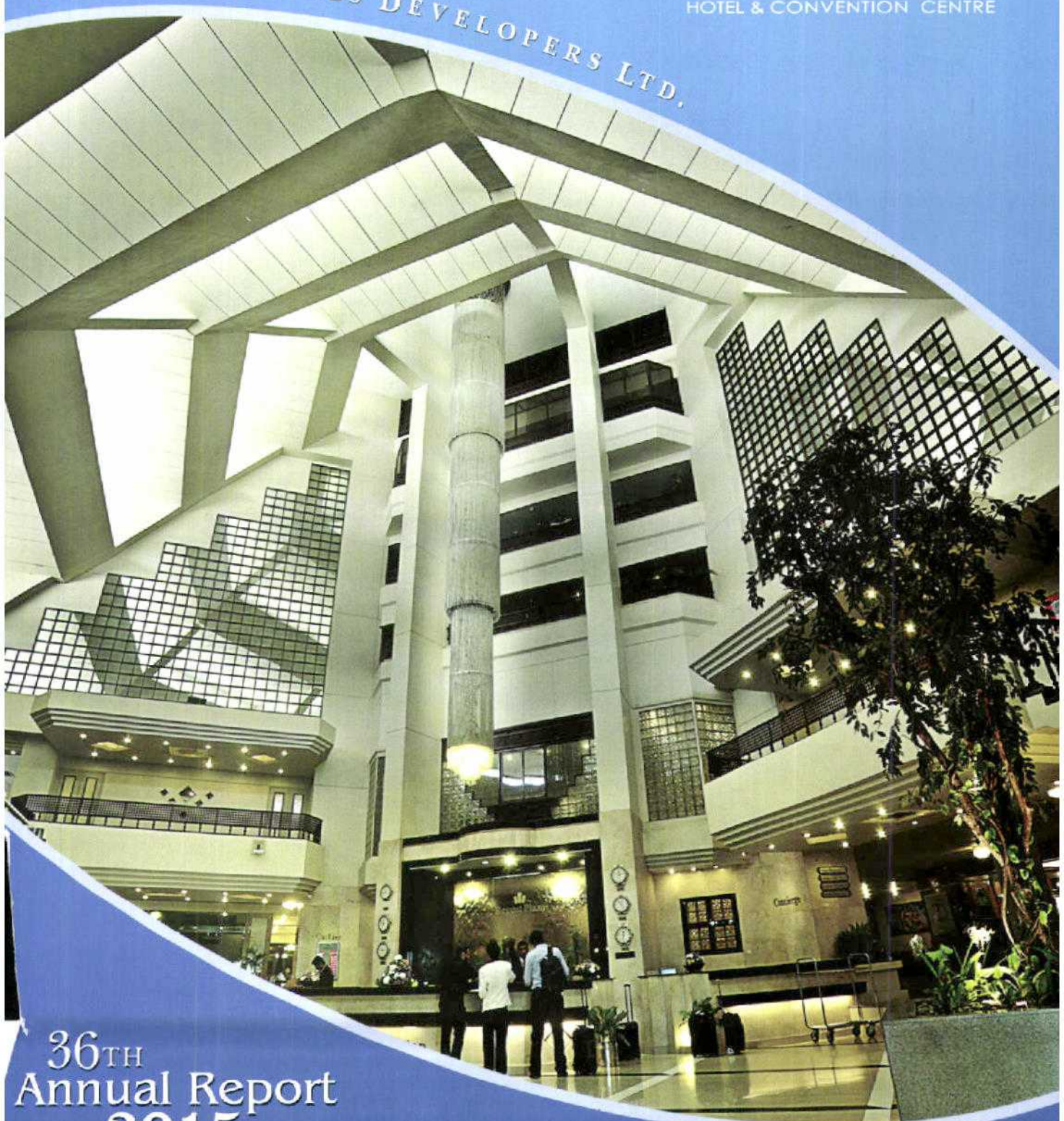
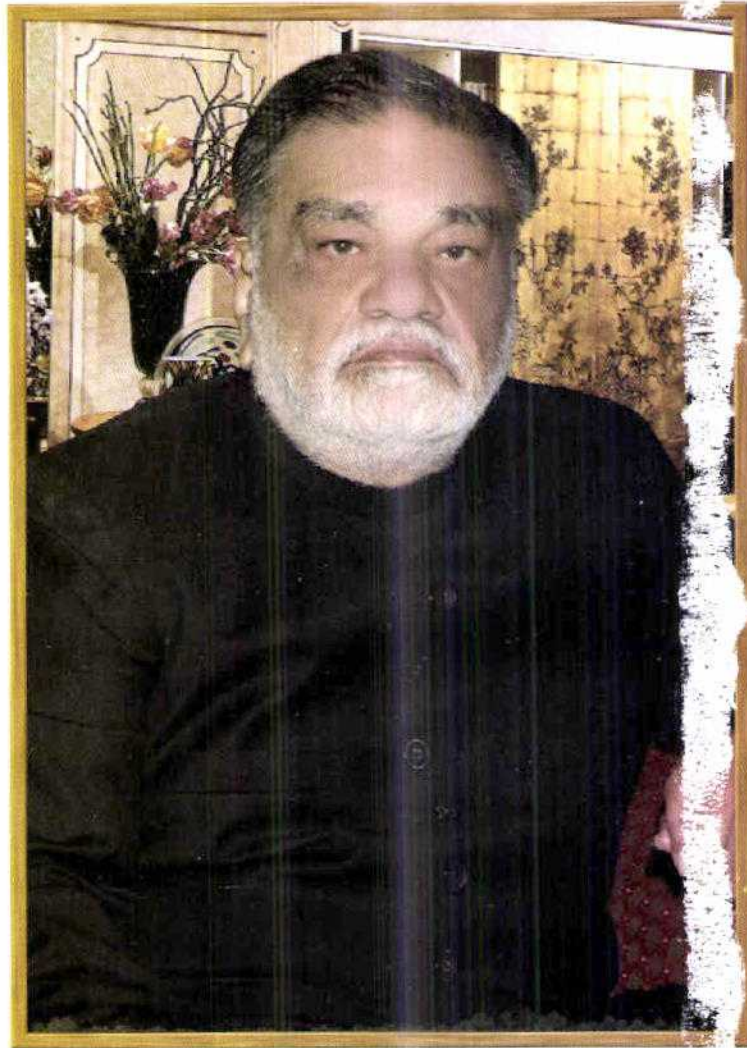


PAKISTAN HOTELS DEVELOPERS LTD.

  
**Regent Plaza**  
HOTEL & CONVENTION CENTRE



36<sup>TH</sup>  
Annual Report  
2015



*Mr. S. Ferozuddin Baweja - Founder*

## **Vision and Mission**

It is our cherished goal to be the Industry leader in hotel business by establishing a complete, unique, distinctive and truly a five star deluxe hotel complex.

To achieve the above objective and to provide the highest level of satisfaction to our valued customers, we are constantly engaged and working with a missionary zeal to bring necessary improvements in our existing facilities and to excel in offering efficient and quality services to them.

We are also committed to maintain the highest level of International hotel standards, which will add to the glory and prestige of the Country and promote tourism.



## Contents

+ Company Information	05
+ Directors' Profile	06
+ Notice of Meeting	09
+ Chairman's Review	11
+ Directors' Report	12
+ Financial Highlights	14
+ Graphical Presentation	15
+ Statement of Compliance with the Code of Corporate Governance	17
+ Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance	18
+ Auditors' Report to the Members	19
+ Balance Sheet	20
+ Profit & Loss Account	22
+ Statement of Comprehensive Income	23
+ Cash Flow Statement	24
+ Statement of Changes in Equity	25
+ Notes to the Accounts	26
+ Pattern of Shareholdings	49
+ Categories of Shareholders	50
+ Proxy Form	



## Company Information

### Board of Directors:

#### Non-Executive Directors:

Mr. Mansoor F. Baweja	Chairman
Mst. Shahida Begum	Director
Mr. Mohsin Baweja	Director
Mr. Zaheer Baweja	Director

#### Executive Directors:

Mr. Muzaffar F. Baweja	Chief Executive Officer
Mr. Zubair Baweja	Managing Director

#### Independent Director:

Mr. M.A. Majeed

#### Audit Committee:

Mr. M.A. Majeed	Chairman
Mr. Mohsin Baweja	Member
Mr. Zaheer Baweja	Member

#### HR & R Committee

Mr. Mohsin Baweja	Chairman
Mr. Zubair Baweja	Member
Mr. M.A. Majeed	Member

#### Company Secretary:

Fahad Iqbal Khan

#### Chief Financial Officer:

Syed Haseen Anwer

#### Bankers:

Al Baraka Bank (Pakistan) Ltd.  
Bank Al-Habib Ltd.  
Faysal Bank Ltd.  
Habib Bank Ltd.  
MCB Bank Ltd.  
National Bank of Pakistan  
Silk Bank Ltd.  
Summit Bank Ltd.  
United Bank Ltd.

#### Auditors:

Hafizullah & Co.  
Chartered Accountants

#### Legal Advisor:

Sofia Saeed Shah

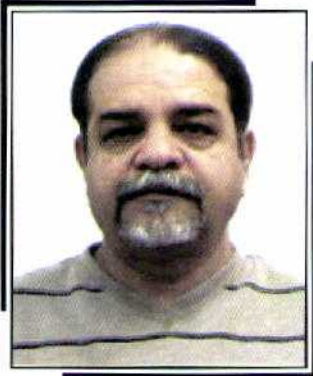
#### Independent Share Registrar

M/s. Technology Trade (Pvt) Ltd.  
Dagia House, 241-C, Block 2, P.E.C.H.S.,  
Off: Shahrah-E Quaideen, Karachi.

#### Registered Office:

Regent Plaza Hotel, Mezzanine Floor  
195/2, Shahrah-E-Faisal, Karachi.

## Directors' Profile



**Mansoor F. Baweja**  
Chairman

Mr. Mansoor Baweja is the Chairman of the Board of Directors, appointed in April 2013. With 35 years of experience in the real estate, construction and hospitality industries, he brings extensive knowledge and perspective to the organization. Having been a founding member of Taj Mahal Hotels Limited and Taj Medical Complex Limited, he brings extra-ordinary leadership qualities to the Board.

Mr. Mansoor Baweja oversees the strategic management and corporate governance of PHDL. He adds tremendous value through his involvement in various local and national business organizations.



**Muzaffar F. Baweja**  
Chief Executive Officer

Mr. Muzaffar Baweja joined on 1st January, 1985 to the Board of Directors of Pakistan Hotels Developers Ltd., Owners and Operators of Five Star Hotel, Holiday Inn Crown Plaza, Karachi (Now Regent Plaza Hotel & Convention Centre). He has served as a General Manager / Director Operations during the year October, 1994 - December, 1998 in the hotel.

The name of Holiday Inn Crown Plaza was changed in 1999 to Regent Plaza Hotel and Convention Centre and Mr. Muzaffar Baweja was designated as Managing Director of the Hotel.

He also served as General Manager with Taj Mahal Hotel, Karachi during the year July, 1993 - September, 1994. Under his leadership, professionalism and by the dint of his abilities of market penetration, Taj Mahal Hotel recorded highest revenue in 1993 - 1994.

He has extensive working experience in Hotel Marketing, Administration, Operations and Strategic Planning and is well known personality in the Hotel Industry. He was elected as the Chairman of Pakistan Hotels Association for the year 2006 - 2007. In his capacity as Chairman of the Association, he made proposal to the Government of Pakistan to frame a policy for the development of tourism sector in Pakistan which aimed to create employment opportunities, boost the hospitality business and to attract foreign investment for it's expansion in Pakistan. His creativity and dynamism has held the hotel in good stead during the economic crisis affecting the hospitality industry. The hotel has been accorded corporate excellence award by MAP.

