned from the Board on 23 December 2014 and Mr. Josef Kufer, Mr. H.A.S. Vellani, Mr. Talat Hameed and Mr. Shakir Abu Bakar joined the Board as directors of the company to fill the casual vacancies within 90 days.

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 one of its directors Mr. Shakir Abu Bakar attended the directors training program.

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

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 comprises four members, of whom three are non-executive directors and the chairman of the committee is an independent director.

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 approved and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom one is non-executive directors. The chairman of the committee is an executive director who is also the Chief Executive Officer of the Company.

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

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

Statement of Compliance

Statement of Compliance with the Code of Corporate Governance For the year ended 30 June 2015

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. 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.

22. Material/ price sensitive information has been disseminated among all market participants at once through stock exchange.

23. We confirm that all other material principles contained in the Code have been complied with except as mentioned in clause 17 above; for which the Company expect to seek compliance by the end of next accounting year.

For and on behalf of Board of Directors

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

Islamabad: 16 September 2015

Statement of Compliance

Statement of Compliance with the Best Practices on Transfer Pricing to the Members
For the year ended 30 June 2015

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

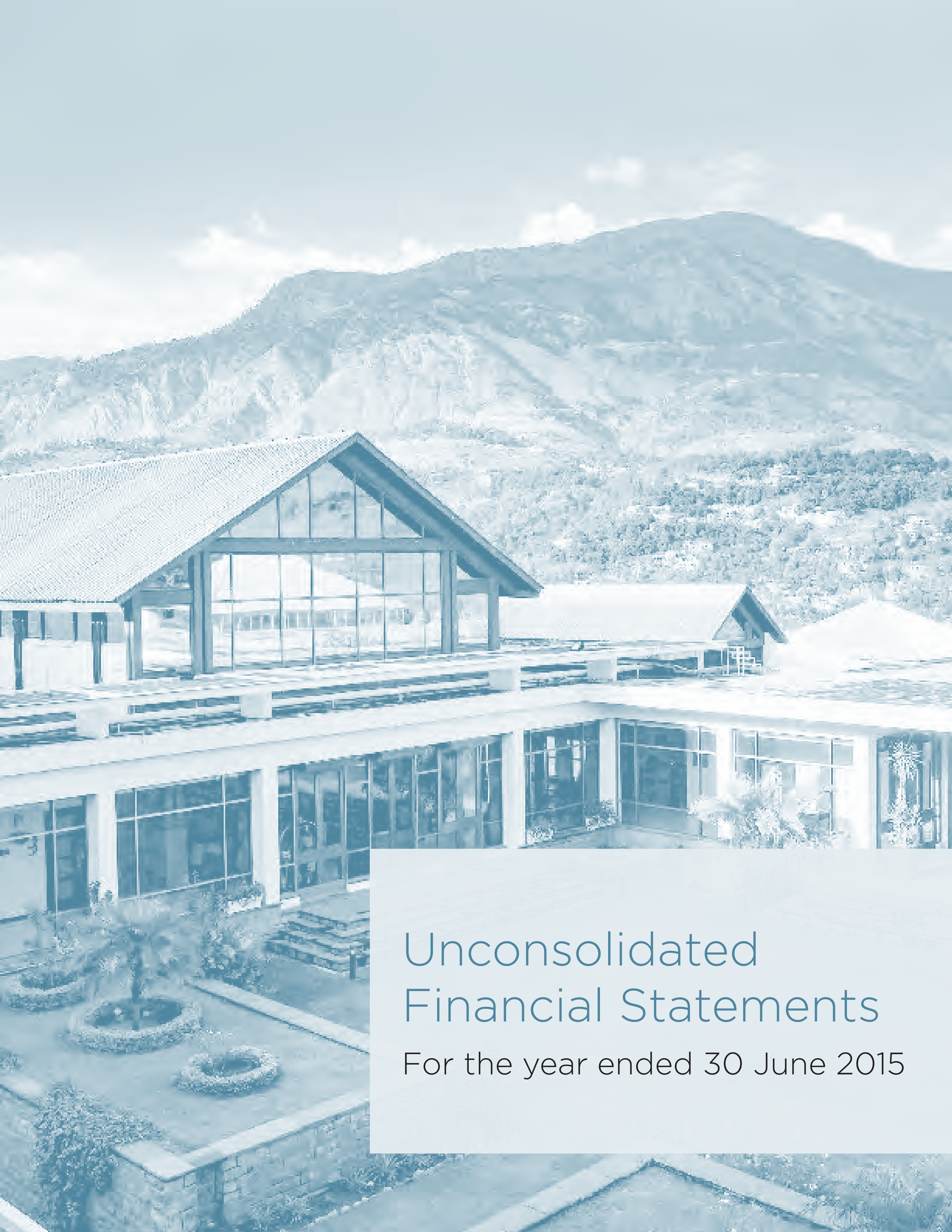
M.A. Bawany
Director

Muhammad Rafique
Director

Islamabad: 16 September 2015

Pearl Continental Hotel - Muzaffarabad

Pearl Continental Hotel - Karachi



Unconsolidated Financial Statements

For the year ended 30 June 2015

Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of Pakistan Services Limited ("the Company") as at 30 June 2015 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 account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion-

- (i) the unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with 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 at 30 June 2015 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.
Chartered Accountants
Engagement Partner:
Riaz Pesnani

Date: September 16, 2015
Islamabad

Review Report to the Members

On Statement Of Compliance with the Code Of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **Pakistan Services Limited** ("the Company") for the year ended 30 June 2015 to comply with the requirements of Listing Regulation No 35 (XI) of the Karachi Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with 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 and report and if it does not, to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures 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 of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2015.

Further, we highlight below instance of non-compliance with the requirements of the Code as reflected in the paragraph reference where this is stated in the Statement of Compliance:

i. As stated in paragraph 17, Human Resource and Remuneration Committee comprises three members, of whom one is non-executive director. The chairman of the committee is an executive director who is also the Chief Executive Officer of the Company.

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

Date: September 16, 2015
Islamabad

Unconsolidated Balance Sheet
As at June 30, 2015

	Note	2015	2014
		(Rupees'000)	
SHARE CAPITAL AND RESERVES			
Authorised share capital			
50,000,000 (2014: 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		**5,290,960**	4,230,956
		7,485,626	6,425,622
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	14.2	**23,779,515**	19,853,565
NON CURRENT LIABILITIES			
Long term financing - secured	6	**685,128**	347,667
Liabilities against assets subject to finance lease - secured	7	**-**	7,748
Deferred liabilities	8	**645,072**	642,532
		1,330,200	997,947
CURRENT LIABILITIES			
Trade and other payables	9	**1,632,709**	1,865,041
Markup accrued		**38,253**	35,063
Short term borrowings - secured	10	**-**	-
Provision for taxation - net	11	**-**	37,617
Current portion of long term financing and liabilities against assets subject to finance lease	12	**74,392**	242,195
		1,745,354	2,179,916
		34,340,695	29,457,050
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 44 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	2015	2014
		(Rupees'000)	
NON CURRENT ASSETS			
Property, plant and equipment	14	**28,897,404**	24,328,755
Advance for capital expenditure	15	**1,175,457**	1,185,480
Investment property	16	**45,000**	45,000
Long term investments	17	**328,360**	279,360
Advance for equity investment		-	55,000
Long term deposits and prepayments		**18,864**	20,335
		30,465,085	25,913,930
CURRENT ASSETS			
Stores, spare parts and loose tools	18	**150,389**	145,619
Stock in trade - food and beverages		**90,715**	87,021
Trade debts	19	**510,208**	583,847
Advances	20	**580,723**	574,928
Trade deposits and prepayments	21	**63,883**	59,057
Interest accrued		**5,768**	7,610
Other receivables		**35,518**	28,130
Other financial assets	22	**1,082,204**	1,308,955
Non current assets held for sale	23	**586,403**	586,403
Advance tax - net	11	**4,229**	-
Cash and bank balances	24	**765,570**	161,550
		3,875,610	3,543,120
		34,340,695	29,457,050

M.A. Bawany
Director

Muhammad Rafique
Director

Unconsolidated Profit and Loss Account

For the year ended June 30, 2015

	Note	2015	2014
		(Rupees'000)	
Sales and services - net	25	**7,922,016**	7,609,885
Cost of sales and services	26	**(4,288,554)**	(4,251,249)
Gross profit		**3,633,462**	3,358,636
Administrative expenses	27	**(2,261,625)**	(1,963,093)
Finance cost	28	**(103,073)**	(130,639)
Other income	29	**269,184**	667,149
Other expenses	30	**-**	(55,273)
Profit before taxation		**1,537,948**	1,876,780
Taxation	31	**(486,077)**	(473,411)
Profit after taxation		**1,051,871**	1,403,369
Earnings per share - basic and diluted (Rupees)	33	**32.34**	43.15

The annexed notes 1 to 44 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 Comprehensive Income
For the year ended June 30, 2015

	2015	2014
	(Rupees'000)	
Profit for the year	**1,051,871**	1,403,369
Other comprehensive income for the year		
Items that will never be reclassified to profit and loss account		
Experience adjustments on defined benefit obligation	**11,619**	(52,265)
Tax effect on experience adjustments	**(3,486)**	18,293
	8,133	(33,972)
Comprehensive income transferred to equity	**1,060,004**	1,369,397
Other comprehensive income not transferred to equity		
Items that will never be reclassified to profit and loss account		
Surplus on revaluation of property, plant and equipment	**3,925,950**	-
Total comprehensive income for the year	**4,985,954**	1,369,397

The annexed notes 1 to 44 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 June 30, 2015

	Note	2015	2014
		(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operating activities before working capital changes	34	**2,037,196**	1,943,043
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		**(4,912)**	(15,140)
Stock in trade - food and beverages		**(3,694)**	(6,488)
Trade debts		**30,559**	(41,650)
Advances		**(5,795)**	13,242
Trade deposits and prepayments		**(4,826)**	14,378
Other receivables		**(7,388)**	14,172
(Decrease)/ increase in trade and other payables		**(232,332)**	47,574
Cash (used in) / generated from operations		**(228,388)**	26,088
Staff retirement benefit - gratuity paid	8.1	**(56,093)**	(27,022)
Compensated leave absences paid	8.3	**(19,683)**	(26,033)
Income tax paid	11	**(553,616)**	(321,530)
Finance cost paid		**(155,015)**	(129,491)
Net cash generated from operating activities		**1,024,401**	1,465,055
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(930,727)**	(1,117,772)
Advance for capital expenditure		**(66,789)**	(85,835)
Proceeds from disposal of property, plant and equipment	14.4	**8,728**	77,503
Purchase of long term investments		**-**	(14,767)
Advance for equity investment		**-**	(55,000)
Refund of advance against equity investment		**6,000**	-
Proceeds from maturity / sale of other financial assets		**255,505**	-
Purchase of other financial assets		**-**	(250,000)
Proceeds from maturity of other financial assets of a former subsidiary company		**-**	3,330
Dividend income received	29	**48,685**	32,000
Receipts of return on bank deposits and short term advance		**98,961**	86,406
Long term deposits and prepayments		**1,471**	(1,797)
Net cash used in investing activities		**(578,166)**	(1,325,932)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		**(233,333)**	(233,333)
Proceeds from syndicated term finance		**400,000**	250,000
Payment of transaction cost of syndicated term finance		**-**	(19,000)
Repayment of liabilities against assets subject to finance lease		**(8,882)**	(7,894)
Net cash from /(used in) financing activities		**157,785**	(10,227)
Net increase in cash and cash equivalents		**604,020**	128,896
Cash and cash equivalents at beginning of the year		**161,550**	31,728
Cash and cash equivalents transferred from a former subsidiary company		**-**	926
Cash and cash equivalents at end of the year	35	**765,570**	161,550

The annexed notes 1 to 44 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 June 30, 2015

	Share capital	Capital reserve	Revenue reserves		Total equity
		Share premium	General reserve	Unappropriated profit	
	(Rupees'000)				
Balance at 01 July 2013	325,242	269,424	1,600,000	2,935,427	5,130,093
Total comprehensive income for the year					
Profit for the year	-	-	-	1,403,369	1,403,369
Other comprehensive income for the year	-	-	-	(33,972)	(33,972)
Total comprehensive income for the year	-	-	-	1,369,397	1,369,397
Amount recognized pursuant to scheme of merger	-	-	-	(73,868)	(73,868)
Balance at 30 June 2014	**325,242**	**269,424**	**1,600,000**	**4,230,956**	**6,425,622**
Total comprehensive income for the year					
Profit for the year	**-**	**-**	**-**	**1,051,871**	**1,051,871**
Other comprehensive income for the year	**-**	**-**	**-**	**8,133**	**8,133**
Comprehensive income for the year	**-**	**-**	**-**	**1,060,004**	**1,060,004**
Balance at 30 June 2015	**325,242**	**269,424**	**1,600,000**	**5,290,960**	**7,485,626**

The annexed notes 1 to 44 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

1. STATUS AND NATURE OF BUSINESS

Pakistan Services Limited ("the Company") was incorporated on 6 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's registered office is situated at 1st Floor, NESPAK House, Sector G-5/2, Islamabad. The Company is principally engaged in the hotel business and owns and manages the chain of Pearl Continental Hotels in Karachi, Lahore, Rawalpindi, Bhurban, Peshawar and Muzaffarabad Azad Jammu & Kashmir. The Company also owns one small sized property in Lahore operating under the budget hotel concept. The Company also grants franchise to use its trade mark and name " Pearl Continental".

Further the company is in process of constructing hotels in Multan and Mirpur, Azad Jammu & Kashmir.

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 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 and 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 and compensated absences is stated at present values determined through actuarial valuation.

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

These financial statements are those separate financial statements of the Company in which investments in subsidiary companies, associate and jointly controlled entity 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 financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistan Rupee which is the Company's functional and presentation currency. Amounts presented in Pakistan Rupee have been rounded off to nearest of thousand.

2.4 **Use of estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires 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 and the results of which form the basis of making the judgments about carrying values 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. A change in accounting estimate may effect only the current period unconsolidated profit and loss account or unconsolidated profit and loss account of both current and future years.

Judgments and estimates made by management in the application of approved accounting standards that may have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next years are discussed 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 such 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 **Employee benefits**

The present value of the obligation for gratuity and compensated absences depend 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 and compensated leave absences.

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. Any change in estimates in future years might affect the carrying value of store, spares parts and loose tools and stock in trade. Net realisable value is determined with reference to estimated selling price less estimated cost of completion and expenditure 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 **Impairment of non-financial assets**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated using criteria given in respective accounting standards to determine the extent of impairment loss, if any.

2.4.8 **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 unconsolidated profit and loss account.

2.4.9 **Fair value of investments - held for trading**

The fair value of "held for trading" investments are 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 unconsolidated profit and loss account.

2.4.10 **Provision and contingencies**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost, if any.

Where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, it is disclosed as contingent liability.

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 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Amendment to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that is used in the supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investment in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2016). The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.

- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards. The adoption of these improvements are not likely to have an impact on Company's financial statements.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as 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 out of revaluation of fixed assets is treated in accordance with the requirements of Section 235 of the Companies Ordinance, 1984.

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 useful lives of each part of an item of property, plant and equipment at rates given in note 14 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 / derecognized.

