1st Floor, NESPAK House
Sector G-5/2, Islamabad
Phone: +92-51-2272890-8
Fax: +92-51-2878636
Email: psl@hashoohotels.com

PSL
PAKISTAN SERVICES LIMITED
OWNERS AND OPERATORS OF PEARL-CONTINENTAL HOTELS

CA/PSL/17-18/ 0800
October 04, 2018

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi.

Subject: **TRANSMISSION OF AUDITED FINANCIAL STATEMENT OF THE COMPANY FOR THE YEAR ENDED ON JUNE 30, 2018 ELECTRONICALLY THROUGH PUCARS**

Dear Sir,

Further to our letter No. CA/ PSL/18-19/0721 dated September 24, 2018 and pursuant to Notice No. PSX/N-4952 dated August 29, 2018, please find attached herewith scanned copy of Financial Statements of the Company for the year ended June 30, 2018, for distribution amongst your members.

Yours faithfully
For **PAKISTAN SERVICES LIMITED**

Mansoor Khan
Company Secretary

PAKISTAN SERVICES LTD.

Pearl-Continental
HOTELS & RESORTS

2018
ANNUAL REPORT

Contents

Pearl-Continental Hotel Karachi

Vision Statement

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

Mission Statement

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

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

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

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

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

Pearl-Continental Hotel Muzaffarabad

Corporate Information

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

BOARD OF DIRECTORS

Mr. Sadruddin Hashwani	Chairman
Mr. Murtaza Hashwani	CEO
Mr. M. A. Bawany	
Mr. Mansoor Akbar Ali	
Syed Sajid Ali	
Mr. Shakir Abu Bakar	
Syed Haseeb Amjad Gardezi	
Syed Asad Ali Shah	
Mr. M. Ahmed Ghazali Marghoob	

AUDIT COMMITTEE

Mr. M. Ahmed Ghazali Marghoob	Chairman
Mr. Mansoor Akbar Ali	
Syed Sajid Ali	
Mr. Shakir Abu Bakar	

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. M.A. Bawany	Chairman
Syed Sajid Ali	
Mr. Shakir Abu Bakar	

CHIEF FINANCIAL OFFICER

Mr. Abdul Qadeer Khan

COMPANY SECRETARY

Mr. Mansoor Khan

AUDITORS

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

LEGAL ADVISOR

M/s Liaquat Merchant & Associates

BANKERS

National Bank of Pakistan
The Bank of Punjab
Habib Bank Limited
Soneri Bank Limited
United Bank Limited
Askari Bank Limited
JS Bank Limited
NIB Bank Limited
Silk Bank Limited
Faysal Bank Limited
Standard Chartered Bank (Pakistan) Limited
Industrial and Commercial Bank of China
Dubai Islamic Bank (Pakistan) Limited

REGISTERED OFFICE

1st Floor, NESPAK House,
Sector G-5/2, Islamabad.
Tel: +92 51-2272890-8
Fax: +92 51-2878636
http://www.psl.com.pk
http://www.pchotels.com
http://www.hashoogroup.com

SHARE REGISTRAR

M/s THK Associates (Private) Limited
1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi.

Pearl-Continental Hotel Karachi

Corporate Objective

Code of Conduct

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

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

Core Values

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

Recognition and Reward

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

Innovation

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

Trust

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

Strategic Objectives

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

Pearl-Continental Hotel Karachi

Board of Directors

Mr. Sadruddin Hashwani

Mr. Murtaza Hashwani

Mr. M. A. Bawany

Mr. Mansoor Akbar Ali

Syed Sajid Ali

Mr. Shakir Abu Bakar

Syed Haseeb Amjad Gardezi

Syed Asad Ali Shah

Mr. M. Ahmed Ghazali Marghoob

Statutory Officers

Mr. Abdul Qadeer Khan
Chief Financial Officer

Mr. Mansoor Khan
Company Secretary

Syed Nehal Ahmed Zaidi
Head of Internal Audit

SUCCESS WITH PEOPLE

Our people always remain at the core of our business as they are the most important asset in making Hashoo Group the leading brand in Hospitality in Pakistan. We have a firm belief that our continued success and growth is because of our people who go the extra mile in fulfilling customer needs and building their trust in our Group.

We operate in a fast-paced world which is constantly changing and being challenged by technological advancements, diverse workforce, and increased competition. With an average age of 38 years, our workforce consists of more than 50% of millennials and we are re-thinking our HR strategies which will address this new workforce's changing attitude towards work environment on one hand and give them ample opportunities to learn, grow and compete on the other.

To address these challenges and to keep Hashoo Group a synonym for Hospitality in Pakistan, we realigned our HR strategy with the vision of *"being a progressive HR team, enabling the line of business and energising the Hashoo Team to boost company performance"*.

To achieve this vision, we are primarily focusing on three things; employee engagement, organisational agility, and performance-based culture.

Employee Engagement

We conducted Hashoo Group's first employee engagement survey through an independent consultant. The survey results showed that 83% of our employees are happy and engaged. Results were shared with employees; and to empower them and enhance ownership, they were made part of action planning.

We continue to offer development and career opportunities to our people and build a talent pipeline ready for future challenges.

We are progressing towards building an inclusive organisation that celebrates differences and diversity. Besides, providing our employees enabling a working environment, we recently revised our policies on employee wellbeing and we are constantly evaluating various other support programmes.

Organisational Agility

We are moving towards building an agile organisation which will be backed by technology, digitisation and lean processes. With the vision to go paperless, we are automating our existing processes by introducing new HRIS with the aim to achieve excellence in internal service delivery, increased efficiency and effectiveness, and accurate and sophisticated data management.

Building Performance-Based Culture

We have made significant changes in the performance management system to enhance ownership, accountability, and collaboration. Employees are now better trained and equipped on how to set, align and cascade targets. The objective is to create a more supportive and shared performance-based culture where open feedback is encouraged continuously aiming towards development.

Through this HR transformational journey, we are confident of making our HR a robust, dynamic and key strategic player to the business which will create a collaborative and purposeful culture, enabling employees to deliver our vision.

Notice of Annual General Meeting

NOTICE OF 59TH ANNUAL GENERAL MEETING

Notice is hereby given that the 59th Annual General Meeting of Pakistan Services Limited will be held on Thursday, October 25, 2018 at 11:00 a.m. at Islamabad Marriott Hotel to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on October 25, 2017.
2. To receive, consider and adopt the Audited Financial Statements together with the Directors' and the Auditors' Reports thereon for the year ended June 30, 2018.
3. To approve cash dividend of Rs. 10 per share i.e. 100 % already paid by the Company as interim dividend for the year ended June 30, 2018.
4. To appoint Auditors for the year 2018-19 and fix their remuneration.

SPECIAL BUSINESS:

5. To consider and approve the transactions with related parties in abundant caution pursuant to the provisions of Section-208 of the Companies Act, 2017, already approved by the Board of Directors during the financial year 2017-18.
6. To consider any other business with the permission of the Chair.

The Statement under Section 134(3) of the Companies Act, 2017 setting forth all material facts regarding special business given in Agenda item no. 5 is annexed to the notice being sent to all the Shareholders.

By Order of the Board

Mansoor Khan
Company Secretary
Islamabad: September 24, 2018

Notes:

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

B). The Share Transfer Books of the Company will remain closed from October 19, 2018 to October 25, 2018 (both days inclusive).

C). Shareholders are requested to notify the Company's Share Registrar, M/s. THK Associates (Pvt) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi, of any change in their address.

D). CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 01 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

a. For Attending the Meeting:

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

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

b. For Appointing Proxies:

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

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

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

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

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

E). As per the provisions of Section-242 of the Companies Act, 2017 and Companies (Distribution of Dividends) Regulations, 2017, it is mandatory for a listed company to pay cash dividends to its shareholders only through electronic mode directly in the bank accounts of the shareholders. Therefore, the Shareholders are requested to provide copies of their valid CNICs and Electronic Dividend Mandate including Name, Bank Account Number, Bank and Respective Branch addresses to the Company in order to enable the Company to pay cash dividend electronically.

Electronic Dividend Mandate Form is attached with Printed annual report and also placed on Company's website **www.psl.com.pk.**

In case of shares held in CDC, E-Dividend Mandate Form must be submitted with shareholder's broker/participant/CDC account services.

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

G). Pursuant to the provision of Finance Act, 2018, effective July 01, 2018, applicable rates on payment of dividend have been amended and the rates of deduction of income tax under Section 150 of the income Tax Ordinance, 2001 have been revised as follows:

(i). For filers of Income Tax return 15 %
(ii). For non-filers of Income Tax return 20 %

To enable the Company to make tax deductions on the amount of cash dividend @ 15 % instead of 20 %, all shareholders whose names are not entered into the active tax payer list (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL otherwise tax on their cash dividends will be deducted @ 20 % instead of 15 %. All shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint shareholder(s) in respect of shares held by them to our Share Registrar immediately on the format as given below:

Name of Principal Shareholder / Joint Shareholder(s)	Folio Number	Shareholding Pattern	CNIC No.	Signature

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

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

Share Registrar
M/s. THK Associates (Pvt) Limited,
1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi
Phone: 021-111-000-322 E-mail: sfc@thk.com.pk

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

I). The SECP vide SRO 787 (1)/2014 dated September 08, 2014 has provided an option for shareholders to receive audited financial statements along with notice of annual general meeting electronically through email. Hence, members who are interested in receiving the annual reports and notice of annual general meeting electronically, are requested to send their email addresses on the consent form placed on the Company's website www.psl.com.pk, to the Company's Share Registrar. The Company shall, however additionally provide hard copies of the annual report to such members, on request, free of cost.

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This Statement sets out the material facts concerning the special business given in Agenda item no. 5 of the Notice of Annual General Meeting.

RELATED PARTY TRANSACTION

The Company entered into various transactions with its related parties during the financial year 2017-18 which were recommended by the Audit Committee and approved by the Board of Directors. There is no transaction where majority of the directors were interested and needs approval of the members in general meeting pursuant to the provisions of Section-208 of the Companies Act, 2017. However, the Company in abundant caution, has decided to get approval of the members for all the transactions with the related parties during the financial year 2017-18.

Chairman's Review

Dear Members

I am pleased to present 59th annual report of Pakistan Services Limited comprising of unconsolidated and consolidated audited financial statements for the year ended on 30 June 2018 and the auditors' report thereon.

The Global Economic Environment

The world economy generally performed well during the first half of 2018. A handful of emerging markets struggled, but their problems were at least partially of their own making. The major markets, in aggregate, met expectations.

Global growth is projected to reach 3.9 percent in 2018 and 2019, but the expansion is becoming less even and risks to the outlook are mounting. The rate of expansion appears to have peaked in some major economies and growth has become less synchronized. In the United States, near-term momentum is strengthening in line with the expectation and the US dollar has appreciated by around 5 percent among world currencies. Growth projections have been revised down for the euro area, Japan and the United Kingdom, reflecting negative surprises in early 2018.

Short-term prospects for the world economy have generally improved over the last six months marking an upward revision compared to forecasts. This is also the fastest rate of growth since 2011 and reflects upward revisions to forecasts for roughly 40% of the world's economies. Underpinning, this is a stronger outlook for developed economies, reflecting rising wages, favourable investment conditions and the short-term impact of fiscal stimulus measures in the United States. Many commodity-exporting countries are also benefitting from higher prices of energy and metals. Trade wars between USA and China by imposing duties on each other products may have its own impact on the world economy.

Policies and reforms should aim at sustaining activity, raising medium-term growth and enhancing its inclusiveness. But with reduced slack and downside risks mounting, many countries need to rebuild fiscal buffers to create policy space for the next downturn and strengthen financial resilience to an environment of possibly higher market volatility.

Pakistan

Pakistan has made great strides in improving its economic outcomes and reducing its macroeconomic vulnerability in the recent years. As a result, economic growth has continued to gain traction, founded on the government's commitment to higher growth and low inflation. GDP continued to grow above 5% in each of the last 2 years reaching 5.79%, which is one of the highest in recent years.

Pakistan's foreign currency reserves is under great stress mainly due to surge in imports and reduction in export. Accordingly, the external obligation coupled with grown up current account deficit has become real challenge to the new government. In order to keep inflation under control, the State Bank of Pakistan increased policy rate twice during the year, taking it to 6.5% from 5.75%. Since December 2017, in line with evolving fundamentals, Pak rupee lost its value by 13.7% which also resulted in turbulence in PKR-USD parity prior to elections.

This year's strong economic growth has been underpinned by supportive macroeconomic supply and demand policies, renewed confidence in the private sector and fiscal discipline. Major international institutions anticipate that global economic growth will increase from previously subdued levels, which is a welcome development for a broadly favorable outlook in Pakistan as well.

The growth across different sectors of the economy has attracted major international companies towards Pakistan, where they see immense potential, a huge consumer market, strategic location and macroeconomic stable environment achieved during the last five years.

The new Pakistani government has a major agenda of bringing the economy back on track. The China-Pakistan Economic Corridor (CPEC), a flagship BRI (Belt and Road Initiative) project, is the largest Chinese investment in Pakistan to date. Often termed a game changer, the US$62 billion mega-project involves a massive financial inflow into Pakistan to promote infrastructure, energy and trade development and create many jobs.

Prospects

The new government has shown determination and keen interest to improve and promote the tourism sector by taking result-oriented measures about promoting positive image of Pakistan. Pakistan has undoubtedly immense potential of growth in tourism industry due to its diverse culture, heritage and serene landscapes however it has not been fully utilized due to poor publicity, lack of investment by Government on public places and infrastructure.

It seems the future of hospitality industry in Pakistan is going to bloom more in coming years due to improvement in law and order situation, initiatives of new Government, CPEC developments and arrival of more international and domestic tourists in Pakistan.

In line with the future outlook for tourism industry in Pakistan, your Company expects to commence operation of its new projects namely PC Multan and PC Mirpur Azad Kashmir during the forthcoming year. Your company has also entered into an agreement for managing a new hotel in Malam Jabba which will help the Company to play its role to attract more tourism and travel in the country.

In order to upgrade its existing properties and for the development of new business units, Company entered into an arrangement of rated, secured, long term privately placed sukuk issue of Rs. 7,000 million during the current financial year and 1st trench of sukuk amounting to Rs. 2,333.33 million was drawn down during the financial year 2017-18.

To harvest the future benefits of real estate business, the Company, is keenly investing in real estate projects through its wholly owned Subsidiaries M/s City Properties (Private) Ltd and M/s Elite Properties (Private) Limited, by acquiring prime lands in major cities of Pakistan. After completion of the land acquisition process, which is expected to be completed by the end of current financial year, the Company will launch real estate projects through its wholly owned subsidiaries.

Overall Performance of the Company

The Company achieved total revenue (exclusive of GST) of Rs. 10,527 million during the year under review in comparison to last year's revenue of Rs. 9,812 million, showing a growth of about 7.29%. The Company's growth is due to its focus on revenue generating policies with provision of excellences services to its valued Guests.

The Company, for the year under review earned a profit before tax of Rs. 887 million compared with Rs. 1,665 million of the previous year. The decrease in performance is attributable to unrealized loss of Rs. 250 million sustained by the Company in contrast with unrealized gain of Rs. 165 million in previous year, on its investments in market securities while higher finance cost is another factor of lower profits because of increased gearing, since the company has aggressive plans to expand and diversify its activities.

Performance of Rooms Department

The revenue (exclusive of GST) was Rs. 5,230 million against Rs. 4,762 million in the last year indicating a growth of 9.8%. In terms of revenue, the increase in this segment is Rs. 468 million.

Performance of Food & Beverage Department

The revenue (exclusive of GST) was Rs. 4,871 million as against Rs. 4,614 million of the last year. The revenue of this segment has increased by Rs. 257 million registering growth of 5.6% from last year.

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

Revenue (exclusive of GST) during the year under review was Rs. 426 million as compared with Rs. 436 million of the prior year.

Corporate Social Responsibility & Corporate Philanthropy

Pakistan Services Limited is actively engaging in Corporate Social Responsibility initiatives, focusing on education, healthcare, vocational training and job placements through financial contribution and providing trained human resources. The goal of the programs is to alleviate suffering and empower disadvantaged communities and bring them into mainstream population.

The Company realizes its corporate social responsibility and contributed a total of Rs.455.65 million towards its corporate social responsibility as donations to the well-reputed NGOs possessing good track records of work in the sector of education, healthcare and welfare across the country.

Energy Conservation

The Company is keen on cutting down wasted energy by installing equipment which helps to obtain optimum level of efficiency, as the energy is in short supply and is a major component of operating costs. Promoting green technologies and training to operating staff for effective use of energy is resulting in saving energy considerably.

Environment Protection Measures

The Company while realizing its responsibility to protect the environment is organizing various internal workshops and seminars along with trainings on regular basis to impart environmental, saving water and energy education. Overall, an environment improvement program has been implemented across the board.

Customer Feedback

For any successful organization, customer satisfaction and feedback are considered vital, therefore, the Company has engaged an international firm to keep track record of this valuable feedbacks and suggestions from the valued customers. The said firm is responsible to send emails to the guests for their valuable feedback. The management of the Company takes measures based on the guests' comments. Realizing the importance of social media, various pages of each hotel are maintained and updated regularly on different platforms.

Employment of Special Persons

The Company has an open-door policy for recruitment of Special Persons. The Company continues to employ number of individuals at different business locations.

Occupational Safety and Health

Occupational safety and health training programmes and workshops are conducted regularly to emphasize safe work practices and to inculcate awareness of safety-first policies. The Company gives utmost priority to the occupational safety. Any unsafe practice is strictly prohibited and interdicted. All employees of the company are covered under group life insurance.

Business ethics and anti-corruption measures

The Code of Ethics and Business Practices are delineated clearly and each employee is made familiar with the same. Regular checks carried out to confirm the adherence to these codes. Any deviation is strictly dealt with.

Contribution to government exchequer

The Company in the year under review contributed an amount of Rs. 3,566 million as against Rs. 3,208 million in the corresponding period of last year to Provincial and Federal governments in the form of customs duties, general sales tax, income tax and other levies.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated revenue of the Company in the reporting year was Rs. 10,623 million, as compared to Rs. 9,921 million that of the last year thus registering a growth of 7.08% amounting to revenue increase of Rs. 702 million. The consolidated profits before and after tax for the year under review were Rs. 786 million and Rs. 401 million respectively.

The wholly-owned subsidiary company, M/s Pearl Tours and Travels (Private) Limited, engaged in the business of Rent-a-Car and arranging package tours, generated revenue of Rs. 212 million during the year under report as compared to Rs. 200 million of corresponding period of last year.

The wholly owned subsidiaries M/s City Properties (Private) Limited and M/s Elite Properties Private Limited engaged in real estate business are yet to start their commercial operations whereas M/s Pearl Continental Hotels (Private) Limited remained non-operational throughout the year 2017-18.