Mr. Muzaffar Baweja is a Commerce Graduate from the University of Karachi and has attended various technical and certificate courses including new Hotel Opening Program - Karachi, General Manager Program - France, Computer Science from Daytona Beach, Community College - Florida, Pakistan Institute of Tourism & Hotel Management - Karachi.

From January 2013, Mr. Muzaffar Baweja working as CEO of the Company, and in his leadership Company earned a record revenue in 35 years history of the Company.



**Zubair Baweja**  
Managing Director

Mr. Zubair Baweja was appointed to the Board of Directors in the year 2000.

He is a 'Certified Director'.

Mr. Zubair Baweja an entrepreneur in hospitality industry has extensive experience in management and operations. After completing his MBA, he has worked in various roles in management.

Earlier in his career, he served as Director Operations at M/s. Taj Medical Complex, supervising operational performance of the business for 5 years. Moving to the hospitality business, he joined as Director, Foods & Beverages (F&B) at Holiday Inn Crown Plaza Karachi, where in a short span of around 2 years, he proved his salt and moved to take on further responsibility as an Executive Director for another 13 years.

Having understood the operations and management of the organization from ground up, he was promoted to lead Regent Plaza Hotel in the capacity of Managing Director, where he provides leadership & direction for the organization.

He also likes to participate in social welfare activities and is a trustee of The Roshni Trust, a charity school for less privileged children.



**M.A. Majeed**  
Non-Executive Director

Mr. M.A. Majeed was appointed to the Board of Directors in 2013 as Non-Executive Director. He is also Chairman of Board of Audit Committee.

Mr. M.A. Majeed has about 30 years professional experience in Hotel Business, Human Resource and Administration fields.



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## Notice of 36<sup>th</sup> Annual General Meeting

Notice is hereby given that the 36th Annual General Meeting of **PAKISTAN HOTELS DEVELOPERS LIMITED** will be held on 27th of October, 2015 at 10:00 a.m. at Registered Office of the Company 195/2, Regent Plaza Hotel, Main Shahrah-e-Faisal, Karachi to transact the following business:

1. To confirm the minutes of 35th Annual General Meeting held on 15th October, 2014.
2. To receive, consider and adopt the Audited Accounts for the year ended 30th June, 2015, together with the Directors' and Auditors' reports thereon.
3. To consider and approve payment of final cash dividend @ 40% i.e. (Rs.4.00 per share) as recommended by the Board of Directors and the interim cash dividend @ 40% i.e. (Rs.4.00 per share) already announced and paid in February, 2015 making a total cash dividend @ 80% i.e. (Rs.8.00 per share) for the year ended June 30, 2015.
4. To appoint Auditors for the year 2016 and to fix their remuneration. The Board of Directors recommended the name of M/s Tanwir Arif & Co., Chartered Accountants in place of retiring Auditors M/s. Hafizullah & Co., Chartered Accountants who has not given consent for re-appointment.
5. Any other business with the permission of the Chair.

By order of the Board

**(FAHAD IQBAL KHAN)**  
Company Secretary

KARACHI: October 7, 2015

### NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on the member's behalf. Proxies must be deposited with the Secretary of the Company or Independent Share Registrar Office not less than 48 hours before the meeting.
2. The share transfer books of the company shall remain closed from 20th October, 2015 to 27th October, 2015 (Both days inclusive). Transfers, complete in all respects, received at our Independent Share Registrar Office M/s. Technology Trade (Pvt) Ltd., Daga House, 241-C, Block 2, P.E.C.H.S., Off: Shahrah-e-Quaideen, Karachi by 19th October, 2015 will be entitled to attend the meeting and will be treated in time to determine the entitlement of 40% cash dividend.
3. Shareholders are requested to notify the Company of any change in their addresses.
4. Shareholders are also requested to notify the Company their CNIC No. (Passport No. if Foreigner) as required by S.R.O.49(1)/2003 dated 15.01.2003 and Circular No. 13/2004 dated 05.03.2004.

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

#### a) For attending A.G.M.

- i) In case of Individuals, the account holder or sub account holder and / or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his or her identity by showing his / her 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 holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the 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 of the proxy shall be furnished with proxy form.
- iv) The Proxy shall produce his / her original CNIC or original passport at the time of the meeting.
- v) In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with form to the company.



**Regent Plaza**  
HOTEL & CONVENTION CENTRE



# Chairman's Review

## Introduction

On behalf of the Board of Directors of the Company, it is a great honor and privilege for me to extend a very warm welcome to each one of you to the 36th Annual General Meeting of your Company. It is indeed our immense pleasure to present before you the Annual Report together with its Audited Financial Statements for the year ended June 2015 and Auditors Report thereon.

## Economic Condition

The world economic environments is showing favorable trend which is mainly due to the decline in oil prices that fell by almost 50%. However Pakistan failing to take the full advantage of such fall in oil prices despite the continuous increase in GDP growth rates from last two years which is actually much lower than other countries in South Asia. Also the inflation rates in Pakistan have fallen dramatically which is favorable economic factor to be considered.

## Performance of the Company

By the Grace of Almighty Allah Subhan-Wa-Taala, performance of your Company has achieved a great milestone and our revenue has increased by 20% which result in increase in Gross profit margin from 51% to 53% as compared to last year. This shows that we have not only been able to increase the revenue but able to control the cost of sale also. We are also able to manage well the administrative cost as the cost is in the line of increase in revenue due to which net profit has increased from 24% to 28% as compared to corresponding period in previous year.

## Future Prospect

The financial year under review was the best performing year in the history of your Company. Your Company's strong financial positions and free cash flow generating ability has enabled to keep investing in project and avenues which bring in further efficiencies and increase shareholder value in the years to come. The importance of increasing the security of your company's properties necessitates acquisition of modern equipments. Without any second thoughts, Hospitality industry will play an important role in the progress and prosperity of the any country including developing countries like Pakistan. So we are aiming to give major input in the enhancements of performance of the Industry.

## Contribution to National Exchequer

Your company has contributed an amount of Rs185 Million in to Government treasury on account of taxes, levies, excise duty and sales tax.

## Recommendations

The main objective of our company is to maximize the wealth of Shareholders and we are continuously taking all the prerequisite actions to achieve the better result.

The Board of Directors have recommended Rs. 4/= per share as final Cash dividend in addition to Rs.4 per share as interim dividend.

## Acknowledgments

On Behalf of the Board, I would like to express their sincere appreciation for the assistance and cooperation received from the financial institutions, banks, Government authorities, customers, vendors and Shareholders during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services by the Company's executives, staff and workers.

  
**MANSOOR F. BAWEJA**  
Chairman

Karachi: September 19, 2015

# Directors' Report

The Directors of **PAKISTAN HOTELS DEVELOPERS LIMITED** are pleased to submit their report together with Audited Accounts of the Company for the year ended 30th June, 2015.

	(Rs. '000)	(Rs. '000)
<b>Accounts:</b>		
Total Revenue-net		685,315
Less: Direct Cost	444,359	
Other Managerial and	4,440	448,799
Financial Expenses		236,516
Less: Statutory Depreciation		45,473
Net operating profit before taxation		191,043
Less: Taxation		50,483
Profit after taxation		140,560
Earning per share (Rupees)		7.81

Revenue increased by Rs.113 million which is 20% higher as compared to last year. The net profit after tax increased by Rs. 48.50 million as compared to last financial year. The Directors have recommended 40% final cash dividend to their shareholders in addition to 40% interim (i) cash dividend which has already been paid. The total cash dividend for the year 2015 is 80%.

The Foreign Exchange earning during the year was 0.064 million U.S. Dollars.

## Chairman's Review:

The contents of Chairman's Review form an integral part of this report.

## Change in Statutory Auditors

M/s. Haider Shamsi & Co., Chartered Accountants has placed his non availability to conduct the Audit for the Year 2014-2015. Therefore Hafizullah & Co., Chartered Accountant is appointed as Statutory Auditor of the Company for the year ended 2014-2015.

## Appointment of Company Secretary

Mr. Fahad Iqbal Khan is appointed as Company Secretary in place of Mr. Abdul Hafiz Khan (Late).

## Appointment of Auditors:

A shareholder of the Company has proposed the name of M/s. Tanwir Arif & Co., Chartered Accountants for the appointment as Statutory Auditor of the Company for the year ending 30th June 2016. The retiring Auditor M/s. Hafizullah & Co., has not given consent for re-appointment. The Audit Committee and Board of Directors of the Company have endorsed their appointment for shareholders' consideration in forthcoming Annual General Meeting.

The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan.

## Bonus to Employees

To acknowledge Employees' efforts and contribution in enhancing the operating activities of the Company, an amount of Rs5.093 million have been allocated as Bonus to them, which is equivalent to one month gross salary.

## Audit Committee

The Committee comprised of three members of whom two are from non-executive directors and one independent director.

Mr. M.A. Majeed	-	Independent Director
Mr. Mohsin Baweja	-	Non Executive Director
Mr. Zameer Baweja	-	Non Executive Director

The Audit Committee reviewed the quarterly, half yearly and annual financial statements before submission to the Board and their publication.

The Committee is responsible for oversight of internal audit function as well as external financial reporting. It also carries out ongoing reviews of internal control.

**Attendance of Members at Audit Committee Meetings:**

During the financial year 2015, four meetings of the Audit Committee were held and the number of Meetings attended by each member is given hereunder.

Name	Number of Meetings	
	Held During Membership During the year	Attended
1. Mr. M.A. Majeed	04	04
2. Mr. Mohsin Baweja	04	04
3. Mr. Zaheer Baweja	04	04

**Pattern of Shareholding:**

The specified pattern of Shareholding as at 30th June, 2015 as per Article (XIX) of the Code of Corporate Governance is annexed to this report.

**Code of Corporate Governance:**

The Code of Corporate Governance, published through the Official Gazette of Pakistan and incorporated in the listing regulations of Stock Exchanges in Pakistan, is complied with as required under the various clauses of the code from the respective dates mentioned in the appendix to the code. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

The Directors confirm and state that the following have been complied.

- The financial statements prepared by the management present a true and fair state of affairs of the Company.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent business judgment.
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from have adequately been disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no 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.

**Board Meetings:**

During the year ended 30th June, 2015, five (05) meetings of the Board of Directors were held. The attendance in the meeting is as follow:

Name of Director	Number of Meetings	
	Held During Directorship During the year	Attended
Mr. Muzaffar F. Baweja	05	04
Mr. Zubair Baweja	05	04
Mst. Shahida Begum	05	04
Mr. Mansoor F. Baweja	05	03
Mr. Mohsin Baweja	05	02
Mr. Zaheer Baweja	05	04
Mr. M.A. Majeed	05	04

**Change in Board of Directors:**

There has been no change in Board of Directors w.e.f 1st July, 2014 to 30th June, 2015.

**Staff Benefits:**

Employees Gratuity Scheme is maintained as per law and appropriate provision has been made in accordance with IAS-19 in the Account.

**Appointment of Actuarial Consultant:**

M/s. Nauman Associates Consulting Actuaries has been appointed for the year to comply the requirement of IAS-19 calculations for Gratuity Scheme as at 30th June, 2015.

**Independent Share Registrar:**

M/s. Technology Trade (Pvt) Ltd. is the Independent Share Registrar of the Company since 21st August, 2008.

**Financial Highlights:**

A summary of key operating and financial results for the current year and last Five years is annexed.