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 and advance for capital expenditure are 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 initially measured at cost and subsequently at fair value with any change therein recognised in unconsolidated profit and loss account.

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.

3.4 **Stock in trade**

Stock of food and beverages

These are stated at the lower of cost and net realisable value. Cost comprises cost of purchases and other costs incurred in bringing the items to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less 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 impairment loss, if any. 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 unconsolidated 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, financial assets 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 and debt securities.

Loans and receivables

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

Deposits, Advances and trade and other receivables

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

The provision for doubtful accounts is based on the Company's assessment of the collectability of counterparty accounts. The Company regularly reviews its debts and receivables that remain outstanding past their applicable payment terms and establishes provision 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 and 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**

Borrowing costs 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 unconsolidated profit and loss account.

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 such obligations and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at the end of each reporting period.

3.8 **Dividend**

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

3.9 **Employee 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 policies for other employee benefits are described below:

3.9.1 **Gratuity (retirement benefit)**

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 unconsolidated profit and loss account. Actuarial valuations are carried out using the Projected Unit Credit Method.

3.9.2 **Provident fund (retirement benefit)**

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

3.9.3 **Compensated leave absences**

The Company provides for compensated absences on the unavailed balance of privilege leaves of all its permanent employees in the period in which leave is earned. The provision is determined using the Projected Unit Credit Method.

3.10 **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 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.

3.11 **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 unconsolidated profit or loss account 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.

3.12 **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.

3.13 **Other Income/ Cost**

Other income comprises interest income on funds invested and dividend income. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Income on investments is recognized on time proportion basis taking into account the effective yield of such securities.

Finance cost comprises interest expense on borrowings, credit card discount, exchange losses and bank charges.

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 and that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the obliger, a breach of contract such as default or delinquency in interest or principal payments, its becoming probable that borrower will enter bankruptcy or other financial reorganization, the disappearance of an active market for that financial asset because of financial difficulties.

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 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 unconsolidated profit and loss account 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 unconsolidated profit and loss account.

(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 unconsolidated profit and loss account.

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.

4 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2015	2014		2015	2014
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

As of the reporting date 2,407,636 (2014: 2,407,636) and 585,663 (2014: 1,797,813) ordinary shares of Rs. 10 each were held by associated companies and directors of the Company respectively.

5 RESERVES

	Note	2015	2014
		(Rupees'000)	
Capital reserve	5.1	**269,424**	269,424
General reserve		**1,600,000**	1,600,000
		1,869,424	1,869,424

5.1 Capital reserve represents share premium received in the fiscal 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 fiscal years 2000-2001 and 2003-2004.

6 LONG TERM FINANCING - secured

	Note	2015	2014
		(Rupees'000)	
From banking companies			
Term finance loans	6.1	**116,667**	350,000
Syndicated term loan	6.2	**650,000**	250,000
Transaction cost		**(14,872)**	(19,000)
		635,128	231,000
Current portion of long term financing	12	**(66,667)**	(233,333)
		685,128	347,667

6.1 This represents term finance loan carrying markup of 3-month KIBOR plus 2.50% per annum (2014: 3-month KIBOR plus 1.95% per annum to 2.50% per annum). These are secured against first pari passu equitable mortgage charge on land and building of Pearl Continental Hotel, Karachi for an amount of Rs. 428.57 million; (2014: Rs. 428.57 million); hypothecation charge over plant, machinery, equipment and other movable properties of Pearl Continental Hotel, Karachi to the extent of Rs. 428.57 million (2014: Rs. 428.57 million) and personal guarantee of director of the Company. The loans are repayable in eighteen equal quarterly installments of Rs. 16.667 million each commenced from October 2012.

6.2 During the year, the Company made a further drawdown of Rs. 400 million (2014: Rs. 250 million) out of total syndicated limit of Rs. 1,800 million carrying markup of 6-month KIBOR plus 1.95% per annum payable semi-annually (2014: 6-month KIBOR plus 1.95% per annum payable semi-annually). This facility is secured against first pari passu equitable mortgage charge over the property of Pearl Continental Hotel, Karachi with 25% margin over facility amount and first pari passu hypothecation charge over all present and future movable and immovable fixed assets (excluding land and building) of

Pearl Continental Hotel, Karachi with 25% margin over facility amount. The loan is repayable in eight equal semi-annual installments commencing July 2016.

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE- SECURED

	Note	Present value of minimum lease payments	Financial charges for future periods	Total lease rentals
		2015 - (Rupees'000)		
Not later than one year	12	**7,725**	**393**	**8,118**
Later than one year and not later than five years		**-**	**-**	**-**
		7,725	**393**	**8,118**
		2014 - (Rupees'000)		
Not later than one year	12	8,862	1,696	10,558
Later than one year and not later than five years		7,748	520	8,268
		16,610	2,216	18,826

This represents utilised amount out of total lease finance facility of Rs. 50 million (2014: Rs. 50 million) availed for purchase of vehicles and carries markup equal to 3-month KIBOR plus 2.50% (2014: 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. 71.42 million; hypothecation charge over plant, machinery, equipment and other movable properties of Pearl Continental Hotel, Karachi for an amount of Rs. 71.42 million and personal guarantee of a director of the Company and ownership of leased vehicles.

8. DEFERRED LIABILITIES

	Note	2015	2014
		(Rupees'000)	
Staff retirement benefit - gratuity	8.1	**370,406**	358,802
Deferred tax	8.2	**174,824**	197,031
Compensated leave absences	8.3	**99,842**	86,699
		645,072	642,532

		2015	2014
		(Rupees'000)	
8.1	**Staff retirement benefit - gratuity**		
	Movement in the liability recognised in the balance sheet		
	Opening balance	**358,802**	281,337
	Charge for the year	**79,316**	52,222
	Payments made during the year	**(56,093)**	(27,022)
	Experience adjustments on defined benefit obligation	**(11,619)**	52,265
	Closing balance	**370,406**	358,802
	Reconciliation of liability recognised in the balance sheet		
	Present value of defined benefit obligation	**370,406**	358,802
	Charge to profit and loss account for the year		
	Current service cost	**19,710**	17,404
	Interest cost	**43,825**	34,818
	Past service cost	**15,781**	-
		79,316	52,222
	(Credit) / charge to statement of other comprehensive income for the year		
	Experience adjustments on defined benefit obligation	**(11,619)**	52,264

The latest actuarial valuation was carried out on 30 June 2015 using projected unit credit method.

	2015	2014
Actuarial assumption		
Discount rate	**13.25%**	13.25%
Expected increase in eligible salary	**9.75%**	13.25%
Mortality rate	**SLIC 2001-2005 Setback 1 year**	SLIC 2001-2005 Setback 1 year

For a change of 100 basis points, present value of defined benefit obligation as at 30 June 2015 would have been as follows

	Increase	Decrease
	(Rupees'000)	
Discount rate	**346,520**	397,162
Salary increase rate	**397,348**	345,911

Historical information	2015	2014	2013	2012	2011
			(Rupees'000)		
Present value of defined benefit obligation	**370,406**	358,802	281,337	258,207	235,678
Experience adjustment on defined benefit obligation	**(11,619)**	52,265	-	2,422	523

8.2 **Deferred tax**

	2015	2014
	(Rupees'000)	
Taxable temporary differences		
Accelerated tax depreciation	**378,898**	415,361
Less: deductible temporary differences		
Provision for staff retirement benefit	**107,636**	125,581
Impairment loss on investment in associated companies	**36,876**	38,388
Provision against doubtful debts	**57,242**	51,704
Impairment loss in value of investment	**1,590**	1,855
Provision for stores, spare parts and loose tools	**730**	802
	204,074	218,330
	174,824	197,031

8.2.1 Charge for the year is recognized as follows:

- Recognised in unconsolidated profit and loss account	**(25,693)**	120,599
- Recognised in unconsolidated statement of comprehensive income	**3,486**	(18,293)
	(22,207)	102,306

8.3 **Compensated leave absences**

Movement in the liability recognised in the balance sheet		
Opening balance	**86,699**	85,891
Charge for the year	**32,826**	26,841
Payments made during the year	**(19,683)**	(26,033)
Closing balance	**99,842**	86,699

Actuarial assumption	2015	2014
Discount rate	**13.25%**	13.25%
Expected increase in eligible salary	**9.75%**	13.25%
Mortality rate	**SLIC 2001-2005 Setback 1 year**	SLIC 2001-2005 Setback 1 year

	2015	2014
	(Rupees'000)	
9. TRADE AND OTHER PAYABLES		
Creditors	**399,313**	607,592
Accrued liabilities	**503,639**	468,599
Advances from customers	**236,779**	277,775
Shop deposits	**54,339**	53,655
Unclaimed dividend	**3,534**	3,534
Retention money	**82,577**	54,413
Due to related parties - unsecured	**4,987**	50,248
Sales tax - net	**116,422**	115,499
Bed tax	**60,359**	60,710
Income tax deducted at source	**6,295**	9,443
Un-earned income	**129,049**	125,045
Other liabilities	**35,416**	38,528
	1,632,709	1,865,041

10 The Company has facilities amounting to Rs. 1,400 million (2014: 1,400 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 properties of Pearl Continental Hotel Karachi and Rawalpindi and lien on certain listed securities held by the Company (Note 22.2.1). Mark-up rates range from 1-month KIBOR to 3-month KIBOR plus 1.5% to 2.0% (2014: 1-month KIBOR to 6-month KIBOR plus 1.5% to 2.5%) per annum.

	Note	2015	2014
		(Rupees'000)	
11 PROVISION FOR TAXATION - net			
Opening balance		**37,617**	6,335
Income tax paid during the year		**(553,616)**	(321,530)
Charge for the year		**511,770**	352,812
Closing balance		**(4,229)**	37,617
12 CURRENT PORTION OF LONG TERM FINANCING AND LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Current portion of long term financing	6	**66,667**	233,333
Current portion of liabilities against assets subject to finance lease	7	**7,725**	8,862
		74,392	242,195

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 The income tax assessments of the Company have been finalized and returns have been filed up to and including the tax year 2014. 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 (2014: Rs. 73.165 million) may arise against the Company for which no provision has been recognised by the Company. 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.

		2015	2014
		(Rupees'000)	
13.1.2	**Guarantees**	**188,173**	182,524

This includes guarantee of Rs. 50 million (2014: Rs. 50 million), issued on behalf of a subsidiary company.

		2015	2014
		(Rupees'000)	
13.2	**Commitments**		
	Commitments for capital expenditure	**819,189**	978,665

14 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 14.1)	Vehicles	Total
	Rupees'000										
Cost/revalued amounts											
Balance at 01 July 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**
Additions during the year / transfer from advance for capital expenditure	-	-	13,328	3,957	154,210	111,942	12,885	3,162	1,205,720	-	**1,505,204**
Carrying amount of assets transferred upon amalgamation of MIPL	-	-	-	344,357	37,374	34	-	-	-	-	**381,765**
Disposals	(180,145)	-	(43,767)	-	-	(596)	(94)	(26,581)	-	-	**(251,183)**
Transfer from CWIP	-	-	560,694	25,295	48,307	97,041	11,176	-	(742,513)	-	**-**
Balance at 30 June 2014	10,353,720	10,025,120	1,347,309	1,405,844	2,769,369	1,312,376	198,713	100,676	643,764	33,760	**28,190,651**
Balance at 01 July 2014	**10,353,720**	**10,025,120**	**1,347,309**	**1,405,844**	**2,769,369**	**1,312,376**	**198,713**	**100,676**	**643,764**	**33,760**	**28,190,651**
Additions during the year / transfer from advance for capital expenditure	**-**	**-**	**26,211**	**1,254**	**121,278**	**39,147**	**8,242**	**27,907**	**842,756**	**-**	**1,066,795**
Surplus on Revaluation (Note 14.2)	**627,280**	**3,298,670**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,925,950**
Disposals	**-**	**-**	**-**	**-**	**(9,434)**	**(56,820)**	**(190)**	**(1,950)**	**-**	**-**	**(68,394)**
Transfer from CWIP	**-**	**-**	**8,424**	**196,267**	**154,624**	**88,833**	**4,079**	**-**	**(452,227)**	**-**	**-**
Balance at 30 June 2015	**10,981,000**	**13,323,790**	**1,381,944**	**1,603,365**	**3,035,837**	**1,383,536**	**210,844**	**126,633**	**1,034,293**	**33,760**	**33,115,002**
Depreciation											
Balance at 01 July 2013	-	-	496,128	490,289	1,848,187	532,399	119,946	75,703	-	5,165	**3,567,817**
Charge for the year	-	-	36,179	76,986	113,895	89,850	17,289	6,447	-	4,006	**344,652**
On disposals	-	-	(31,163)	-	-	(36)	(70)	(19,304)	-	-	**(50,573)**
Balance at 30 June 2014	-	-	501,144	567,275	1,962,082	622,213	137,165	62,846	-	9,171	**3,861,896**
Balance at 01 July 2014	**-**	**-**	**501,144**	**567,275**	**1,962,082**	**622,213**	**137,165**	**62,846**	**-**	**9,171**	**3,861,896**
Charge for the year	**-**	**-**	**81,282**	**84,729**	**122,989**	**100,872**	**17,784**	**6,649**	**-**	**3,445**	**417,750**
On disposals	**-**	**-**	**-**	**-**	**(6,863)**	**(53,377)**	**(102)**	**(1,706)**	**-**	**-**	**(62,048)**
Balance at 30 June 2015	**-**	**-**	**582,426**	**652,004**	**2,078,208**	**669,708**	**154,847**	**67,789**	**-**	**12,616**	**4,217,598**
Carrying value - 2015	**10,981,000**	**13,323,790**	**799,518**	**951,361**	**957,629**	**713,828**	**55,997**	**58,844**	**1,034,293**	**21,144**	**28,897,404**
Carrying value - 2014	10,353,720	10,025,120	846,165	838,569	807,287	690,163	61,548	37,830	643,764	24,589	24,328,755
Rates of depreciation per annum	-	-	10%	10%	15%	15%	30%	15%	-	15%	

	Note	2015	2014
		(Rupees'000)	
14.1 Capital work in progress			
Construction of Pearl Continental Multan		**463,884**	127,107
Construction of Pearl Continental Mirpur	14.1.1	**324,410**	174,358
Other civil works		**245,999**	342,299
		1,034,293	643,764

This also includes borrowing cost of Rs. 59.260 million (2014: 13.266) transferred to CWIP during the year @ 11.20% (2014: 12.09%) per annum.

14.1.1 The construction work on Pearl Continental Mirpur is on halt due to intervention of Mirpur Development Authority (MDA), in order to safeguard its interest, the company has filed a suit for resolution of this dispute. The company is optimistic about the outcome of the suit.

14.2 Surplus on revaluation of property, plant and equipment

Freehold and leasehold land were revalued on 30 June 2015 by M/s. Oceanic Surveyors (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. 525.28 million (2014: Rs. 525.28 million).