ACKNOWLEDGEMENTS

On behalf of the Board, I express my appreciation for the dedication to duty and professional conduct of the employees of the Company, as well as shareholders and stakeholders for their support. I thank the bankers of the Company for the understanding and the cooperation they have extended and last but not the least gratitude towards our loyal and confident customers. The combined efforts of all have been instrumental in the healthy growth of the Company against all odds. We all pray for a peaceful, progressive and prosperous Pakistan. Ameen!

For and on behalf of the Board of Directors.

SADRUDDIN HASHWANI
Chairman

24 September 2018

Pearl-Continental Hotels receive HACCP awards

Pakistan Services Limited is proud to announce that all its Pearl-Continental Hotels have been awarded the prestigious Hazard Analysis and Critical Control Point System (HACCP) certification. This makes it the first five-star hotel group in Pakistan to be awarded this significant award, which is regarded as a high standard in the hotel and food industry.

What exactly is HACCP?

HACCP is a control system for the hygiene of food products. It has been adopted internationally as the basis for all discussions on food safety and prevention against hazards associated to food absorption, such as food poisoning, and the presence of chemical products and foreign particles. Once this control system was implemented at all food points at the hotels, a credited inspection bureau carries out an inspection audit for certification of the same.

How did Pakistan Services Limited get this certification?

Certification of the hotels started as a project by taking on board TUV Austria, a leading certification and inspection company in early 2017. Starting with the two largest hotels, Pearl-Continental Hotel, Lahore and Pearl-Continental Hotel, Karachi the project required an investment not only in the certification process itself, but also investment in equipment and training for kitchen staff and food handlers. With the success and learning at the first two hotels, the Pearl-Continental Hotels in Rawalpindi, Peshawar, Bhurban and Muzaffarabad underwent implementation of the same standards and were inspected and successfully awarded certification this year. The certification is valid for a period of three years for each hotel.

What will HACCP certifications mean for Pearl-Continental Hotels?

Pearl-Continental Hotels are a leading name in the hospitality industry of Pakistan. The country is expecting growth in tourism and an influx of visitors affiliated with the China-Pakistan Economic Corridor. To have optimal services that meet international standards for guests, it is vital to implement international standards across all hotels and continue to deliver the best five-star service in Pakistan.

DIRECTORS' REPORT

Dear Members,

The Board of Directors ("the Board") of Pakistan Services Limited ("the Company") is pleased to present the 59th Annual Report with the audited unconsolidated financial statements of the Company for the year ended on 30 June 2018 along with the Auditors' Report thereon.

Summary of unconsolidated financial performance of the Company is as follows:

	(Rupees, 000)
Operating profit	1,763,815
Un-realized loss on re-measurement of investments	(250,474)
Finance income	99,262
Finance Cost	(725,513)
Profit before taxation	887,090
Taxation	(391,534)
Profit for the year	495,556
Other Comprehensive Income for the year	(34,577)
Distribution during the year	(487,863)
Un-appropriated profit brought forward	6,141,860
Profit available for appropriation	6,114,976

Earnings per share for the year 2017-18 arrived at Rs. 15.24.

The Board of Directors declared two interim cash dividends of Rs. 5/- per share.

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

Following are the names of persons who at any time during the financial year were directors of the Company:

Name of Directors
Mr. Sadruddin Hashwani
Mr. Murtaza Hashwani
Mr. M.A. Bawany
Mr. Mansoor Akbar Ali
Syed Sajid Ali
Mr. Shakir Abu Bakar
Syed Haseeb Amjad Gardezi
Syed Asad Ali Shah
Mr. M. Ahmed Ghazali Marghoob

Nature of business throughout the year remains the same including business nature of subsidiaries.

Auditors report has significantly modified as per requirement of Auditors (Reporting Obligation) Regulations, 2018, accordingly auditors report reflects major structural changes and considerable additional information.

The pattern of shareholding is annexed to this report.

During the year no default occurred due to nonpayment of debts.

The system of internal financial control is sound in design and has been effectively implemented and monitored.

No such material change, and commitment occurred between the end of financial year and the date of report.

The directors' of the company has formulated and implemented adequate internal financial controls.

The retiring auditors, M/s. KPMG Taseer Hadi & Co, Chartered Accountants being eligible, offer themselves for re-appointment as the Company's auditors. The Board, on the recommendation of the Audit Committee, has proposed appointment of M/s KPMG Taseer Hadi & Co, Chartered Accountants as auditors of the Company for the year ending 30 June 2019.

Murtaza Hashwani
Chief Executive

Shakir Abu Bakar
Director

Islamabad: 24 September 2018

ڈائریکٹرز رپورٹ

محترم حصص داران:

پاکستان سروسز لمیٹڈ (پی ایس ایل) کے بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ کمپنی کی ۵۹ ویں سالانہ رپورٹ بمعہ کمپنی کی محاسبہ شدہ مالی گوشوارے برائے سال جو کہ مورخہ ۳۰ جون ۲۰۱۸ کو اختتام پزیر ہوا، بمعہ محاسب رپورٹ پیش خدمت ہے۔

(۰۰۰' روپے)

آپریشنز سے کاروباری منافع	۱،۷۶۳،۸۱۵
سرمایا کاری کی مد میں دوبارا پیائش رتخمینہ سے نقصان	(۲۵۰،۴۷۴)
دیگر سرمایہ کاری سے منافع	۹۹،۲۶۲
فنانس کی لاگت	(۷۲۵،۵۱۳)
منافع قبل از ٹیکس	۸۸۷،۰۹۰
ٹیکس	(۳۹۱،۵۳۴)
سالانہ منافع	۴۹۵،۵۵۶
دیگر سالانہ جامع آمدن	(۳۴،۵۷۷)
سال بھر میں منافع کی تقسیم	(۴۸۷،۸۶۳)
غیر تقسیم شدہ منافع	۶،۱۴۱،۸۶۰
قابل تقسیم دستیاب منافع	۶،۱۱۴،۹۷۶

فی حصہ آمدنی برائے سال ۱۸۔۲۰۱۷ مبلغ ۲۴ء۱۵ ہے۔

بورڈ آف ڈ ئیر یکٹرز نے دوران سال عبوری منافع جو کہ بمقدار ۱۰ روپے فی حصہ ہے ادا کیا۔

ڈائریکٹران مکمل طور پر چیئرمین کے جائزہ رپورٹ کے توثیق کرتے ہیں جو سالانہ رپورٹ میں شامل ہے اور یہ مجموعی طور مالیاتی اور کاروباری نتائج کے ساتھ ان میں وجہ تغیر اور مستقبل کے اہم منصوبہ جات اور معاملات کی احاطہ کرتی ہے۔

دوران سال جو ڈائریکٹرز کمپنی کے ساتھ منسلک رہے ان کے نام یہ ہیں۔

ڈائریکٹران

- جناب صدرالدین ہاشوانی
- جناب مرتضیٰ ہاشوانی
- جناب ایم۔اے۔باوانی
- جناب منصور اکبر علی
- سید ساجد علی
- جناب شاکر ابوبکر
- سید حسیب امجد گردیزی
- سید اسد علی شاہ
- جناب ایم۔احمد غزالی مرغوب

دوران سال کمپنی اور اسکی سبسڈری کمپنیز کے کاروبار کی نوعیت میں کوئی تبدیلی نہیں آئی۔

آڈیٹرز رپورٹ میں آڈیٹرز ریگولیشن ۲۰۱۸ء کے مطابق تبدیلی آئی ہے جسکی وجہ سے آڈیٹرز رپورٹ کے بنیادی ڈھانچے میں نمایاں تبدیلیاں آئی ہیں اور نمایاں اضافی معلومات مہیا کی گئی ہیں۔

حصہ داران کا تناسب اس رپورٹ کے ساتھ منسلک ہے۔

دوران سال قرضہ جات کی ادائیگی کے سلسلے میں کوئی ڈیفالٹ نہیں ہوا۔

انٹرنل فنانشل کنٹرول مکمل طور پر مؤثر اور نافذ ہیں۔

سال کے اختتام اور آڈٹ رپورٹ شائع ہونے کی دوران کوئی اہم کاروباری معاملہ طے نہیں پایا۔

بورڈ آف ڈائریکٹرز موثر فنانشل کنٹرولز وضع کیے ہیں جو کہ مکمل طور پر نافذ ہیں۔

ریٹائر ہونے والے محاسب کے پی ایم جی تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس اہلیت کے ساتھ محاسب کے طور پہ خود کو کمپنی میں دوبارہ تعیناتی کے لیے پیش کرتی ہے بورڈ محاسب کمیٹی کی سفارش سے کے پی ایم جی تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو مورخہ ۳۰ جون ۲۰۱۹ء کو اختتام پذیر ہونے والے مالی سال کے لئے نامزدگی کی تجویز پیش کرتی ہے۔

منجانب بورڈ آف ڈائریکٹرز

مرتضیٰ ہاشوانی
چیف ایگزیکٹو

شاکر ابوبکر
ڈائریکٹر

اسلام آباد ۲۴ ستمبر ۲۰۱۸ء

Key operating and Financial Data

		2018	2,017	2016	2015	2014	2013
Profitability Ratios							
Gross profit ratio	%	**46.35**	44.66	45.72	45.87	44.14	43.35
Net profit to sales	%	**4.71**	11.71	6.83	13.51	18.44	13.04
EBIDTA margin to sales	%	**21.46**	26.36	20.69	26.23	30.91	24.70
Return on equity	%	**1.38**	3.58	1.98	3.61	5.34	3.53
Return on capital employed	%	**1.07**	2.89	1.81	3.28	5.15	3.42
Return on assets	%	**0.98**	2.71	1.71	3.12	4.77	3.20
Liquidity Ratios							
Current ratio		**1.45**	2.50	1.24	1.89	1.36	1.55
Quick / acid test ratio		**1.38**	2.40	1.11	1.76	1.26	1.44
Cash to current liabilities		**0.31**	0.10	0.17	0.44	0.07	0.06
Cash flow from operations to sales		**0.14**	0.16	0.22	0.13	0.19	0.14
Activity Turnover Ratios							
Inventory turnover	Days	**18**	19	22	24	23	23
Debtors turnover	Days	**36**	35	34	40	42	41
Creditors turnover	Days	**35**	18	22	34	51	25
Operating cycle	Days	**19**	36	34	30	14	39
Property, plant & equipment turnover	Times	**0.34**	0.30	0.29	0.27	0.31	0.30
Total assets turnover	Times	**0.38**	0.23	0.25	0.23	0.26	0.25
Investment / Market Ratios							
Earnings/ (loss) per share - basic and diluted	Rs	**15.24**	35.33	19.22	32.92	43.15	27.28
Price earning ratio		**64.98**	25.54	35.10	15.04	11.39	10.86
Dividend yield ratio	%	**1.01**	1.66	1.11	1.01	-	-
Dividend payout ratio	%	**65.63**	42.46	39.02	15.19	-	-
Dividend cover ratio		**1.52**	2.36	2.56	6.58	-	-
Cash dividend per share	Rs	**10.00**	15.00	7.50	5.00	-	-
Market value per share at year end	Rs	**990.00**	902.50	674.73	495	491.36	296.10
Highest market value per share during the year	Rs	**1,045.00**	980.00	674.73	574.50	520.00	390.00
Lowest market value per share during the year	Rs	**900.00**	699.99	499.2	411.00	222.00	142.50
Breakup value per share (Including the effect of surplus on revaluation of property, plant & equipment).	Rs	**1,101.97**	987.46	970.47	961.46	807.58	772.12
Breakup value per share (Excluding surplus on revaluation of property, plant & equipment).	Rs	**255.49**	256.32	239.33	230.32	197.15	157.54
Capital Structure Ratios							
Financial leverage ratio		**0.31**	0.23	0.09	0.02	0.02	0.02
Debt : Equity (Including the effect of surplus on revaluation of property, plant & equipment)		**0.27**	0.21	0.07	0.02	0.01	0.01
Debt : Equity (Excluding surplus on revaluation of property, plant & equipment)		**1.16**	0.82	0.28	0.09	0.06	0.07
Interest cover ratio		**2.43**	4.43	6.69	14.36	11.17	7.53
Summary of Cash Flows							
Net cash flow from operating activities	(Rs.000)	**1,518,433**	1,600,646	2,013,492	1,023,940	1,465,055	920,364
Net cash flow from investing activities	(Rs.000)	**(3,894,336)**	(6,095,428)	(4,005,839)	(577,521)	(1,325,932)	(730,338)
Net cash flow from financing activities	(Rs.000)	**3,158,697**	4,046,367	1,605,435	157,785	(10,227)	(223,131)
Net change in cash and cash equivalents	(Rs.000)	**782,794**	(448,415)	(386,912)	604,204	128,896	(33,105)

Horizontal Analysis

Balance Sheet

(Rs. '000)	2018	18 Vs 17 %	2017	17 Vs 16 %	2016	16 Vs 15 %	2015	15 Vs 14 %	2014	14 Vs 13 %	2013
Share Capital and Reserves											
Share Capital	325,242	-	325,242	-	325,242	-	325,242	-	325,242	-	325,242
Capital reserves	269,424	-	269,424	-	269,424	-	269,424	-	269,424	-	269,424
Revenue reserves	7,714,976	(0.35)	7,741,860	7.69	7,189,345	4.25	6,896,346	18.54	5,817,567	28.45	4,529,115
Revaluation surplus on property, plant and equipment	27,530,740		23,779,515		23,779,515		23,779,515		19,853,565		19,988,725
	35,840,382	11.60	32,116,041	1.75	31,563,526	0.94	31,270,527	19.05	26,265,798	4.59	25,112,506
Non Current Liabilities											
Loans and borrowings	9,656,299	41.50	6,824,002	209.43	2,205,321	221.88	685,128	92.77	355,415	(3.06)	366,651
Employee benefits	666,088	-	600,182	-	514,935	-	470,248	138.67	197,031	(47.73)	376,939
Deferred tax liability-net	272,545	30.02	209,611	15.54	181,414	3.77	174,824	(60.76)	445,501	387.81	91,326
	10,594,932	38.79	7,633,795	163.08	2,901,670	118.14	1,330,200	33.29	997,947	19.53	834,916
Current Liabilities											
Trade and other payables	1,950,875	19.54	1,632,042	2.33	1,594,818	(2.11)	1,629,265	(12.48)	1,861,582	27.95	1,454,932
Markup payable	223,910	115.59	103,859	22.39	84,856	121.83	38,253	9.10	35,063	69.48	20,689
Short term borrowings - secured	553,868	100.00	339,943	100.00	-	0	-	-	-	(100.00)	75,395
Current portion of long term financing	1,347,134	170.75	497,562	(0.49)	500,000	572.12	74,392	(69.28)	242,195	0.42	241,186
Unclaimed dividend	9,242		16,588		8,600		3,534		3,534	-	3,534
Unpaid dividend	19,210										
Provision for taxation - net	-	-	-	-	-	-	-	-	37,634	494.06	6,335
	4,104,239	58.47	2,589,994	18.36	2,188,274	25.37	1,745,444	(19.93)	2,180,008	20.97	1,802,071
	50,539,553	19.37	42,339,830	15.51	36,653,470	6.72	34,346,171	16.65	29,443,753	6.11	27,749,493
Non Current Assets											
Property, plant and equipment	39,925,287	21.30	32,915,428	4.10	31,619,780	9.42	28,897,404	18.78	24,328,755	5.84	22,987,048
Advance for capital expenditure	1,532,203	13.75	1,346,935	10.35	1,220,607	3.84	1,175,457	(0.85)	1,185,480	7.81	1,099,645
Investment property	60,000	20.00	50,000	11.11	45,000	-	45,000	-	45,000	(4.26)	47,000
Long term investments	1,037,794	-	1,037,794	-	1,037,794	14.70	904,763	8.01	837,668	7.17	781,635
Advance for equity investment	2,014,570	1,837.09	104,000	#DIV/0!	-	-	-	-	-	-	-
Long term advance	-	100.00	400,000	100	-	-	-	(100.00)	55,000	100.00	-
Long term deposits and prepayments	37,970	70.09	22,323	(6.35)	23,838	26.37	18,864	(7.23)	20,335	(41.98)	35,049
	44,607,824	2,062.23	35,876,480	#DIV/0!	33,947,019	9.36	31,041,488	17.26	26,472,238	6.10	24,950,377
Current Assets											
Inventories	279,917	8.13	258,874	(9.02)	284,527	18.01	241,104	3.64	232,640	10.62	210,303
Trade debts	704,692	17.13	601,610	13.78	528,735	3.63	510,208	(12.61)	583,847	5.28	554,553
Advances, prepayments, trade deposits, and other receivables	299,613	(92.31)	3,895,250	1,677.61	219,128	(68.17)	688,517	2.39	672,419	(5.15)	708,947
Short term investments	3,123,231	127.36	1,373,707	13.66	1,208,587	10.41	1,094,604	(17.12)	1,320,771	109.05	631,787
Short Term Advance	40,000	-	-	-	-	-	-	-	-	-	-
Advance tax - net	216,899	-	63,251	-	86,344	-	4,208	-	-	-	-
Non- Current Asset held for sale	-	-	-	-	-	-	-	-	-	-	586,403
Cash and bank balances	1,267,377	368.26	270,658	(28.61)	379,130	(50.51)	766,042	373.34	161,838	51.08	107,123
	5,931,729	(8.23)	6,463,350	138.81	2,706,451	(18.10)	3,304,683	11.21	2,971,515	6.16	2,799,116
	50,539,553	19.37	42,339,830	15.51	36,653,470	6.72	34,346,171	16.65	29,443,753	6.11	27,749,493
Profit and Loss Account											
Revenue - gross	12,362,265	7.07	11,545,612	7.07	10,783,011	15.32	9,350,802	3.52	9,032,940	12.06	8,060,941
Discounts and commissions	168,561	(5.82)	178,970	18.81	150,639	18.60	127,019	(7.24)	136,940	8.36	126,376
Sales tax	1,666,453	7.19	1,554,656	4.95	1,481,312	13.79	1,301,767	1.22	1,286,115	13.47	1,133,395
Revenue - net	10,527,251	7.29	9,811,986	7.22	9,151,060		7,922,016		7,609,885		6,801,170
Cost of sales and services	5,647,370	4.01	5,429,680	9.30	4,967,545	15.83	4,288,554	0.88	4,251,249	10.33	3,853,039
Gross profit	4,879,881	11.35	4,382,306	4.75	4,183,515	15.14	3,633,462	8.18	3,358,636	13.92	2,948,131
Other operating income	151,998	10.72	137,283	14.28	120,128	11.30	107,927	(9.66)	119,464	2.63	116,398
Administrative expenses	3,268,064	23.02	2,656,605	11.45	2,383,614	5.39	2,261,735	15.21	1,963,093	7.18	1,831,583
Other operating expenses	-	(100.00)	40,509	(94.92)	797,536	100.00	-	(100.00)	55,273	(24.20)	72,919
Operating profit	1,763,815	(3.22)	1,822,475	62.36	1,122,493	(24.14)	1,479,654	1.36	1,459,734	25.84	1,160,027
Finance income	99,262	11.27	89,211	(38.43)	144,883	(4.53)	151,757	25.92	120,517	5.18	114,581
Unrealised (loss)/ gain on remeasurement of investments to fair value - net	(250,474)	(251.69)	165,120	41.30	116,859	306.41	28,754	(93.27)	427,168	209.77	137,900
Finance cost	725,513	76.18	411,802	145.48	167,753	62.75	103,073	(21.10)	130,639	(15.16)	153,988
Net finance cost	876,725		157,471		93,989		77,438		417,046		98,493
Profit before taxation	887,090	(46.72)	1,665,004	36.87	1,216,482	(21.87)	1,557,092	(17.03)	1,876,780	49.13	1,258,520
Income tax expense	391,534	(24.11)	515,929	(12.74)	591,277	21.55	486,446	2.75	473,411	27.47	371,384
Profit for the year	495,556	(56.87)	1,149,075	83.79	625,205	(41.60)	1,070,646	(23.71)	1,403,369	58.19	887,136
Earnings per share - basic and diluted (Rupees)	15.24	(56.87)	35.33	83.79	19.22	(41.60)	32.92	(23.71)	43.15	58.19	27.28