For & on behalf of Board of Directors

**MUZAFFAR F. BAWEJA**  
Chief Executive Officer

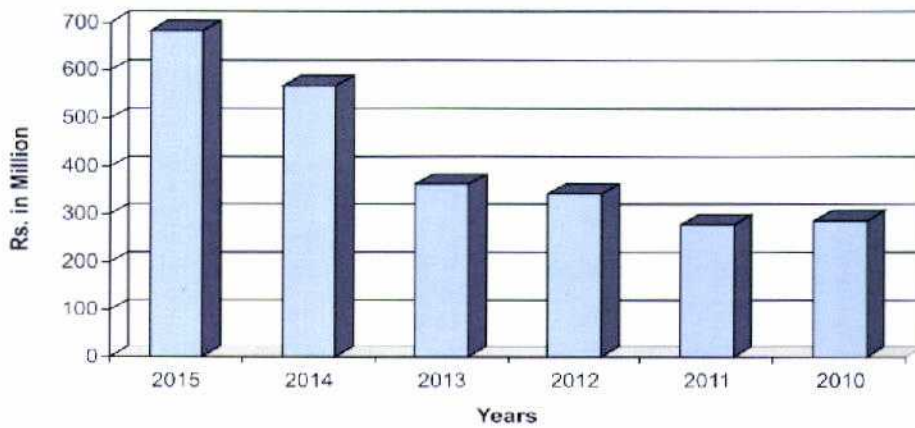
KARACHI: September 19, 2015

## Financial Highlights

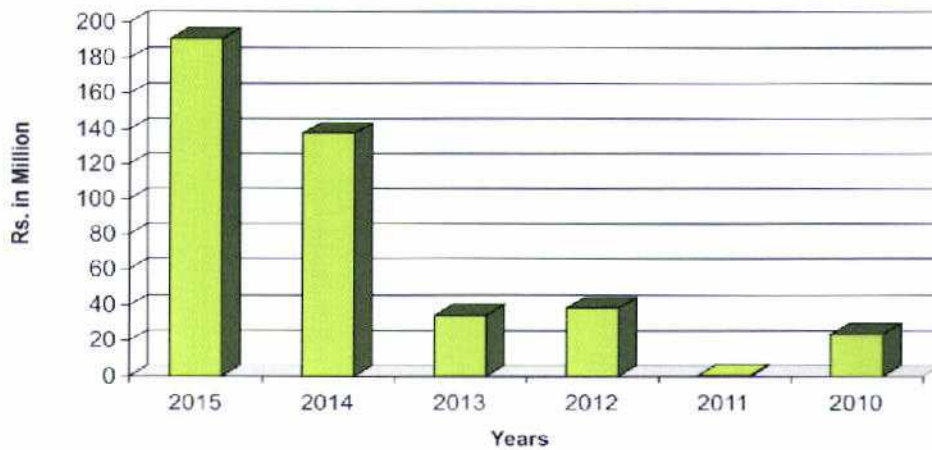
	2015	2014	2013	2012	2011	2010
	Rupees '000					
Sales and services - Net	681,889	568,620	363,639	341,736	278,522	286,020
Profit before tax	191,043	137,639	34,619	38,723	670	24,164
Finance cost	4,440	3,608	878	851	658	2,429
PBIT	195,483	141,247	35,497	39,574	1,328	26,593
Profit / (loss) after tax	140,560	92,044	23,940	31,623	658	17,824
<b>Financial position</b>						
Current assets	201,406	211,712	214,717	205,296	163,219	146,684
Less: Current liabilities	76,738	95,117	82,948	50,281	42,956	42,361
Net working capital	124,668	116,595	131,769	155,015	120,263	104,323
Fixed assets - net	4,287,788	4,324,538	2,269,854	2,301,552	2,337,872	2,358,123
Investments						
Other non-current assets	5,310	3,683	3,087	2,450	2,450	2,450
<b>TOTAL</b>	<b>4,417,766</b>	<b>4,444,816</b>	<b>2,404,710</b>	<b>2,459,017</b>	<b>2,460,585</b>	<b>2,464,896</b>
Other non-current liabilities	229,560	252,509	188,262	193,576	199,767	204,736
Shareholders equity	4,188,206	4,192,307	2,216,448	2,265,441	2,260,818	2,260,160
<b>Statistics</b>						
Number of rooms	397	413	413	413	413	413
Room occupancy %	43.64	35.16	23.83	24.57	21.34	21.60
Number of employees	197	178	186	237	203	237
Earning per share (Rs.)	7.81	5.11	1.33	1.76	0.04	0.99
Break up value per share (Rs.)	232.68	232.91	123.14	125.86	125.60	125.56
Market value per share (Rs.)	92.00	76.83	38.00	30.07	29.22	25.50
Dividend per share (Rs.)	8.00	8.00	7.00	2.50	—	—
<b>Ratios</b>						
ROCE (%)	4.67	3.37	1.60	1.75	0.06	1.18
ROA (%)	3.18	2.07	1.00	1.29	0.03	0.72
Current ratio	2.62	2.23	2.59	4.08	3.80	3.46
Net profit margin (%)	20.61	16.19	6.58	9.25	0.24	6.23

## Graphical Presentation

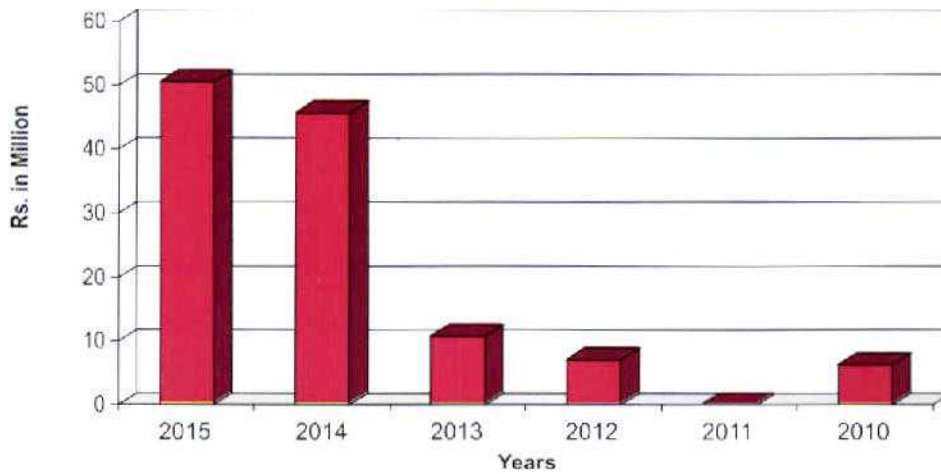
**Sales & Services**



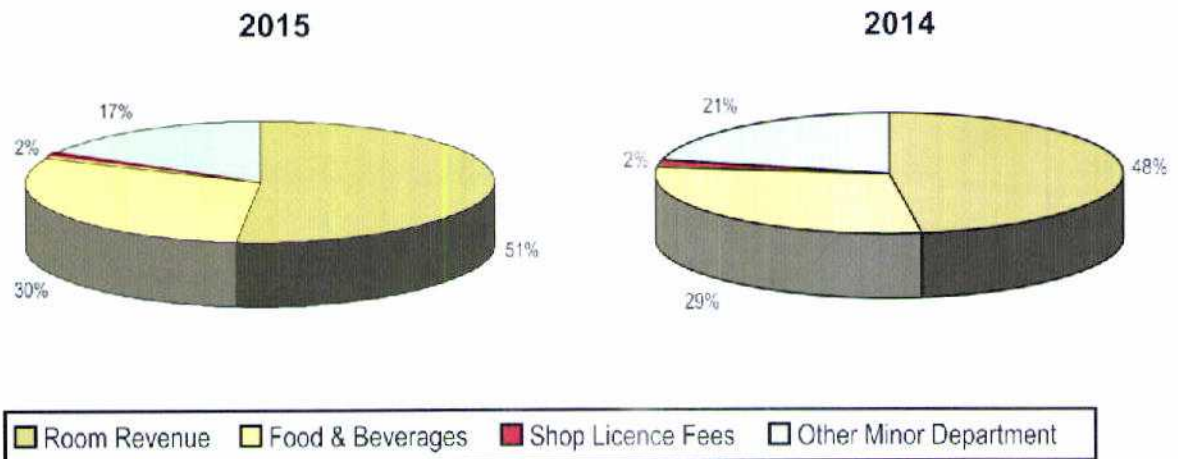
**Profit before Tax**



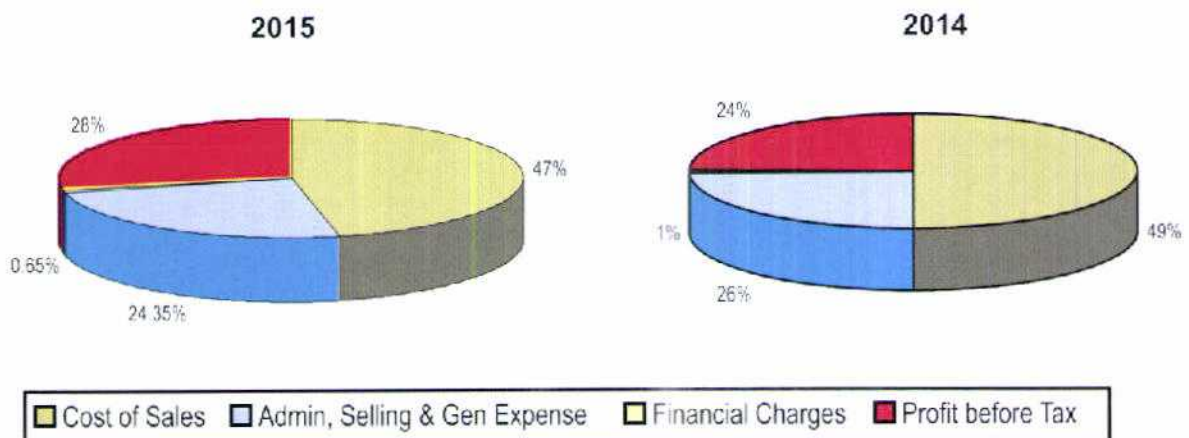
**Tax on Profit**



## Department Revenue Contribution



## Application of Revenue & Other Income



# Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation of listing regulations of Stock Exchanges in Pakistan 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 CCG 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 constitutes the following Directors:

## Executive Directors

Mr. Muzaffar F. Baweja  
Mr. Zubair Baweja

## Non-Executive Directors

Mst. Shahida Begum  
Mr. Mansoor F. Baweja  
Mr. Mohsin Baweja  
Mr. Zameer Baweja  
Mr. M.A. Majeed – Independent Director

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and 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. 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.
5. The Board has developed vision/mission statement, 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.
6. All the powers of the Board have been duly exercised and 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/Shareholders.
7. 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.
8. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities. Mr. Zubair Baweja, Managing Director was sent for Directors Training Program learning at ICMAP, Karachi.
9. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including the remuneration and terms and conditions of employment.
10. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
12. 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.
13. The company has complied with all the corporate and financial reporting requirements of the CCG.
14. The Board has formed an Audit Committee. It comprises 3 members and all the members are non-executive directors and the chairman of the committee is an independent director.
15. 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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The Board has formed an HR and Remuneration Committee. It comprises 3 members of whom two are non-executive directors and the chairman of the committee is also non-executive director.
17. The Board has set up an effective internal audit function.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in the regard.
20. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
21. Material price sensitive information has been disseminated among all market participants at once through stock exchanges.
22. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of Board of Directors,

**MUZAFFAR F. BAWEJA**  
Chief Executive Officer

KARACHI, September 19, 2015

## Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

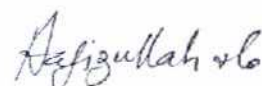
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the code") prepared by the Board of Directors of **Pakistan Hotels Developers Limited** ("the Company") for the year ended 30 June 2015 to comply with the requirements of Listing Regulation of the Karachi and Lahore Stock Exchanges, 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 if it does not and 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 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 risk.