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

	Note	2015	2014
		(Rupees'000)	
Cost of sales and services	26	**375,975**	310,187
Administrative expenses	27	**41,775**	34,465
		417,750	344,652

14.4 Detail of disposal of property, plant and equipment:

Description	Cost	Carrying value	Sale proceeds	Mode of disposal	Purchaser
			(Rupees'000)		
Vehicle	555	125	472	Auction	Mr. Mukhtar Ahmed
Vehicle	715	103	430	Auction	Mr. Riaz -ul- Hassan
Air-conditioning plant	9,434	2,571	2,621	Auction	Mr.Asmat Ullah
Furniture, fixtures, fitting, and equipment	56,820	3,443	4,015	Auction	Various
Aggregate of other items with individual book values not exceeding Rs. 50 thousand	870	104	1,190		
2015	**68,394**	**6,346**	**8,728**		
2014	251,183	200,610	77,503		

		Note	2015	2014
			(Rupees'000)	
15	**ADVANCE FOR CAPITAL EXPENDITURE**			
	Purchase of land	15.1	**666,820**	666,820
	Purchase of apartment	15.2	**40,509**	40,509
	Malir Delta Land	15.3	**381,656**	381,656
	Advance for purchase of fixed assets		**86,472**	96,495
			1,175,457	1,185,480

15.1 This includes amount of Rs. 626.820 million (2014: 626.820 million) paid to M/s Associated Builders (Private) Limited, a related party, for purchase of tourist site piece(s) of land measuring 7.29 acres in Gwadar.

15.2 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 advance.

15.3 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. Last year, the 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 a Civil petition for leave to 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 seek recovery of purchase consideration and land regularization fee paid to the seller and Land Regularization Department respectively.

		2015	2014
		(Rupees'000)	
16	**INVESTMENT PROPERTY**		
	Opening balance	**45,000**	47,000
	Loss on remeasurement of investment property to fair value	**-**	(2,000)
		45,000	45,000

16.1 On 30 June 2015, 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.

17 LONG TERM INVESTMENTS

	% of holding	Notes	2015	2014
			(Rupees'000)	
Investments in related parties				
Subsidiary companies - at cost - unquoted				
Pearl Continental Hotels (Private) Limited	100%	17.1	**5,000**	5,000
Bhurban Resorts (Private) Limited	100%	17.2	**10,000**	10,000
Pearl Tours and Travels (Private) Limited	100%	17.3	**102,227**	53,227
			117,227	68,227
Associated undertaking - at cost - unquoted				
Hotel One (Private) Limited - Pakistan 500,000 (2014: 500,000) ordinary shares of Rs. 100 each	17.85%		**50,000**	50,000
Impairment loss			**(50,000)**	(50,000)
			-	-
Investment in jointly controlled entity				
Pearl Continental Hotels Limited - UAE 95 (2014: 95) ordinary shares of US$ 50,000 each	50%		**284,052**	284,052
Impairment loss			**(72,919)**	(72,919)
			211,133	211,133
Other investments				
Available for sale - unquoted company				
Malam Jabba Resorts Limited			**1,000**	1,000
Impairment loss			**(1,000)**	(1,000)
			-	-
			328,360	279,360

17.1 Pearl Continental Hotels (Private) Limited

Break-up value per share based on audited financial statements for the year ended 30 June 2015 was Rs. 20.14 (2014: Rs. 19.22).

17.2 Bhurban Resorts (Private) Limited

Break-up value per share based on audited financial statements for the year ended 30 June 2015 was Rs. 15.39 (2014: Rs.14.71).

Pursuant to the directions of the Honourable Islamabad High Court, the members of Bhurban Resorts (Private) Limited and the Pakistan Services Limited have approved the merger of Bhurban Resorts (Private) Limited into Pakistan Services Limited vide their special resolution passed at joint Extra Ordinary General Meeting held on 03 August 2015. Final order of the Honourable Islamabad High Court regarding subsequent approval of merger is still awaited.

17.3 **Pearl Tours and Travels (Private) Limited**

During the year, advance for equity converted into share capital of M/s Pearl Tours and Travels (Private) Limited against issuance of 4,900,000 (2014:1,467,700) ordinary shares of Rs. 10 each.

Break-up value per share based on its audited financial statements for the year ended 30 June 2015 was Rs. 14.11 (2014: Rs. 19.13).

		Notes	2015	2014
			(Rupees'000)	
18	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		**107,048**	102,691
	Spare parts and loose tools		**45,773**	45,218
			152,821	147,909
	Provision for obsolescence		**(2,432)**	(2,290)
			150,389	145,619
19	**TRADE DEBTS**			
	Considered good			
	Due from related parties - unsecured	19.1	**21,015**	15,314
	Others		**489,193**	568,533
			510,208	583,847
	Considered doubtful		**190,808**	147,728
			701,016	731,575
	Provision against doubtful debts		**(190,808)**	(147,728)
			510,208	583,847

19.1 **Due from related parties - unsecured**

	2015	2014
Pearl Tours and Travels (Private) Limited	**2,431**	2,803
Hashwani Hotels Limited	**901**	261
Hashoo Foundation	**819**	487
Hotel One (Private) Limited	**3,926**	3,789
Hashoo Holdings (Private) Limited	**-**	3
Jubilee General Insurance Company Limited	**-**	196
Ocean Pakistan Limited	**636**	1,065
OPI Gas (Private) Limited	**-**	1
Pearl Communications (Private) Limited	**128**	128
Pearl Real Estate Holdings (Private) Limited	**177**	31
Trans Air Travels (Private) Limited	**1,666**	1,225
Tejari Pakistan (Private) Limited	**429**	148
Zahdan Technologies (Private) Limited	**70**	1,897
Zahdan Retail (Private) Limited	**9,832**	3,276
Zaver Petroleum Corporation Limited	**-**	4
	21,015	15,314

		Note	2015	2014
			(Rupees'000)	
19.2	**Age analysis of due to related parties is as follows:**			
	Past due by 30 days		**2,227**	2,577
	Past due by 31 to 90 days		**1,913**	1,268
	Past due over 90 days		**5,569**	6,994
	Past due over 1 year		**11,306**	4,475
			21,015	15,314
20	**ADVANCES, considered good**			
	Advances to:			
	- Employees		**2,910**	3,265
	- Suppliers and contractors		**77,813**	71,663
	- Related party - secured	20.1	**500,000**	500,000
			580,723	574,928

20.1 This represents short term advance of Rs. 500 million (2014: Rs. 500 million) extended to a related party M/s Hashwani Hotels Limited, carrying markup rate of 1-year KIBOR plus 3% (2014: 1-year KIBOR plus 3%) per annum.

		2015	2014
		(Rupees'000)	
21	**TRADE DEPOSITS AND PREPAYMENTS**		
	Trade deposits	**16,808**	16,043
	Prepayments	**47,075**	43,014
		63,883	59,057

	Note	2015	2014
		(Rupees'000)	
22 OTHER FINANCIAL ASSETS			
Held to maturity			
Letter of placements / Certificate of investments		**5,300**	5,300
Certificate of Musharaka		**-**	5,000
Provision for impairment loss		**(5,300)**	(5,300)
		-	5,000
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 / units of mutual funds	22.1	**1,082,204**	1,303,955
		1,082,204	1,308,955

22.1 **Short term investments in shares of listed companies / units of mutual funds**

	No. of ordinary shares of Rs. 10 each 2015	2014	2015	2014
			(Rupees'000)	
Pakistan Telecommunication Company Limited	350,000	350,000	**7,175**	8,915
Lotte Chemical Pakistan Limited	150,000	150,000	**1,038**	1,079
Fauji Fertilizer Bin Qasim Limited	50,000	50,000	**2,766**	1,989
Jubilee General Insurance Company Limited - an associated company (Note 22.1.1)	11,902,500	11,902,500	**1,071,225**	1,041,469
	No. of mutual fund units 2015	2014		
Faysal Money Market Fund	-	1,114,929	**-**	112,418
UBL Liquidity Plus Fund	-	560,673	**-**	56,273
NAFA Government Security Liquid Fund	-	8,137,466	**-**	81,812
			1,082,204	1,303,955

22.1.1 Out of total shares held by the Company, 3,000,000 (2014: 3,000,000) ordinary shares are placed / lien marked as security against running finance facility of the Company (Note 10).

		Notes	2015	2014
			(Rupees'000)	
23	**NON CURRENT ASSETS HELD FOR SALE**	**23.1**	**586,403**	586,403

23.1 The Company has negotiated to sell 98,000 shares in Hashoo Group Limited - British Virgin Island 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 financial year.

			Notes	2015	2014
				(Rupees'000)	
24	**CASH AND BANK BALANCES**				
	Cash in hand			**32,322**	34,511
	Cash at bank:				
	Current accounts	- Local currency		**49,348**	69,422
	Deposit accounts	- Local currency	24.1	**683,427**	50,984
		- Foreign currency	24.2	**473**	6,633
				733,248	127,039
				765,570	161,550

24.1 Deposit accounts carry interest rate ranging from 4.5% to 6.50% (2014: 5% to 9.40%) per annum.

24.2 This comprising USD 4,660 (2014: USD 67,308) deposited with bank and carries interest rates 0.25% (2014: 0.20% to 0.25%) per annum.

		Notes	2015	2014
			(Rupees'000)	
25	**SALES AND SERVICES - net**			
	Rooms		**4,397,740**	4,022,944
	Food and beverages		**4,442,621**	4,471,691
	Other related services	25.1	**441,782**	514,047
	Shop license fees		**68,659**	24,258
			9,350,802	9,032,940
	Discounts and commissions		**(127,019)**	(136,940)
	Sales tax		**(1,301,767)**	(1,286,115)
			7,922,016	7,609,885

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

		Notes	2015	2014
			(Rupees'000)	
26	**COST OF SALES AND SERVICES**			
	Food and beverages			
	Opening balance		**87,021**	80,533
	Purchases during the year		**1,384,651**	1,392,577
	Closing balance		**(90,715)**	(87,021)
	Consumption during the year		**1,380,957**	1,386,089
	Direct expenses			
	Salaries, wages and benefits	26.1	**1,028,174**	964,204
	Heat, light and power		**763,810**	820,102
	Repairs and maintenance		**253,732**	257,486
	Depreciation	14.3	**375,975**	310,187
	Guest supplies		**178,543**	211,554
	Linen, china and glassware		**79,614**	83,159
	Communication and other related services		**71,904**	69,469
	Banquet and decoration		**65,491**	56,980
	Transportation		**44,709**	43,786
	Uniforms		**21,554**	25,419
	Music and entertainment		**13,247**	11,126
	Others		**10,844**	11,688
			4,288,554	4,251,249

26.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 55.434 million (2014: Rs. 48.371 million).

		Notes	2015	2014
			(Rupees'000)	
27	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	27.1	**917,707**	819,573
	Rent, rates and taxes		**164,991**	132,491
	Security and protective services		**242,503**	193,152
	Advertisement and sales promotion		**81,098**	85,239
	Repairs and maintenance		**48,686**	33,836
	Heat, light and power		**85,525**	92,031
	Travelling and conveyance		**85,785**	94,510
	Depreciation	14.3	**41,775**	34,465
	Communications		**20,806**	22,168
	Printing and stationery		**38,083**	36,771
	Legal and professional charges		**58,395**	59,305
	Insurance		**101,322**	91,011
	Entertainment		**9,212**	7,764
	Subscriptions		**24,077**	17,646
	Laundry and dry cleaning		**8,591**	7,781
	Uniforms		**5,979**	6,008
	Auditors' remuneration	27.2	**4,940**	2,474
	Provision against doubtful debts		**43,080**	16,001
	Donations	27.3	**222,966**	165,828
	Vehicle rentals and registration charges	27.4	**38,284**	30,688
	Franchise fee		**10,125**	9,233
	Miscellaneous		**7,695**	5,118
			2,261,625	1,963,093

27.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 51.021 million (2014: Rs. 29.794 million).

		2015	2014
		(Rupees'000)	
27.2	**Auditors' remuneration**		
	Annual audit fee	**1,510**	1,210
	Audit of consolidated financial statements	**322**	224
	Half yearly review	**520**	470
	Special reports and certificates	**248**	195
	Tax advisory	**140**	375
	Financial due diligence	**2,200**	-
		4,940	2,474

27.3 **Donations**

Out of total amount of Rs. 222.966 million (2014: Rs. 165.828 million), donations amounting to Rs. 20 million (2014: Rs. 43 million) includes the following in which directors or their spouse(s) have interest:

Name	Interest in Donee	Name and address of Donee	2015	2014
			(Rupees'000)	
Mr. Sadruddin Hashwani Ms. Sarah Hashwani	Patron-in-Chief Chairperson	Hashoo Foundation House # 2 Street # 35, F-7/1, Islamabad	**20,000**	43,000
			20,000	43,000

27.4 This includes Ijarah payments of Rs. 38.229 million (2014: Rs. 30.065 million) 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:

	2015	2014
	(Rupees'000)	
Within one year	**36,125**	35,185
After one but not more than five years	**34,260**	62,467
	70,385	97,652

28 FINANCE COST

	2015	2014
Markup on long term financing	**29,812**	58,869
Markup on short term borrowings	**4,542**	10,261
Markup on liabilities against assets subject to finance lease	**1,447**	2,437
Credit cards, bank and other charges	**67,272**	59,072
	103,073	130,639

29 OTHER INCOME

	2015	2014
Income from financial assets		
Return on bank deposits / Certificate of Musharika	**31,501**	22,689
Exchange gain - net	**4,794**	1,081
Dividend income	**48,685**	32,000
Unrealised gain on remeasurement of investments to fair value - net	**28,754**	427,168
Interest on short term advance to related party	**65,618**	64,747
	179,352	547,685

		2015	2014
		(Rupees'000)	
	Income from non financial assets		
	Concessions and commissions	4,243	6,097
	Gain on disposal of property, plant and equipment	2,381	12,052
	Liabilities written back	-	7,174
	Communication towers and other rental income	47,455	45,239
	Scrap sales	8,039	12,738
	Others - net	27,714	36,164
		89,832	119,464
		269,184	667,149
30	**OTHER EXPENSES**		
	Impairment loss on investment in associated undertaking	-	36,762
	Loss on remeasurement of investment property to fair value	-	2,000
	Impairment loss on long term utility deposits	-	16,511
		-	55,273
31	**TAXATION**		
	Provision for taxation		
	- Current	531,054	356,178
	- Prior	(19,284)	(3,366)
		511,770	352,812
	- Deferred	(25,693)	120,599
		486,077	473,411
31.1	**Relationship between accounting profit and tax expense is as follows:**		
	Accounting profit for the year	1,537,948	1,876,780
	Tax charge @ 33% (2014: 34%)	507,523	638,105
	Tax effect of permanent differences	4,352	(12,116)
	Tax effect of exempt income	(9,046)	(143,972)
	Tax effect of income subject to lower taxation	(15,097)	(11,295)
	Tax effect of super tax	46,186	-
	Tax effect of change in tax rate	(28,557)	6,055
	Prior years' tax charge	(19,284)	(3,366)
		486,077	473,411

32 TAXATION OF UNDISTRIBUTED RESERVES

The Board of Directors in their meeting held on 16 September 2015 has proposed cash dividend for the year ended 30 June 2015 (refer note - 43) which complies with requirements of Section 5A of the Income Tax Ordinance, 2001. Accordingly, no provision for tax on undistributed reserves has been recognized in these unconsolidated financial statements for the year ended 30 June 2015.