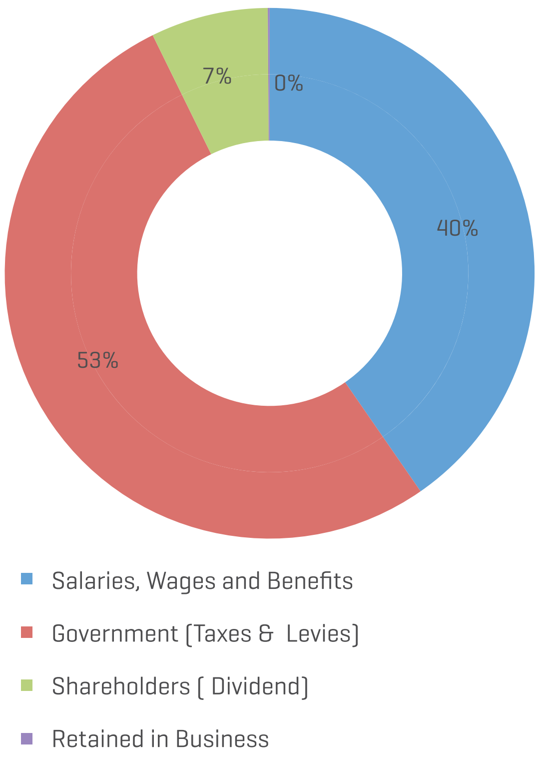
Vertical Analysis

(Rs. '000)	2018	%	2017	%	2016	%	2015	%	2014	%	2013	%
Share Capital and Reserves												
Share Capital	325,242	0.64	325,242	0.77	325,242	0.89	325,242	0.95	325,242	1.10	325,242	1.17
Capital reserves	269,424	0.53	269,424	0.64	269,424	0.74	269,424	0.78	269,424	0.92	269,424	0.97
Revenue reserves	7,714,976	15.27	7,741,860	18.29	7,189,345	19.61	6,896,346	20.08	5,817,567	19.76	4,529,115	16.32
Revaluation surplus on property, plant and equipment	27,530,740	54.47	23,779,515	56.16	23,779,515	64.88	23,779,515	69.23	19,853,565	67.43	19,988,725	72.03
	35,840,382	70.92	32,116,041	75.85	31,563,526	86.11	31,270,527	91.05	26,265,798	89.21	25,112,506	90.50
Non Current Liabilities												
Loans and borrowings	9,656,299	19.11	6,824,002	16.12	2,205,321	6.02	685,128	1.99	355,415	1.21	366,651	1.32
Employee benefits	666,088	1.32	600,182	1.42	514,935	1.40	470,248	1.37	197,031	0.67	376,939	1.36
Deferred tax liability-net	272,545	0.54	209,611	0.50	181,414	0.49	174,824	0.51	445,501	1.51	91,326	0.33
	10,594,932	20.96	7,633,795	18.03	2,901,670	7.92	1,330,200	3.87	997,947	3.39	834,916	3.01
Current Liabilities												
Trade and other payables	1,950,875	3.86	1,632,042	3.85	1,594,818	4.35	1,629,265	4.74	1,861,582	6.32	1,454,932	5.24
Markup payable	223,910	0.44	103,859	0.25	84,856	0.23	38,253	0.11	35,063	0.12	20,689	0.07
Short term borrowings - secured	553,868	1.10	339,943	0.80	-	-	-	-	-	-	75,395	0.27
Current portion of long term financing	1,347,134	2.67	497,562	1.18	500,000	1.36	74,392	0.22	242,195	0.82	241,186	0.87
Unclaimed dividend	9,242	0.02	16,588	0.04	8,600	0.02	3,534	0.01	3,534	0.01	3,534	0.01
Unpaid dividend	19,210	0.04		-		-		-		-		-
Provision for taxation - net	-		-	-	-	-	-	-	37,634	0.13	6,335	0.02
	4,104,239	8.12	2,589,994	6.12	2,188,274	5.97	1,745,444	5.08	2,180,008	7.40	1,802,071	6.49
				-		-		-		-		-
	50,539,553	100.00	42,339,830	100.00	36,653,470	100.00	34,346,171	100.00	29,443,753	100.00	27,749,493	100.00
Non Current Assets												
Property, plant and equipment	39,925,287	79.00	32,915,428	77.74	31,619,780	86.27	28,897,404	84.14	24,328,755	82.63	22,987,048	82.84
Advance for capital expenditure	1,532,203	3.03	1,346,935	3.18	1,220,607	3.33	1,175,457	3.42	1,185,480	4.03	1,099,645	3.96
Investment property	60,000	0.12	50,000	0.12	45,000	0.12	45,000	0.13	45,000	0.15	47,000	0.17
Long term investments	1,037,794	2.05	1,037,794	2.45	1,037,794	2.83	904,763	2.63	837,668	2.84	781,635	2.82
Advance for equity investment	2,014,570	3.99	104,000	0.25	-	-	-	-	-	-	-	-
Long term advance	-	-	400,000	0.94	-	-	-	-	55,000	0.19	-	-
Long term deposits and prepayments	37,970	0.08	22,323	0.05	23,838	0.07	18,864	0.05	20,335	0.07	35,049	0.13
	44,607,824	88.26	35,876,480	84.73	33,947,019	92.62	31,041,488	90.38	26,472,238	89.91	24,950,377	89.91
Current Assets												
Inventories	279,917	0.55	258,874	0.61	284,527	0.78	241,104	0.70	232,640	0.79	210,303	0.76
Trade debts	704,692	1.39	601,610	1.42	528,735	1.44	510,208	1.49	583,847	1.98	554,553	2.00
Advances, prepayments, trade deposits,		-		-		-		-		-		-
and other receivables	299,613	0.59	3,895,250	9.20	219,128	0.60	688,517	2.00	672,419	2.28	708,947	2.55
Short term investments	3,123,231	6.18	1,373,707	3.24	1,208,587	3.30	1,094,604	3.19	1,320,771	4.49	631,787	2.28
Short Term Advance	40,000	0.08	-	-	-	-	-	-	-	-	-	-
Advance tax - net	216,899	0.43	63,251	0.15	86,344	0.24	4,208	0.01	-	-	-	-
Non- Current Asset held for sale	-	-	-	-	-	-	-	-	-	-	586,403	2.11
Cash and bank balances	1,267,377	2.51	270,658	0.64	379,130	1.03	766,042	2.23	161,838	0.55	107,123	0.39
	5,931,729	11.74	6,463,350	15.27	2,706,451	7.38	3,304,683	9.62	2,971,515	10.09	2,799,116	10.09
	50,539,553	100.00	42,339,830	100.00	36,653,470	100.00	34,346,171	100.00	29,443,753	100.00	27,749,493	100.00
Profit and Loss Account												
Revenue - gross	12,362,265	100.00	11,545,612	100.00	10,783,011	100.00	9,350,802	100.00	9,032,940	100.00	8,060,941	100.00
Discounts and commissions	168,561	1.36	178,970	1.55	150,639	1.40	127,019	1.36	136,940	1.52	126,376	1.57
Sales tax	1,666,453	13.48	1,554,656	13.47	1,481,312	13.74	1,301,767	13.92	1,286,115	14.24	1,133,395	14.06
Revenue - net	10,527,251	85.16	9,811,986	84.98	9,151,060	84.87	7,922,016	84.72	7,609,885	84.25	6,801,170	84.37
Cost of sales and services	5,647,370	45.68	5,429,680	47.03	4,967,545	46.07	4,288,554	45.86	4,251,249	47.06	3,853,039	47.80
Gross profit	4,879,881	39.47	4,382,306	37.96	4,183,515	38.80	3,633,462	38.86	3,358,636	37.18	2,948,131	36.57
Other operating income	151,998	1.23	137,283	1.19	120,128	1.11	107,927	1.15	119,464	1.32	116,398	1.44
Administrative expenses	3,268,064	26.44	2,656,605	23.01	2,383,614	22.11	2,261,735	24.19	1,963,093	21.73	1,831,583	22.72
Other operating expenses	-	-	40,509	0.35	797,536	7.40	-	-	55,273	0.61	72,919	0.90
Operating profit	1,763,815	14.27	1,822,475	15.79	1,122,493	10.41	1,479,654	15.82	1,459,734	16.16	1,160,027	14.39
Finance income	99,262	0.80	89,211	0.77	144,883	1.34	151,757	1.62	120,517	1.33	114,581	1.42
Unrealised (loss)/ gain on remeasurement		-		-		-		-		-		-
of investments to fair value - net	(250,474)	(2.03)	165,120	1.43	116,859	1.08	28,754	0.31	427,168	4.73	137,900	1.71
Finance cost	725,513	5.87	411,802	3.57	167,753	1.56	103,073	1.10	130,639	1.45	153,988	1.91
Net finance cost	876,725	7.09	157,471	1.36	93,989	0.87	77,438	0.83	417,046	4.62	98,493	1.22
Profit before taxation	887,090	7.18	1,665,004	14.42	1,216,482	11.28	1,557,092	16.65	1,876,780	20.78	1,258,520	15.61
Income tax expense	391,534	3.17	515,929	4.47	591,277	5.48	486,446	5.20	473,411	5.24	371,384	4.61
Profit for the year	495,556	4.01	1,149,075	9.95	625,205	5.80	1,070,646	11.45	1,403,369	15.54	887,136	11.01
Earnings per share - basic and diluted (Rupees)	15.24		35.33		19.22		32.92		43.15		27.28	

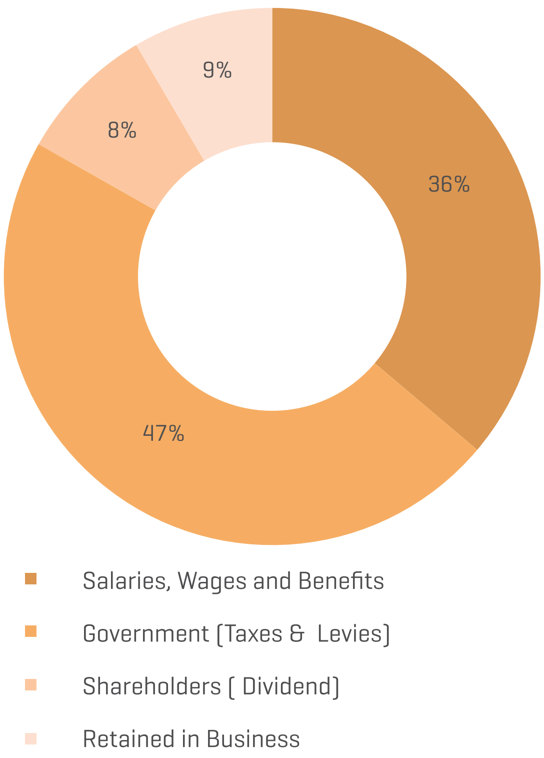
Statement of Value Addition and its Distribution

	2017-18	2016-17
	(Rupees '000)	
VALUE ADDED		
Sales and Services (Inclusive of GST and other taxes)	12,205,498	11,377,889
Other operating income - net	786	391,614
	12,206,284	11,769,503
Cost of sales and other expenses (Excluding salaries, wages and benefits & taxes)	(5,397,155)	(4,949,135)
	6,809,129	6,820,368
DISTRIBUTION		
Salaries, wages and benefits	2,747,732	2,466,542
Government (Taxes & Levies)	3,565,841	3,207,989
Shareholders (Dividend)	487,863	569,173
Retained in Business	7,693	576,664
	6,809,129	6,820,368

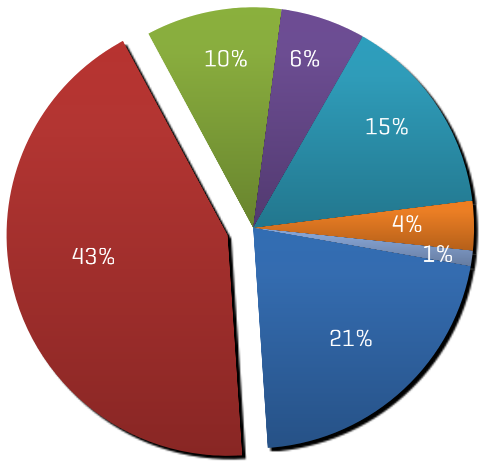
Value added & Distribution 2017-18



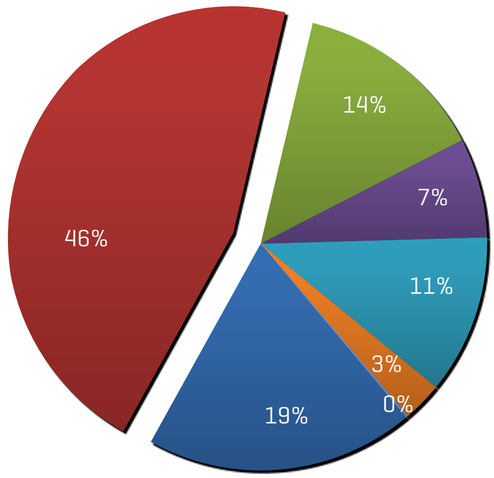
Value added & Distribution 2016-17



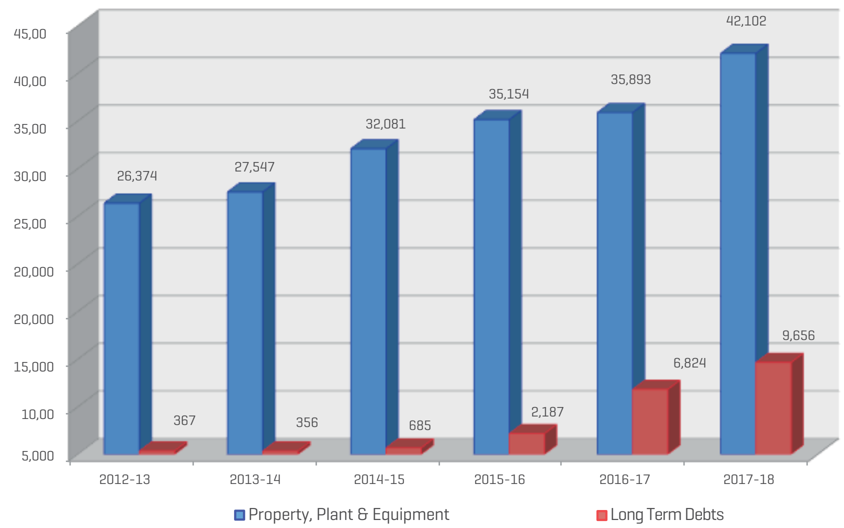
ROOMS REVENUE - HOTEL WISE 2017-18



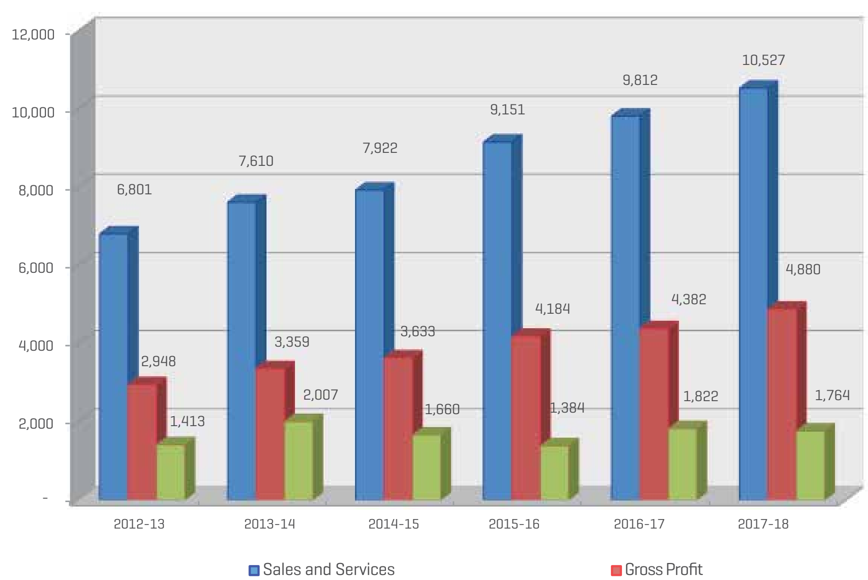
FOOD AND BEVERAGES REVENUE - HOTEL WISE 2017-18