The Code requires the company to place before the Audit Committee, and upon recommendations 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 requirements to the extent of the approval of the related party transactions by the Board of Directors upon recommendations 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 June 30, 2015.



**HAFIZULLAH & CO.,**

Chartered Accountants

Engagement Partner - Badrur Rahman

KARACHI: September 19, 2015

## Auditors' Report to the Members

We have audited the annexed balance sheet of **PAKISTAN HOTELS DEVELOPERS LIMITED** as at **JUNE 30, 2015** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

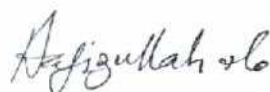
It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statement in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an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

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

We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:-
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2015 and of the profit, its total comprehensive income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The accounts for the year ended June 30, 2014 were audited by another firm of Chartered Accountants, who have expressed an unqualified opinion thereon.



**HAFIZULLAH & CO.,**  
Chartered Accountants

Engagement Partner - Badrur Rahman

Karachi: September 19, 2015

## Balance sheet as at June 30, 2015

	Notes	2015 (Rupees '000)	2014
<b>CAPITAL AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Share capital</b>			
Authorized			
30,000,000 ordinary shares of Rs. 10 each		<u>300,000</u>	<u>300,000</u>
Issued, subscribed and paid-up	4	180,000	180,000
Un-appropriated profit		<u>172,543</u>	<u>157,232</u>
		352,543	337,232
Surplus on revaluation of fixed assets	5	3,835,663	3,855,075
<b>Deferred liabilities</b>			
Deferred taxation	6	218,845	241,256
Advances and deposits - unsecured	7	10,715	11,253
<b>Current liabilities</b>			
Current maturities	8	1,754	5,512
Creditors, accrued and other liabilities	9	74,984	89,605
		76,738	95,117
Contingencies and commitments	10	—	—
		<u>4,494,504</u>	<u>4,539,933</u>

The annexed notes form an integral part of this statement.

	Notes	2015 (Rupees '000)	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	11	4,287,788	4,324,538
Long term deposits and advances	12	5,310	3,683
<b>Current assets</b>			
Stores and spares	13	2,201	2,326
Stock in trade - food and beverages	14	1,582	1,401
Trade debts-unsecured, considered good	15	89,633	80,558
Advances, prepayments and other receivables	16	14,094	18,598
Tax refunds due from Government	17	—	3,338
Cash and bank balances	18	93,896	105,491
		201,406	211,712
		<u>4,494,504</u>	<u>4,539,933</u>

  
**MUZAFFAR F. BAWEJA**  
 Chief Executive

  
**ZUBAIR BAWEJA**  
 Managing Director

Karachi: September 19, 2015

## Profit and loss account

for the year ended June 30, 2015

	Notes	2015 (Rupees '000)	2014 (Rupees '000)
Turnover		785,101	659,237
Sales tax, discounts and sales return		(103,212)	(90,617)
Sales and services - net	19	<u>681,889</u>	<u>568,620</u>
Cost of sales and services	20	<u>(319,470)</u>	<u>(280,050)</u>
Gross profit		<u>362,419</u>	<u>288,570</u>
Administrative, selling and general expenses	21	<u>(170,362)</u>	<u>(139,702)</u>
Other operating income/(loss)	22	<u>3,426</u>	<u>(7,621)</u>
Operating profit		<u>195,483</u>	<u>141,247</u>
Financial charges	23	<u>(4,440)</u>	<u>(3,608)</u>
Net profit before taxation		<u>191,043</u>	<u>137,639</u>
Taxation	24	<u>50,483</u>	<u>45,595</u>
Net profit after taxation		<u><u>140,560</u></u>	<u><u>92,044</u></u>

(Rupees)

### Earning per share:

- Basic	32	<u><u>7.81</u></u>	<u><u>5.11</u></u>
- Diluted	32	<u><u>7.81</u></u>	<u><u>5.11</u></u>

Appropriation has been shown in the statement of changes in equity.

The annexed notes form an integral part of this account.

  
**MUZAFFAR F. BAWEJA**  
 Chief Executive

  
**ZUBAIR BAWEJA**  
 Managing Director

Karachi: September 19, 2015

## Statement of comprehensive income

for the year ended June 30, 2015

	2015	2014 (Restated) (Rupees '000)
Net profit after taxation	140,560	92,044
Other comprehensive income		
Remeasurement of plan obligation	(661)	(790)
<b>Total comprehensive income</b>	<b>139,899</b>	<b>91,254</b>

The annexed notes form an integral part of this statement.

  
**MUZAFFAR F. BAWEJA**  
 Chief Executive

  
**ZUBAIR BAWEJA**  
 Managing Director

Karachi: September 19, 2015

## Cash flow statement

for the year ended June 30, 2015

	Notes	2015 (Rupees '000)	2014
<b>Cash flow from operating activities</b>			
Cash generated from operations	25	228,064	158,584
Income taxes paid		(95,144)	(33,100)
Financial charges		(3,604)	(3,608)
Net cash from operating activities		129,316	121,876
<b>Cash flow from investing activities</b>			
Acquisition of fixed assets		(9,068)	(7,173)
Disposal of fixed assets		615	12,100
Investment in TDRs		—	50,000
Profit on bank deposits		2,755	6,422
Long term deposits		(1,627)	(596)
Net cash used in investing activities		(7,325)	60,753
<b>Cash flow from financing activities</b>			
Dividends paid		(138,361)	(140,455)
Net cash used in financing activities		(138,361)	(140,455)
Net increase/(decrease) in cash		(16,370)	42,174
Cash and cash equivalents - start of the year		105,491	63,317
Cash and cash equivalents - end of the year	26	89,121	105,491

The annexed notes form an integral part of this statement.

  
**MUZAFFAR F. BAWEJA**  
 Chief Executive

  
**ZUBAIR BAWEJA**  
 Managing Director

Karachi: September 19, 2015

## Statement of changes in equity for the year ended June 30, 2015

	Share Capital	Unappro- priated profit	Total
	(Rupees '000).....		
<b>Balance as at June 30, 2013</b>	180,000	196,288	376,288
Transferred from surplus on revaluation of fixed assets (net of tax)	—	13,690	13,690
Total comprehensive income for the year ended June 30, 2014	—	91,254	91,254
<b>Appropriation:</b>			
Final cash dividend paid @ 40 % i.e Rs. 4/= per share for the year ended June 30, 2013	—	(72,000)	(72,000)
Interim cash dividend paid @ 40% i.e.Rs. 4/= per share for the year ended June 30, 2014	—	(72,000)	(72,000)
<b>Balance as at June 30, 2014</b>	180,000	157,232	337,232
Transferred from surplus on revaluation of fixed assets (net of tax)	—	19,412	19,412
Total comprehensive income for the year ended June 30, 2015	—	139,899	139,899
<b>Appropriation:</b>			
Final cash dividend paid @ 40% i.e. Rs.4/- per share for the year ended June 30, 2014	—	(72,000)	(72,000)
Interim cash dividend paid @ 40% i.e.Rs. 4/= per share for the year ended June 30, 2015	—	(72,000)	(72,000)
<b>Balance as at June 30, 2015</b>	<b>180,000</b>	<b>172,543</b>	<b>352,543</b>

The annexed notes form an integral part of this statement.

  
**MUZAFFAR E. BAWEJA**  
Chief Executive

  
**ZUBAIR BAWEJA**  
Managing Director

Karachi: September 19, 2015

# Notes to the accounts

## for the year ended June 30, 2015

### 1. The company and its operations

Pakistan Hotels Developers Limited was incorporated and domiciled in 1979 at Karachi, Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) as a private limited company and converted into public limited company in 1981. The company is listed with Karachi and Lahore Stock Exchanges of Pakistan. The registered office of the company is situated at 195/2, Shahrah-e-Faisal, Karachi. The company is principally engaged in hotel business and owns and operates a Five Star Hotel known as Regent Plaza Hotel and Convention Centre, Karachi.

### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Statement of compliance

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

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed assets and recognition and measurement of financial assets and financial liabilities, if any, in accordance with the criteria laid down in IAS - 39 (Financial Instruments: Recognition and measurement).

The preparation of financial statements in conformity with the applicable accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

#### 2.3 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards and new interpretations became effective. However, the adoption of such amendments, revisions, improvements to accounting standards and interpretation did not have any material effect on the financial statements of the Company.

#### 2.4 New/revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS10 is not likely to have any impact on the Financial Statements of the Company.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in joint Ventures'. IFRS 11 is not likely to have any impact on the Financial Statements of the Company.
- IFRS 12 'Disclosure of Interest in other entities' (effective for annual periods beginning on or after 1 January 2015). The adoption of this Standard is not likely to have any impact on the Financial Statements of the Company.
- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015). The adoption of this Standard is not likely to have any impact on the Financial Statements of the Company.

Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2015). The amendment 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.

Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] ((effective for annual periods beginning on or after 1 January 2016). These amendments have no impact on the financial statements of the Company.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [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.

Standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Company:

Standard or interpretation		Effective date (annual periods Beginning on or after)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments)	July 1, 2016
IFRS 7	Financial Instruments: Disclosures (Amendments)	July 1, 2016
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2017
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2016
IAS 16	Property, Plant and equipment (Amendments)	January 1, 2016
IAS 19	Employee Benefits (Amendments)	January 1, 2016
IAS 27	Separate Financial Statements (Amendments)	January 1, 2016
IAS 28	investment in Associates and Joint Ventures (Amendments)	January 1, 2016
IAS 34	Interim Financial Reporting (Amendments)	January 1, 2016
IAS 38	intangible Assets (Amendments)	January 1, 2016
IAS 41	Agriculture (Amendments)	January 1, 2016

The above changes are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

#### Standard or interpretation

IFRS 1 – First-time Adoption of International Financial Reporting Standards

IFRS 9 – Financial Instruments

The following interpretations issued by the IASB have been waived off by SECP.

IFRS 4 – Determining whether an arrangement contains lease

IFRS 12 – Service concession arrangements

## 2.5 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. It also includes adjustments where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the financial statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all 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 can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

## **2.6 Staff retirement benefits**

The company operates a defined benefit plan comprising a funded gratuity scheme covering all permanent employees, under which benefits are paid on cessation of employment subject to a minimum qualifying period of service. An approved gratuity fund trust is established for the management of the gratuity obligation of the company. Annual contributions are made to the fund based on actuarial recommendations. The actuarial valuations are carried out using Projected Unit Credit Method. Remeasurement charge which comprises of actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income.

## **2.7 Fixed assets**

### **Property, plant and equipment**

Item of property, plant and equipment is recognized as asset when it is probable that future economic benefits associated with the asset will flow to the company and its cost to the company can be measured reliably.

An item of property, plant and equipment which qualifies for recognition as an asset is initially measured at its cost. Subsequent to initial recognition leasehold land and building on leasehold land are carried at fair value, based on valuations by external independent valuer less subsequent depreciation for building. Crockery, cutlery, staff uniforms and linen are stated at their historical cost. All other operating fixed assets are stated at their historical cost less accumulated depreciation and impairment losses (if any).

Any revaluation increase arising on the revaluation of such fixed assets is credited to Surplus On Revaluation of Fixed Assets account, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of fixed assets is charged as an expense to the extent that it exceeds the balance, if any, held in the surplus on revaluation of fixed assets account relating to same or other assets.

Subsequent expenditure on property, plant and equipment is added to the carrying amount of the asset when the expenditure improves the condition of the asset beyond its originally assessed standard of performance.