33 EARNINGS PER SHARE

	2015	2014
Profit for the year (Rupees '000)	**1,051,871**	1,403,369
Weighted average number of ordinary shares (Numbers)	**32,524,170**	32,524,170
Earnings per share - basic (Rupees)	**32.34**	43.15

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

34 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES

	Note	2015 (Rupees'000)	2014 (Rupees'000)
Profit before taxation		**1,537,948**	1,876,780
Adjustments for:			
Depreciation	14.3	**417,750**	344,652
Gain on disposal of property, plant and equipment	29	**(2,381)**	(12,052)
Provision for staff retirement benefit - gratuity	8.1	**79,316**	52,222
Provision for compensated absences	8.3	**32,826**	26,841
Provision for doubtful debts	27	**43,080**	16,001
Return on bank deposits	29	**(31,501)**	(22,689)
Interest on short term advance to related party	29	**(65,618)**	(64,747)
Finance cost	28	**103,073**	130,639
Dividend income	29	**(48,685)**	(32,000)
Unrealised gain on remeasurement of investments to fair value	29	**(28,754)**	(427,168)
Impairment loss on investment in associated undertaking		**-**	36,762
Impairment loss on long term deposits		**-**	16,511
Impairment loss on investment property		**-**	2,000
Provision/ (reversal) of provision for obsolescence in stores, spares and loose tools		**142**	(709)
		2,037,196	1,943,043

35 CASH AND CASH EQUIVALENTS

	Note	2015	2014
Cash and bank balances	24	**765,570**	161,550

36 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2015			2014		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
			Rupees'000			
Managerial remuneration	**16,800**	**22,383**	**306,240**	12,000	56,619	190,491
Provident fund contribution	**-**	**1,073**	**7,639**	-	1,352	6,012
Gratuity	**15,781**	**2,947**	**6,257**	-	2,071	2,918
Meeting fee	**-**	**330***	**-**	-	555 *	-
	32,581	**26,733**	**320,136**	12,000	60,597	199,421
Number of persons	**1**	**2**	**137**	1	5	114

* This includes Rs. 210,000 (2014: Rs. 195,000) paid to non-executive directors of the Company.

In addition to the above, Chairman/ Chief Executive and certain Executives are provided with the Company maintained vehicles. Certain Executives are also provided medical expenses, bonus, compensated leave absences, and leave fare assistance as per the Company's policy.

37 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated and subsidiary companies, directors as well as their close family members, companies with common directorship, executives, key management personnel, major shareholders and Provident Fund. Balances with related parties are disclosed in notes 4, 9, 13.2, 15, 17, 19, 20, 22.1 to the unconsolidated financial statements. Other transactions with related parties are as follows:

	2015	2014
	(Rupees'000)	
Transactions with subsidiary companies		
Sales	**1,454**	1,508
Services provided	**4,116**	1,749
Services availed	**55,659**	49,194
Sale of property, plant and equipment	**-**	201
Advance for equity investment	**-**	55,000
Investment made during the year	**-**	14,767
Advance against equity converted into investment	**49,000**	-
Refund of advance against equity investment	**6,000**	-

	Notes	2015	2014
		(Rupees'000)	
Transactions with associated undertakings			
Sales		**1,965**	1,279
Services provided		**2,213**	2,641
Services availed		**97,092**	103,576
Purchases		**102,099**	108,888
Purchase of air tickets		**24,931**	24,772
Franchise fee - income		**3,062**	2,218
Franchise and management fee - expense		**10,125**	9,233
Purchase of property, plant and equipment		**176**	12,330
Consultancy and management services for construction		**-**	145,637
Contribution to defined contribution plan- Provident Fund		**28,715**	25,899
Dividend income		**47,610**	31,050
Donation		**20,000**	58,000
Interest income on advance		**65,618**	64,747
Accrued interest on advance		**4,723**	6,255
Transactions with key management personnel			
Remuneration and allowances including staff retirement benefits	37.1	**63,071**	77,820
Sale of property, plant and equipment - carrying value		**-**	194,294
Personal guarantee to banks against the Company's borrowings (Notes 6 and 7)			

37.1 **Compensation to key management personnel**

	2015	2014
Salaries and other benefits	**39,183**	68,619
Contribution to provident fund	**1,073**	1,352
Gratuity	**18,728**	2,071
Compensated absences	**213**	1,449
Bonus	**3,544**	3,774
Meeting fee	**330**	555
	63,071	77,820
Number of persons	**3**	6

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 Department. 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.

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's 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:

	2015	2014
	(Rupees'000)	
Long term deposits	**18,864**	20,335
Trade deposits	**16,808**	16,043
Trade debts	**510,208**	583,847
Advances	**500,000**	500,000
Interest accrued	**5,768**	7,610
Other receivables	**35,518**	28,130
Other financial assets	**-**	5,000
Bank balances	**733,248**	127,039
	1,820,414	1,288,004

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:

	2015	2014
	(Rupees'000)	
From related parties	**521,015**	515,314
From government institutions	**41,479**	61,631
From foreign embassies	**7,748**	4,208
Banks and financial institutions	**739,016**	139,649
Others	**511,156**	567,202
	1,820,414	1,288,004

Impairment losses

The aging of trade debts at the reporting date was:

	2015		2014	
	Gross	**Impairment**	Gross	Impairment
	(Rupees'000)		(Rupees'000)	
Past due 0-30 days	**261,587**	**-**	262,929	-
Past due 30-60 days	**93,682**	**-**	117,738	-
Past due 60-90 days	**37,885**	**-**	62,678	-
Past due 90-360 days	**117,054**	**-**	140,502	-
Over 360 days	**190,808**	**190,808**	147,728	147,728
	701,016	**190,808**	731,575	147,728

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

	2015	2014
	(Rupees'000)	
Opening balance	**147,728**	131,727
Provision made during the year	**43,080**	16,001
Closing balance	**190,808**	147,728

Based on past experience, the Company believes that no impairment is necessary in respect of trade receivables past due. Impairment includes Rs. 11.306 million (2014: Rs. 4.48 million) provided against due from related parties.

The provision in respect of trade receivables are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing to it 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.

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)			
2015				
Long term financing	**751,795**	**1,015,912**	**149,308**	**866,604**
Liabilities against assets subject to finance lease	**7,725**	**8,118**	**8,118**	**-**
Trade and other payables	**1,083,805**	**1,083,805**	**1,083,805**	**-**
Markup payable	**38,253**	**38,253**	**38,253**	**-**
	1,881,578	**2,146,088**	**1,279,484**	**866,604**
2014				
Long term financing	581,000	734,698	296,343	438,355
Liabilities against assets subject to finance lease	16,610	18,826	10,558	8,268
Trade and other payables	1,276,569	1,276,569	1,276,569	-
Markup payable	35,063	35,063	35,063	-
	1,909,242	2,065,156	1,618,533	446,623

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.

a) Currency risk

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

	2015		2014	
	Rupees'000	**USD' 000**	Rupees'000	USD' 000
Bank Balance	**473**	**4.66**	6,633	67.31

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2015	2014	2015	2014
US Dollars	**101.31**	102.70	**101.50**	98.55

Sensitivity Analysis

A 5% strengthening of the functional currency against USD at 30 June 2015 would have decreased profit and loss by Rs. 23.65 (2014: Rs. 331.66) thousand. A 5 % weakening of the functional currency against USD at 30 June 2015 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

b) 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:

	2015	2014	2015	2014
	Effective Interest rates		(Rupees' 000)	
Fixed rate instruments				
Financial assets	**0.2% to 6.50%**	0.2% to 9.40%	683,900	57,617
Variable rate instruments				
Financial assets	**1-year KIBOR plus 3%**		500,000	500,000
Financial liabilities	**KIBOR + (1.5% to 2.5%)**	**KIBOR +** (1.5% to 2.5%)	(759,520)	(597,610)
			(259,520)	(97,610)

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. 2.554 million (2014: Rs. 0.976 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

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

Sensitivity analysis – equity price risk

For quoted investments classified as held for trading, a 1 percent increase in market price at reporting date would have increased profit or loss by Rs. 10,822 (2014: Rs. 13,040) 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 2014 and assumes that all other variables remain the same.

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	2015 Carrying amount	2015 Fair value	2014 Carrying amount	2014 Fair value
		(Rupees' 000)			
Assets carried at amortised cost - Loans and receivables					
Deposits		35,672	35,672	36,378	36,378
Trade debts - net of provision	19	510,208	510,208	583,847	583,847
Advances	20	500,000	500,000	500,000	500,000
Interest accrued		5,768	5,768	7,610	7,610
Other receivables		35,518	35,518	28,130	28,130
Other financial assets		-	-	5,000	5,000
Cash and bank balances	24	765,570	765,570	161,550	161,550
		1,852,736	1,852,736	1,322,515	1,322,515
Assets carried at fair value					
Financial assets at fair value through profit or loss - held for trading	22	1,082,204	1,082,204	1,303,955	1,303,955
Liabilities carried at amortised cost					
Long term financing	6	751,795	751,795	581,000	581,000
Liabilities against assets subject to finance lease	7	7,725	7,725	16,610	16,610
Trade and other payables	9	1,083,805	1,083,805	1,276,569	1,276,569
Markup accrued		38,253	38,253	35,063	35,063
		1,881,578	1,881,578	1,909,242	1,909,242

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 (Rupees'000)	Level 3
2015			
Financial assets at fair value through profit or loss - held for trading	**1,082,204**	**-**	**-**
2014			
Financial assets at fair value through profit or loss - held for trading	1,303,955	-	-

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.

The Company is not subject to externally imposed capital requirements. Further there was no change during the year in the management's approach towards capital management.

39 APPLICATION OF IFRIC INTERPRETATION 12 "SERVICE CONCESSION ARRANGEMENTS"

Securities and Exchange Commission of Pakistan through its S.R.O. NO 24 (I)/2012, dated 16 January 2012 has exempted the application of IFRIC 12 - "Service Concession Arrangements", for Companies in Pakistan. Consequently, the Company is not required to account for its arrangement under Build, Operate and Transfer agreement with City District Government Karachi for developing and operating an underground parking facility in Karachi under IFRIC 12. If the Company were to follow IFRIC 12, the effect on the financial statements would have been as follows:

	2015	2014
	(Rupees'000)	
Increase in profit after tax for the year	13,334	16,029
Derecognition of property, plant and equipment	(314,136)	(350,874)
Recognition of intangible asset	442,303	459,315
Recognition of financial liability	(29,475)	(29,650)
Increase in taxation obligations	33,901	27,334
Increase in unappropriated profits	64,791	51,457

40. CAPACITY

	Note	No. of letable rooms 2015	No. of letable rooms 2014	Average occupancy 2015	Average occupancy 2014
Pearl Continental Hotel				%	%
- Karachi		286	286	71	75
- Lahore		607	607	63	69
- Rawalpindi		193	193	62	60
- Peshawar		148	148	36	36
- Bhurban		190	190	66	66
- Muzaffarabad		102	102	48	50
- Hotel One The Mall, Lahore	40.1	32	32	71	72

40.1 This is a budget hotel owned by the Company and operated by Hotel One (Private) Limited under franchise and management agreement.

	Note	2015	2014
		(Rupees'000)	
41 NUMBER OF EMPLOYEES			
Number of employees at the year end		3,397	3,463
Average number of employees during the year		3,429	3,537
42 EMPLOYEES PROVIDENT FUND TRUST			
Size of the fund		649,269	612,701
Cost of investment made		596,242	508,404
Percentage of investment made		92%	83%
Fair value of investments	42.1	630,795	596,242

		2015		2014	
42.1	**Fair value of investments made**	**(Rupees'000)**	**%**	(Rupees'000)	%
	Listed shares	**147,713**	**23%**	144,957	24%
	Mutual funds	**193,186**	**31%**	157,179	27%
	Term Finance Certificates - Listed	**12,469**	**2%**	30,987	5%
	Treasury bills	**-**	**-**	34,930	6%
	Special Savings Certificates	**277,427**	**44%**	228,189	38%
		630,795	**100%**	596,242	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.

43 NON- ADJUSTING EVENT AFTER THE BALANCE SHEET

43.1 The Board of Directors, in its meeting held on 16 September 2015, has proposed a final cash dividend of Rs. 5 per share (2014: Nil) for approval of the members at the annual General Meeting. The financial statements for the year ended 30 June 2015 do not include the effect of the proposed cash dividend which will be accounted for in the financial statements for the year ending 30 June 2016.

43.2 Also refer note - 17.2

44 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 16 September 2015.

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 June 30, 2015

NO. OF SHAREHOLDERS		SHAREHOLDINGS			NO.OF SHARES HELD
598	Shareholding from	1	to	100	14,519
212	Shareholding from	101	to	500	45,061
27	Shareholding from	501	to	1000	18,401
42	Shareholding from	1001	to	5000	88,801
8	Shareholding from	5001	to	10000	50,979
3	Shareholding from	10001	to	15000	37,216
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	50,075
1	Shareholding from	75001	to	80000	75,074
1	Shareholding from	170001	to	175000	172,913
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	570001	to	575000	571,976
1	Shareholding from	750001	to	755000	753,000
1	Shareholding from	1050001	to	1055000	1,052,085
1	Shareholding from	1100001	to	1105000	1,104,551
1	Shareholding from	1160001	to	1165000	1,163,890
1	Shareholding from	1205001	to	1210000	1,208,650
1	Shareholding from	1645001	to	1650000	1,648,832
1	Shareholding from	1905001	to	1910000	1,906,260
1	Shareholding from	2755001	to	2760000	2,760,000
1	Shareholding from	2900001	to	2905000	2,905,000
1	Shareholding from	2990001	to	2995000	2,992,688
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
914					**32,524,170**

Categories of Shareholders:	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	585,663	1.80
Associated Companies, undertaking and related parties	2,407,636	7.40
CDC-Trustee National Investment (UNIT)	1,104,551	3.40
Trustee National Bank of Pakistan	77,708	0.24
Banks, Development Financial Institutions and Non-Banking Financial Institutions	418,947	1.29
Modarabas and Mutual Funds	19,600	0.06
Insurance Companies	28,815	0.09
Foreign Investors	25,988,643	79.91
Individual:		
Local	207,567	0.64
Others:		
Galadari Invest International	1,052,085	3.23
President of Pakistan	336,535	1.03
Pakistan International Airlines Corporation	172,913	0.53
Kaizen Construction (Private) Limited	53,325	0.16
Asian Co-Operative Society Limited	47,088	0.14
National Investment Trust Limited	21,146	0.07
Other Joint Stock Companies	1,948	0.01

Disclosure To Pattern Of Shareholdings

As at June 30, 2015

SHAREHOLDERS	SHARES HELD
ASSOCIATED COMPANIES:	
Hashoo Holdings (Private) Limited	5,504
Zaver Petroleum Corporation Limited	1,648,832
Hashoo (Private) Limited	300
OPI Gas (Private) Limited	753,000
	2,407,636
NIT/ ICP:	
CDC-Trustee National Investment (UNIT)	1,104,551
Trustee National Bank of Pakistan	77,708
	1,182,259
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN:	
Mr. Sadruddin Hashwani	576,513
Ms. Sarah Hashwani	500
Mr. M. A. Bawany	2,875
Mr. Josef Kufer	500
Mr. Talat Hameed	500
Mr. Hassanali Andrew Shams-Ud-Din	500
Mr. Shakir Abu Bakar	500
Mr. Muhammad Rafique	3,125
Mr. Bashir Ahmed	650
	585,663
PUBLIC SECTOR COMPANIES & CORPORATIONS:	
Pakistan International Airlines Corporation	172,913
President of Pakistan	336,535
	509,448
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE, COMPANIES, INSURANCE COMPANIES	
National Bank of Pakistan	418,921
The Bank of Punjab, Treasury Division	26
Alpha Insurance Co. Limited	28,815
	447,762
MODARBAS & MUTUAL FUNDS:	
CDC - Trustee AKD Index Tracker Fund	6,200
Golden Arrow Selected Stocks Fund Limited	13,400
	19,600
FOREIGN INVESTORS:	
Greenley Investments Limited	1,163,890
Amcorp Investments Limited	1,906,260
Dominion Hospitality Investments Limited	3,150,000
Orient Drilling & Oilfield Services Limited	2,992,688
Ocean Pakistan Limited	3,170,000
Penoramic International General Trading	382,900
Bexley Services Limited	3,179,255
Castle Participations INC.	3,170,000
Sharan Associates S.A	2,760,000
Azucena Holdings Limited	1,208,650
Brickwood Investment Holdings S.A	2,905,000
	25,988,643
OTHERS:	
Galadari Invest International	1,052,085
Kaizen Construction (Private) Limited	53,325
Asian Co-Operative Society Limited	47,088
National Investment Trust Limited	21,146
Other Joint Stock Companies	1,948
	1,175,592
INDIVIDUAL:	207,567
TOTAL	**32,524,170**

Consolidated Financial Statements

For the year ended 30 June 2015

Directors' Report – Consolidated

Dear Members,

The Board of Directors of Pakistan Services Limited, the Parent Company, is pleased to present before you 56th Annual Report carrying therewith also the audited consolidated financial statements for the year ended on June 30, 2015 and Auditors' Report thereon.