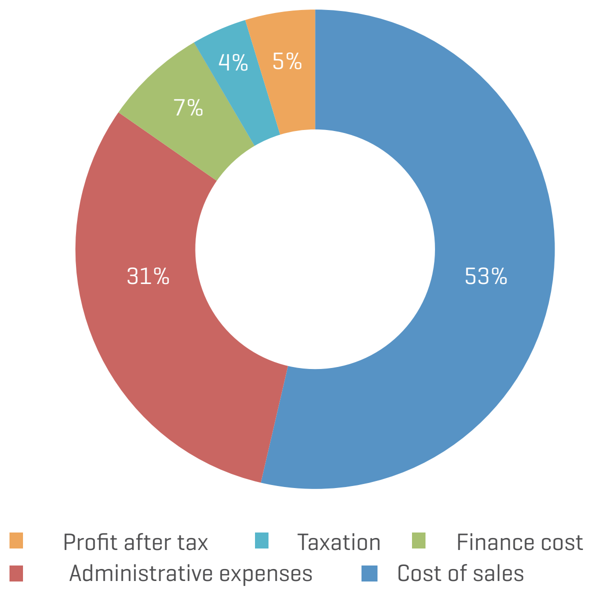
PROPERTY,PLANT & EQUIPMENT AT COST V/S LONG TERM DEBTS



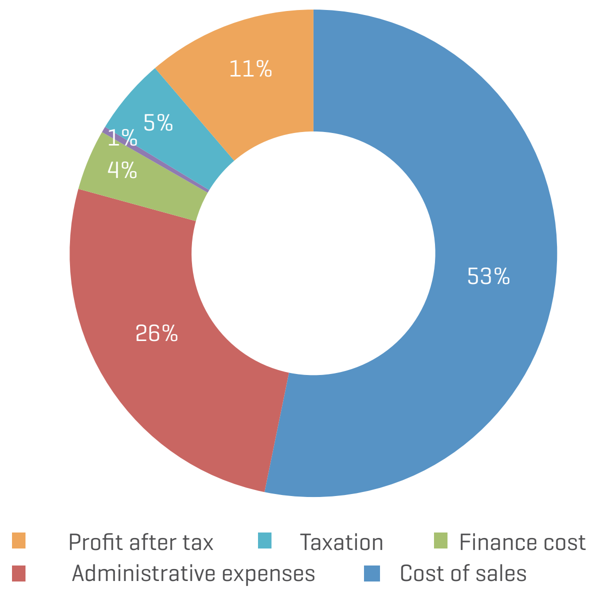
TREND ANALYSIS -SALES & SERVICES (NET),GROSS PROFIT & OPERATING PROFIT



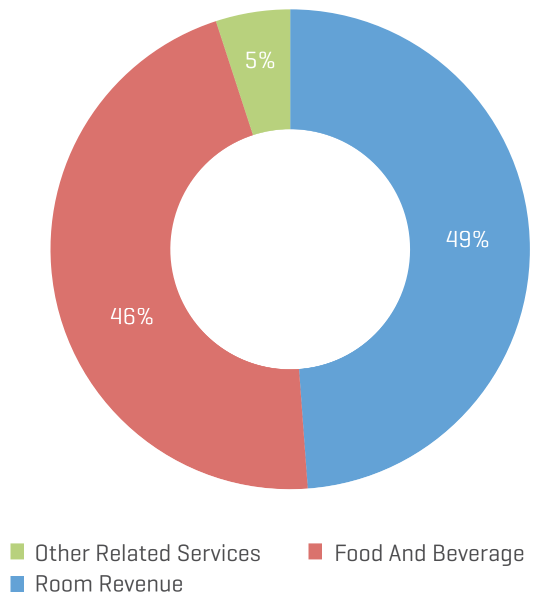
APPLICATION OF SALES & OTHER INCOME FINANCIAL YEAR 2017-18



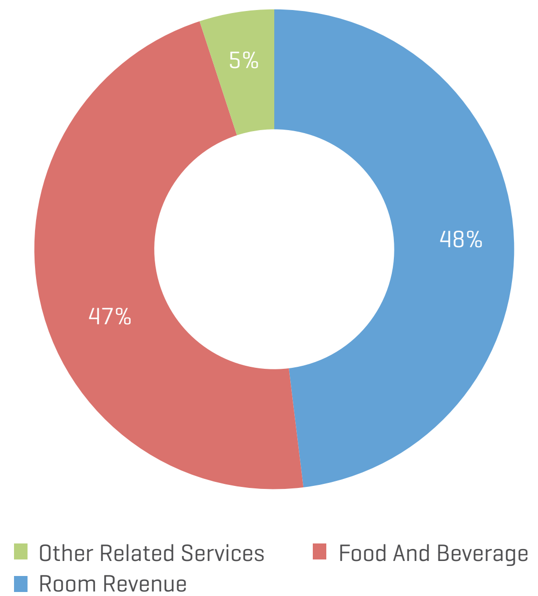
APPLICATION OF SALES & OTHER INCOME FINANCIAL YEAR 2016-17



CONTRIBUTION OF MAJOR REVENUE GENERATING DEPARTMENTS FINANCIAL YEAR 2017-18



CONTRIBUTION OF MAJOR REVENUE GENERATING DEPARTMENTS FINANCIAL YEAR 2016-17



Statement of Compliance

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017 For the year ended 30 June 2018

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are nine (9) as per the following:

   a. Male: Nine
   b. Female: None

2. The composition of board is as follows:

Category	Names
Independent Director	1) Mr. M. Ahmed Ghazali Marghoob
Executive Directors	1) Mr. Murtaza Hashwani
	2) Mr. M. A. Bawany
	3) Syed Haseeb Amjad Gardezi
Non-Executive Directors	1) Mr. Sadruddin Hashwani
	2) Mr. Mansoor Akbar Ali
	3) Syed Sajid Ali
	4) Mr. Shakir Abu Bakar
	5) Syed Asad Ali Shah

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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 a 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 relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

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. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Company is fully compliant with the requirements of directors' training under the Listed Companies (Code of Corporate Governance) Regulations, 2017 till June 30, 2018.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and

terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

Audit Committee	HR and Remuneration Committee
Mr. M. Ahmed Ghazali Marghoob (Chairman)	Mr. M. A. Bawany (Chairman)
Mr. Mansoor Akbar Ali	Syed Sajid Ali
Syed Sajid Ali	Mr. Shakir Abu Bakar
Mr. Shakir Abu Bakar	

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

14. Audit Committee meetings were held once every quarter and Human Resource and Remuneration Committee meeting was held once during the year.

15. The Board has set up an effective internal audit function and that is involved in Internal Audit on full time basis relating to the business and other affairs of the Company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, 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 ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

SADRUDDIN HASHWANI
Chairman

24 September 2018

Pearl-Continental Hotel, Muzaffarabad

Where serenity meets high-end hospitality

Take in a serene resort-like experience as you step into Pearl-Continental Hotel, Muzaffarabad. Surrounded by scenic mountains and offering a spectacular view of the Neelum River, the five-star hotel features comfortable accommodation, coupled with a diversity of delicious food along with an array of modern services and amenities. Guests can choose from a range of rooms and suites for their stay, whether on a business trip or holiday.

Nestled away in the mountains, amidst green-tree forests, the hotel also provides a starting point for adventure seekers and nature lovers. From here, they can visit numerous nearby areas such as the 2,900-metre-high Pir Chanasi Top, which offers a panoramic view of Muzaffarabad city, Neelum Valley, Jhelum Valley and Abbottabad Mountains. Trekking enthusiasts can find some tracks leading up to various spots. Meanwhile, the 1,371-metre-high Ath'muqam is known for its variety of fruits.

Choose from a variety of a total of 120 rooms and suites, for your stay. The diverse room options comprise Standard Room, Deluxe Room, Executive Room and Deluxe Suite. Each provides free and high-speed Wi-Fi connectivity along with host of modern facilities.

Explore a combination of local and international cuisines at our signature restaurants. Discover a fusion of Pakistani-meets-Continental buffet spread at Marco Polo, which also serves an a la carte menu. The restaurant is open throughout the day, both for dining and casual snacking with beverages.

Serving authentic Chinese cuisine with an essence of the Canton and Shanghai provinces, Tai-Pan

specialities are prepared using the four traditional Chinese cooking methods: steamed, braised, baked and fried. Absorb the pleasant ambience as our chefs serve you a variety of delicacies.

Enjoy aromatic, freshly-grilled barbeque in a seasonal dining setup in our beautiful garden. Take in the fresh air with a breath-taking view of the mountains.
Pick your meals, snacks and beverages and enjoy them in the comfort of your room. Choose from a doorknob breakfast menu to order in an a la carte breakfast. Order at any time of the day, until late night.

Our Business Centre equips you with everything you need to maintain a smooth workflow. The 24-hour centre features a host of facilities including high-speed internet, photocopying, binding and secretarial services.

Keep up with your fitness routine at our Health Club, offering a range of gym equipment.

From small-scale meetings to conferences and social gatherings to weddings, our spacious banquet halls offer multifaceted facilities to organise various events. The Zaver Ballroom has a seating capacity of up to 500. The Board Room and Ballroom Foyer also provide the convenience of hosting multiple functions. Furthermore, the meeting rooms offer facilities such as video-conferencing, while the outdoor activities can also be organised in the lawns and patios.


HP

UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Services Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Pakistan Services Limited (the Company), which comprise the unconsolidated statement of financial position as at 30 June 2018, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

Following are the key audit matters:

S. No.	Key audit matter	How the matter was addressed in our audit
1	**Advance against purchase of land** We draw attention to note 16 to the unconsolidated financial statements, wherein it is disclosed that the Company has extended advance against purchase of following land; ***Advance amounting to Rs. 626.82 million*** • This was extended to a related party for purchase of two plots of land. According to the agreements, both the land were to be transferred to the Company by 30 June 2012 after completion of development work. ***Advance amounting to Rs. 381.65 million*** • This represents amount paid for purchase of 113.34 acres of land and fee for regularisation of land as per the value assessed by the Land Regularization Committee established by the Government of Sindh under the Sindh Ordinance, 2001. As disclosed in detail in note 16.2, the matter is under litigation. The Company is confident that the case will be decided in its favour and possession of land will be handed over to the Company. Further, the Company has sought legal advice that in case of an adverse outcome, the Company would be entitled to recover the amounts from the purchaser as well as from the relevant Government department. We identified advance against purchase of land as a key audit matter due to its relative significance and the risk that underlying asset is not eventually transferred to the Company due to litigation and prolonged delay.	Our audit procedures to evaluate the appropriateness of the impairment of advance against the purchase of land, amongst others, included the following: • Held discussions at appropriate level of management and Audit Committee to assess their views on the settlement and recoverability of advances for land; • Reviewing legal opinion obtained by the Company regarding transfer of land and recoverability of advance where Company is in litigation. • for advances where Company is not in litigation, circularised external confirmations, and evaluating the replies received thereto; and • evaluating the appropriateness of the disclosure in accordance with the accounting and reporting standards as applicable in Pakistan.

S. No.	Key audit matter	How the matter was addressed in our audit
2	**Related party transactions, balances and disclosures** Transactions with related parties are disclosed in note 40 of the unconsolidated financial statements. We identified transactions with related parties and its disclosures as key audit matter due to the nature and number of transactions with related parties, and also due to their significance to the financial statements.	Our audit procedures to evaluate the related party transactions and disclosures, amongst others, included the following: • Obtaining an understanding of the process that management has established to identify, account for and disclose related party transactions and authorize and approve related party transactions and arrangements; • obtaining the details of related parties and transactions and comparing the same with underlying accounting records to identify transactions that are outside the normal course of business; • inspecting bank and legal confirmations, and minutes of meetings; • obtaining, on a sample basis, confirmations of transactions and balances with related parties; • comparing, on a sample basis, the recording of related party transactions with the related agreements / arrangements and underlying supporting documents; and • evaluating the completeness and appropriateness of the related parties disclosure in accordance with the accounting and reporting standards as applicable in Pakistan.

S. No.	Key audit matter	How the matter was addressed in our audit
3	**Revenue from letting of rooms and food and beverages** Refer note 28 to the unconsolidated financial statements. The Company recognized revenue of Rs. 11,742 million from rooms and food and beverages for the year ended 30 June 2018. We identified recognition of revenue from these two streams as a key audit matter because these are key performance indicators of the Company and gives rise to an inherent risk that rooms and food and beverages revenue could be subject to misstatement to meet expectations or targets.	Our audit procedures to evaluate the recognition of rooms and food and beverages revenue, amongst others, included the following: • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • Comparing a sample of revenue transactions recorded during the year with reservations, sales invoices and other relevant underlying documents; • Comparing a sample of revenue transactions recorded around the year end with the bookings, sales invoices and other relevant underlying documentation to evaluate if the related revenue was recorded in the appropriate accounting period; and • Comparing the details of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation.

<table>
<tr><th>S. No.</th><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>4</td><td>Revaluation of land
Refer to note 7 to the unconsolidated financial statements.

The Company has a policy of carrying land at revalued amounts.

We identified the revaluation of land as a key audit matter due following factors;

• Revaluation exercised was conducted during the year which resulted in revaluation surplus of Rs. 3.8 billion.
• significance of the revaluation surplus balance to the unconsolidated financial statements; and
• significant judgments and inherent estimation uncertainty associated with determining the revalued amounts.</td><td>Our audit procedures to evaluate the revaluation of land, amongst others, included the following:

• evaluating the completeness and description of the land records provided to the management's valuation expert;

• engaging an independent, competent and qualified valuation expert to validate the reasonableness of the value determined by the management's valuation expert and the underlying assumption used; and

• evaluating the appropriateness of related disclosures in the unconsolidated financial statements as per applicable accounting and reporting standards as applicable in Pakistan.</td></tr>
</table>

S. No.	Key audit matter	How the matter was addressed in our audit
5	**Capitalization of property, plant and equipment** Refer to notes 15.1 and 15.2 to the unconsolidated financial statements. The Company has made significant capital expenditure of Rs. 4,026.57 million for the construction of new hotels, modernization of existing hotel properties and purchase of an aircraft. We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that unauthorised capital expenditure might be incurred and amounts being capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year.	Our audit procedures to evaluate the capitalization of property, plant and equipment, amongst others, included the following: • Obtaining an understanding of the process relating to authorization and capitalization and testing the design, implementation and operating effectiveness of key internal controls; • testing, on sample basis, the costs capitalized with supporting documentation and contracts; • evaluating the nature of costs incurred through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the accounting policy and applicable financial reporting framework; and • inspecting supporting documents for the date of capitalization when the assets became available for their intended use to evaluate whether depreciation commenced and further capitalization of costs ceased from that date and evaluating the appropriateness of classification of assets in correct category and testing the calculation of related depreciation.

Information Other than the Unconsolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the unconsolidated financial statements and our auditors' report thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:
a) Proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
b) The unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;and
d) 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 engagement partner on the audit resulting in this independent auditors' report is Riaz Akbar Ali Pesnani.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.

Chartered Accountants

Islamabad: 28 September 2018

Independent Auditors' Review Report

To the members of Pakistan Services Limited

Review report on the Statement of Compliance in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Pakistan Services Limited for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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 risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried procedures to access and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.

KPMG Taseer Hadi & Co.

Chartered Accountants

Islamabad: 28 September 2018

Unconsolidated Statement of Financial Position

As at 30 June 2018

	Note	30 June 2018	Restated 30 June 2017	Restated 01 July 2016
			(Rupees'000)	
EQUITY				
Share capital	4	**325,242**	325,242	325,242
Capital reserve	5	**269,424**	269,424	269,424
Revenue reserves	6	**7,714,976**	7,741,860	7,189,345
Revaluation surplus on property, plant and equipment	7	**27,530,740**	23,779,515	23,779,515
Total equity		**35,840,382**	32,116,041	31,563,526
LIABILITIES				
Loans and borrowings	8	**9,656,299**	6,824,002	2,205,321
Employee benefits	9	**666,088**	600,182	514,935
Deferred tax liability - net	10	**272,545**	209,611	181,414
Non current liabilities		**10,594,932**	7,633,795	2,901,670
Short term borrowings	11	**553,868**	339,943	-
Current portion of loans and borrowings	8	**1,347,134**	497,562	500,000
Trade and other payables	12	**1,950,875**	1,632,042	1,594,818
Markup accrued		**223,910**	103,859	84,856
Unpaid dividend	13	**19,210**	-	-
Unclaimed dividend		**9,242**	16,588	8,600
Current liabilities		**4,104,239**	2,589,994	2,188,274
Total equity and liabilities		**50,539,553**	42,339,830	36,653,470

CONTINGENCIES AND COMMITMENTS 14

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

	Note	30 June 2018	Restated 30 June 2017	Restated 01 July 2016
			(Rupees'000)	
ASSETS				
Property, plant and equipment	15	**39,925,287**	32,915,428	31,619,780
Advance for capital expenditure	16	**1,532,203**	1,346,935	1,220,607
Investment property	17	**60,000**	50,000	45,000
Long term investments	18	**1,037,794**	1,037,794	1,037,794
Advance against equity investment	19	**2,014,570**	104,000	-
Long term advance		-	400,000	-
Long term deposits and prepayments	20	**37,970**	22,323	23,838
Non current assets		**44,607,824**	35,876,480	33,947,019
Inventories	21	**279,917**	258,874	284,527
Trade debts	22	**704,692**	601,610	528,735
Advances, prepayments, trade deposits and other receivables	23	**299,613**	3,895,250	219,128
Short term investments	24	**3,123,231**	1,373,707	1,208,587
Short term advance	25	**40,000**	-	-
Advance tax - net	26	**216,899**	63,251	86,344
Cash and bank balances	27	**1,267,377**	270,658	379,130
Current assets		**5,931,729**	6,463,350	2,706,451
Total assets		**50,539,553**	42,339,830	36,653,470

Murtaza Hashwani
Chief Executive

Shakir Abu Bakar
Director

Abdul Qadeer Khan
Chief Financial Officer

Unconsolidated Statement of Profit or Loss

For the year ended 30 June 2018

	Note	2018	Restated 2017
		(Rupees'000)	
Revenue - gross	28	12,362,265	11,545,612
Discounts and commissions	28	(168,561)	(178,970)
Sales tax	28	(1,666,453)	(1,554,656)
Revenue - net		10,527,251	9,811,986
Cost of sales and services	29	(5,647,370)	(5,429,680)
Gross profit		4,879,881	4,382,306
Other income	30	151,998	137,283
Administrative expenses	31	(3,268,064)	(2,656,605)
Other expense	32	-	(40,509)
Operating profit		1,763,815	1,822,475
Finance income	33	99,262	89,211
Unrealised (loss)/ gain on remeasurement of investments to fair value-net		(250,474)	165,120
Finance cost	34	(725,513)	(411,802)
Net finance cost		(876,725)	(157,471)
Profit before taxation		887,090	1,665,004
Income tax expense	35	(391,534)	(515,929)
Profit for the year		495,556	1,149,075
Earnings per share - basic and diluted (Rupees)	36	15.24	35.33

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

Murtaza Hashwani Chief Executive	Shakir Abu Bakar Director	Abdul Qadeer Khan Chief Financial Officer

Unconsolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	2018	2017
	(Rupees'000)	
Profit for the year	495,556	1,149,075
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefits liability	(46,103)	(39,124)
Surplus on revaluation of property, plant and equipment	3,751,225	-
Related tax	11,526	11,737
	3,716,648	(27,387)
Total comprehensive income for the year	4,212,204	1,121,688

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

Murtaza Hashwani	**Shakir Abu Bakar**	**Abdul Qadeer Khan**
Chief Executive	Director	Chief Financial Officer