Capital work in progress is stated at cost, less any recognized impairment loss. Depreciation on these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or revaluation of assets, other than leasehold land and capital work-in-progress, over their estimated useful lives, using the reducing balance method, on the basis of rates specified in Note 11. Crockery, cutlery, linen and uniforms are charged to the profit and loss account on replacement basis. The depreciation for assets acquired or disposed of during the year is charged from the date of acquisition or up-to the date of disposal of such assets respectively.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

### **Intangibles**

Item of intangibles is recognized as asset in accordance with IAS 38 Intangibles when it meets the definition of an intangible asset and is probable that future economic benefits associated with the asset will flow to the company and its cost to the company can be measured reliably.

An item of intangibles which qualifies for recognition as an asset is initially measured at its cost. Subsequent to initial recognition is stated at its historical cost less accumulated amortization and impairment losses (if any).

The gain or loss arising on the disposal or retirement of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

## **2.8 Obligation under finance lease**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the company. At the commencement of the lease term, finance leases are recognized as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. Any initial direct costs of the leases are added to the amount recognized as an asset. Minimum lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The interest element of the finance cost is charged to the income statement over the lease period.

## **2.9 Foreign currency translation**

### **a. 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. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

### **b. Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statements.

## **2.10 Financial instruments**

Financial assets and financial liabilities are recognized on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. A financial asset is derecognized when the contractual rights to receive cash flows from the financial asset have expired or transferred and the company has transferred substantially all risks and rewards of ownership. A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or expires. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to income currently.

## **2.11 Financial assets**

The company classifies its financial assets in the following categories: (a) at fair value through profit or loss, (b) loans and receivables, and (c) available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Regular purchases and sales of financial assets are recognized on trade-date – the date on which the company commits to purchase or sell the asset. Financial assets, except those carried at fair value through profit or loss, are initially recognized at fair value plus transactions costs. Financial assets carried at fair value through profit and loss are initially recognized at fair value and the transaction costs are expensed in the income statement. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortized cost using the effective interest method.

## **2.12 Cash and cash equivalents**

For the purpose of cash flow, cash and cash equivalent comprise of cash and bank balances and short-term borrowings from the bank.

## **2.13 Trade receivables**

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

## **2.14 Investments**

Investments acquired principally for the purpose of generating a profit from short term fluctuation in price or dealer's margin are classified as held for trading. Such investments are initially recognized on a trade-date basis and are initially measured at cost being the fair value of the consideration given excluding income taxes imposed on such transactions. Transactions costs associated with the acquisition of held for trading investments is expensed in the income statement.

After initial recognition, investments held for trade are re-measured at each balance sheet date at fair value excluding the transaction cost that may be incurred on sale or other disposal. Gains and losses arising from changes in fair value of held-for-trading investment are included in net profit or loss for the period.

For investments in quoted marketable securities, fair value is determined with reference to Stock Exchange quoted market prices at the close of business on balance sheet date.

## **2.15 Derivatives**

Derivative instruments held by the company generally comprise of future contracts in the capital market. These are initially recorded at costs and are subsequently re-measured at their fair value. The fair value of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contract. Derivatives with positive market values (un-realized gains) are included in other assets and derivatives with negative market value (unrealized losses) are included in other liabilities in the balance sheet. The resultant gains and losses are included in the income currently.

Derivative financial instruments entered into by the company do not meet the hedging criteria as defined by International Accounting Standard - 39 (Financial Instruments: Recognition and measurement). Consequently hedge accounting is not being followed by the company.

## **2.16 Financial liabilities**

Financial liabilities are classified according to the substance of the contractual agreements entered into. All financial liabilities are initially recognized at cost, which is the fair value of the consideration received at initial recognition. After initial recognition financial liabilities held for trading are carried at fair value and all other financial liabilities are measured at amortized cost, except for liabilities against asset subject to finance lease which are valued under IAS 17 as described above.

## **2.17 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably measured.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense.

## **2.18 Offsetting**

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amount and the company intends to either settle on a net basis or to realize the asset and settle the liability simultaneously.

## **2.19 Stores and spares**

These are valued at lower of cost and estimated net realizable value. Cost comprises cost of purchase and other costs incurred in bringing the stores and spares to their present location and condition. Cost signifies the weighted average cost. Average is calculated as each additional shipment is received.

## **2.20 Stock in trade - Food and beverages**

Stock in trade is valued at the lower of cost and estimated net realizable value. Cost is calculated using the weighted average method. Average is calculated as each additional shipment is received. Net realizable value signifies the estimated selling price in the ordinary course of business less cost of completion and cost necessary to be incurred in order to make the sale.

## **2.21 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is recognized as follows:

### **Sales and services**

Revenue is recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

### **Dividend income**

Dividend income from investments is recognized at the time of the closure of share transfer book of the company declaring the dividend.

## **2.22 Impairment of non-financial assets**

At each balance sheet date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Whenever an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## **2.23 Dividend distribution**

Dividend distribution to the shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved.

## **3. Critical accounting estimates and judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **3.1 Critical accounting estimates and assumptions**

The company makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### **Trade debtors**

The company reviews its receivable against provision required there against on an ongoing basis. The provision is made taking into consideration expected recoveries, if any.

#### **Income taxes**

In making the estimates for income taxes currently payable by the company the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

#### **Impairment of assets**

In accordance with the accounting policy, the management carries out an annual assessment to ascertain whether any of the company's assets are impaired. This assessment may change due to technological developments.

#### **Depreciable amount and useful lives of fixed assets**

In accordance with the accounting policy, the management carries out an annual assessment of depreciable amount and useful lives of fixed assets. The company seeks advice from the technical department in this regard.

#### **Change in accounting estimates**

From the current year the company is charging depreciation in respect of assets acquired or disposed of during the year with reference to the period in which the economic benefits have actually been obtained from the use of such assets. This change is exercised on the basis of actual pattern of economic benefits flown to the entity previously. Had there been no change, the profit would have been lowered by Rs. 343,000 with consequent reduction in the net book value of the tangible fixed assets.

### **3.2 Critical judgments in applying the company's accounting policies**

Management believes that business transactions are simple in nature and there is no area where application of accounting policies could involve higher degree of judgment or complexity.

		2015 (Rupees '000)	2014
<b>04. Issued, subscribed and paid-up</b>			
16,580,800	Ordinary shares of Rs. 10/- each fully paid in cash	165,808	165,808
1,419,200	Ordinary shares of Rs. 10/- each issued for consideration other than cash (NRI)	14,192	14,192
<u>18,000,000</u>		<u>180,000</u>	<u>180,000</u>

There were no movement in the share capital of the company in either the 2014 or 2015 reporting years. The company has one class of ordinary shares which carry no right to fixed income.

		2015 (Rupees '000)	2014
<b>05. Surplus on revaluation of fixed assets</b>			
	Surplus on revaluation of leasehold land	3,466,809	3,466,809
	Surplus on revaluation of building on leasehold land	368,854	388,266
		<u>3,835,663</u>	<u>3,855,075</u>

Leasehold land and building on leasehold land were revalued by M/s. D. H. Daruvala & Co., Architects and Engineers (an independent valuer) in September 2003 resulting an increase over book value of Rs. 359.809 M and 508.280 M respectively. As on April 01, 2007 leasehold land and building on leasehold land were revalued by M/s Sardar Enterprises (an independent valuer) which resulted in increase of Rs. 1,227.750 M and Rs. 111.355 M respectively in the book value. As on May 28, 2014 leasehold land and building on leasehold land were revalued by M/s Sardar Enterprises (an independent valuer) which resulted in increase of Rs. 1,879.250 M and Rs. 226.296 M respectively in the book value. The incremental depreciation charged on these assets has been transferred to accumulated profit in accordance with section 235 of the Companies Ordinance 1984. The balance in the surplus on revaluation of fixed assets account is not available for distribution amongst the shareholders neither as dividend nor as bonus under section 235 of the Companies Ordinance, 1984.

Movement in the account of surplus on revaluation of fixed assets is as follows:

		<b>Surplus on revaluation of</b>	
		<b>Leasehold land</b>	<b>Building on leasehold land</b>
		<b>(Rupees '000)</b>	
Surplus on June 30, 2013		1,587,559	252,601
Effect of revaluation carried out on May 28, 2014		1,879,250	226,296
Effect of revaluation on deferred tax		—	(76,941)
Incremental depreciation (net of tax) transferred to accumulated profit		—	(13,690)
Surplus on June 30, 2014		3,466,809	388,266
Incremental depreciation (net of tax) transferred to accumulated profit		—	(19,412)
Surplus on June 30, 2015		<u>3,466,809</u>	<u>368,854</u>

2015                      2014  
(Rupees '000)

## 06. Deferred taxation

These comprise the temporary differences due to:

Accelerated depreciation	14,634	27,907
Revaluation, net of related depreciation	204,862	213,999
Others	(651)	(650)
	<u>218,845</u>	<u>241,256</u>

## 07. Advances and deposits

### Unsecured

Advance rent	7.1	1,754	6,381
Less: Current portion - shown under current maturity		(1,754)	(5,512)
		—	869
Security deposits	7.2	10,715	10,384
		<u>10,715</u>	<u>11,253</u>

### 7.1 Advance rent

It represents advance rent received from tenants against office space leased to them.

2015                      2014  
(Rupees '000)

### 7.2 Security deposits

Opening balance	10,384	9,476
Paid during the year	(5,179)	—
Received during the year	5,510	908
	<u>10,715</u>	<u>10,384</u>

Amount represents the security money received from the tenants as per tenancy agreements. Such deposits do not attract any mark up or interest and shall be repaid at the time of termination of lease.

2015                      2014  
(Rupees '000)

## 08. Current maturities

Advance rent	7	1,754	5,512
		<u>1,754</u>	<u>5,512</u>

	2015 (Rupees '000)	2014
<b>09. Creditors, accrued and other liabilities</b>		
Trade creditors - unsecured	7,660	8,769
<b>Accrued liabilities</b>		
Accrued expenses	17,001	15,193
Excise, taxes and others	1,230	2,215
Sales tax	6,132	6,177
Income tax payable (tax liability minus advance tax)	—	25,461
	<b>24,363</b>	<b>49,046</b>
<b>Other liabilities</b>		
Guest and banquet deposits	2,818	2,466
Payable to employee gratuity fund	3,904	2,347
Unclaimed dividend	17,741	12,102
WWF payable	4,416	3,580
Bank overdraft 9.1	4,775	—
Miscellaneous	9,307	11,295
	<b>42,961</b>	<b>31,790</b>
	<b>74,984</b>	<b>89,605</b>
<b>9.1 Bank overdraft</b>		
Summit Bank Ltd.	4,775	—
	<b>4,775</b>	<b>—</b>

These represent the balance as per books without any corresponding facility from the bank.

## 10. Contingencies and commitments

- 10.1** Civil Aviation Authority has demanded a sum of Rs. 0.336 million, being rental charges of the Company's restaurant at Karachi Airport. The suit is pending in the High Court of Sindh. The company has filed a counter suit for recovery of rent of furniture, fixtures and loss of food stuff and other assets of the company retained by the Civil Aviation Authority.

Suit bearing No. 137 of 1984 has been filed by the company against Civil Aviation Authority for recovery of Rs. 5.733 million on the ground that civil aviation authority allowed the company for running of one restaurant and four refreshment counters but later on they tried to open the same with another contractor when the company was trying to lift their goods from existing restaurant and four refreshment counters, they were stopped by civil aviation authority.

The said suit is kept on fixing for arguments while thrice arguments were heard and judgment was reserved.