The financial results reflected in the Consolidated Financial Statements for the year ended on June 30, 2015 are as under:

	(Rupees'000)
Profit before taxation	1,490,949
Taxation	(528,534)
Profit after taxation	962,415

Earnings per share

Earnings per share for the year worked out at Rs. 29.59

During the year under review; M/s Pearl Tours & Travels (Private) Limited remained engage in the business of rent-a-car as well as arrangement of tour packages and generated revenue of Rs. 164 million as compared to Rs. 142 million of last year and registered 15% increase in its revenue. During the year under review the Company recorded loss after tax of Rs. 4.274 million as compared to loss after tax of Rs.5.394 million achieved in last year.

The other two subsidiary companies, namely, M/s Pearl Continental Hotels (Private) Limited and M/s Bhurban Resorts (Private) Limited remained non-operational throughout the year 2014-15.

The Directors fully endorse the contents of the Chairman's Review included in the Annual Report which deals inter alia with the financial and operating results 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

Date: September 16, 2015
Islamabad

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 2015 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. 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 2015 and the results of their operations for the year then ended.

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

Date: September 16, 2015
Islamabad

Consolidated Balance Sheet
As at June 30, 2015

	Note	2015	2014
		(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Authorised share capital			
50,000,000 (2014: 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	**2,664,194**	2,617,504
Unappropriated profit		**4,603,638**	3,632,865
		7,593,074	6,575,611
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	13.2	**23,779,515**	19,853,565
NON CURRENT LIABILITIES			
Long term financing - secured	6	**685,128**	347,667
Liabilities against assets subject to finance lease - secured	7	**19,009**	20,949
Deferred liabilities	8	**620,489**	575,879
		1,324,626	944,495
CURRENT LIABILITIES			
Trade and other payables	9	**1,649,219**	1,894,235
Markup accrued		**38,669**	35,476
Short term borrowings - secured	10	**-**	-
Provision for taxation - net	24	**-**	10,815
Current portion of long term financing and liabilities against assets subject to finance lease	11	**89,338**	249,663
		1,777,226	2,190,189
		34,474,441	29,563,860
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 44 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	2015	2014
		(Rupees '000)	
NON CURRENT ASSETS			
Property, plant and equipment	13	**29,022,076**	24,448,055
Advance for capital expenditure	14	**1,175,457**	1,185,480
Investment property	15	**45,000**	45,000
Long term investments	16	**1,280,225**	1,245,897
Long term deposits and prepayments		**24,027**	23,004
		31,546,785	26,947,436
CURRENT ASSETS			
Stores, spare parts and loose tools	17	**150,389**	145,619
Stock in trade - food and beverages		**90,715**	87,021
Trade debts	18	**539,518**	610,178
Advances	19	**583,668**	577,428
Trade deposits and prepayments	20	**66,431**	61,272
Interest accrued		**5,982**	7,940
Other receivables	21	**35,673**	28,272
Other financial assets	22	**32,179**	287,592
Non current assets held for sale	23	**607,985**	622,198
Advance tax - net	24	**34,720**	-
Cash and bank balances	25	**780,396**	188,904
		2,927,656	2,616,424
		34,474,441	29,563,860

M.A. Bawany
Director

Muhammad Rafique
Director

Consolidated Profit and Loss Account
For the year ended June 30, 2015

	Note	2015	2014
		(Rupees '000)	
Sales and services - net	26	**8,025,703**	7,701,528
Cost of sales and services	27	**(4,393,382)**	(4,362,538)
Gross profit		**3,632,321**	3,338,990
Administrative expenses	28	**(2,260,671)**	(1,966,490)
Finance cost	29	**(106,258)**	(132,776)
Other income	30	**200,630**	547,070
Other expenses	31	**(78,244)**	(41,826)
		1,387,778	1,744,968
Share of profit in equity accounted investments - net	16.1 &16.2	**103,171**	91,682
Profit before taxation		**1,490,949**	1,836,650
Taxation	32	**(528,534)**	(502,141)
Profit after taxation		**962,415**	1,334,509

The annexed notes 1 to 44 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 June 30, 2015

	2015	2014
	(Rupees '000)	
Profit for the year	**962,415**	1,334,509
Other comprehensive income for the year		
Items that will never be reclassified to profit and loss account		
Experience adjustments on defined benefit obligation	**11,619**	(52,265)
Related deferred tax effect	**(3,486)**	18,293
	8,133	(33,972)
Items to be reclassified to profit and loss account in subsequent periods		
Exchange gain/ (loss) on translation of long term investments in equity accounted investees	**6,271**	(5,233)
Surplus on remeasurement of available for sale securities	**42,300**	48,652
Share of experience adjustments on defined benefit obligation of associate	**225**	(183)
Related deferred tax effect	**(1,881)**	4,509
	46,915	47,745
Total other comprehensive income for the year	**55,048**	13,773
Comprehensive income transferred to equity	**1,017,463**	1,348,282
Other comprehensive income not transferred to equity		
Surplus on revaluation of property, plant and equipment	**3,925,950**	-
Total comprehensive income for the year	**4,943,413**	1,348,282

The annexed notes 1 to 44 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 June 30, 2015

	Note	2015	2014
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operating activities before working capital changes	34	**2,057,606**	1,948,699
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		**(4,912)**	(15,140)
Stock in trade - food and beverages		**(3,694)**	(6,488)
Trade debts		**26,810**	(56,488)
Advances		**(6,240)**	12,845
Trade deposits and prepayments		**(5,159)**	16,698
Other receivables		**(7,401)**	297
(Decrease) / Increase in trade and other payables		**(245,016)**	62,656
Cash (used in) / generated from operations		**(245,612)**	14,380
Staff retirement benefit - gratuity paid	8.1	**(56,093)**	(27,022)
Compensated leave absences paid	8.3	**(19,683)**	(26,033)
Income tax paid	24	**(559,573)**	(326,325)
Finance cost paid		**(158,197)**	(131,215)
Net cash generated from operating activities		**1,018,448**	1,452,484
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(933,363)**	(1,170,483)
Additions to advance for capital expenditure		**(66,789)**	(85,835)
Proceeds from disposal of property, plant and equipment	13.4	**15,874**	86,465
Proceeds from disposal of non current assets held for sale		**7,000**	-
Purchase of other financial assets		**(1,094)**	(251,571)
Proceeds from maturity / sale of other financial assets		**255,505**	3,330
Dividend received		**48,685**	32,000
Receipts of return on bank deposits, short term advance and certificates of investments		**102,122**	89,808
Long term deposits and prepayments		**(1,023)**	(4,466)
Net cash used in investing activities		**(573,083)**	(1,300,752)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		**(233,333)**	(233,333)
Proceeds from syndicated term finance		**400,000**	250,000
Payment of transaction cost of syndicated term finance		**-**	(19,000)
Repayment of liabilities against assets subject to finance lease		**(20,540)**	(14,373)
Net cash from / (used in) financing activities		**146,127**	(16,706)
Net increase in cash and cash equivalents		**591,492**	135,026
Cash and cash equivalents at beginning of the year		**188,904**	53,878
Cash and cash equivalents at end of the year	35	**780,396**	188,904

The annexed notes 1 to 44 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 Changes In Equity

For the year ended June 30, 2015

	Share capital	Capital reserve		Revenue reserves				
		Share premium	Share of associate's capital reserve	General reserve	Exchange translation reserve (net of tax)	Surplus on remeasurement of available for sale securities	Unappropriated profit	Total equity
	(Rupees '000)							
Balance at 01 July 2013	325,242	269,424	147,221	1,600,000	463,027	94,413	2,328,002	5,227,329
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	1,334,509	1,334,509
Other comprehensive income for the year	-	-	-	-	(5,233)	48,652	(29,646)	13,773
Total comprehensive income for the year	-	-	-	-	(5,233)	48,652	1,304,863	1,348,282
Balance at 30 June 2014	**325,242**	**269,424**	**147,221**	**1,600,000**	**457,794**	**143,065**	**3,632,865**	**6,575,611**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	962,415	962,415
Other comprehensive income for the year	-	-	-	-	4,390	42,300	8,358	55,048
Comprehensive income for the year	-	-	-	-	4,390	42,300	970,773	1,017,463
Balance at 30 June 2015	**325,242**	**269,424**	**147,221**	**1,600,000**	**462,184**	**185,365**	**4,603,638**	**7,593,074**

The annexed notes 1 to 44 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

1. THE GROUP AND ITS OPERATIONS

1.1 Pakistan Services Limited ("the Parent Company") was incorporated on 06 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's registered office is situated at 1st Floor, NESPAK House, Sector G-5/2, Islamabad. The Parent Company is principally engaged in the hotel business and owns and manages the chain of Pearl Continental Hotels in Karachi, Lahore, Rawalpindi, Bhurban, Peshawar and Muzaffarabad Azad Jammu & Kashmir. The Parent Company also owns one small sized property in Lahore operating under the budget hotel concept. The Parent Company also grants franchise to use its trade mark and name " Pearl Continental".

Further the Parent Company is in process of constructing hotels in Multan and Mirpur, Azad Jammu & Kashmir.

1.2 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%

1.3 Pursuant to the directions of the Honourable Islamabad High Court, the members of Bhurban Resorts (Private) Limited and the Pakistan Services Limited have approved the merger of Bhurban Resorts (Private) Limited into Pakistan Services Limited vide their special resolution passed at joint Extra Ordinary General Meeting held on 03 August 2015. Final order of the Honourable Islamabad High Court regarding subsequent approval of merger is still awaited.

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 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 statements of the subsidiary companies are included in the consolidated financial statements from the date the control commences until the date the control ceases. The financial statements of the subsidiary companies have been consolidated on a line-by-line basis.

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, until 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 the 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 items of property, plant and equipment have been measured at revalued amounts;
- investment property has been measured at fair value;
- held for trading investments have been measured at fair value; and
- liability related to staff retirement gratuity and compensated absences 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 Rupee which is the Group's functional and presentation currency. Amounts presented in Pakistan Rupee have been rounded off to the nearest of thousand.

2.5 **Use of estimates and judgments**

The preparation of consolidated financial statements in conformity with approved accounting standards requires 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 and 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. A change in accounting estimate may effect only the current period consolidated profit & loss account or consolidated profit & loss account of both current and future years.

Judgments and estimates 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 discussed 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. Fair value of property, plant and equipment is determined by independent surveyors on market value. Any change in such 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.

2.5.2 **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 **Employee benefits**

The present value of the obligation for gratuity and compensated absences depend 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 and compensated leave absences.

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. Any change in estimates in future years might affect the carrying value of store, spares parts and loose tools and stock in trade. Net realisable value is determined with reference to estimated selling price less estimated cost of completion and expenditure 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 associates and joint ventures, the management considers estimated cash flows and their terminal value for impairment testing.

2.5.7 **Impairment of non-financial assets**

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated using criteria given in respective accounting standards to determine the extent of impairment loss, if any.

2.5.8 **Fair value of investment property**

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

2.5.9 **Fair value of investments - held for trading**

The fair value of "held for trading" investments are 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.

2.5.10 **Provision and contingencies**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost, if any.

Where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, it is disclosed as contingent liability.

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 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Amendment to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that is used in the supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investment in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2016). The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.

- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards. The adoption of these improvements are not likely to have an impact on Company's financial statements.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures:

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as 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 out of revaluation of fixed assets is treated in accordance with the requirements of Section 235 of the Companies Ordinance, 1984.

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 useful lives of each part of an item of property, plant and equipment at rates given in note 13 to these consolidated financial statements. 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 / derecognized.

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 and advance for capital expenditure are 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 consolidated 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 initially measured at cost and subsequently at fair value with any change therein recognised in consolidated 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 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 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 Group 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 Group 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 assets are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group 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 a portfolio of financial instruments exhibiting short term profit taking are classified as held for trading and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in the consolidated profit and loss account. The Group recognizes the regular way purchase or sale of investments 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 impairment loss, if any. Held-to-maturity financial assets comprise debt securities.

3.5.3 ***Loans and receivables***

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

Deposits, advances and trade and other receivables

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

The provision for doubtful accounts is based on the Company's assessment of the collectability of counterparty accounts. The Company regularly reviews its debts and receivables that remain outstanding past their applicable payment terms and establishes provision 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 and 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.

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, financial assets 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 consolidated profit and loss account. Available for sale financial assets comprise equity securities and debt securities.

Non-derivative financial liabilities

The Group initially recognises non-derivative financial liabilities on the date that they are originated or the date that the

Group becomes a party to the contractual provisions of the instrument. The Group 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 consolidated balance sheet when, and only when, the Group 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 such obligations 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 the end of each reporting period.

3.8 **Dividend**

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

3.9 **Employee 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;

3.9.1 ***Gratuity (retirement benefit)***

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 consolidated profit and loss account. Actuarial valuations are carried out using the Projected Unit Credit Method.

3.9.2 ***Provident fund (retirement benefit)***

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

3.9.3 ***Compensated leave absences***

The Parent Company provides for compensated absences on the unavailed balance of privilege leaves of all its permanent employees in the period in which leave is earned. The provision is determined using the projected unit credit method.

3.10 **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 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.

3.11 **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 consolidated profit and loss account 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.

3.12 **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 Pakistan Rupees at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are included in consolidated profit and loss for the year.

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

Foreign currency differences are recognised in other comprehensive income, and presented in the exchange 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 consolidated 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 consolidated profit or loss.

3.13 **Other 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.

3.14 **Segment reporting**

Each of the Group's hotel qualifies 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.

3.15 **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 and that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the obliger, a breach of contract such as default or delinquency in interest or principal payments, its becoming probable that borrower will enter bankruptcy or other financial reorganization, the disappearance of an active market for that financial asset because of financial difficulties.