Unconsolidated Statement of Cash Flow

For the year ended 30 June 2018

	Note	2018	2017
		(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operating activities before working capital changes	37	2,553,272	2,494,651
Working capital changes			
(Increase) / decrease in current assets			
Inventories		(21,239)	26,638
Trade debts		(102,594)	(52,341)
Advances		(16,760)	157
Trade deposits and prepayments		(4,410)	2,284
Other receivables		(40,130)	(10,209)
Increase in trade and other payables		318,833	37,224
Cash generated from operations		133,700	3,753
Staff retirement benefit - gratuity paid	9.1	(45,895)	(41,981)
Compensated leave absences paid	9.2	(22,793)	(18,767)
Income tax paid	26	(470,722)	(452,902)
Finance cost paid		(629,129)	(384,108)
Net cash from operating activities		1,518,433	1,600,646
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(3,955,732)	(1,862,759)
Advance for capital expenditure		(185,268)	(166,837)
Other reveivalbes- Refund of Advance for purchase of land (Advance for purchase of land)		3,648,420	(3,648,420)
Proceeds from disposal of property, plant and equipment	15.1.9	60,361	19,574
Purchase of long term investments		-	(104,000)
Advance against equity		(1,491,000)	-
Long term advance		-	(400,000)
Short term advance		(40,000)	-
Short term investments		(2,000,000)	-
Dividend income received	33.1	55,144	42,034
Receipts of return on bank deposits and short term advance		29,386	23,465
Long term deposits and prepayments		(15,647)	1,515
Net cash used in investing activities		(3,894,336)	(6,095,428)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(492,500)	(500,000)
Proceeds from long-term financing		1,850,000	5,150,000
Proceeds from Sukuk issuance		2,333,333	-
Repayment of diminishing musharaka facility		(11,137)	(5,948)
Dividend paid		(475,999)	(561,185)
Payment of transaction cost of long term financing		(45,000)	(36,500)
Net cash from financing activities		3,158,697	4,046,367
Net increase /(decrease) in cash and cash equivalents		782,794	(448,415)
Cash and cash equivalents at beginning of the year		(69,285)	379,130
Cash and cash equivalents at end of the year	38	713,509	(69,285)

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

Murtaza Hashwani Chief Executive	Shakir Abu Bakar Director	Abdul Qadeer Khan Chief Financial Officer

Unconsolidated Statement of Changes in Equity

For the year ended 30 June 2018

		Capital reserve		Revenue reserves		
	Share capital	Share premium	Surplus on revaluation of property, plant and equipment	General reserve	Unappropriated profit	Total equity
	(Rupees'000)					
Balance at 01 July 2016-as previously reported	325,242	269,424	-	1,600,000	5,580,999	7,775,665
Effect of change in policy (note 46)	-	-	23,779,515	-	-	23,779,515
Effect of restatement - correction of an error	-	-	-	-	8,346	8,346
Balance at 01 July 2016-as restated	325,242	269,424	23,779,515	1,600,000	5,589,345	31,563,526
Total comprehensive income for the year - restated						
Profit for the year	-	-	-	-	1,149,075	1,149,075
Other comprehensive income for the year	-	-	-	-	(27,387)	(27,387)
Total comprehensive income for the year	-	-	-	-	1,121,688	1,121,688
Transaction with owners of the Company						
Distribution:						
Final cash dividend 30 June 2016						
Rs. 2.5 per share	-	-	-	-	(81,310)	(81,310)
First interim cash dividend 2017						
Rs. 5 per share	-	-	-	-	(162,621)	(162,621)
Second interim cash dividend 2017						
Rs. 5 per share	-	-	-	-	(162,621)	(162,621)
Third interim cash dividend 2017						
Rs. 5 per share	-	-	-	-	(162,621)	(162,621)
Total distribution	-	-	-	-	(569,173)	(569,173)
Balance at 30 June 2017- as restated	**325,242**	**269,424**	**23,779,515**	**1,600,000**	**6,141,860**	**32,116,041**
Balance at 30 June 2017- as previously reported	325,242	269,424	-	1,600,000	6,130,276	8,324,942
Effect of change in policy (note 46)	-	-	23,779,515	-	-	23,779,515
Effect of restatement - correction of an error	-	-	-	-	11,584	11,584
Balance at 30 June 2017-as restated	325,242	269,424	23,779,515	1,600,000	6,141,860	32,116,041
Balance at 01 July 2017-as restated	**325,242**	**269,424**	**23,779,515**	**1,600,000**	**6,141,860**	**32,116,041**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	495,556	495,556
Other comprehensive income for the year	-	-	3,751,225	-	(34,577)	3,716,648
Total comprehensive income for the year	-	-	3,751,225	-	460,979	4,212,204
Transaction with owners of the Company						
Distribution:						
Final cash dividend 30 June 2017						
Rs. 5 per share	-	-	-	-	(162,621)	(162,621)
First interim cash dividend 2018					-	
Rs. 5 per share	-	-	-	-	(162,621)	(162,621)
Second interim cash dividend 2018					-	
Rs. 5 per share	-	-	-	-	(162,621)	(162,621)
Total distribution	-	-	-	-	(487,863)	(487,863)
Balance at 30 June 2018	**325,242**	**269,424**	**27,530,740**	**1,600,000**	**6,114,976**	**35,840,382**

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

Murtaza Hashwani Chief Executive	Shakir Abu Bakar Director	Abdul Qadeer Khan Chief Financial Officer

1. CORPORATE AND GENERAL INFORMATION

1.1 The Company and its operations

Pakistan Services Limited ("the Company") was incorporated on 06 December 1958 in Pakistan under the Companies Act, 1913 (now Companies Act, 2017) as a public limited company and is quoted on Pakistan Stock Exchange Limited.

The Company is principally engaged in the hotel business and owns and manages the chain of Pearl Continental Hotels in Pakistan. The Company also owns one small sized property in Lahore, operating under the budget concept. The Company also grants franchise to use its trade mark and name "Pearl Continental". Further, the company is also in the process of constructing hotels in Multan and Mirpur Azad Jammu and Kashmir.

The registered office of the Company is situated at 1st Floor, NESPAK House, Sector G-5/2, Islamabad. The addresses of lands, hotel buildings and other properties owned by the Company located in Karachi, Lahore, Rawalpindi, Bhurban, Peshawar, Multan, Muzaffarabad and Mirpur are disclosed in note 15.1.5. The addresses of the Company's other sales offices / lounges are as follows:

- CIP Lounge, New Islamabad International Airport.
- CIP Lounge, Allama Iqbal International Airport, Lahore.
- Sales center, office no. 07, Islamabad Center, Fazal-e-Haq Road, Blue Area, Islamabad.

1.2 Summary of significant events and transactions

Significant events and transactions affecting the unconsolidated financial statements are summarized as follows:

- The Company incurred major capital expenditures of Rs. 1,035 million for construction of its hotels in Mirpur and Multan. Further, the Company has made significant capital expenditure of Rs. 2,728 million for the balancing, modernization and rehabilitation of existing hotel properties and also purchased an aircraft.

- The Company entered into an agreement for issuance of rated, secured long term privately placed Sukuk of Rs. 7,000 million; out of which the Company issued first tranche of Sukuk amounting to Rs. 2,333.33 million.

- The Company also obtained a new term finance loan with a limit of Rs. 2,000 million. During the year, the total drawdowns from this facility amounted to Rs. 1,850 million.

- During the year, the Company made further investment of Rs. 1,491 million in the equity of its wholly owned subsidiary companies; namely City Properties (Private) Limited and Elite Properties (Private) Limited and converted long term advance of Rs. 400 million and interest thereon, extended to City Properties (Private) Limited.

- The Company made investments of Rs. 2,000 million in term deposit receipts.

- An unrealized loss of Rs. 250 million was recorded on investment in shares of an associated company.

- An increase in finance cost by Rs. 314 million has occurred mainly due to higher borrowings.

- Dividends of Rs. 488 million have been declared including the final cash dividend of Rs. 162 million for the year ended 30 June 2017.

- Due to first time application of financial reporting requirements under the Companies Act, 2017, the accounting policy for revaluation surplus on property, plant and equipment has been changed during the year. Consequently, the amount of revaluation surplus on property, plant and equipment reported outside the equity, in the prior years, has been reclassified to equity. Further in order to comply with the disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017 some of the amounts reported in the prior year have been reclassified. (Refer to note 47)

2 BASIS OF PREPARATION

2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards), issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

Details of the Company's accounting policies are included in note 3.

2.2 Basis of measurement and preparation

These unconsolidated financial statements have been prepared under historical cost convention except for the following items, which are measured on an alternative basis on each reporting date.

Item	Measurement basis
Land	Revaluation model
Investment property	Fair value
Investments held for trading	Fair value
Employee benefits - Net defined benefit liability	Present value of the defined benefit liability, determined through actuarial valuation

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

2.3 Functional and presentation currency

These unconsolidated financial statements are presented in Pakistan Rupees (Rupee or PKR), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.4 Use of estimates and judgments

In preparing these unconsolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The areas where various assumptions and estimates are significant to the Company's unconsolidated financial statements or where judgment was exercised in application of accounting policies are as follows:

- Note 15.1 useful lives, reassessed values, residual values and depreciation method of property, plant and equipment
- Note 17 fair value of investment property
- Note 21 provision for slow moving inventories
- Note 14 recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 9 measurement of defined benefit obligations: key actuarial assumptions
- Note 10 and 35 recognition of deferred tax liabilities and estimation of income tax provisions
- Note 22 provision for doubtful trade debts

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, both for financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the approved accounting standards as applicable in Pakistan, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows;

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).
If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as set out below have been applied consistently to all periods presented in these unconsolidated financial statements, except for the changes as follows:

i. Amendments to IAS 7 'Statement of Cash Flow' became effective during the year. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. Accordingly, these disclosures have been included in the note 38.1 to these unconsolidated financial statements.

ii. The Companies Act, 2017 specified certain disclosures to be included in the unconsolidated financial statements. The Company has presented the required disclosures in these unconsolidated financial statements and reclassified / rearranged certain corresponding figures. However, there was no change in the reported amounts of profit and other comprehensive income and the amounts presented in the statement of financial position due to these reclassifications / rearrangements. Refer to note 47.

iii. The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of property, plant and equipment has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of property, plant and equipment which was not in accordance with the IFRS requirements. Accordingly, the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment, revaluation surplus of property, plant and equipment would now be presented under equity.

Following the application of IAS 16, the Company's policy for surplus on revaluation of land stands amended as follows:

- Increases in the carrying amounts arising on revaluation of land are recognised, net of tax, if any, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. Refer to note 46.

3.1 Property, plant and equipment and Advance for capital expenditure

3.1.1 Owned

Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses except for:
- land (free hold and lease hold) which is carried at revalued amount
- capital work in progress and advance for capital expenditure which are stated at cost less impairment loss, if any.

Increases in the carrying amounts arising on revaluation of land are recognised, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Cost comprises of purchase price and other directly attributable costs less refundable taxes. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use.

The completed or / acquired capital work in progress and advance for capital expenditure is transferred to the respective item of operating fixed assets when it becomes available for intended use.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

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

Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the diminishing balance method over their estimated useful lives, and is recognised in profit or loss. Leased assets are depreciated over the shorter of the leased term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land and capital work in progress are not depreciated. Rates of depreciation are mentioned in note 15 to these unconsolidated financial statements.

Depreciation on additions to property, plant and equipment is charged on prorata basis from the month in which property, plant and equipment is acquired or capitalized while no depreciation is charged for the month in which property, plant and equipment is disposed off/ derecognized.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.1.2 Leased

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values.

If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

Leased assets

Leases of property, plant and equipment that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Company.

Lease payments

Payments made over operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Ijarah

Assets held under Ijarah arrangement are classified as operating leases and are not recognised in the Company's unconsolidated statement of financial position.

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

3.2 Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

3.3 Long term investments

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

3.3.1 Investments in subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

The profits and losses of subsidiaries are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the subsidiaries. Gain and losses on disposal of investments is included in other income. When the disposal of investment in subsidiary resulted in loss of control such that it becomes an associate the retained investment is carried at cost.

3.3.2 Investment in associates and jointly controlled entities

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

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

The profits and losses of associated and jointly controlled entities are carried forward in their financial statements and not dealt within these unconsolidated financial statements except to the extent of dividend declared by the associated and jointly controlled entity. Gain and losses on disposal of investment is included in other income.

3.4 Inventories

3.4.1 Stores, spare parts and loose tools

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

3.4.2 Stock in trade

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

3.5 Financial instruments

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

The Company classifies non-derivative financial liabilities as other financial liabilities.

3.5.1 Non-derivative financial assets and financial liabilities

3.5.1.1 Recognition and derecognition

The Company initially recognizes loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the unconsolidated statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.5.1.2 Non-derivative financial assets – Measurement

Held-for-trading - Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Held-to-maturity financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method less impairment loss, if any.

Available-for-sale financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and accumulated in the fair value reserve in equity. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Loans and receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

3.5.1.3 Non-derivative financial liabilities – Measurement

Financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

3.6 Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessment of time value of money and risk specific to the liability. The unwinding of discount is recognised as finance cost.

3.7 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.8 Share capital and dividend

Ordinary shares are classified as equity and recognised at their face value. Dividend distribution to the shareholders is recognised as liability in the period in which it is declared.

3.9 Employee benefits

3.9.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.9.2 Defined contribution plan – Provident fund

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

3.9.3 Defined benefit plans

3.9.3.1 Gratuity

The Company operates defined benefit plan comprising an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme.

The Company's net liability in respect of this defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit liability is performed annually by a qualified actuary using the projected unit credit method (PUC).

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3.9.3.2 Compensated leave absences

The Company operates defined benefit plan comprising an unfunded compensated leave absences scheme covering all eligible employees as specified by the scheme.

The Company recognises provision for compensated absences on the unavailed balance of privilege leaves of all its permanent employees. The calculation of defined benefit liability is performed annually by a qualified actuary using the projected unit credit method (PUC) and related expense related to defined benefit plans are recognised in profit or loss.

3.10 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

3.10.1 Current tax

Current tax comprises the expected tax payable or refundable on the taxable income or loss for the year and any adjustment to the tax payable or refundable in respect of previous years. The amount of current tax payable or refundable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset if certain criteria are met. The charge for current taxation is based on taxable income at current rates of taxation enacted or substantially enacted at the reporting date, after taking into consideration available tax credits, rebates and tax losses, if any.

3.10.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Company has not rebutted this assumption. Deferred tax assets and liabilities are offset if certain criteria are met.

3.11 Revenue recognition

Revenues are recognized as services are rendered and when collectability is reasonably assured. Amounts received in advance of revenue recognition are deferred as liabilities.

Revenue primarily consists of room rentals, food and beverage sales, communication towers, other rental income, shop license fees, privilege club card fees and revenue from minor operating departments.

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

3.12 Foreign currency transactions and translation

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupee at the exchange rate ruling on the reporting date and exchange differences, if any, are recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in profit or loss.

3.13 Finance income and finance cost

The Company's finance income and finance costs include interest income, dividend income, interest expense, foreign currency gain or loss on financial assets and financial liabilities. Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Company's right to receive payment is established.

Mark-up, interest and other charges on borrowings used for the acquisition and construction of qualifying assets are capitalized up to the date when the qualifying assets are substantially ready for their intended use. Borrowing cost is included in the related property, plant and equipment acquired/constructed out of the proceeds of such borrowings.

3.14 Impairment

3.14.1 Financial assets:

Financial assets not classified at fair value through profit or loss, including an interest in subsidiaries, associates and jointly controlled entities are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on the terms that the Company would not consider otherwise and indication that a debtor will enter bankruptcy.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

For financial assets measured at amortised cost, the Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

For subsidiaries, associates and jointly controlled entities an impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

3.14.2 Non-financial assets:

At each reporting date, the Company reviews the carrying amount of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amounts of any goodwill allocated to CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

3.15 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

3.16 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, short term investments and short-term borrowings under mark-up arrangements, used by the Company in the management of its short-term commitments.

3.17 Earnings per share

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

3.18 Standards, Interpretations and Amendments to the Approved Accounting Standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 01 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IAS 28 'Investments in Associates and Joint Ventures') (effective for annual periods beginning on or after 01 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The Company is currently assessing the impact of the IFRIC 22 on its unconsolidated financial statements, if any.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The Company is currently assessing the impact of the IFRIC 23 on its unconsolidated financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analysing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2018 and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analysing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-statement of financial position lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analysing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The application of amendments is not likely to have an impact on Company's unconsolidated financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's unconsolidated financial statements.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangement' - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company re-measures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 'Income Taxes' - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 'Borrowing Costs' - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 01 January 2019 and are not likely to have an impact on Company's unconsolidated financial statements.

4 SHARE CAPITAL

4.1 Authorised share capital

Authorized share capital is 200,000,000 (2017: 200,000,000) ordinary share of Rs. 10 each.

4.2 Issued, subscribed and paid up share capital

2018	2017		2018	2017
Number of shares			(Rupees'000)	
		Ordinary shares of Rs.10 each		
25,672,620	25,672,620	- Fully paid in cash	256,726	256,726
362,100	362,100	- For consideration other than cash (against property)	3,621	3,621
6,489,450	6,489,450	- Fully paid bonus shares	64,895	64,895
32,524,170	32,524,170		325,242	325,242

4.2.1 All ordinary shares rank equally with regard to the Company's residual assets. Holders of the shares are entitled to dividends from time to time and are entitled to one vote per share at the general meetings of the Company.

4.2.2 As of the reporting date 7,363,936 (2017: 7,255,136) and 585,938 (2017: 585,438) ordinary shares of Rs. 10 each were held by associated companies and directors of the Company respectively.

4.3 Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors of the Company monitors the return on capital, which the Company defines as net profit after tax divided by the total shareholders' equity. The Board of Directors also determines the level of dividends to ordinary shareholders.

There were no changes to the Company's approach to capital management during the year and the Company was not subject to externally imposed capital requirements.

5 CAPITAL RESERVE

	Note	2018	2017
		(Rupees'000)	
Share premium	5.1	269,424	269,424

5.1 Capital reserve represents share premium received in previous years.

6 REVENUE RESERVES

	2018	2017
	(Rupees'000)	
General reserve	1,600,000	1,600,000
Unappropriated profits	6,114,976	6,141,860
	7,714,976	7,741,860

7 REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT

	2018	2017
Balance at 01 July	23,779,515	23,779,515
Surplus arising on revaluation during the year	3,751,225	-
Balance at 30 June	27,530,740	23,779,515

7.1 Also refer note 15.1.3

		Note	2018	2017
8	**LOANS AND BORROWINGS - Secured**		(Rupees'000)	
a.	Non current portion			
	Term Finance Loan - 1	8.1	807,500	850,000
	Syndicated Term Loan	8.2	900,000	1,350,000
	Term Finance Loan - 2	8.3	2,150,000	2,150,000
	Term Finance Loan - 3	8.4	3,000,000	3,000,000
	Term Finance Loan - 4	8.5	1,850,000	-
	Sukuk	8.6	2,333,333	-
	Transaction cost		(71,257)	(40,808)
			10,969,576	7,309,192
	Current portion of loans		(1,335,000)	(492,500)
			9,634,576	6,816,692
	Lease finance facilities			
	Diminishing Musharaka Facility	8.7	33,857	12,372
	Current portion		(12,134)	(5,062)
			21,723	7,310
			9,656,299	6,824,002
b.	Current portion			
	Current portion of loans		1,335,000	492,500
	Current portion of Diminishing Musharaka Facility		12,134	5,062
			1,347,134	497,562

8.1 This represents outstanding balance of term finance loan of Rs. 350 million (2017: Rs. 350 million) and Rs. 500 million (2017: Rs. 500 million) carrying markup of 3-month KIBOR plus 1.5% (2017: 3-month KIBOR plus 1.5%) per annum. These are secured against first pari passu equitable mortgage charge on land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 1,534 million (2017: Rs. 1,534 million), ranking hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi to the extent of Rs. 734 million (2017: Rs. 734 million). These loans are repayable in twenty equal quarterly installments of Rs. 17.50 million and Rs. 25.00 million each against respective loans from June 2018.