- 10.2** Suit bearing No. 343 of 1996 has been filed by the company against Saudi Arabian Airlines for the cancellation of agreement dated 22-02-1990, relating to the sale of two floors and four shops on the ground floor of AL-SEHAT CENTRE, and for recovery of possession of those premises. After the institution of the above suit, Saudi Arabian Airlines has also filed counter suit praying for the specific performance of the aforesaid agreement. Both these suits are pending in the High Court of Sindh at Karachi.
- 10.3** Suit bearing No. 05 and 10 of 2006 pertaining to rent, with Mr. Ghulam Murtaza and Ghulam Nabi is at the stage of evidence and cross examination.
- 10.4** Bank guarantee in favor of Sui Southern Gas Company Limited for gas supply deposits amounting to Rs. 5 million (2014: 5 million)

**2015**                      **2014**  
**(Rupees '000)**

**11. Fixed assets**

- Property, Plant and Equipment
- Intangibles

<b>4,287,687</b>	4,324,237
<b>101</b>	301
<b><u>4,287,788</u></b>	<b><u>4,324,538</u></b>

**11.1 Property, plant and equipment - tangible**

PARTICULARS	COST/REVALUATION					Rate %	DEPRECIATION					W. D. V as at 30-06-2015
	As at 1-07-2014	Revalu- ation	Addi- tions	Disposal	As at 30-6-2015		As at 1-7-2014	For the year	Realized on revalu- ation	Disposal	As at 30-6-2015	
<b>OWNED</b>												
Leasehold land	3,498,000	—	—	—	3,498,000	—	—	—	—	—	—	3,498,000
Leasehold land - Gharo	2,549	—	—	—	2,549	—	—	—	—	—	—	2,549
Building on leasehold land	719,029	—	—	—	719,029	5	3,249	35,789	—	—	39,038	679,991
Farm House on leasehold land	8,042	—	—	—	8,042	5	1,492	328	—	—	1,820	6,222
Air conditioning plant	82,043	—	4,631	—	86,734	10	50,451	3,414	—	—	53,865	32,869
Elevators	7,449	—	—	—	7,449	10	5,129	232	—	—	5,361	2,088
Electric installation	7,485	—	—	—	7,485	10	6,578	91	—	—	6,669	816
Electric fancy fitting	585	—	—	—	585	10	494	7	—	—	501	64
Furniture and fixtures	97,291	—	—	—	97,291	10	70,503	2,678	—	—	73,182	24,109
In-house TV system	8,018	—	1,872	(475)	9,415	10	5,220	387	—	(414)	5,173	4,242
Gas connection	227	—	—	—	227	10	220	1	—	—	221	6
Carpets	12,775	—	1,803	—	14,578	10	10,143	440	—	—	10,583	3,995
Sound radio fusion system	2,440	—	—	—	2,440	10	1,971	47	—	—	2,018	422
Telephone installation	10,335	—	—	—	10,335	10	8,763	157	—	—	8,920	1,415
Crockery and cutlery	5,520	—	—	—	5,520	0	—	—	—	—	—	5,520
Uniforms and linen	8,878	—	—	—	8,878	0	—	—	—	—	—	8,878
Laundry equipments	5,007	—	—	—	5,007	10	3,640	137	—	—	3,777	1,230
Equipments and accessories	38,322	—	327	—	38,649	10	26,648	1,180	—	—	28,028	10,621
Office equipments	5,589	—	375	—	5,964	10	4,726	124	—	—	4,850	1,114
Vehicles	3,014	—	—	(600)	2,414	20	2,290	142	—	(516)	1,916	498
Neon signs	435	—	—	—	435	10	355	8	—	—	363	72
Arms	37	—	—	—	37	10	33	—	—	—	33	4
Diesel Generator - Caterpillar	4,100	—	—	—	4,100	10	2,814	129	—	—	2,943	1,157
Diesel Generator - VISA	4,196	—	—	—	4,196	10	2,190	201	—	—	2,391	1,805
<b>Total 2015</b>	<b>4,531,346</b>	<b>—</b>	<b>9,068</b>	<b>(1,075)</b>	<b>4,539,339</b>		<b>207,109</b>	<b>45,473</b>	<b>—</b>	<b>(930)</b>	<b>251,652</b>	<b>4,287,687</b>

(Rupees '000)

PARTICULARS	COST/REVALUATION					Rate %	DEPRECIATION					W. D. V as at 30-06-2014
	As at 1-07-2013	Revalu- ation	Addi- tions	Disposal	As at 30-6-2014		As at 1-7-2013	For the year	Realized on revalu- ation	Disposal	As at 30-6-2014	
<b>OWNED</b>												
Leasehold land	1,618,750	1,879,250	—	—	3,498,000	—	—	—	—	—	—	3,498,000
Leasehold land - Gharo	2,549	—	—	—	2,549	—	—	—	—	—	—	2,549
Building on leasehold land	709,715	9,314	—	—	719,029	5	183,503	26,728	(216,982)	—	3,249	715,780
Farm House on leasehold land	8,042	—	—	—	8,042	5	1,147	345	—	—	1,492	6,550
Banglow 35/3-A C.P. Berar Society, Karachi	31,650	—	—	(31,650)	—	5	10,652	—	—	(10,652)	—	—
Airconditioning plant	79,176	—	2,867	—	82,043	10	46,941	3,510	—	—	50,451	31,592
Elevators	5,728	—	1,721	—	7,449	10	4,871	258	—	—	5,129	2,320
Electric installation	7,435	—	—	—	7,435	10	6,477	101	—	—	6,578	907
Electric fancy fitting	565	—	—	—	565	10	466	8	—	—	494	71
Furniture and fixtures	95,756	—	535	—	97,291	10	67,526	2,977	—	—	70,503	26,788
In-house TV system	7,428	—	590	—	8,018	10	4,909	311	—	—	5,220	2,798
Gas connection	227	—	—	—	227	10	219	1	—	—	220	7
Carpets	12,775	—	—	—	12,775	10	9,851	292	—	—	10,143	2,632
Sound radio fusion system	2,440	—	—	—	2,440	10	1,919	52	—	—	1,971	469
Telephone installation	10,335	—	—	—	10,335	10	8,588	175	—	—	8,763	1,572
Crockery and cutlery	5,520	—	—	—	5,520	0	—	—	—	—	—	5,520
Uniforms and linen	8,878	—	—	—	8,878	0	—	—	—	—	—	8,878
Laundry equipments	5,007	—	—	—	5,007	10	3,488	162	—	—	3,640	1,367
Equipments and accessories	36,862	—	1,460	—	38,322	10	25,573	1,276	—	—	26,849	11,474
Office equipments	5,589	—	—	—	5,589	10	4,630	96	—	—	4,726	863
Vehicles	3,014	—	—	—	3,014	20	2,109	181	—	—	2,290	724
Noon signs	435	—	—	—	435	10	346	9	—	—	355	80
Arms	37	—	—	—	37	10	33	—	—	—	33	4
Diesel Generator - Caterpillar	4,100	—	—	—	4,100	10	2,671	143	—	—	2,814	1,286
Diesel Generator - VISA	4,196	—	—	—	4,196	10	1,967	223	—	—	2,190	2,006
<b>Total 2014</b>	<b>2,667,259</b>	<b>1,888,564</b>	<b>7,173</b>	<b>(31,650)</b>	<b>4,531,346</b>		<b>397,906</b>	<b>36,837</b>	<b>(216,982)</b>	<b>(10,652)</b>	<b>207,109</b>	<b>4,324,237</b>

**2015**                      **2014**  
**(Rupees '000)**

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

Cost of sales and services	20	<b>40,926</b>	33,153
Administrative, selling and general expenses	21	<b>4,547</b>	3,684
		<b>45,473</b>	<b>36,837</b>

**11.1.2** Gross carrying amount of all the items of property, plant and equipment represents their cost except leasehold land and building on leasehold land which are stated at revalued amount. Had the revaluation not been carried out the carrying amount of the leasehold land and building on leasehold land would have been Rs. 31.191 (2014: 31.191) million and Rs.108.028 (2014: 113.714) million respectively.

**11.1.3** The following fixed assets were disposed off during the year:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Book Value</b>	<b>Sale Proceeds</b>	<b>Particulars of Buyer/ Mode of disposal</b>
	<b>.....(Rupees '000).....</b>				
Vehicle	600	516	84	510	Mr. Abdul Wahid By negotiation
T.V Sets	475	414	61	105	Employees By negotiation
<b>Total 2015</b>	<b>1,075</b>	<b>930</b>	<b>145</b>	<b>615</b>	
Total 2014	31,650	10,652	20,998	12,100	

**11.1.4 Revaluation of fixed assets**

As on 12-09-2003, company's properties comprising leasehold land and building on leasehold land have been revalued on market value basis assuming the continued use of the property as a hotel and convention centre. The revaluation has been carried out by M/s. D. H. Daruvala & Co. Architects and Engineers (an independent valuer). These revaluation has resulted in a surplus of Rs. 868.089 million which has been included in the book value of fixed assets and credited (net of tax) to a surplus on revaluation of fixed assets. As on 01-04-2007, the above properties were revalued by M/s Sardar Enterprise (an independent valuer) on the same basis as was previously used. The revaluation has resulted in a further surplus of Rs. 1,339.105 million which has been included in the book value of fixed assets and credited (net of deferred tax) to surplus on revaluation of fixed assets. As on 28-05-2014, the properties were revalued by M/s Sardar Enterprises (an independent valuer) on the same basis as was previously used. The revaluation has resulted in a further surplus of Rs. 2,105.546 million which has been included in the book value of fixed assets and credited (net of deferred tax) to surplus on revaluation of fixed assets. The incremental depreciation net of deferred tax has been charged to the surplus on revaluation of fixed asset account.

	<b>2015 (Rupees '000)</b>	<b>2014</b>
<b>11.2 Intangibles</b>		
<b>Cost</b>		
Balance at start	666	666
Addition/(deletion) during the year	—	—
Balance at end	666	666
<b>Rate of amortization</b>	30%	30%
<b>Amortization</b>		
Balance at start	365	165
For the year	200	200
Balance at end	565	365
Net book value	101	301
<b>11.2.1 Amortization charge for the year has been allocated as:</b>		
Cost of sales and services	20	160
Aministrative, selling and general	21	40
	200	200

**12. Long term deposits and advances**

Utility deposits	5,310	3,683
	<b>5,310</b>	<b>3,683</b>

This includes an amount of Rs. 5 million (2014: Rs. 3.373 million) to Sui Southern Gas Company Limited as long term deposit for supply of gas.

	2015	2014
	(Rupees '000)	
<b>13. Stores and spares</b>		
Consumable stores	1,268	1,404
Stationery	933	922
	<u>2,201</u>	<u>2,326</u>
<b>14. Stock in trade - food and beverages</b>		
Food	1,449	1,269
Beverages	133	132
	<u>1,582</u>	<u>1,401</u>
<b>15. Trade debts-unsecured</b>		
<i>Considered good</i>		
Due from customers	87,540	78,533
Receivable against sale of Al-Sehat	1,965	1,965
Due from staff	128	60
	<u>89,633</u>	<u>80,558</u>
<i>Considered doubtful</i>		
Due from customers	2,033	1,913
	<u>91,666</u>	<u>82,471</u>
Provision against doubtful debts	(2,033)	(1,913)
	<u>89,633</u>	<u>80,558</u>
<b>16. Advances, prepayments and other receivables</b>		
<i>Advances - unsecured considered good</i>		
Staff	385	443
Suppliers	4,521	9,467
Income tax (net of liability)	124	—
	<u>5,030</u>	<u>9,910</u>
<i>Prepayments</i>		
Insurance	20	—
Miscellaneous	333	309
	<u>353</u>	<u>309</u>
<i>Other receivables</i>		
Rent receivable	6,161	5,729
Miscellaneous	2,550	2,650
	<u>8,711</u>	<u>8,379</u>
	<u>14,094</u>	<u>18,598</u>
<b>16.1 Rent receivable</b>		
From tenants	6,161	5,675
<b>From related parties</b>		
Mrs. Nadia Zaheer	—	45
Mrs. Sadia Naveed	—	9
	<u>—</u>	<u>54</u>
	<u>6,161</u>	<u>5,729</u>
<b>17. Tax refunds due from Government</b>		
Income tax refundable		
Tax year 2013	—	3,338
	<u>—</u>	<u>3,338</u>

**2015**                      **2014**  
**(Rupees '000)**

**18. Cash and bank balances**

Cash in hand		<b>2,218</b>	40,297
Cash at banks (in current accounts)		<b>20,073</b>	15,181
Cash at bank (in deposit account)	18.1	<b>71,605</b>	50,013
		<b>93,896</b>	105,491

**18.1** Amount is placed with commercial banks carrying markup ranging from 4.5% to 5% per annum (2014: 4.5% to 5.5%) payable monthly.