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 consolidated profit and loss account 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 consolidated profit and loss account.

(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 consolidated profit and loss account.

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.

4 **ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL**

2015	2014		**2015**	2014
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	- Fully paid bonus shares	**64,895**	64,895
32,524,170	32,524,170		**325,242**	325,242

As of the reporting date 2,407,636 (2014: 2,407,636) and 585,663 (2014: 1,797,813) ordinary shares of Rs. 10 each were held by associated companies and directors of the Parent Company respectively.

5 **RESERVES**

		Note	**2015**	2014
			(Rupees'000)	
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 translation reserve		**462,184**	457,794
	- Surplus on remeasurement of available for sale securities		**185,365**	143,065
			2,664,194	2,617,504

5.1 Capital reserve represents share premium received in the fiscal 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 fiscal years 2000-2001 and 2003-2004.

			2015	2014
6	**LONG TERM FINANCING - secured**	**Note**	**(Rupees'000)**	
	Term finance loans	6.1	**116,667**	350,000
	Syndicated term loan	6.2	**650,000**	250,000
	Transaction cost		**(14,872)**	(19,000)
			635,128	231,000
	Current portion of long term financing	11	**(66,667)**	(233,333)
			685,128	347,667

6.1 This represents term finance loan carrying markup ranging from 3-month KIBOR plus 1.95% per annum to 2.50% per annum (2014: 3-month KIBOR plus 1.95% per annum to 2.50% per annum). These are secured against first pari passu equitable mortgage charge on land and building of Pearl Continental Hotel, Karachi for an amount of Rs. 428.57 million; (2014: Rs. 428.57 million); hypothecation charge over plant, machinery, equipment and other movable properties of Pearl Continental Hotel, Karachi to the extent of Rs. 428.57 million (2014: Rs. 428.57 million) and personal guarantee of a director of the Parent Company. The loans are repayable in eighteen equal quarterly installments of Rs. 16.667 million each commenced from October 2012.

6.2 During the year, the Parent Company made a further drawdown of Rs. 400 million (2014: Rs. 250 million) out of total syndicated limit of Rs. 1,800 million carrying markup of 6-month KIBOR plus 1.95% per annum payable semi-annually (2014: 6-month KIBOR plus 1.95% per annum payable semi-annually). This facility is secured against first pari passu equitable mortgage charge over the property of Pearl Continental Hotel, Karachi with 25% margin over facility amount and first pari passu hypothecation charge over all present and future movable and immovable fixed assets (excluding land and building) of Pearl Continental Hotel, Karachi with 25% margin over facility amount. The loan is repayable in eight equal semi-annual installments commencing July 2016.

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED

		Present value of minimum lease payments	Financial charges for future periods	Total lease rentals
	Note	**2015 - (Rupees'000)**		
Not later than one year	11	**22,671**	**3,268**	**25,939**
Later than one year and not later than five years		**19,009**	**1,562**	**20,571**
		41,680	**4,830**	**46,510**
		2014 - (Rupees'000)		
Not later than one year	11	16,330	3,611	19,941
Later than one year and not later than five years		20,949	1,716	22,665
		37,279	5,327	42,606

7.1 This represents utilised amount out of total lease finance facilities of Rs. 100 million (2014: Rs. 100 million) availed by the Parent Company and a subsidiary for purchase of vehicles. These carries markup ranging from 3-month KIBOR plus 2.50% per annum to 6-month KIBOR plus 1.45% per annum. These facilities are secured against pari passu mortgage charge over land, building and fixed assets of Pearl Continental Hotel, Karachi for an amount of Rs. 71.42 million; hypothecation charge over plant, machinery, equipment and other movable properties of Pearl Continental Hotel, Karachi for an amount of Rs. 71.42 million, personal guarantee of a director of the Parent Company, ownership of leased vehicles and guarantee of Rs. 50 million (2014: Rs. 50 million) by the Parent Company.

		Note	2015	2014
8	**DEFERRED LIABILITIES**		(Rupees'000)	
	Staff retirement benefit - gratuity	8.1	**370,406**	358,802
	Deferred tax	8.2	**150,241**	130,378
	Compensated leave absences	8.3	**99,842**	86,699
			620,489	575,879

8.1 **Staff retirement benefit - gratuity**

	2015	2014
Movement in the liability recognised in the balance sheet		
Opening balance	**358,802**	281,337
Charge for the year	**79,316**	52,222
Payments made during the year	**(56,093)**	(27,022)
Experience adjustments on defined benefit obligation	**(11,619)**	52,265
Closing balance	**370,406**	358,802
Reconciliation of liability recognised in the balance sheet		
Present value of defined benefit obligation	**370,406**	358,802
Charge to profit and loss account for the year		
Current service cost	**19,710**	17,404
Interest cost	**43,825**	34,818
Past service cost	**15,781**	-
	79,316	52,222
(Credit) / charge to statement of other comprehensive income for the year		
Experience adjustments on defined benefit obligation	**(11,619)**	52,264

The latest actuarial valuation was carried out on 30 June 2015 using projected unit credit method.

Actuarial assumption	**2015**	2014
Discount rate	**13.25%**	13.25%
Expected increase in eligible salary	**9.75%**	13.25%
Mortality rate	**SLIC 2001-2005 Setback 1 year**	SLIC 2001-2005 Setback 1 year

For a change of 100 basis points, present value of defined benefit obligation as at 30 June 2015 would have been as follows:

	Increase	Decrease
	(Rupees'000)	
Discount rate	**346,520**	336,493
Salary increase rate	**397,348**	383,959

Historical information	2015	2014	2013	2012	2011
	Rupees in ('000)				
Present value of defined benefit obligation	**370,406**	358,802	281,337	258,207	235,678
Experience adjustment on defined benefit obligation	**(11,619)**	52,265	-	2,422	523

8.2 **Deferred tax liability - net**

	2015	2014
	(Rupees'000)	
Taxable temporary differences		
Accelerated tax depreciation	**393,005**	415,361
Exchange translation reserve	**135,282**	157,828
	528,287	573,189
Less: deductible temporary differences		
Provision for staff retirement benefit	**107,636**	125,581
Provision against doubtful debts and other receivables	**61,786**	56,736
Unabsorbed tax losses and depreciation	**1,524**	3,375
Impairment loss in value of investment	**1,590**	1,855
Provision for stores, spare parts and loose tools	**730**	802
Share in loss of equity accounted investments	**70,601**	100,444
Write down of investment to its net selling price (non-current assets held for sale)	**134,179**	154,018
	378,046	442,811
	150,241	130,378

8.2.1 Charge for the year is recognized as follows:

	2015	2014
- Recognised in consolidated profit and loss account	**14,496**	147,275
- Recognised in consolidated statement of comprehensive income	**5,367**	(22,802)
	19,863	124,473

8.3 **Compensated leave absences**

Movement in the liability recognised in the balance sheet

	2015	2014
Opening balance	**86,699**	85,891
Charge for the year	**32,826**	26,841
Payments made during the year	**(19,683)**	(26,033)
Closing balance	**99,842**	86,699

Actuarial assumption	**2015**	2014
Discount rate	**13.25%**	13.25%
Expected increase in eligible salary	**9.75%**	13.25%
Mortality rate	**SLIC 2001-2005 Setback 1 year**	SLIC 2001-2005 Setback 1 year

		2015	2014
9	**TRADE AND OTHER PAYABLES**	**(Rupees '000)**	
	Creditors	**405,876**	615,413
	Accrued liabilities	**509,974**	477,037
	Advances from customers	**236,846**	284,842
	Unclaimed dividend	**3,534**	3,534
	Retention money	**82,577**	54,413
	Shop deposits	**54,339**	53,655
	Due to related parties - unsecured	**7,340**	54,341
	Sales tax - net	**116,422**	115,499
	Bed tax	**60,359**	60,710
	Income tax deducted at source	**7,482**	11,324
	Un-earned income	**129,049**	125,045
	Other liabilities	**35,421**	38,422
		1,649,219	1,894,235

10 The Parent Company has facilities amounting to Rs. 1,400 million (2014: Rs. 1,400 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 properties of Pearl Continental Hotel Karachi and Rawalpindi and lien on certain listed securities held by the Parent Company (Note 16.1.1). Mark-up rates range from 1-month KIBOR to 3-month KIBOR plus 1.5% to 2.0% (2014: 1-month KIBOR to 6-month KIBOR plus 1.5% to 2.5%) per annum.

		Note	2015	2014
			(Rupees'000)	
11	**CURRENT PORTION OF LONG TERM FINANCING AND LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**			
	Current portion of long term financing	6	**66,667**	233,333
	Current portion of liabilities against assets subject to finance lease	7	**22,671**	16,330
			89,338	249,663

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 2014. 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 (2014: 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.

		Note	2015	2014
			(Rupees'000)	
12.1.2	**Guarantees**		**188,174**	182,525
12.2	**Commitments**			
	Commitments for capital expenditure		**819,189**	978,665

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 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
Additions during the year / transfer from advance for capital expenditure	-	-	13,328	3,957	154,210	112,939	12,929	54,261	1,205,720	25,253	1,582,597
Disposals	(180,145)	-	(43,767)	-	-	(744)	(105)	(37,147)	-	-	(261,908)
Transfer from CWIP	-	-	560,694	25,295	48,307	97,041	11,176	-	(742,513)	-	-
Transfer from leased assets to owned assets	-	-	-	-	-	-	-	5,100	-	(5,100)	-
Transfer to non current assets held for sale	(3,815)	-	(5,652)	-	-	-	-	-	-	-	(9,467)
Balance at 30 June 2014	10,353,720	10,025,120	1,347,308	1,467,448	2,782,895	1,316,231	200,019	279,159	643,764	59,013	28,474,677
Additions during the year / transfer from advance for capital expenditure	**-**	**-**	**26,211**	**1,254**	**121,278**	**39,482**	**8,359**	**30,094**	**842,756**	**24,941**	**1,094,375**
Surplus on Revaluation (Note 13.2)	**627,280**	**3,298,670**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,925,950**
Disposals	**-**	**-**	**-**	**-**	**(9,434)**	**(56,820)**	**(190)**	**(10,708)**	**-**	**-**	**(77,152)**
Transfer from CWIP	**-**	**-**	**8,424**	**196,267**	**154,624**	**88,833**	**4,079**	**-**	**(452,227)**	**-**	**-**
Balance at 30 June 2015	**10,981,000**	**13,323,790**	**1,381,943**	**1,664,969**	**3,049,363**	**1,387,726**	**212,267**	**298,545**	**1,034,293**	**83,954**	**33,417,850**
Depreciation											
Balance at 01 July 2013	-	-	536,104	503,820	1,857,636	535,656	121,871	152,037	-	6,995	3,714,119
Charge for the year	-	-	36,630	85,816	115,351	90,125	17,441	19,544	-	7,060	371,967
On disposals	-	-	(31,163)	-	-	(131)	(79)	(26,909)	-	-	(58,282)
Transfer from leased assets to owned assets	-	-	-	-	-	-	-	1,953	-	(1,953)	-
Transfer to non current assets held for sale	-	-	(1,182)	-	-	-	-	-	-	-	(1,182)
Balance at 30 June 2014	-	-	540,389	589,636	1,972,987	625,650	139,233	146,625	-	12,102	4,026,622
Charge for the year	**-**	**-**	**81,282**	**84,729**	**122,989**	**101,190**	**17,906**	**20,743**	**-**	**8,622**	**437,461**
On disposals	**-**	**-**	**-**	**-**	**(6,863)**	**(53,377)**	**(102)**	**(7,967)**	**-**	**-**	**(68,309)**
Balance at 30 June 2015	**-**	**-**	**621,671**	**674,365**	**2,089,113**	**673,463**	**157,037**	**159,401**	**-**	**20,724**	**4,395,774**
Carrying value - 2015	**10,981,000**	**13,323,790**	**760,272**	**990,604**	**960,250**	**714,263**	**55,230**	**139,144**	**1,034,293**	**63,230**	**29,022,076**
Carrying value - 2014	10,353,720	10,025,120	806,919	877,812	809,908	690,581	60,786	132,534	643,764	46,911	24,448,055
Rates of depreciation per annum	-	-	10%	10%	15%	15%	30%	15%	-	15%	

	Note	2015	2014
		(Rupees'000)	

13.1 **Capital work in progress**

	Note	2015	2014
Construction of Pearl Continental Multan		**463,884**	127,107
Construction of Pearl Continental Mirpur	13.1.1	**324,410**	174,358
Other civil works		**245,999**	342,299
		1,034,293	643,764

This also includes borrowing cost of Rs. 59.260 million (2014: Rs. 13.266 million) transferred to CWIP during the year @ 11.20% (2014: 12.09%) per annum.

13.1.1 The construction work on Pearl Continental Mirpur is on halt due to intervention of Mirpur Development Authority (MDA), in order to safeguard its interest, the company has filed a suit for resolution of this dispute. The company is optimistic about the outcome of the suit.

13.2 **Surplus on revaluation of property, plant and equipment**

Freehold and leasehold land were revalued on 30 June 2015 by M/s. Oceanic Surveyors (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. 525.28 million (2014: Rs. 525.28 million).

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

	Note	2015	2014
		(Rupees'000)	
Cost of sales and services	27	**393,715**	335,799
Administrative expenses	28	**43,746**	36,168
		437,461	371,967

13.4 **Detail of disposal of property, plant and equipment:**

Description	Cost	Carrying value	Sale proceeds	Mode of disposal	Purchaser
		(Rupees'000)			
Vehicle	555	125	472	Auction	Mr. Mukhtar Ahmed
Vehicle	715	103	430	Auction	Mr. Riaz -ul- Hassan
Vehicle	1,080	339	920	Auction	Mr. Kashif Raja
Vehicle	1,080	339	910	Auction	Maj. Atif Khan
Vehicle	1,080	335	960	Auction	Mr. Asad ul Hassan
Vehicle	1,080	335	1,000	Auction	Mr. Tahir Hameed
Vehicle	1,080	335	836	Auction	Mr. Tariq Amjad
Vehicle	1,279	314	835	Auction	Maj. Atif Khan
Vehicle	1,080	335	960	Auction	Mr. M. Riaz Khan
Vehicle	999	167	725	Auction	Mr. Khurram Mehboob
Air-conditioning Plant	9,434	2,571	2,621	Auction	Mr.Asmat Ullah
Furniture, fixtures, fitting, and equipment	56,820	3,443	4,015	Auction	Various
Aggregate of other items with individual book values not exceeding Rs. 50 thousand	870	105	1,190		
2015	**77,152**	**8,846**	**15,874**		
2014	261,908	203,626	86,465		

14 ADVANCE FOR CAPITAL EXPENDITURE	Note	2015 (Rupees'000)	2014
Purchase of land	14.1	**666,820**	666,820
Purchase of apartment	14.2	**40,509**	40,509
Malir Delta Land	14.3	**381,656**	381,656
Advance for purchase of fixed assets		**86,472**	96,495
		1,175,457	1,185,480

14.1 This includes amount of Rs. 626.820 million (2014: Rs. 626.820 million) paid to M/s Associated Builders (Private) Limited, a related party, for purchase of tourist site piece(s) of land measuring 7.29 acres in Gwadar.

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 advance.

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. Last year, the 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 a Civil petition for leave to 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 seek recovery of purchase consideration and land regularization fee paid to the seller and Land Regularization Department respectively.