8.2 This represents the outstanding balance of syndicated term loan of Rs. 1,800 million carrying markup of 6-month KIBOR plus 1.95% (2017: 6-month KIBOR plus 1.95%) per annum payable semi-annually. This facility is secured against first pari passu equitable mortgage charge over the property of Pearl Continental Hotel, Karachi with 25% margin over facility amount and first pari passu hypothecation charge over all present and future movable and immovable fixed assets (excluding land and building) of Pearl Continental Hotel, Karachi with 25% margin over facility amount. The loan is repayable in eight equal semi-annual installments of Rs. 225 million each. Repayments have started from July 2016.

8.3 This represents term finance loan of Rs. 2,150 million carrying markup of 3-month KIBOR plus 0.75% (2017 :3-month KIBOR plus 0.75%) per annum payable quarterly. This facility is secured against charge over land and building of Pearl Continental Hotel, Rawalpindi and Peshawar to the extent of Rs. 1,200 million (2017: Rs. 1,200 million) and Rs. 1,667 million (2017: Rs. 1,667 million) respectively. The loan is repayable in twenty equal quarterly installments of Rs. 107.50 million each, commencing from January 2019.

8.4 This represents term finance loan of Rs. 3,000 million carrying markup of 3-month KIBOR plus 0.75% (2017: 3-month KIBOR plus 0.75%) per annum payable quarterly. This facility is secured against ranking equitable mortgage charge over land and building of Pearl Continental Hotel, Karachi and ranking hypothecation charge on all present and future fixed and current assets of Pearl Continental Hotel, Karachi to the extent of Rs. 4,000 million (2017: Rs. 4,000 million). The loan is repayable in eighteen equal quarterly installments of Rs. 166.67 million, commencing from September 2018.

8.5 This represents utilized amount of term finance loan of Rs. 2,000 million carrying markup of 6-month KIBOR plus 0.65% per annum payable semi-annual (2017: Nil). This facility is secured against first pari passu equitable mortgage charge over land and building and first pari passu hypothecation charge on all present and future moveable assets of Pearl Continental Hotel, Peshawar with 25% margin. The loan is repayable in ten equal semi-annual installments commencing from May 2020.

8.6 During the year, the Company entered into an arrangement for issuance of rated, secured, long term privately placed Sukuk of Rs. 7,000 million; out of which the Company issued first tranche of Sukuk amounting to Rs. 2,333.33 million. Pak Brunei Investment Company Limited is the trustee while Faysal Bank Limited is acting as shariah structuring advisor for this Sukuk arrangement. The Sukuk tenor is six years, and carries profit of 6-month KIBOR plus 1% per annum payable semi-annually. The Sukuk is secured by way of first mortgage charge on Pearl Continental Hotel, Lahore with 25% margin and hypothecation on all the present and future assets (excluding land and building) of Pearl Continental Hotel, Lahore. Redemption of Sukuk will be in nine equal semi-annual installments starting from March 2020.

8.7 This represents outstanding balance of diminishing musharaka facility of Rs. 33.86 million (2017: Rs. 12.37 million) from an Islamic financial institution and carries markup of 3-month KIBOR plus 1% (2017: 3-month KIBOR plus 1%) per annum payable quarterly . The facility is secured by way of ownership of leased assets.

Diminishing musharka facility is payable as follows:

	2018		
	Present value of minimum lease payment	Interest cost for future periods	Future minimum lease payments
		(Rupees'000)	
Not later than one year	12,134	1,467	13,601
Later than one year and not later than five years	21,723	1,115	22,838
	33,857	2,582	36,439

	2017		
		(Rupees'000)	
Not later than one year	5,062	518	5,580
Later than one year and not later than five years	7,310	141	7,451
	12,372	659	13,031

9 EMPLOYEE BENEFITS

	Note	2018	2017
		(Rupees'000)	
Net defined benefit liability - gratuity	9.1.1	527,066	464,214
Net defined benefit liability - compensated leave absences	9.2.2	139,022	135,968
		666,088	600,182

9.1 Net defined benefit liability - gratuity

The Company operates an unfunded gratuity scheme for its eligible employees detail of which are as follows:

9.1.1 Movement in net defined liability - gratuity	Note	2018	2017
		(Rupees'000)	
Balance at 01 July		464,214	417,143
Included in profit or loss	9.1.3	62,644	49,928
Benefits paid		(45,895)	(41,981)
Included in other comprehensive income	9.1.4	46,103	39,124
Balance at 30 June		527,066	464,214

	Note	2018	2017
		(Rupees'000)	
9.1.2 Reconciliation of liability recognised in the statement of financial position			
Present value of defined benefit liability		527,066	464,214
Net defined benefit liability		527,066	464,214
9.1.3 Included in profit or loss			
Current service cost		29,031	21,458
Interest cost		33,613	28,470
		62,644	49,928
9.1.3.1 Expense is recognized in the following line items in profit or loss			
Cost of sales and services		38,950	32,670
Administrative expenses		23,694	17,258
		62,644	49,928
9.1.4 Included in other comprehensive income			
Actuarial loss from changes in financial assumptions		621	233
Experience adjustments on defined benefit liability		45,482	38,891
		46,103	39,124

9.1.5 Key Actuarial assumption

The latest actuarial valuation was carried out on 30 June 2018 using projected unit credit method with the following assumptions:

	Note	2018	2017
Discount rate		7.75%	7.25%
Expected increase in eligible salary		N/A	7.75%
Mortality rate	9.1.5.1	SLIC 2001-2005	SLIC 2001-2005

9.1.5.1 Assumption regarding future mortality has been based on State Life Corporation (SLIC 2001-2005), ultimate mortality rate with 1 year setback as per recommendation of Pakistan Society of Actuaries (PSOA).

9.1.6 Sensitivity analysis

For a change of 100 basis points, present value of defined benefit liability at reporting date would have been as follows:

	2018		2017	
	Increase	Decrease	Increase	Decrease
	(Rupees'000)		(Rupees'000)	
Discount rate	487,669	553,606	428,558	489,356
Salary increase rate	553,792	486,920	489,531	427,858

9.1.6.1 Although the analysis does not take into account full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

9.1.6.2 The Company's expected charge for the defined benefit liability - gratuity for the next year is Rs. 82.311 million

9.1.7 Risk associated with defined benefit liability- gratuity

9.1.7.1 Salary Risk- (linked to inflation risk)

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

9.1.7.2 Demographic Risks

Mortality Risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal Risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

9.1.8 Expected benefit payments for the next 10 years and beyond;

Years	(Rupees '000)
FY 2019	55,196
FY 2020	47,298
FY 2021	55,891
FY 2022	49,501
FY 2023	50,338
FY 2024	62,562
FY 2025	75,361
FY 2026	81,827
FY 2027	131,992
FY 2028	75,680
FY 2029 onwards	1,266,678

9.2 Net defined benefit liability - compensated leave absences

		Note	2018	2017
			(Rupees'000)	
9.2.1	**Movement in defined benefit liability -compensated leave absences**			
	Balance at 01 July		135,968	97,792
	Included in profit or loss	9.2.3	25,847	56,944
	Payments made during the year		(22,793)	(18,768)
	Balance at 30 June		139,022	135,968
9.2.2	**Reconciliation of liability recognised in the Statement of financial position**			
	Present value of defined benefit liability		139,022	135,968
	Net defined benefit liability		139,022	135,968
9.2.3	**Included in profit or loss**			
	Current service cost		21,004	23,292
	Interest cost		9,549	6,378
	Experience adjustments on defined benefit liability		(4,706)	27,274
			25,847	56,944

9.2.3.1 Expense is recognized in the following line items in profit or loss

		2018	2017
		(Rupees'000)	
Cost of sales and services		9,166	37,014
Administrative expenses		16,681	19,930
		25,847	56,944

9.2.4 Actuarial assumption

		2018	2017
Discount rate		7.25%	7.25%
Expected increase in eligible salary		N/A	7.75%
Mortality rate	9.2.4.1	SLIC 2001-2005	SLIC 2001-2005

9.2.4.1 Assumption regarding future mortality has been based on State Life Corporation (SLIC 2001-2005), ultimate mortality rate with 1 year setback as per recommendation of Pakistan Society of Actuaries (PSOA).

9.2.5 Sensitivity analysis

For a change of 100 basis points, present value of defined benefit liability at reporting date would have been as follows:

	2018		2017	
	Increase	Decrease	Increase	Decrease
	(Rupees'000)		(Rupees'000)	
Discount rate	126,653	148,911	124,635	147,105
Salary increase rate	148,911	126,812	146,699	124,807

9.2.5.1 Although the analysis does not take into account full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

9.2.6 Risk associated with defined benefit liability - compensated leave absences

9.2.6.1 Salary Risk - (linked to inflation risk)

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

9.2.6.2 Demographic Risks

Mortality Risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal Risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

9.2.7 Expected benefit payments for the next 10 years and beyond;

Years	(Rupees '000)
FY 2019	14,605
FY 2020	13,850
FY 2021	16,011
FY 2022	18,400
FY 2023	19,239
FY 2024	20,655
FY 2025	32,692
FY 2026	23,863
FY 2027	35,192
FY 2028	17,916
FY 2029 onwards	523,733

10 DEFERRED TAX LIABILITY

	Net balance at 01 July 2017	Recognized in: Profit or loss (Note 35)	Recognized in: Other comprehensive income	Net balance at 30 June 2018
	(Rupees'000)			
2018				
Taxable temporary differences				
Property, plant and equipment	456,039	37,449	-	493,488
Deductible temporary differences				
Long term investments	36,876	(6,146)	-	30,730
Net defined benefit liability - gratuity	145,825	(25,585)	11,525	131,766
Provision for obsolescence - stores	434	(24)	-	410
Provision against doubtful debts	54,380	(9,185)	-	45,195
Short term investments	1,590	(265)	-	1,325
Leased vehicles	7,323	4,194	-	11,517
	246,428	(37,011)	11,525	220,943
	209,611	74,460	(11,525)	272,545
2017				
Taxable temporary differences				
Property, plant and equipment	413,617	42,422	-	456,039
Deductible temporary differences				
Long term investments	36,876	-	-	36,876
Net defined benefit liability - gratuity	125,143	8,945	11,737	145,825
Provision for obsolescence - stores	730	(296)	-	434
Provision against doubtful debts	60,541	(6,161)	-	54,380
Short term investments	1,590	-	-	1,590
Leased vehicles	7,323	-	-	7,323
	232,203	2,488	11,737	246,428
	181,414	39,934	(11,737)	209,611

11 SHORT TERM BORROWINGS - Secured

	Note	2018	2017
		(Rupees'000)	
Running finance facilities - from banking companies	11.1	553,868	339,943

11.1 These facilities are obtained from various commercial banks with an aggregate limit of Rs. 1,770 million (2017: Rs. 1,250 million) which are secured against pari passu equitable mortgage charge on fixed assets and hypothecation charge on stock-in-trade, trade debts, receivables and all other moveable properties of Pearl Continental Hotel Karachi and Rawalpindi and lien on certain listed securities held by the Company. These facilities carry markup rates ranging from 1-month KIBOR to 3-month KIBOR plus 0.6% to 0.7% (2017: 1-month KIBOR to 3-month KIBOR plus 0.6% to 1.5%) per annum.

11.2 The Company has unutilised running finance facilities aggregating to Rs. 1,216.13 million (2017: Rs.910.06 million) at the year end.

		Note	2018	2017
			(Rupees'000)	
12	TRADE AND OTHER PAYABLES			
	Creditors		549,082	263,464
	Accrued liabilities		563,862	563,898
	Advances from customers		288,577	323,783
	Shop deposits	12.1	57,280	55,630
	Retention money		172,357	95,109
	Due to related parties - unsecured		14,881	20,105
	Sales tax payable - net		105,321	101,024
	Income tax deducted at source		1,493	3,300
	Un-earned income		139,376	155,375
	Other liabilities		58,645	50,354
			1,950,875	1,632,042

12.1 As per terms of written agreement with customers, the amount of shop deposits are fully utilizable by the Company.

13 UNPAID DIVIDEND

13.1 As per the provision of Section -242 of the Companies Act, 2017 and directives of Securities & Exchange Commission of Pakistan vide circular no. 18 dated 01 August, 2017, cash dividend will only paid through electronic mode directly in the bank accounts of shareholders, accordingly this unpaid dividend pertains to those shareholders who did not provide their valid bank account details. This also includes an amount of Rs. 13.47 million (2017: Rs. Nil) payable to related parties.

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 For tax related contingencies, refer note 35.3.

		Note	2018	2017
14.1.2	**Guarantees**		(Rupees'000)	
			277,814	251,721
14.2	**Commitments**			
	Commitments for capital expenditure		1,601,622	992,863
15	PROPERTY, PLANT AND EQUIPMENT			
	Operating fixed assets	15.1	36,586,141	30,841,298
	Capital work in progress	15.2	3,339,146	2,074,130
			39,925,287	32,915,428

15.1 OPERTATING FIXED ASSETS

15.1.1 Reconciliation of carrying amounts

	Owned								Leased	
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Furniture, fixtures, fittings and office equip-ment	Computers	Vehicles	Vehicles	Total
	Rupees'000									
Cost / Revalued amounts										
Balance at 01 July 2016										
- as previously reported	12,525,094	13,373,790	1,729,535	1,832,513	3,456,099	1,824,038	290,438	122,558	-	35,154,065
Effect of restatement - correction of an error	-	-	-	-	-	-	-	-	22,495	22,495
Balance at 01 July 2016 - as restated	12,525,094	13,373,790	1,729,535	1,832,513	3,456,099	1,824,038	290,438	122,558	22,495	35,176,560
Additions	15,360	-	3,626	66,451	42,107	387,903	64,030	10,431	-	589,908
Disposals	-	-	(47,924)	(63,435)	(44,857)	(50,048)	(2,947)	(6,830)	-	(216,041)
Transfer from CWIP (refer note 15.2)	-	-	-	112,289	99,287	67,373	64,054	-	-	343,003
Balance at 30 June 2017 - as restated	**12,540,454**	**13,373,790**	**1,685,237**	**1,947,818**	**3,552,636**	**2,229,266**	**415,575**	**126,159**	**22,495**	**35,893,430**
Balance at 30 June 2017										
- as previously reported	12,540,454	13,373,790	1,685,237	1,947,818	3,552,636	2,229,266	415,575	126,159	-	35,870,935
Effect of restatement - correction of an error	-	-	-	-	-	-	-	-	22,495	22,495
Balance at 30 June 2017- as restated	**12,540,454**	**13,373,790**	**1,685,237**	**1,947,818**	**3,552,636**	**2,229,266**	**415,575**	**126,159**	**22,495**	**35,893,430**
Balance at 01 July 2017- as restated	12,540,454	13,373,790	1,685,237	1,947,818	3,552,636	2,229,266	415,575	126,159	22,495	35,893,430
Additions	110,959	-	-	-	334,462	495,050	56,071	26,869	32,622	1,056,033
Revaluation surplus (refer note 7)	3,586,225	165,000	-	-	-	-	-	-	-	3,751,225
Disposals	-	-	(120,767)	(9,266)	(99,289)	(16,837)	(3,079)	(55,460)	-	(304,698)
Transfer from CWIP (refer note 15.2)	-	-	823,433	100,385	232,560	371,662	177,485	-	-	1,705,525
Balance at 30 June 2018	**16,237,638**	**13,538,790**	**2,387,903**	**2,038,937**	**4,020,369**	**3,079,141**	**646,052**	**97,568**	**55,117**	**42,101,515**
Accumulated depreciation										
Balance at 01 July 2016 - as previously reported	-	-	663,226	750,083	2,227,977	802,009	179,573	75,042	-	4,697,910
Effect of restatement - correction of an error	-	-	-	-	-	-	-	-	3,152	3,152
Balance at 01 July 2016- as restated	-	-	663,226	750,083	2,227,977	802,009	179,573	75,042	3,152	4,701,062
Depreciation (refer note 15.1.6)	-	-	46,514	60,046	181,739	161,010	50,195	7,710	2,710	509,924
Disposals	-	-	(34,199)	(40,060)	(36,693)	(40,584)	(2,457)	(4,861)	-	(158,854)
Balance at 30 June 2017	**-**	**-**	**675,541**	**770,069**	**2,373,023**	**922,435**	**227,311**	**77,891**	**5,862**	**5,052,132**
Balance at 30 June 2017										
- as previously reported	-	-	675,541	770,069	2,373,023	922,435	227,311	77,891	-	5,046,270
Effect of restatement - correction of an error	-	-	-	-	-	-	-	-	5,862	5,862
Balance at 30 June 2017- as restated	**-**	**-**	**675,541**	**770,069**	**2,373,023**	**922,435**	**227,311**	**77,891**	**5,862**	**5,052,132**
Balance at 01 July 2017- as restated	-	-	675,541	770,069	2,373,023	922,435	227,311	77,891	5,862	5,052,132
Depreciation (refer note 15.1.6)	-	-	63,962	58,324	203,046	237,279	74,691	4,524	5,153	646,979
Disposals	-	-	(58,890)	(4,239)	(84,002)	(14,393)	(2,520)	(19,693)	-	(183,737)
Balance at 30 June 2018	**-**	**-**	**680,613**	**824,154**	**2,492,067**	**1,145,321**	**299,482**	**62,722**	**11,015**	**5,515,374**
Carrying amount - 01 July 2016 - as restated	12,525,094	13,373,790	1,066,309	1,082,430	1,228,122	1,022,029	110,865	47,516	19,343	30,475,498
Carrying amount - 30 June 2017 - as restated	12,540,454	13,373,790	1,009,696	1,177,749	1,179,613	1,306,831	188,264	48,268	16,633	30,841,298
Carrying amount - 30 June 2018	**16,237,638**	**13,538,790**	**1,707,290**	**1,214,783**	**1,528,302**	**1,933,820**	**346,570**	**34,846**	**44,102**	**36,586,141**
"Rates of depreciation per annum (2018 and 2017)"	-	-	5%	5%	15%	15%	30%	15%	15%	

15.1.2 The operating fixed assets are secured against various loans availed by the Company. Refer note 8 and 11.

15.1.3 Revaluation surplus on property, plant and equipment

Freehold and leasehold land were revalued on 30 June 2018 by Oceanic Surveyors (Private) Limited, an independent valuer, based on market value basis method.