This include 10.715 million (2014: 10.384 million) being security money received from the tenants as per tenancy agreements. Such deposits do not attract any mark up or interest and shall be repaid at the time of termination of lease.

This includes Rs 5.5 Million against cash margin blocked for Letter of Guarantee issued in favour of Sui Southern Gas Company Limited.

**19. Sales and services - net**

Room rent		<b>352,229</b>	272,312
Food and beverages		<b>204,327</b>	164,564
Shop license fees		<b>9,860</b>	12,167
Other minor operated departments	19.1	<b>115,473</b>	119,577
		<b>681,889</b>	568,620

**19.1** This includes revenue from rent of convention hall, and sale of telephone, laundry, health club and others ancillary services.

**20. Cost of sales and services**

**Food and beverages**

Opening stock		<b>1,401</b>	1,233
Purchases		<b>87,355</b>	73,346
Closing stock		<b>(1,582)</b>	(1,401)
Consumption during the year		<b>87,174</b>	73,178

**Direct expenses**

Salaries, wages and other benefits	20.1	<b>58,268</b>	48,449
Heat, light and power		<b>72,482</b>	67,053
Replacement of linen, china and glassware		<b>8,325</b>	8,187
Uniforms		<b>1,877</b>	1,475
Guest transportation charges		<b>5,848</b>	6,394
Water charges		<b>1,091</b>	1,316
Decoration hire charges		<b>1,557</b>	1,684
Consumable stores		<b>15,010</b>	16,019
Guest supplies		<b>19,113</b>	14,267
Commission		<b>601</b>	482
Musical expenses		<b>184</b>	824
Laundry and dry cleaning		<b>2,822</b>	2,828
Telephone, telex and other related expenses		<b>728</b>	1,081
License and taxes		<b>256</b>	264
Traveling and transportation		<b>652</b>	566
Printing and stationery		<b>2,252</b>	2,258
Miscellaneous		<b>144</b>	412
Amortization		<b>160</b>	160
Depreciation	11.1.1	<b>40,926</b>	33,153
		<b>232,296</b>	206,872
		<b>319,470</b>	280,050

**20.1** Includes Rs. 0.614 million (2014: Rs. 0.398 million) in respect of employee retirement benefits.

		2015 (Rupees '000)	2014
<b>21. Administrative, selling and general expenses</b>			
Salaries and other benefits	21.1	46,970	42,190
Entertainment		2,303	1,576
Traveling and transportation		4,557	4,361
Running and maintenance of vehicle		678	535
Rent, rates and taxes		2,090	1,450
Heat, light and power		7,487	7,037
Communications		1,790	2,529
Printing and stationery		4,132	3,373
Advertisement and sales promotion		2,694	3,053
Legal and professional charges		4,189	1,499
Auditors' remuneration	21.2	575	525
Repair and maintenance		76,500	63,236
Bank commission and charges		145	158
Fee and subscription		517	363
Pest control		1,027	348
Donation	21.3	95	190
Insurance		27	35
Commissions		1,632	1,746
Bad debts		120	120
Miscellaneous		947	1,578
Staff uniforms		—	76
Shops premium		7,300	—
Amortization		40	40
Depreciation	11.1.1	4,547	3,684
		<u>170,362</u>	<u>139,702</u>

**21.1** Includes Rs. 0.283 million (2014: Rs. 0.265 million) in respect of employee retirement benefits.

**21.2 Auditors' remuneration**

Audit fee	425	375
Taxation services	100	100
Out of pocket	50	50
	<u>575</u>	<u>525</u>

**21.3 Donation**

Jamiat Taleemul Quran	60	60
Chhipa Welfare Association	30	30
Others	5	100
	<u>95</u>	<u>190</u>

None of the directors or his spouse is interested in the funds of donees.

		2015 (Rupees '000)	2014
<b>22. Other operating income / (loss)</b>			
Profit on tender of foreign currency		232	47
Gain/(loss) on disposal of assets	22.1	470	(8,898)
Profit on TDR		—	381
Profit on saving account		2,724	849
		<u>3,426</u>	<u>(7,621)</u>

**22.1 Gain/ (loss) on disposal of assets**

Sale proceeds	615	12,100
Cost of assets	1,075	31,650
Less: Accumulated depreciation	930	10,652
Net book value	145	20,998
	<u>470</u>	<u>(8,898)</u>

**23. Financial charges**

Workers welfare fund	4,440	3,608
	<u>4,440</u>	<u>3,608</u>

**24. Taxation**

Current year	72,501	59,586
Prior year	393	480
Deferred	(22,411)	(14,471)
	<u>50,483</u>	<u>45,595</u>

**24.1 Aggregate current and deferred tax relating to items charged or credited to equity**

Deferred tax of Rs. 9.561 million (2014: 7.052 million) was transferred from retained earnings to revaluation surplus. This relates to the difference between the depreciation on the revalued building on leasehold land and equivalent depreciation based on the cost of the building.

**24.2 Tax charge reconciliation**

Accounting profit	191,043	137,639
Tax at the applicable tax rate of 33% (2014: 34%)	63,044	46,797
Tax effect of expenses that are not deductible in determining taxable profit	1,778	3,426
Tax effect of items that are not deductible in determining accounting profit	(846)	(5,108)
Tax effect of remeasurement of liability	(13,886)	—
Tax effect of changes in prior year current tax	393	480
	<u>50,483</u>	<u>45,595</u>

	2015 %	2014 %
<b>24.3 Reconciliation between average effective tax rate and the applicable tax rate</b>		
Applicable tax rate	33	34
Tax effect of expenses that are not deductible in determining taxable profit	0.931	2.489
Tax effect of items that are not deductible in determining accounting profit	- 0.443	- 3.711
Tax effect of remeasurement of liability	- 7.269	0.000
Tax effect of changes in prior year current tax	0.206	0.349
Average effective tax rate	26.425	33.127
	<b>2015</b>	<b>2014</b>
<b>25. Cash generated from operations</b>	<b>(Rupees '000)</b>	
Profit before taxation	191,043	137,639
<b>Adjustment for non cash items and other adjustments:</b>		
Depreciation	45,473	36,837
Amortization	200	200
Financial charges	4,440	3,608
Provision for bad debts	120	120
Profit on TDR	—	(381)
Profit on saving account	(2,724)	(849)
(Gain)/loss on disposal of assets	(470)	8,898
	47,039	48,433
	238,082	186,072
<b>(Increase)/decrease in operating assets</b>		
Stores and spares	125	(508)
Stock in trade	(181)	(168)
Trade debts	(9,195)	(43,912)
Advances, prepayments and other receivables	4,628	(2)
	(4,623)	(44,590)
<b>Increase/(decrease) in operating liabilities</b>		
Advances and deposits	(4,296)	4,740
Creditors, accrued and other liabilities	(1,099)	12,362
	(5,395)	17,102
	228,064	158,584
<b>26. Cash and cash equivalent</b>		
Cash and bank balances	93,896	105,491
Bank overdraft	(4,775)	—
	89,121	105,491
<b>27. Employee benefits</b>		
<b>27.1</b>	As mentioned in note 2.6, the Company operates an approved gratuity fund and makes contribution on actuarial recommendations. The most recent actuarial valuations were carried out by M/s Nauman Associates, Consulting Actuaries on August 08, 2015 of the present value of the defined benefit obligation at June 30, 2015. The projected unit credit method, using the following significant assumptions has been used for the actuarial valuation:	

	2015	2014
<b>27.1.1 Actuarial assumptions</b>		
Discount rate for interest cost in P & L charge	13.25%	10.50%
Discount rate used for year end obligation	9.75%	13.25%
Salary increase used for year end obligation		
Salary increase FY 2015	N/A	N/A
Salary increase FY 2016 onward	8.75%	12.25%
Net salary is increased at	1-Jul-15	1-Jul-14
Mortality rate	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Set back 1 year
Withdrawal rates	Age-based	Age-based
Retirement assumption	Age 60	Age 60
	<b>2015</b>	<b>2014</b>
	<b>(Rupees '000)</b>	
<b>27.1.2 Amount recognized in balance sheet are as follows:</b>		
Present value of defined benefit obligation	6,055	5,009
Present actuarial gain/(loss) to be recognized in later periods	—	—
Add: Payable	352	—
Less: Fair value of Plan asset	(2,503)	(2,662)
(Asset) / liability on balance sheet	<u>3,904</u>	<u>2,347</u>
<b>27.1.3 Fair value of plan assets</b>		
Cash at bank (with accrued interest)	2,855	3,194
Less: Benefits payables	(352)	(532)
Fair value of plan assets	<u>2,503</u>	<u>2,662</u>
<b>27.1.4 Changes in present value of defined benefit obligation</b>		
Opening present value of obligation	5,010	6,088
Current service cost	609	577
Interest cost on defined benefit obligations	608	460
Benefits due but not paid during the year	(352)	—
Benefits paid	(489)	(2,866)
Remeasurements - Experience adjustment	669	750
Closing present value of obligation	<u>6,055</u>	<u>5,009</u>
<b>27.1.5 Changes in fair value of plan assets</b>		
Opening fair value of plan assets	2,662	4,694
Interest income on plan assets	321	374
Return on plan assets, excluding interest income	8	(40)
Benefits due but not paid during the year	—	—
Benefits paid	(488)	(2,866)
Contribution by Company	—	500
Closing fair value of plan assets	<u>2,503</u>	<u>2,662</u>
<b>27.1.6 Expense recognized in profit and loss account</b>		
Current service cost	609	577
Interest cost on defined benefit obligation	608	460
Interest income on plan assets	(321)	(374)
Actuarial (Gain) / Losses Charge	—	—
	<u>896</u>	<u>663</u>

	2015 (Rupees '000)	2014
<b>27.1.7 Total remeasurements chargeable in other comprehensive income</b>		
Remeasurement of plan obligation - Experience adjustment	669	750
Return on plan assets, excluding interest income	(8)	40
Total remeasurement charge to other comprehensive income	<u>661</u>	<u>790</u>
<b>27.1.8 Changes in net liability</b>		
Balance sheet liability/(asset)	2,347	1,394
Expense chargeable to P&L	897	663
Remeasurement chargeable in other comprehensive income	661	790
Contributions	—	(500)
Benefits payable transferred to short term liability	—	—
Balance sheet liability/(asset)	<u>3,905</u>	<u>2,347</u>
<b>27.1.9</b> Based on actuarial advise the company intends to charge an amount of approximately Rs. 1.064 million in respect of gratuity fund in the financial statements for the year ending 30 June 2016.		
<b>27.1.10 Additional disclosure items</b>		
<b>Plan asset at June 30, 2015 comprise:</b>		
Bond		0%
Equity		0%
Cash and / or deposits		100%
Other		0%
		<u>100%</u>
		<b>FY 2015</b> <b>(Rs. '000)</b>
<b>Year end sensitivity analysis (+/- 100 bps) on defined benefit obligation</b>		
Discount rate + 100 bps		5,544
Discount rate - 100 bps		6,649
Salary increase + 100 bps		6,657
Salary increase - 100 bps		5,528
The average duration of the defined benefit obligation is:		9 years

## 28. Transactions with related parties and associated undertakings

The related parties and associated undertakings comprise local associated companies, gratuity fund, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the term of their employment are as follows:

	2015 (Rupees '000)	2014
Rent income	—	46
Shops Premium	3,500	—
Gratuity Fund	—	500
Advances	—	1,500
Receivable	—	54

The company continues to have a policy whereby all transactions with related parties and associated undertakings are entered into at arm's length determined in accordance with comparable uncontrolled price method.