15 INVESTMENT PROPERTY	2015 (Rupees'000)	2014
Opening balance	**45,000**	47,000
Loss on remeasurement of investment property to fair value	**-**	(2,000)
	45,000	45,000

15.1 On 30 June 2015, 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.

16	LONG TERM INVESTMENTS	% of holding	Note	2015 (Rupees'000)	2014 (Rupees'000)
	Associated undertaking - unquoted				
	Hotel One (Private) Limited	17.85%			
	500,000 (2014: 500,000) ordinary shares of Rs. 100 each			-	-
	Associated undertaking - quoted				
	Jubilee General Insurance Company				
	Limited - an associated company	7.6%			
	11,902,500 (2014: 11,902,500) ordinary shares		16.1, 16.1.1	1,071,225	1,041,469
				1,071,225	1,041,469
	Investment in jointly controlled entity				
	Pearl Continental Hotels Limited - UAE	50%			
	95 (2014: 95) ordinary shares of US$ 50,000 each		16.2	209,000	204,428
	Other investments				
	Available for sale - unquoted company				
	Malam Jabba Resorts Limited			1,000	1,000
	Impairment loss			(1,000)	(1,000)
				-	-
				1,280,225	1,245,897

16.1	Investment in associated undertaking	Note	2015	2014
	Cost of investment		947,679	947,679
	Share of equity brought forward		434,270	323,696
	Share of profit for the year - net		104,870	93,155
	Share of surplus on remeasurement of available for sale securities for the year		42,300	48,652
	Share of experience adjustments on defined benefit obligation of associate		225	(183)
	Dividend received		(47,610)	(31,050)
			99,785	110,574
			534,055	434,270
	Impairment losses			
	Opening balance		(340,480)	(622,758)
	Loss recognised during the year	16.1.2	(70,029)	(22,030)
	Loss reversed during the year		-	304,308
			(410,509)	(340,480)
			1,071,225	1,041,469

Summarised financial information of associates is as follows:

	Non current assets	Non current liabilities	Current assets	Current liabilities	Revenues	Expenses	Profit
				(Rupees'000)			
2015	**8,655,300**	**(6,609,478)**	**7,857,967**	**(4,134,844)**	**5,613,046**	**(4,220,838)**	**1,392,208**
2014	8,169,170	(6,888,269)	7,257,597	(3,532,583)	5,145,670	(4,079,299)	1,066,371

The reporting date of M/s Jubilee General Insurance Company Limited is 31 December . For the purpose of applying equity method of accounting, assets, liabilities and profit and loss account are based on the financial statements of the year/ period ended 30 June 2015.

16.1.1 Out of total shares, 3,000,000 (2014: 3,000,000) 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).

16.1.2 This represents impairment loss on investment in Jubilee Insurance Company Limited ("JGI") 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. Market value per share of JGI as at 30 June 2015 was Rs. 90 (2014: Rs. 87.5).

	2015	2014
	(Rupees'000)	
16.2 Investment in jointly controlled entity		
Cost of investment	**284,052**	284,052
Post acquisition loss brought forward	**(79,624)**	(72,918)
Share of loss for the year	**(1,699)**	(1,473)
Share of exchange translation reserve for the year	**6,271**	(5,233)
	4,572	(6,706)
	(75,052)	(79,624)
	209,000	204,428

Summarised financial information of jointly controlled entity is as follows:

	Non current assets	Non current liabilities	Current assets	Current liabilities	Revenues	Expenses	Loss
				(Rupees'000)			
2015	**-**	**-**	**443,187**	**(18,398)**	**-**	**(3,399)**	**(3,399)**
2014	-	-	430,199	(14,553)	-	(1,477)	(1,477)

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 audited financial statements of the period ended 30 June 2015.

		Note	2015	2014
			(Rupees'000)	
17	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		107,048	102,691
	Spare parts and loose tools		45,773	45,218
			152,821	147,909
	Provision for obsolescence		(2,432)	(2,290)
			150,389	145,619
18	**TRADE DEBTS**			
	Considered good			
	Due from related parties - unsecured	18.1	28,418	19,644
	Others		511,100	590,534
			539,518	610,178
	Considered doubtful		201,245	157,395
			740,763	767,573
	Provision against doubtful debts		(201,245)	(157,395)
			539,518	610,178
18.1	**Due from related parties - unsecured**			
	Hashwani Hotels Limited		10,206	7,237
	Hashoo Foundation		819	487
	Hotel One (Private) Limited		3,926	3,789
	Hashoo Holdings (Private) Limited		-	3
	Jubilee General Insurance Company Limited		-	196
	Ocean Pakistan Limited		636	1,065
	OPI Gas (Private) Limited		-	1
	Pearl Communications (Private) Limited		128	128
	Pearl Real Estate Holdings (Private) Limited		177	31
	Trans Air Travels (Private) Limited		2,136	1,375
	Tejari Pakistan (Private) Limited		429	148
	Zahdan Technologies (Private) Limited		70	1,897
	Zahdan Retail (Private) Limited		9,832	3,276
	Zaver Petroleum Corporation Limited		2	4
	HOAP Foundation		57	7
			28,418	19,644
18.2	**Age analysis of due to related parties is as follows:**			
	Past due by 30 days		3,709	3,088
	Past due by 31 to 90 days		6,384	4,024
	Past due over 90 days		8,062	7,902
	Past due over 1 year		10,263	4,630
			28,418	19,644

		Note	2015	2014
			(Rupees'000)	
19	**ADVANCES, Considered good**			
	Advances to:			
	Employees		**5,797**	5,607
	Suppliers and contractors		**77,871**	71,821
	Related party - secured	19.1	**500,000**	500,000
			583,668	577,428

19.1 This represents short term advance of Rs. 500 million (2014: Rs. 500 million) extended to a related party M/s Hashwani Hotels Limited, carrying markup rate of 1-year KIBOR plus 3% per annum (2014: 1-year KIBOR plus 3% per annum).

		Note	2015	2014
			(Rupees '000)	
20	**TRADE DEPOSITS AND PREPAYMENTS**			
	Trade deposits		**19,208**	18,143
	Prepayments		**47,223**	43,129
			66,431	61,272
21	**OTHER RECEIVABLES**			
	Other receivables - considered good		**35,673**	28,272
	- considered doubtful		**4,078**	4,713
			39,751	32,985
	Provision for doubtful receivables		**(4,078)**	(4,713)
			35,673	28,272
22	**OTHER FINANCIAL ASSETS**			
	Loans and receivables			
	Letter of placements / Certificate of investments / Treasury bills		**26,500**	25,406
	Provision for impairment loss		**(5,300)**	(5,300)
			21,200	20,106
	Held to maturity			
	Certificate of Musharika		**-**	5,000
	Available for sale - unquoted			
	National Technology Development Corporation (Private) Limited		**200**	200
	Indus Valley Solvent Oil Extraction Limited		**500**	500
	Impairment loss		**(700)**	(700)
			-	-
	Financial assets at fair value through profit or loss - held for trading			
	Short term investments in shares of listed companies	22.1	**10,979**	11,981

	No. of units			
			2015	2014
			Rupees('000)	
Investment in Mutual Funds	**2015**	2014		
Faysal Money Market Fund	-	114,929	-	112,418
UBL Liquidity Plus Fund	-	560,673	-	56,275
NAFA Government Security Liquid Fund	-	8,137,466	-	81,812
			-	250,505
			32,179	287,592

		2015	2014
		(Rupees'000)	
22.1	**Short term investments in shares of listed companies**		
	Pakistan Telecommunication Company Limited 350,000 (2014: 350,000) ordinary shares	**7,175**	8,913
	Lotte Chemical Pakistan Limited 150,000 (2014: 150,000) ordinary shares	**1,038**	1,079
	Fauji Fertilizer Bin Qasim Limited 50,000 (2014: 50,000) ordinary shares	**2,766**	1,989
		10,979	11,981
23	**NON CURRENT ASSETS HELD FOR SALE**		
	Opening balance	**622,198**	597,203
	Transfer from property, plant and equipment	**-**	7,000
	Transfer from long term investments	**-**	-
	Adjustment to remeasure the investment to its net selling price	**(7,213)**	17,995
	Held for sale assets sold during the year	**(7,000)**	-
		607,985	622,198

23.1 The Parent Company has agreed to sell 98,000 shares in Hashoo Group Limited - British Virgin Island for total consideration of US$ 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 financial year.

		Note	2015	2014
			(Rupees'000)	
24	**ADVANCE TAX / (PROVISION FOR TAXATION) - net**			
	Opening balance		**(10,815)**	17,726
	Income tax paid during the year		**559,573**	326,325
	Charge for the year		**(514,038)**	(354,866)
	Closing balance		**34,720**	(10,815)
25	**CASH AND BANK BALANCES**			
	Cash in hand		**33,274**	34,882
	Cash at bank :			
	Current accounts - Local currency		**52,656**	90,442
	Deposit accounts - Local currency	25.1	**693,906**	56,863
	- Foreign currency	25.2	**560**	6,717
			747,122	154,022
			780,396	188,904

25.1 Deposit accounts carry interest rate ranging from 4.5% to 6.50% (2014: 5% to 9.40%) per annum.

25.2 This represents US$ 5,517 (2014: US$ 68,160) deposited with bank carrying interest rate ranging from 0.20% to 0.75% per annum (2014: 0.2% to 0.75% per annum).

		Note	2015	2014
			(Rupees'000)	
26	**SALES AND SERVICES - net**			
	Rooms		**4,393,624**	4,021,195
	Food and beverages		**4,441,167**	4,470,183
	Other related services	26.1	**448,879**	509,022
	Vehicle rental		**115,144**	92,592
	Parking fee		**-**	7,333
	Shop license fees		**68,659**	24,258
			9,467,473	9,124,583
	Discounts and commissions		**(127,019)**	(136,940)
	Sales tax		**(1,314,751)**	(1,286,115)
			8,025,703	7,701,528

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

	Note	2015	2014
		(Rupees'000)	
27 COST OF SALES AND SERVICES			
Food and beverages			
Opening balance		**87,021**	80,533
Purchases during the year		**1,383,197**	1,391,069
Closing balance		**(90,715)**	(87,021)
Consumption during the year		**1,379,503**	1,384,581
Direct expenses			
Salaries, wages and benefits	27.1	**1,072,996**	1,007,000
Heat, light and power		**763,810**	820,402
Repairs and maintenance		**256,041**	260,075
Depreciation	13.3	**393,715**	335,799
Guest supplies		**178,543**	211,554
Linen, china and glassware		**79,614**	83,159
Communication and other related services		**71,904**	69,486
Banquet and decoration		**65,491**	56,980
Transportation		**18,179**	18,793
Uniforms		**21,554**	25,419
Music and entertainment		**13,247**	11,126
Insurance		**5,299**	4,579
Vehicle operating expense		**38,263**	47,684
Vehicle rentals and registration charges		**23,937**	14,185
Others		**11,286**	11,716
		4,393,382	4,362,538

27.1 Salaries, wages and benefits include staff retirement benefit amounting to Rs. 55.434 million (2014: Rs. 48.371 million).

28	ADMINISTRATIVE EXPENSES	Note	2015	2014
			(Rupees'000)	
	Salaries, wages and benefits	28.1	**929,301**	831,487
	Rent, rates and taxes		**167,037**	134,204
	Security and protective services		**242,503**	193,152
	Advertisement and sales promotion		**81,217**	85,465
	Repairs and maintenance		**48,686**	33,836
	Heat, light and power		**90,119**	96,471
	Travelling and conveyance		**59,931**	72,815
	Depreciation	13.3	**43,746**	36,168
	Communications		**22,900**	24,105
	Printing and stationery		**38,781**	37,785
	Legal and professional charges		**59,038**	59,583
	Insurance		**101,322**	91,011
	Entertainment		**9,212**	7,764
	Subscriptions		**24,122**	17,678
	Laundry and dry cleaning		**8,591**	7,781
	Uniforms		**5,979**	6,008
	Auditors' remuneration	28.2	**5,266**	2,960
	Provision against doubtful trade debts and other receivable		**43,850**	17,305
	Donations	28.3	**222,966**	165,828
	Vehicle rentals and registration charges	28.4	**38,284**	30,688
	Franchise fee		**10,125**	9,233
	Miscellaneous		**7,695**	5,163
			2,260,671	1,966,490

28.1 Salaries, wages and benefits include staff retirement benefit amounting to Rs. 51.021 million (2014: Rs. 29.794 million).

		2015	2014
		(Rupees'000)	
28.2	**Auditors' remuneration**		
	KPMG Taseer Hadi & Co. Chartered Accountants		
	Annual audit fee	**1,836**	1,671
	Audit of consolidated financial statements	**322**	224
	Half yearly review	**520**	470
	Special reports and certificates	**248**	195
	Tax advisory	**140**	375
	Financial due diligence	**2,200**	-
	Sandhu & Co. Chartered Accountants		
	Annual audit fee	**-**	25
		5,266	2,960

28.3 **Donations**

Out of total amount of Rs. 222.966 million (2014: Rs. 165.828 million), donations amounting to Rs. 20 million (2014: Rs. 43 million) includes the following in which directors or their spouse have interest:

Name	Interest in Donee	Name and address of Donee	2015	2014
			(Rupees'000)	
Mr. Sadruddin Hashwani	Patron-in-Chief	Hashoo Foundation House # 2 Street # 35,	20,000	43,000
Ms. Sarah Hashwani	Chairperson	F-7/1, Islamabad		
			20,000	43,000

28.4 This includes Ijarah payments of Rs. 38.229 million (2014: Rs. 30.065 million) 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:

	2015	2014
	(Rupees'000)	
Within one year	36,125	35,185
After one but not more than five years	34,260	62,467
	70,385	97,652

29 FINANCE COST

	2015	2014
Markup on long term financing, secured	29,812	58,869
Markup on short term borrowings, secured	4,542	10,261
Markup on liabilities against assets subject to finance lease, secured	4,491	4,423
Credit cards, bank and other charges	67,413	59,223
	106,258	132,776

30 OTHER INCOME

	2015	2014
Income from financial assets		
Return on bank deposits /Treasury bills/ Certificate of Musharika	34,546	25,799
Exchange gain - net	4,772	1,031
Dividend income	1,075	950
Unrealised gain on remeasurement of investments to fair value - net	-	6,699
Interest on short term advance to related party	65,618	64,747
	106,011	99,226

		Note	2015	2014
			(Rupees'000)	
	Income from non financial assets			
	Concessions and commissions		**4,243**	6,097
	Gain on disposal of property, plant and equipment		**2,381**	17,999
	Gain on disposal of non current assets held for sale		**4,649**	-
	Liabilities written back		**-**	7,174
	Communication towers and other rental income		**47,455**	45,239
	Reversal of impairment loss on associate		**-**	304,308
	Adjustment to remeasure the investment to its net selling price		**-**	17,995
	Scrap sales		**8,039**	12,738
	Others - net		**27,852**	36,294
			94,619	447,844
			200,630	547,070
31	**OTHER EXPENSES**			
	Impairment loss on investment in associated undertaking	16.1.2	**70,029**	22,030
	Loss on remeasurement of investment property to fair value		**-**	2,000
	Impairment loss on long term utility deposits		**-**	16,511
	Adjustment to write down the non current asset held for sale to its net selling price		**7,213**	1,285
	Unrealised loss on remeasurement of investments to fair value - net		**1,002**	-
			78,244	41,826
32	**TAXATION**			
	Provision for taxation			
	- Current		**533,322**	358,232
	- Prior		**(19,284)**	(3,366)
			514,038	354,866
	- Deferred		**14,496**	147,275
			528,534	502,141
	Relationship between accounting profit and tax expense is as follows:			
	Accounting profit for the year		**1,490,949**	1,836,650
	Tax charge @ 33% (2014: 34%)		**492,013**	624,461
	Tax effect of permanent differences		**(2,243)**	4,914
	Tax effect of exempt income		**(9,046)**	(106,508)
	Tax effect of income subject to lower taxation		**(13,448)**	(23,698)
	Tax effect of super tax		**46,186**	-
	Tax effect of change in tax rate		**34,356**	6,338
	Prior years' tax		**(19,284)**	(3,366)
			528,534	502,141

33 TAXATION OF UNDISTRIBUTED RESERVES

The Board of Directors of the Parent Company in their meeting held on 16 September 2015 has proposed cash dividend for the year ended 30 June 2015 (refer note - 43) which complies with requirements of Section 5A of the Income Tax Ordinance, 2001. Accordingly, no provision for tax on undistributed reserves has been recognized in these consolidated financial statements for the year ended 30 June 2015.