Had the aforementioned revaluation not carried out, the book value of freehold and leasehold land would have been Rs. 2,245.69 million (2017: Rs. 2,134.73 million).

15.1.4 The forced sale value of the revalued land has been assessed at Rs. 24,451 million.

15.1.5 Particulars of immovable fixed assets (i.e. land and building) of the Company are as follows:

Location	Address	Particular	Land area (Sq. yards)
Karachi	Plot No. 11, CL 11, Club Road	Land and building	23,255
Karachi	Civil Line Quarters, Abdullah Haroon Road (refer note 15.1.7)	Land and building	13,101
Lahore	Upper Mall	Land and building	74,440
Lahore	Plot No. 105-A, Upper Mall Road	Land and building	2,432
Lahore	Shahi Muhallah, Fort Road	Land	1,132
Lahore	Defence Housing Authority (refer note 15.1.8)	Building	2,420
Rawalpindi	Property No. 253, Survey No. 559, The Mall Road	Land and building	26,668
Peshawar	Survey No. 32-B, Khyber Road, Peshawar Cantt	Land and building	25,167
Multan	Askari By-Pass Road, Mouza Abdul Fateh	Land and under contruction building	8,303
Hunza	Mominabad	Land	19,541
Gwadar	Mauza/Ward, Koh-e-Batil	Land	96,800
Gilgit	Airport Road	Land	16,375
Chitral	Zargarandeh	Land	10,528
Bhurban	Compartment No. 08, Tehsil Murree	Building	-
Muzaffarabad	Upper Chattar, Muzaffarabad	Building	-
Mirpur	Bhutto Park, Mirpur	Under contruction building	-

		Note	2018	2017
15.1.6	Depreciation charge has been allocated as follows:		(Rupees'000)	
	Cost of sales and services	29	582,281	458,932
	Administrative expenses	31	64,698	50,992
			646,979	509,924

15.1.7 The Company purchased this property from an associated company, the possession of the property has been transferred to the Company, however NOC for transfer of title was not issued by respective department in favor of the Company and the property is still in the name of Hashoo (Private) Limited, an associated company. The Company is pursuing issuance of NOC at different forums.

15.1.8 The Company constructed building for spa and saloon facility under an agreement of absolute transfer and assignment agreement with Nirvana, a partnership firm (a related party as defined under Companies Act 2017). As per the term of the said agreement Nirvana will use two floors of this building. Since completion certificate from DHA has not been obtained yet, therefore the transfer of title of the property is pending.

15.1.9 Detail of disposal of operating fixed assets:

Description	Cost	Carrying value	Sale proceeds	Gain/ (Loss)	Mode of disposal	Purchaser	Relation-ship with purchaser
	(Rupees'000)						
Building	130,033	66,903	4,691	(62,212)	Negotiation	Various	
Computers	3,079	559	163	(396)	Negotiation	Various	
Plant and Machinery	99,289	15,287	8,326	(6,961)	Negotiation	Various	
Furniture, fixture and equipment	16,837	2,443	426	(2,017)	Negotiation	Various	
Vehicle	17,971	17,972	17,972	-	Negotiation	First Habib Modaraba	
Vehicle	3,500	2,898	2,898	-	Company policy	Haseeb Amjad Gardezi	Director
Vehicle	2,090	866	866	-	Company policy	Syed Sajid Ali	Director
Vehicle	7,285	2,564	2,700	136	Negotiation	Ms. Nadia Lakhani	Relative of Director
Vehicle	2,028	852	1,334	482	Negotiation	Mr. Abrar Hussain	
Vehicle	1,463	638	638	-	Company policy	Tahir Mahmood Satti	Employee
Vehicle	1,463	662	662	-	Company policy	Arif Zubairi	Employee
Vehicle	1,463	592	599	7	Company policy	Javed Tariq Sheikh	Employee
Vehicle	2,121	948	962	14	Company policy	Mr. Shehriyar Mirza	Employee
Vehicle	1,463	614	614	-	Company policy	Main Shah Faisal	Employee
Vehicle	1,463	591	591	-	Company policy	Mr. Bakht Zada	Employee
Vehicle	1,463	591	591	-	Company policy	Rana Kashif Shahbaz	Employee
Vehicle	209	162	865	703	Company policy	Mansoor Akbar Ali	Director
Aggregate of other items with individual book values not exceeding Rs. 500,000.	11,478	5,819	15,463	9,644		Various	
Total - 2018	304,698	120,961	60,361	(60,600)			
Total - 2017	216,041	57,187	19,574	(37,613)			

		Note	2018	2017
15.2	Capital work in progress		(Rupees'000)	
	Balance at 01 July		2,074,130	1,144,282
	Additions during the year		2,970,541	1,272,851
	Transfers to operating fixed assets	15.1.1	(1,705,525)	(343,003)
	Balance at 30 June	15.2.1	3,339,146	2,074,130
15.2.1	Construction of Pearl Continental Hotel Multan		1,032,064	804,587
	Construction of Pearl Continental Hotel Mirpur		1,311,671	503,778
	Aircraft		612,912	-
	Other civil works	15.2.2	382,499	765,765
		15.2.3	3,339,146	2,074,130

15.2.2 This includes construction work on expansion of Pearl Continental Hotel Peshawar amounting to Rs. 94.39 million (2017: Rs. 94.39 million) which is under suspension due to dispute with the Military Estate Office.

15.2.3 This also includes capitalized borrowing cost amounting to Rs. 173.97 million (2017: Rs. 135.75 million). During the year borrowing cost amounting to Rs. 38.22 million (2017: Rs. 32.44 million) was capitalized at the rate of 7.51% (2017: 7.2%) per annum.

16 ADVANCE FOR CAPITAL EXPENDITURE

	Note	2018	2017
		(Rupees'000)	
Advance for purchase of land	16.1	667,820	666,820
Advance for purchase of Malir Delta Land	16.2	381,656	381,656
		1,049,476	1,048,476
Advance for purchase of apartment		40,509	40,509
Impairment loss		(40,509)	(40,509)
		-	-
Advance for purchase of fixed assets		358,660	173,154
Advances for Pearl Continental Multan Project		72,420	47,986
Advances for Pearl Continental Mirpur Project		51,647	77,319
		482,727	298,459
		1,532,203	1,346,935

16.1 This includes amount of Rs. 626.82 million (2017: Rs. 626.82 million) paid to a related party, Associated Builders (Private) Limited, for purchase of tourist site piece(s) of land measuring 7.29 acres in Gwadar.

16.2 This represents amount paid for purchase of 1/3rd share (113.34 acres of land) from Ms. Seema Tressa Gill's situated in Deh Dih in the Delta of Malir River. The Company relying upon the representation of good title by Ms. Seema Tressa Gill entered into a Agreement to Sale with her 1/3rd share (113.34 acres land) against a total sale consideration of Rs 80 million which was followed by registered documents inter-alia includes a Deed of Conveyance. The relevant documents provide for indemnification by the Seller's against all losses, detriments occasioned to or sustained/suffered by the Purchaser due to any defect in the title of the Seller. The Company also paid regularization fee amounting to Rs. 301.65 million to the Land Utilization Department Govt. of Sindh on her behalf through Challan.

Legal proceedings of the above said piece of land were instituted in the Courts of Law, the Comapany being aggrieved and dissatisfied with a impugned judgment of High Court against dismissal of its Constitution Petition has filed a Civil Petition for Leave to Appeal (CPLA) before Hon'ble Supreme Court of Pakistan and presently the matter is pending adjudication before the Apex Court and Company is diligently pursuing the same. The Company is hopeful of a favorable result. However, even if there is an adverse decision as per legal opinion, the Company would be entitled to recover the amounts from the Seller as well as from the relevant Government Department. In this regard the paid Challan for regularization fee also states that "Subject to the condition that the land in question is available on site and the lease money may be deposited into Government Treasury in the relevant Head of Accounts by the depositor at his own risk. In case if any irregularity/false information/ concealment of facts / stay of court is noticed hereafter, the malkano amount paid to this effect by the depositor shall be reimbursed."

17 INVESTMENT PROPERTY

	Note	2018	2017
		(Rupees'000)	
17.1 Reconciliation of carrying amount			
Balance at 01 July		50,000	45,000
Increase in fair value		10,000	5,000
Balance at 30 June	17.1.1	60,000	50,000

17.1.1 This represents piece of land, located at Gwadar, owned by the Company held for capital appreciation. On 30 June 2018, an independent valuation exercise was carried out to assess the fair value of investment property. The price of land of the investment property is assessed based on market research carried out in the area where the property is situated. The fair value of the property is based on independent valuer's judgment about average prices prevalent on the said date in the vicinity / locality and has been prepared on openly available / provided information after making relevant inquiries. The valuer holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Particulars of Investment property and forced sale value are as follows:

Location	Area (Sq. yards)	FSV Rs. '000'
Khasra no. 59 min, khewat no.12, and khatooni no. 12, katat 20, mouza ankara North, tehsil & district Gwadar, Baluchistan	484,000	51,000

Increases in fair value are recognised as gains in unconsolidated profit or loss and included in other income. All increase in fair value of investment property are unrealised.

17.2 Measurement of fair values

17.2.1 Fair Value hierarchy

The fair value of investment property was determined by external, independent valuers, having appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The fair value measurement of the investment property has been categorized as a Level 3 fair value based on the inputs to the valuation technique used. Since the value has been determined by the external independent valuer and inputs are unobservable, sensitivity analysis has not been presented.

18 LONG TERM INVESTMENTS

	Country of incorporation / Jurisdiction	Amount in Foreign Currency	Percentage of holding	Note	2018	2017
					(Rupees'000)	
Investments in related parties						
Subsidiary companies - at cost - unquoted						
Pearl Continental Hotels (Private) Limited	Pakistan		100%	18.1	5,000	5,000
Pearl Tours and Travels (Private) Limited	Pakistan		100%	18.2	102,227	102,227
City Properties (Private) Limited	Pakistan		100%	18.3	925,001	925,001
Elite Properties (Private) Limited	Pakistan		100%	18.4	5,566	5,566
					1,037,794	1,037,794
Associated undertaking - at cost - unquoted						
Hashoo Group Limited	British Virgin Island	$9,800,000	14%	18.5	586,403	586,403
Impairment loss					(586,403)	(586,403)
						-
Hotel One (Private) Limited	Pakistan		17.85%	18.6	50,000	50,000
Impairment loss					(50,000)	(50,000)
					-	-
Investment in jointly controlled entity - at cost - unquoted						
Pearl Continental Hotels Limited	United Arab Emirates	$4,750,000	50%	18.7	284,052	284,052
Impairment loss					(284,052)	(284,052)
					-	-
Other investments						
Available for sale - unquoted company						
Malam Jabba Resorts Limited	Pakistan				1,000	1,000
Impairment loss					(1,000)	(1,000)
					-	-
					1,037,794	1,037,794

18.1 Pearl Continental Hotels (Private) Limited

This represents the Company's investment in 100% equity shares of Pearl Continental Hotels (Private) Limited (PCHPL). The Company holds 500,000 (2017: 500,000) ordinary shares of Rs. 10 each. The break-up value per share based on audited financial statements for the year ended 30 June 2018 was Rs. 21.96 (2017: Rs. 21.37).

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

This represents the Company's investment in 100% equity shares of Pearl Tours and Travels (Private) Limited (PTTPL). The Company holds 10,222,700 (2017: 10,222,700) ordinary shares of Rs. 10 each. The break-up value per share based on its audited financial statements for the year ended 30 June 2018 was Rs. 12.57 (2017: Rs. 12.08).

18.3 **City Properties (Private) Limited**

This represents the Company's investment in 100% equity shares of City Properties (Private) Limited (CPPL) against 92,500,100 (2017: 92,500,100) ordinary shares of Rs. 10 each. The break-up value per share based on its audited financial statements for the year ended 30 June 2018 was Rs. 9.84 (2017: Rs. 9.65).

18.4 **Elite Properties (Private) Limited**

This represents the Company's investment in 100% equity shares of Elite Properties (Private) Limited (EPPL), against 556,000 (2017: 556,600) ordinary shares of Rs. 10 each. The break-up value per share based on its audited financial statements for the year ended 30 June 2018 was Rs. 9.71 (2017: Rs. 9.08).

18.5 **Hashoo Group Limited**

The Company holds 98,000 (2017: 98,000) ordinary shares of US$ 100 each in Hashoo Group Limited (HGL). HGL is treated as an 'associate' due to the Company's significant influence over it due to common directorship. Due to prevailing political turmoil, unrest, law and order situation in Libya, this Investment has been fully impaired.

This is an equity investment therefore period of investment is not specific, the company has not received any return from this investment, during the term of investment no default/breach is made.

Beneficial owner of Hashoo group Limited are:

Name	% of Holding	Address
Pakistan Services Limited	14%	1st Floor Nespak House Islamabad
Saladale investments INC.	86%	53rd street 16th Floor Panama, the republic of panama

18.6 **Hotel One (Private) Limited**

The Company holds 500,000 (2017: 500,000) ordinary shares of Rs.100 each in Hotel One (Private) Limited (HOPL). HOPL is treated as an 'associate' due to the Company's significant influence over it due to common directorship. This investment was fully impaired based on prudence, considering the accumulated losses beyond equity, however HOPL is performing well and the management is hopeful for recovery of the impairment in near future.

18.7 **Pearl Continental Hotels Limited**

The Company holds 95 (2017: 95) ordinary shares of US $ 50,000 each in Pearl Continental Hotels Limited - UAE (PCHL - UAE) which represents 50% interest in PCHL - UAE, a jointly controlled entity of the Company and Hashwani Hotels Limited, a related party. Due to economic meltdown in year 2007-08, PCHL - UAE incurred losses and consequently the investment was fully impaired, however the Company is putting all its efforts to recover the losses.

This is an equity investment therefore period of investment is not specific, the company has not received any return from this investment, during the term of investment no default/breach is made.

Beneficial owner of Pearl Continental Hotels Limited are:

Name	% of Holding	Address
Pakistan Services Limited	50%	1st Floor Nespak House Islamabad
Hashwani Hotels Limited	50%	107-A, 1st Floor, I.I. Chundrigar Road Karachi

18.8 All the investments in associated companies were made in accordance with the provisions of Section 199 of the Companies Act, 2017 and the rules formulated for this purpose.

19 ADVANCE AGAINST EQUITY INVESTMENT

This represents advance against equity investment of Rs. 1,625 million and Rs. 390 million extended by the Company to its wholly owned subsidiary companies City Properties (Private) Limited and Elite Properties (Private) Limited respectively. This also includes conversion of long-term advance of Rs. 400 million and interest thereon, extended to City Properties (Private) Limited, into advance against equity investment.

		Note	2018	2017
20	LONG TERM DEPOSITS AND PREPAYMENTS		(Rupees'000)	
	Deposits	20.1	29,655	22,323
	Prepayments		8,315	-
			37,970	22,323

20.1 This includes deposit amounting to Rs. 26.98 million (2017: Rs. 19.86 million) with an Islamic bank to acquire assets under Ijarah and diminishing musharaka agreements.

		Note	2018	2017
21	INVENTORIES		(Rupees'000)	
	Stores, spare parts and loose tools			
	Stores		136,066	121,667
	Spare parts and loose tools		59,297	55,493
			195,363	177,160
	Provision for obsolescence		(1,642)	(1,446)
			193,721	175,714
	Stock in trade - food and beverages	29	86,196	83,160
			279,917	258,874
22	TRADE DEBTS -Unsecured			
	Considered good			
	Due from related parties	22.1	8,591	17,361
	Others		696,101	584,249
			704,692	601,610
	Considered doubtful		180,781	181,269
			885,473	782,879
	Provision against doubtful debts	22.3	(180,781)	(181,269)
			704,692	601,610

22.1 Due from related parties

	Maximum amount outstanding at the end of any month during the year	2018	2017
Pearl Tours and Travels (Private) Limited	9,091	5,222	4,336
City Properties (Private) Limited	32	7	8
Hashwani Hotels Limited	387	171	373
Hashoo Foundation	837	837	648
Hotel One (Private) Limited	442	442	197
Jubilee General Insurance Company Limited	77	56	13
Ocean Pakistan Limited	997	997	889
Pearl Ceramics (Private) Limited	204	204	-
Pearl Communications (Private) Limited	128	128	128
Pearl Real Estate Holdings (Private) Limited	176	176	203
Trans Air Travels (Private) Limited	190	127	268
Tejari Pakistan (Private) Limited	568	159	362
Zahdan Retail (Private) Limited	1,469	65	9,936
		8,591	17,361

22.2 Age analysis of due from related parties is as follows:

	2018	2017
	(Rupees'000)	
Past due by 30 days	1,139	779
Past due by 31 to 90 days	3,215	2,597
Past due over 91 days	673	895
Past due over 1 year	3,564	13,090
	8,591	17,361

22.3 This includes provision of Rs. 3.56 million (2017: Rs. 13.09 million) against doubtful debts recoverable from related parties. The decrease in provision against doubtful debts recoverable from related parties is due to recovery of outstanding amounts.

23 ADVANCES, PREPAYMENTS, TRADE DEPOSITS AND OTHER RECEIVABLES

	Note	2018	2017
		(Rupees'000)	
Advance to employees - non-interest bearing - unsecured	23.1	18,005	5,546
Advance to suppliers and contractors - non-interest bearing		68,398	69,977
Advance to related parties - non-interest bearing	23.2	30,398	24,518
Trade deposits - non-interest bearing	23.3	24,721	19,658
Prepayments		46,674	47,327
Interest accrued		12,428	20,945
Other receivables	23.4	98,989	3,707,279
		299,613	3,895,250

23.1 "This also includes advances as per company policy exceeding rupees one million to employees namely Mr. Shahid Bashir, Mr. Tahir Mehmood and Mr. Muhammad Amir (2017: Nil). These loans are un-secured, interest free and are repayable over varying periods.'

23.2 Advance to related parties - non-interest bearing

	Note	2018	2017
		(Rupees'000)	
OPI Gas (Private) Limited		1,203	997
Tejari Pakistan (Private) Limited		3,010	1,510
Genesis Trading (Private) Limited		760	2,011
Pearl Ceramics (Private) Limited		25,425	20,000
	23.2.1	30,398	24,518

23.2.1 The advances to related parties are of trade nature and extended for provision of goods and services.

23.3 This includes deposit amounting to Rs. 1.42 million (2017: Nil) with an Islamic bank to acquire assets under Ijarah and diminishing musharaka agreements.