## 29. Executive remuneration

	2015			2014		
	Chief Executive	Directors	Executive	Chief Executive	Directors	Executive
	.....Rupees '000.....					
Fees	—	—	—	—	270	—
Number of persons	—	—	—	—	5	—
Managerial remuneration	7,157	5,197	6,747	6,297	4,868	4,491
Perquisites and allowances	5,685	3,594	3,685	4,033	3,040	2,621
	<u>12,842</u>	<u>8,791</u>	<u>10,432</u>	<u>10,330</u>	<u>7,908</u>	<u>7,112</u>
Number of persons	<u>1</u>	<u>1</u>	<u>14</u>	<u>1</u>	<u>1</u>	<u>9</u>

## 30. Financial instruments and risk management

2015  
(Rupees '000)

2014

### 30.1 Financial assets and liabilities

#### Financial Assets - loan and receivables

##### *Maturity up-to one year*

Trade debts	89,633	80,558
Other receivables	8,711	8,379
Bank balances	93,896	105,491

##### *Maturity after one year*

Long term deposits	5,310	3,683
	<u>197,550</u>	<u>198,111</u>

#### Financial liabilities

##### *Maturity up-to one year*

Creditors, accrued and other liabilities	41,561	37,723
--	--------	--------

##### *Maturity after one year*

Advances and deposits - unsecured	10,715	11,253
	<u>52,276</u>	<u>48,976</u>

### 30.2 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

#### 30.2.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted and arise principally from long term deposits, trade receivables and security deposits. Out of the total financial assets of Rs. 197.550 million (2014: Rs. 198.111 million), financial assets which are subject to credit risk amount to Rs. 195.332 million (2014: Rs. 157.814 million).

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking in to account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. Sales made to major customers are secured through letter of credit. The management has set a maximum credit period of 30 days to reduce the credit risk.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	2015	2014
	(Rupees '000)	
Long term deposits	5,310	3,683
Trade debts	89,633	80,558
Other receivables	8,711	8,379
Bank balances	91,678	65,194
	<u>195,332</u>	<u>157,814</u>
The ageing of trade receivables at the reporting date is:		
Past due 0-30 days	41,488	26,473
Past due 31 - 60 days	18,414	24,639
Past due 61 - 90 days	9,416	11,982
Past due 91 - 120 days	11,415	10,478
Past due 120 days	8,900	6,986
	<u>89,633</u>	<u>80,558</u>

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

### 30.2.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The following are the contractual maturities of financial liabilities, including estimated interest payments:

	30 June 2015					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees '000)					
<b>Financial liabilities</b>						
Advances and deposits	10,715	10,715	—	10,715	—	—
Trade and other payables	41,561	41,561	41,561	—	—	—
<b>2015</b>	<b>52,276</b>	<b>52,276</b>	<b>41,561</b>	<b>10,715</b>	<b>—</b>	<b>—</b>

	Carrying Amount	Contractual cash flows	30 June 2014			
			Six months or less	Six to twelve months	One to two years	Two to five years
			(Rupees '000)			
<b>Financial liabilities</b>						
Advances and deposits	11,253	11,253	—	10,384	—	—
Trade and other payables	37,723	37,723	37,723	—	—	—
2014	48,976	48,976	37,723	10,384	—	—

### 30.2.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holding of financial instruments.

#### 30.2.3.1 Currency risk

Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation related risks are therefore not included in the assessment of the entity's exposure to currency risks. The company is not exposed to currency risk.

#### 30.2.3.2 Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no long term interest bearing financial assets and liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

Financial assets include balances of Rs. 72 million (2014: Rs. 50 million) , which are subject to interest rate risk. Applicable interest rates for financial assets have been indicated in respective notes.

At June 30, 2015, if the interest rates had been 1% higher /lower with all other variables held constant, profit after tax for the year would have been higher/lower by Rs. 0.72 (2014: Rs. 0.5 million), mainly as a result of higher/lower interest income from these assets.

#### 30.2.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The company is not exposed to any price risk as there are no financial instruments at the reporting date that are sensitive to price fluctuations.

### 30.3 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

## 31. Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board of Directors monitors the return on capital employed, which the company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The company's objectives when managing capital are:

- (i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- (ii) to provide adequate return to:

The company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

Neither there were any changes in the company's approach to capital management during the year nor the company is subject to externally imposed capital requirements.

	2015 (Rupees '000)	2014
<b>32. Earning per share</b>		
Net profit after taxation	140,560	92,044
Weighted average number of ordinary shares	18,000	18,000
Basic earning per share – Rupees	7.81	5.11
Diluted earning per share – Rupees	7.81	5.11

### 33. Non-adjusting events after the balance sheet date

In the meeting of Board of Directors held on September 19, 2015, the directors decided to recommend final cash dividend Rs. 4.00 per share i.e. 40% (2014: 40%) in addition to interim cash dividend of 40% (2014: 40%) already paid. The interim and final cash dividend will make the total dividend per share equal to Rs. 8.00 (2014: Rs.8.00). The recommended final dividend is subject to approval of the members. No adjustment in respect of the final dividend has been made in these accounts.

	2015	2014
<b>34. Number of Employees</b>		
Total number of employees - at year end	199	178
Average number of employees	197	187
<b>35. Capacity and production</b>		
No. of rooms	397	413
Average percentage of occupancy	43.64%	35.16%

The level of occupancy depends on the extent of movement in tourism, business and airlines sector.

### 36. Date of authorization for issue

These financial statements were authorized for issue on September 19, 2015 by the Board of Directors of the Company.

### 37. Figures

Figures have been rounded off to the nearest thousand of rupee.

  
**MUZAFFAR F. BAWEJA**  
 Chief Executive

  
**ZUBAIR BAWEJA**  
 Managing Director

Karachi: September 19, 2015.

## Pattern of Shareholdings Held by Shareholders

As on June 30, 2015

NO. OF SHARE HOLDERS		SHAREHOLDING		TOTAL SHARES HELD
109	001	—	100	4,090
37	101	—	500	11,077
18	501	—	1,000	16,360
13	1,001	—	5,000	25,211
3	5,001	—	10,000	22,233
2	15,001	—	20,000	36,500
1	20,001	—	25,000	23,626
1	25,001	—	30,000	28,500
1	30,001	—	35,000	31,000
1	35,001	—	40,000	40,000
1	145,001	—	150,000	150,000
1	195,001	—	200,000	200,000
2	295,001	—	300,000	600,000
1	555,001	—	560,000	555,340
3	620,001	—	625,000	1,868,811
1	640,001	—	645,000	644,875
1	685,001	—	690,000	688,375
1	1,000,001	—	1,005,000	1,002,324
1	1,285,001	—	1,290,000	1,289,360
1	1,395,001	—	1,400,000	1,398,360
1	1,420,001	—	1,425,000	1,423,860
2	1,435,001	—	1,440,000	2,877,720
1	2,310,001	—	2,315,000	2,312,907
1	2,745,001	—	2,750,000	2,749,471
<b>204</b>		<b>TOTAL</b>		<b>18,000,000</b>

## Categories of Shareholders as on June 30, 2015

Particulars	No. of Share Holders	Shares Held	Percentage
<b>(Directors)</b>			
Mr. Mansoor F.Baweja	1	1,000	0.00556
Mr. Muzaffar F.Baweja	1	2,312,907	12.8495
Mr. Zubair F.Baweja	1	2,749,471	15.2748
Mst. Shahida Begum	1	1,002,324	5.5685
Mr. Mohsin Baweja	1	1,289,360	7.1631
Mr. Zaheer Baweja	1	1,423,860	7.9103
Mr. M.A. Majeed	1	600	0.00333
<b>(Relatives of Directors)</b>			
Mr. S.Ferozuddin Baweja	1	5,468	0.0304
Mrs. Samina Mansoor	1	1,438,360	7.9909
Mr. Mahmood Baweja	1	1,439,360	7.9964
Mrs. Waqarunnisa Mohsin	1	150,000	0.8333
Mr. Masroor Baweja	1	688,375	3.8243
Mr. Aamir F.Baweja	1	644,875	3.5826
Mr. Navceed Baweja	1	1,398,360	7.7687
Mrs. Lubna Muzaffar	1	300,000	1.6667
Mrs. Muniza Zubair	1	300,000	1.6667
Mrs. Shahina Khalid	1	624,937	3.4719
Mrs. Shireen Ahad	1	622,437	3.4580
Mrs. Shazia Jamal	1	621,437	3.4524
Mr. Mudabbir Muzaffar Baweja	1	200,000	1.1111
Mr. Aneeq Ahmed	1	8,765	0.0487
<b>Individuals</b>			
(Minority Shareholders)	180	777,303	4.3184
<b>Others</b>			
Joint Stock Companies	2	501	0.0028
N.I.T.	—NIL—	—NIL—	—NIL—
Banks / Financial Institutions	1	300	0.0017
<b>TOTAL</b>	<b>204</b>	<b>18,000,000</b>	<b>100.0000</b>

### Shareholders holding 10% or more voting interest

1. Mr. Muzaffar F.Baweja	—	2,312,907	12.85%
2. Mr. Zubair F.Baweja	—	2,749,471	15.27%

The above statement include 148 Shareholders holding 17,403,099 Shares through the Central Depository Company of Pakistan Ltd. (CDC).



## PROXY FORM

I/We \_\_\_\_\_ of \_\_\_\_\_  
(NAME) (PLACE)

being a member of **PAKISTAN HOTELS DEVELOPERS LTD**, hereby appoint

\_\_\_\_\_ of \_\_\_\_\_  
(NAME) (PLACE)

another member of the Company as my/our proxy to attend and vote for me/us and on my/our behalf at the 36<sup>th</sup> Annual General Meeting of the Company to be held on 27<sup>th</sup> October, 2015 at 10:00 A.M. at the Registered Office, 195/2, Shahrah-e-Faisal, Karachi and at any adjournment, thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015

### Specimen Signature of Proxy

Folio No. \_\_\_\_\_

Participant I.D. No. \_\_\_\_\_

Sub Account No. \_\_\_\_\_

CNIC or Passport No. \_\_\_\_\_

### Signature of Member

Folio No. \_\_\_\_\_

Participant I.D. No. \_\_\_\_\_

Sub Account No. \_\_\_\_\_

CNIC or Passport No. \_\_\_\_\_

### WITNESSES:

(1) Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

CNIC or Passport No. \_\_\_\_\_

(2) Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

CNIC or Passport No. \_\_\_\_\_

### Important:

1. This form of Proxy, duly completed must be deposited with the Secretary of the Company or at our Independent Share Registrar Office M/s. Technology Trade (Pvt) Ltd., Dagia House, 241-C, Block 2, P.ECH.S., Off: Shahrah-e-Quaideen, Karachi not less than 48 hours before the time of meeting.
2. Attested copies of CNIC or the passport of the beneficial owners and the proxy holder shall be furnished with the proxy form.
3. The proxy holder shall produce his/her original CNIC or Original Passport at the time of meeting.
4. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.



Pakistan Hotels Developers Ltd.





# Regent Plaza

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