	Note	2015	2014
		(Rupees'000)	
34 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES			
Profit before taxation		1,490,949	1,836,650
Adjustments for:			
Depreciation	13.3	437,461	371,967
Gain on disposal of property, plant and equipment	30	(2,381)	(17,999)
Gain on disposal of non current assets held for sale	30	(4,649)	-
Provision for staff retirement benefit - gratuity	8.1	79,316	52,222
Provision for compensated absences	8.3	32,826	26,841
Provision for doubtful debts	28	43,850	17,305
Return on bank deposits/ Treasury bills	30	(34,546)	(25,799)
Interest on short term advance to related party	30	(65,618)	(64,747)
Share of gain on equity accounted investments	16.1 & 16.2	(103,171)	(91,682)
Finance cost	29	106,258	132,776
Dividend income	30	(1,075)	(950)
Reversal of impairment on investments in associated companies	30	-	(304,308)
Adjustment to write down the investment to its net selling price	31	7,213	(17,995)
Unrealized loss / (gain) on remeasurement of investment to fair value	31	1,002	(6,699)
Impairment on investments in associated companies	31	70,029	22,030
Impairment loss on investment property		-	2,000
Impairment loss on transfer of asset to held for sale		-	1,285
Impairment loss on long term utility deposits		-	16,511
Reversal of provision for obsolescence in stores, spares and loose tools		142	(709)
		2,057,606	1,948,699
35 CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	780,396	188,904

36 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2015			2014		
	Chief Executives	**Directors**	**Executives**	Chief Executive	Directors	Executives
	Rupees'000					
Managerial remuneration	16,800	22,383	314,462	12,000	56,619	197,905
Provident fund contribution	-	1,073	7,639	-	1,352	6,012
Gratuity	15,781	2,947	6,257	-	2,071	2,918
Meeting fee	-	330*	-	-	555*	-
	32,581	26,733	328,358	12,000	60,597	206,835
Number of Persons	**1**	**2**	**142**	1	5	119

* This includes Rs. 210,000 (2014: Rs. 195,000) paid to a non-executive directors of the Parent Company.

36.1 In addition to the above, Chairman/ Chief Executive and certain Executives are provided with the Company maintained vehicles. Certain Executives are also provided medical expenses, bonus, compensated leave absences, and leave fare assistance as per the Company's policy.

37 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated and subsidiary companies, directors as well as their close family members, companies with common directorship, executives, key management personnel, major shareholders and Provident Fund. Balances with related parties are disclosed in notes 4, 9, 14, 16, 18, and 19 to the consolidated financial statements. Transactions with related parties are as follows:

	2015	2014
	(Rupees'000)	
Transactions with associated undertakings		
Sales	**1,965**	1,279
Services provided	**12,480**	14,821
Services availed	**98,871**	103,881
Purchases	**103,371**	110,110
Purchase of air tickets	**24,931**	24,822
Franchise fee - income	**3,062**	2,218
Franchise and management fee - expense	**10,125**	9,233
Purchase of property, plant and equipment	**176**	12,330
Consultancy and management services for construction	**-**	145,637
Contribution to defined contribution plan - Provident Fund	**28,715**	25,899
Dividend income	**47,610**	31,050
Donation	**20,000**	58,000
Interest income on advance	**65,618**	64,747
Accrued interest on advance	**4,723**	6,255

	Note	2015	2014
		(Rupees'000)	
Transactions with key management personnel			
Remuneration and allowances including staff retirement benefits	37.1	**63,071**	77,820
Sale of property, plant and equipment - carrying value		**-**	194,294
Personal guarantee to Bank against the Parent Company's borrowings(Notes 6 & 7)			

37.1 **Compensation to key management personnel**

	2015	2014
Salaries and other benefits	**39,183**	68,619
Contribution to provident fund	**1,073**	1,352
Gratuity	**18,728**	2,071
Compensated absences	**213**	1,449
Bonus	**3,544**	3,774
Meeting fee	**330**	555
	63,071	77,820
Number of persons	**3**	6

38 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.

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 Department. 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 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.

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's 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:

	2015	2014
	(Rupees' 000)	
Long term deposits	**19,920**	16,415
Trade deposits	**19,208**	18,143
Trade debts	**539,518**	610,178
Advances	**500,000**	500,000
Interest accrued	**5,982**	7,940
Other receivables	**35,673**	28,272
Other financial assets	**21,200**	25,106
Bank balances	**747,122**	154,022
	1,888,623	1,360,076

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:

	2015	2014
	(Rupees' 000)	
From related parties	**528,418**	514,474
From government institutions	**41,479**	61,631
From foreign embassies	**7,748**	4,208
Banks and financial institutions	**753,104**	187,068
Others	**557,874**	592,695
	1,888,623	1,360,076

Impairment losses

The aging of trade debts at the reporting date was:

	2015		2014	
	Gross	**Impairment**	Gross	Impairment
	(Rupees' 000)		(Rupees' 000)	
Aging				
Past due 0-30 days	**304,982**	**-**	270,576	-
Past due 30-60 days	**106,015**	**-**	122,910	-
Past due 60-90 days	**30,364**	**-**	66,540	-
Past due 90-360 days	**98,157**	**-**	150,152	-
Over 360 days	**201,245**	**201,245**	157,395	157,395
	740,763	**201,245**	767,573	157,395

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

	2015	2014
	(Rupees' 000)	
Opening balance	**157,395**	140,315
Provision made during the year	**43,850**	17,080
Closing balance	**201,245**	157,395

Reversal of provision of Rs. 0.635 million has been made in respect of other receivables. Based on past experience, management of the Group believes that no impairment is necessary in respect of trade receivables past due. Impairment includes Rs. 10.263 million (2014: Rs. 4.630 million) provided against due from related parties.

The provision in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing to it 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.

38.2 **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 during the year.

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

	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year and up to five years
2015		**(Rupees' 000)**		
Long term financing	**747,667**	**1,015,912**	**149,308**	**866,604**
Liabilities against assets subject to finance lease	**41,680**	**46,510**	**25,939**	**20,571**
Trade and other payables	**1,099,061**	**1,099,061**	**1,099,061**	**-**
Markup payable	**38,669**	**38,669**	**38,669**	**-**
	1,927,077	**2,200,152**	**1,312,977**	**887,175**
2014				
Long term financing	581,000	734,698	296,343	438,355
Liabilities against assets subject to finance lease	37,279	42,606	19,941	22,665
Trade and other payables	1,296,815	1,296,815	1,296,815	-
Markup payable	35,476	35,476	35,476	-
	1,950,570	2,109,595	1,648,575	461,020

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

The contractual cash flows relating to long term 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.

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 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.

a) Currency risk

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

	2015		2014	
	Rupees'000	**US$' 000**	Rupees' 000	US$' 000
Bank Balance	**560**	**5.52**	6,717	68.16

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2015	2014	**2015**	2014
US Dollars	**101.31**	102.70	**101.50**	98.55

Sensitivity Analysis

A 5 % strengthening of the functional currency against US$ at 30 June 2015 would have decreased profit and loss by Rs. 28 thousand (2014: Rs. 335 thousand). A 5 % weakening of the functional currency against US$ at 30 June 2015 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

b) 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:

	2015	2014	**2015**	2014
	Effective interest rates		**(Rupees' 000)**	
Fixed rate instruments				
Financial assets	**0.2% to 6.50%**	0.2% to 9.4%	**694,466**	63,580
Variable rate instruments				
Financial assets	**1-year KIBOR plus 3%**		**500,000**	500,000
Financial liabilities	**KIBOR + (1.5% to 2.5%)**	KIBOR + (1.5% to 2.5%)	**(793,475)**	(618,279)
			(293,475)	(118,279)

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 consolidated 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. 2.90 million (2014: Rs. 1.18 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

c) 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 as held for trading because their performance is actively monitored and these are managed on a fair value basis. Equity price risk arises from investments at fair value through profit and loss.

Sensitivity analysis – equity price risk

For quoted investments classified as held for trading, a 1% increase in market price at reporting date would have increased profit or loss by Rs. 109.79 thousand (2014: Rs. 2,625 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 2014 and assumes that all other variables remain the same.

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:

		2015		2014	
		Carrying amount	Fair values	Carrying amount	Fair values
	Note	(Rupees' 000)			
Assets carried at amortised cost - Loans and receivables					
Deposits		43,235	43,235	41,147	41,147
Trade debts	18	539,518	539,518	610,178	610,178
Advances	19	500,000	500,000	500,000	500,000
Interest accrued		5,982	5,982	7,940	7,940
Other receivables	21	35,673	35,673	28,272	28,272
Other financial assets		32,179	32,179	287,592	287,592
Cash and bank balances	25	780,396	780,396	188,904	188,904
		1,936,983	1,936,983	1,664,033	1,664,033
Assets carried at fair value					
Financial assets at fair value through profit or loss - held for trading	22	10,979	10,979	11,983	11,983
Liabilities carried at amortised cost					
Long term financing	6	751,795	751,795	581,000	581,000
Liabilities against assets subject to finance lease	7	41,680	41,680	37,279	37,279
Trade and other payables	9	1,099,061	1,099,061	1,296,815	1,296,815
Markup accrued		38,669	38,669	35,476	35,476
		1,931,205	1,931,205	1,950,570	1,950,570

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	
Financial assets at fair value through profit or loss - held for trading			
- 2015	**10,979**	**-**	**-**
- 2014	262,486	-	-

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

38.4 **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.

38.5 **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.

The Group is not subject to externally imposed capital requirements. Further there was no change during the year in the management's approach towards capital management.

39 APPLICATION OF IFRIC INTERPRETATION 12 "SERVICE CONCESSION ARRANGEMENTS"

Securities and Exchange Commission of Pakistan through its S.R.O. NO 24 (I)/2012, dated 16 January 2012 has exempted the application of IFRIC 12 - "Service Concession Arrangements", for Companies in Pakistan. Consequently, the Company is not required to account for its arrangement under Build, Operate and Transfer agreement with City District Government Karachi for developing and operating an underground parking facility in Karachi under IFRIC 12. If the Company were to follow IFRIC 12, the effect on the financial statements would have been as follows:

	2015	2014
	(Rupees'000)	
Increase in profit after tax for the year	**13,334**	16,029
Derecognition of property, plant and equipment	**(314,136)**	(350,874)
Recognition of intangible asset	**442,303**	459,315
Recognition of financial liability	**(29,475)**	(29,650)
Increase in taxation obligations	**33,901**	27,334
Increase in unappropriated profits	**64,791**	51,457

40 CAPACITY

	Note	No. of rooms letable in		Average occupancy	
		2015	2014	**2015**	2014
				%	%
Pearl Continental Hotels					
- Karachi		**286**	286	**71**	75
- Lahore		**607**	607	**63**	69
- Rawalpindi		**193**	193	**62**	60
- Peshawar		**148**	148	**36**	36
- Bhurban		**190**	190	**66**	66
- Muzaffarabad		**102**	102	**48**	50
- Hotel One The Mall - Lahore	40.1	**32**	32	**71**	72

40.1 This is a budget hotel owned by the Parent Company and operated by Hotel One (Private) Limited under franchise and management agreement.

41 NUMBER OF EMPLOYEES

	2015	2014
Number of employees as at June 30	**3,601**	3,658
Average number of employees	**3,629**	3,731

		Note	2015	2014
			(Rupees'000)	
42	**EMPLOYEES PROVIDENT FUND TRUST**			
	Size of the Fund		**649,269**	612,701
	Cost of investments made		**596,242**	508,404
	Percentage of investments made		**92%**	83%
	Fair value of investments	42.1	**630,795**	596,242

		2015		2014	
42.1	**Fair value of investments made**	**Fair value (Rupees'000)**	**%**	Fair value (Rupees'000)	%
	Listed shares	**147,713**	**23%**	144,957	24%
	Mutual Fund	**193,186**	**31%**	157,179	27%
	Term Finance Certificates		**0%**		
	- Listed	**12,469**	**2%**	30,987	5%
	Treasury bills	**-**	**-**	34,930	6%
	Special saving certificates	**277,427**	**44%**	228,189	38%
		630,795	**100%**	596,242	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.

43 NON- ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

43.1 The Board of Directors of the Parent Company in its meeting held on 16 September 2015, has proposed a final cash dividend of Rs.5 per share (2014: Nil) for approval of the members at the annual General Meeting. The consolidated financial statements for the year ended 30 June 2015 do not include the effect of the proposed cash dividend which will be accounted for in the financial statements for the year ending 30 June 2016.

43.2 Refer note - 1.3

44 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 16 September 2015.

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 2015

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 Thursday, October 29, 2015 at 11:00 a.m. at Islamabad Marriott Hotel, or any adjournment thereof.

Dated this ________ day of _______ 2015.

____

Specimen Signature of Proxy

Folio No. ____________________

Revenue
Stamp Rs. 5/=

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:

i) 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.

ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

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

iv) 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.

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

DIVIDEND MANDATE FORM

To,

The Share Registrar
Pakistan Services Limited
Dagia House, 241-C,
Block-2, PECHS,
Off: Shahra-e-Quaideen, Karachi.

I Mr, / Ms, / Mrs, ____ S/o, D/o, W/o, ____________________________
_________hereby authorize **PAKISTAN SERVICES LIMITED** to directly credit cash dividend declared by it, if any, in the below mentioned bank account.

(i) Shareholder's detail	
Name of the Shareholde	
Folio No. / CDC Participants ID A/C No.	
CNIC No. *	_ _ _ _ _ - _ _ _ _ _ _ _ - _
Passport No. (in case of foreign shareholder) **	
Land Line Phone Number	
Cell Number	

(ii) Shareholder's bank detail	
Title of The Bank Account	
Bank Account Number	
Bank's Name,	
Branch Name and Address	

2. It is stated that the above-mentioned information is correct, that I will intimate the changes in the above-mentioned information to the company and the concerned Share Registrar as soon as these occur.

____
Signature of the Shareholder

*Please attach attested photocopy of the CNIC.
**Please attach attested photocopy of the Passport.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MARRIOTT
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Pearl-Continental
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