23.4 During the year amount of Rs. 3,648 million was received from an associated Company, Gulf Properties (Private) Limited as refund of advance against cancellation of the agreement for purchase of land.

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2018

24 SHORT TERM INVESTMENTS	Note	2018	2017
		(Rupees'000)	
Held to maturity			
Certificate of investments		5,300	5,300
Provision for impairment loss		(5,300)	(5,300)
		-	-
Available for sale - unquoted			
National Technology Development Corporation Limited		200	200
Indus Valley Solvent Oil Extraction Limited		500	500
Impairment loss		(700)	(700)
		-	-
Loans and receivables			
Term Deposit Receipt	24.1	2,009,523	9,523
Financial assets at fair value through profit or loss - held for trading			
Short term investments in shares of listed companies	24.2	1,113,708	1,364,184
		3,123,231	1,373,707

24.1 This represent term deposit receipts having maturity of 3 months to one year carrying interest rate ranging from 5% to 5.22% (2017: 5%) per annum.

24.2 Short term investments in shares of listed companies

	2018	2017	Unrealised gain / (loss)	2018	2017
	No. of ordinary shares of Rs. 10 each			(Rpees'000)	
Pakistan Telecommunication Company Limited	350,000	350,000	(1,460)	4,004	5,464
Lotte Chemical Pakistan Limited	150,000	150,000	317	1,794	1,478
Fauji Fertilizer Bin Qasim Limited	50,000	50,000	(212)	1,930	2,142
Jubilee General Insurance Company Limited - an associated company (Note 24.2.1)	13,687,874	11,902,500	(249,119)	1,105,980	1,355,100
			(250,474)	1,113,708	1,364,184

24.2.1 Out of total shares held by the Company, 12,500,000 (2017: 3,000,000) ordinary shares are placed / lien marked as security against running finance facility of the Company (Refer to note 11).

25 SHORT TERM ADVANCE - Unsecured

This represent interest free short term advance extended to wholly owned subsidiary, City Properties (Private) Limited and is repayable on demand.

26 ADVANCE TAX - NET	Note	2018	2017
		(Rupees'000)	
Balance at 01 July		63,251	86,344
Income tax paid during the year		470,722	452,902
Charge for the year	35	(317,074)	(475,995)
Balance at 30 June		216,899	63,251

27 CASH AND BANK BALANCES

	Note	2018	2017
Cash in hand		31,555	15,723
Cash at bank			
Current accounts - Local currency		36,041	28,989
Deposit accounts - Local currency	27.1	1,194,836	225,914
- Foreign currency	27.2	4,945	32
		1,235,822	254,935
		1,267,377	270,658

27.1 Deposit accounts carry interest rate ranging from 1.75% to 5.70% (2017: 1.75% to 5.75%) per annum.

27.2 Deposit accounts carry interest @ 0.25% (2017: 0.25%) per annum.

28 REVENUE

	Note	2018 (Rupees'000)	2017 (Rupees'000)
Rooms		6,036,817	5,548,995
Food and beverages		5,705,946	5,415,114
Other related services	28.1	569,340	538,299
Shop license fees		50,162	43,204
Revenue - gross		12,362,265	11,545,612
Discounts and commissions		(168,561)	(178,970)
Sales tax		(1,666,453)	(1,554,656)
Revenue - net		10,527,251	9,811,986

28.1 This includes revenue from telephone, laundry, discount cards and other ancillary services.

29 COST OF SALES AND SERVICES

	Note	2018 (Rupees'000)	2017 (Rupees'000)
Food and beverages			
Opening balance		83,160	96,189
Purchases during the year		1,717,131	1,595,140
Closing balance	21	(86,196)	(83,160)
Consumption during the year		1,714,095	1,608,169
Direct expenses			
Salaries, wages and benefits	29.1	1,555,551	1,415,828
Heat, light and power		700,065	700,862
Repair and maintenance		421,394	631,863
Depreciation	15.1.6	582,281	458,932
Guest supplies		239,996	225,179
Linen, china and glassware		101,242	103,171
Communication and other related services		81,875	78,856
Banquet and decoration		84,609	69,965
Transportation		67,560	57,506
Uniforms		26,834	23,749
Music and entertainment		13,475	12,253
Others		58,393	43,347
		5,647,370	5,429,680

29.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 74.477 million (2017: Rs. 87.66 million).

		Note	2018	2017
30	**OTHER INCOME**		(Rupees'000)	
	Concessions and commissions		8,785	8,745
	Loss on disposal of property, plant and equipment		(60,600)	(37,613)
	Liabilities written back		82,743	68,209
	Increase in fair value of investments property		10,000	5,000
	Communication towers and other rental income		67,540	61,441
	Others - net		43,530	31,501
			151,998	137,283
31	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	31.1	1,192,181	1,050,714
	Rent, rates and taxes		196,367	182,045
	Security and protective services		363,503	310,689
	Advertisement and sales promotion		101,337	91,302
	Repair and maintenance		80,345	90,402
	Heat, light and power		85,213	81,357
	Travelling and conveyance		141,425	83,826
	Depreciation	15.1.6	64,698	50,992
	Communications		26,268	18,792
	Printing and stationery		40,247	39,535
	Legal and professional charges		231,869	64,144
	Insurance		91,485	90,766
	Entertainment		19,751	15,332
	Subscriptions		76,312	46,652
	Laundry and dry cleaning		7,373	7,560
	Uniforms		5,614	6,655
	Auditors' remuneration	31.2	3,568	3,472
	Reversal of provision against doubtful debts		(488)	(20,534)
	Donations	31.3	455,650	376,350
	Vehicle rentals and registration charges	31.4	56,226	30,442
	Franchise fee		14,251	10,642
	Miscellaneous		14,869	25,470
			3,268,064	2,656,605

31.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 59.753 million (2017: Rs. 55.69 million).

		2018	2017
31.2	**Auditors' remuneration**	(Rupees'000)	
	Annual audit fee	1,933	1,588
	Audit of consolidated financial statements	495	495
	Half yearly review	520	572
	Special reports and certificates	420	632
	Tax advisory	200	185
		3,568	3,472

31.3 **Detail of donation exceeding Rs. 500,000 is presented below:**

<u>Name of donee</u>

Aga Khan Education Services	60,000	30,000
Aga Khan Planning and Building Services	-	41,000
Aga Khan Hospital and Medical College Foundation	219,450	228,350
Dil Jan Foundation	1,200	14,000
Akhuwat Foundation	25,000	20,000
Taraqee Foundation	105,000	20,000
School of Leadership Foundation	45,000	-
Umeed-e-Noor Trust	-	22,000
	455,650	375,350

31.3.1 During the year no donation was made to institutions in which directors or their spouse(s) have interest. (2017:Nil).

31.4 This includes Ijarah payments of Rs. 53.184 million (2017: Rs. 31.02 million) and vehicles registration charges under an Ijarah (lease) agreement. As required under IFAS 2 " IJARAH" (notified through SRO 43(1) / 2007 by Securities & Exchange Commission of Pakistan). Ijarah payments under an Ijarah (lease) agreement are recognised as an expense in the profit or loss account on straight line basis over the term of Ijarah. The amount of future Ijarah payments and the periods in which these will be due are as follows:

	Note	2018	2017
		(Rupees'000)	
Within one year		69,240	26,179
After one year but not more than five years		111,962	54,278
		181,202	80,457

32 OTHER EXPENSE

Impairment loss on advance for purchase of apartment	-	40,509

33 FINANCE INCOME

	Note		
Interest income on			
Bank deposits / certificate of investments		40,439	23,829
Long term advance to related party		-	19,570
Dividend income	33.1	55,144	42,034
Exchange gain - net		3,679	3,778
		99,262	89,211

33.1 Dividend income

	2018	2017
	(Rupees'000)	
Jubilee General Insurance Company Limited - associated company	54,751	41,659
Fauji Fertilizer Bin Qasim Limited	43	25
Pakistan Telecommunication Company Limited	350	350
	55,144	42,034

34 FINANCE COST

	2018	2017
	(Rupees'000)	
Interest expense on Loans and borrowing	513,769	297,110
Short term borrowings	66,628	34,420
Sukuk finance	51,505	-
Amortization of transaction cost	14,551	8,692
Credit cards, bank and other charges	79,060	71,580
	725,513	411,802

35 INCOME TAX EXPENSE

	2018	2017
Current tax expense		
- Current year	316,061	478,278
- Change in estimates related to prior year	1,013	(2,283)
	317,074	475,995
Deferred tax expense	74,460	39,934
Tax expense for the year	391,534	515,929

35.1 Relationship between accounting profit and tax expense is as follows:

	2018	2017
Accounting profit for the year	887,090	1,665,004
Tax charge @ 30% (2017: 31%)	266,127	516,151
Tax effect of minimum tax	36,456	-
Tax effect of permanent differences	(7,987)	22,404
Tax effect of exempt income	79,184	(52,239)
Tax effect of super tax	26,594	43,966
Tax effect of income subject to lower taxation	(9,853)	(12,070)
Prior year's tax charge	1,013	(2,283)
	391,534	515,929

35.2 "The provision for current year tax represent tax on taxable income at the rate of 30%. The tax provision made in the financial statements is sufficient. A comparison of last three years of income tax provision with tax assessed is presented below:

	2017	2016	2015
		(Rupees'000)	
Income tax provision as per accounts	478,278	593,145	531,423
Income tax as per tax assessment	479,291	590,862	509,081

35.3 Tax related contingencies

Income Tax

The income tax assessments of the Company have been finalised and returns have been filed up to and including the tax year 2017. However, for the assessment year 1999-2000, an appeal is pending with the Appellate Tribunal, Inland Revenue. In case of adverse decision of the appeal, the tax liability of Rs. 73.165 million (2017: Rs. 73.165 million) may arise against the Company for which no provision has been recognised by the Company. These comprise of disallowances of certain expenses and arbitrary additions to the income of the Company. Based on appellate history and merits, the Company is confident of a favorable outcome of the appeal. Therefore, the Company considers that provision against this tax liability is not required.

Sales Tax

i. Sales Tax Collectorate, Lahore created the sales tax liability amounting to Rs. 9.571 million on the basis of audit proceedings for the year 1997-98 that the Company provided out door catering to PIA without payment of sales tax. The Additional Collector disposed off the above referred audit observations. The department filed appeal before the Appellate Tribunal Inland Revenue (ATIR).The ATIR set aside order of Additional collector through order no. 1394/LB/09 dated 13 May 2011.The Company filed reference application no. 128/2011 before the Honorable Lahore High Court dated 12 September 2011 against the order passed by ATIR.

ii. The Additional Collector, Lahore disallowed the input tax relating to purchase of certain items amounting to Rs. 7.22 million during the period of October 2000 and June 2002 on the basis of section 8(1) of the Sales Tax Act, 1990 read with SRO 578(1)/98 dated 12 June 1998. The Company filed appeal before the Appellate Tribunal Inland Revenue (ATIR), while the ATIR upheld the order of Additional Collector, Lahore. The Company filed reference application before the Lahore High Court on 24 September 2011 against the order passed by ATIR.

iii. The Deputy Commissioner Inland Revenue, Zone IV, Large Taxpayer Unit, Karachi based upon the sales tax audit for the year 2008-09, passed Order in Original 52/2013 dated 28 June 2013 and created sales tax liability amounting to Rs. 33.13 million along with default surcharge amounting to Rs. 1.85 million and penalty amounting to Rs. 1.79 million. The Company filed appeal before the Commissioner Appeal, Karachi. The Commissioner Appeals remanded back the case. The department filed appeal against the Order on 02 June 2014 before the Appellate Tribunal Inland Revenue (ATIR).

iv. The Deputy Commissioner, Punjab Revenue Authority, Lahore issued notices having references No.PRA/PC/Hotel/14/32972 on 05 November 2014 and No.PRA/PC/Hotel/14/32985 on 12 November 2014 for the tax period August 2014 and tax periods from July 2012 to September 2014 respectively. Through notice dated 05 November 2014 it has been alleged that the Company claimed inadmissible input tax adjustment on construction material amounting to Rs 21.15 million. Through notice dated 12 November 2014, the Deputy Commissioner, Punjab Revenue Authority, Lahore initiated the inquiry/investigation against the Company for the period from July 2012 to September 2014. The Company filed Writ Petition 30844/2014 before Lahore High Court which is pending adjudication.

36 EARNINGS PER SHARE

	2018	2017
Profit for the year (Rupees'000)	495,556	1,149,075
Weighted average number of ordinary shares (Numbers)	32,524,170	32,524,170
Earnings per share - basic (Rupees)	15.24	35.33

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

37 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES

	Note	2018	2017
		(Rupees'000)	
Profit before tax		887,090	1,665,004
Adjustments for:			
Depreciation	15.1.6	646,979	509,924
Loss on disposal of property, plant and equipment	30	60,600	37,613
Provision for staff retirement benefit - gratuity	9.1	62,644	49,928
Provision for compensated leave absences	9.2	25,847	56,944
Reversal for doubtful debts	31	(488)	(20,534)
Return on bank deposits / certificate of investment	33	(40,439)	(23,829)
Interest on long term advance to related party	33	-	(19,570)
Finance cost	34	725,513	411,802
Dividend income	33	(55,144)	(42,034)
Unrealised loss /(gain) on remeasurement of investments to fair value	33	250,474	(165,120)
Impairment loss	32	-	40,509
Unrealised gain on remeasurement of investment property	30	(10,000)	(5,000)
Reversal of provision on stores, spare parts and loose tools	21	196	(986)
		2,553,272	2,494,651

	Note	2018	2017
		(Rupees'000)	
38 CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	1,267,377	270,658
Short term borrowings	11	(553,868)	(339,943)
		713,509	(69,285)

38.1 Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Loans and borrowings	Diminishing Musharaka Facility	Unclaimed dividend	Unpaid dividend	Total
			(Rupees'000)		
Balance at 01 July 2017	7,309,192	12,372	16,588	-	7,338,152
Changes from financing activities					
Proceeds from loans	4,183,333	-	-	-	4,183,333
Repayment of loan	(492,500)	-	-	-	(492,500)
Repayment Diminishing Musharaka facility	-	(11,137)	-	-	(11,137)
Transaction cost paid	(45,000)	-	-	-	(45,000)
Dividend paid	-	-	(475,999)	-	(475,999)
	3,645,833	(11,137)	(475,999)	-	3,158,697
Other changes					
Amortization of transaction cost	14,551	-	-	-	14,551
Diminishing Musharaka facility availed	-	32,622	-	-	32,622
Dividend declared	-	-	468,653	19,210	487,863
	14,551	32,622	468,653	19,210	535,036
Balance at 30 June 2018	**10,969,576**	**33,857**	**9,242**	**19,210**	**11,031,885**

39 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2018			2017		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	Rupees '000					
Managerial remuneration	72,000	37,643	467,725	31,935	31,843	413,228
Provident fund contribution	3,999	1,902	9,372	1,032	1,616	9,586
Provision for gratuity	4,932	2,520	6,101	986	1,278	4,513
Provision for compensated leave absences	6,000	3,137	7,254	-	1,479	5,556
Provision for bonus	12,000	2,862	594	-	2,555	978
Provision for leave fare assistance	2,000	954	-	-	426	-
Meeting fee	45	*495	-	15	450	-
	100,976	49,513	491,046	33,968	39,647	433,861
Number of persons	1	2	95	1	3	76

* This includes Rs. 345,000 (2017: Rs. 300,000) paid to non-executive directors of the Company.

39.1 In addition to the above, Chief Executive Officer and certain executives are provided with the Company maintained vehicles carrying value of Rs. 99.72 million (2017: 45.77 million). Accommodation maintenance is also provide to Chief Executive. Certain executives are also provided medical expenses and company maintained accommodation, as per the Company's policy.

39.2 Comparative figures have been restated, in addition to change due to definition of executive as per Companies Act, 2017.

40 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated and subsidiary companies, directors as well as their close family members, companies with common directorship, executives, key management personnel, major shareholders and provident fund. Detail of related parties (with whom the Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Basis of Relationship	Name of Related Party	Percentage of Share holding
Wholly owned Subsidiary	City Properties (Private) Limited	100%
	Elite Properties (Private) Limited	100%
	Pearl Tours & Travels (Private) Limited	100%
	Pearl Continental Hotels (Private) Limited	100%
Common directorship	Gelcaps (Pakistan) Limited	-
	Genesis Trading (Private) Limited	-
	Gulf Properties (Private) Limited	-
	Hashoo Holdings (Private) Limited	-
	Hashwani Hotels Limited	-
	Hotel One (Private) Limited	17.85%
	Jubilee General Insurance Company Limited	7.6%
	Ocean Pakistan Limited	-
	OPI Gas (Private) Limited	-
	Pearl Ceramics (Private) Limited	-
	Tejari Pakistan (Private) Limited	-
	Zahdan Retail (Private) Limited	-
Directors	Mr. Sadruddin Hashwani	-
	Mr. Murtaza Hashwani	-
	Mr. M.A. Bawany	-
	Mr. Mansoor Akbar Ali	-
	Syed Sajid Ali	-
	Mr. Shakir Abu Bakar	-
	Syed Haseeb Amjad Gardezi	-
	Syed Asad Ali Shah	-
	Mr. M. Ahmed Ghazali Marghoob	-
Directors as Board of trustees	Hashoo Foundation	-
Significant influence of Director	Hashoo (Private) Limited	-
Significant influence of Director	Pearl Real Estate Holdings (Private) Limited	-
Staff retirement fund	Trustee PSL Employees Provident Fund	-
Significant influence of Relative of Director	Nirvana, a partnership firm	-
Relative of Director	Mrs. Nadia Lakhani	-

	Note	2018	2017
		(Rupees'000)	
Transactions and balances with subsidiary companies			
Sales		3,507	3,550
Services provided		22,956	21,937
Services availed		89,998	66,345
Interest income on long term advance		-	19,570
Investments made		-	104,000
Short term advance paid		85,000	-
Short term advance received		45,000	-
Interest accrued		-	19,570
Advance against equity investment		1,491,000	104,000
Long term advance and interest converted into equity		419,570	-
Transactions and balances with associated undertakings			
Sales		128	1,096
Services provided		1,990	2,194
Services availed		45,403	45,765
Purchases		144,228	134,957
Franchise fee - income		4,655	4,972
Franchise and management fee - expense		10,305	10,642
Dividend income		54,751	41,659
Dividend paid		141,065	151,335
Purchase of property, plant and equipment		17,444	-
Purchase of building material		2,728	-
Advances		30,398	24,518
Other receivable		-	3,648,420
Other receivable-Refund of advance against purchase of land		3,648,420	-
Transactions and balances with other related parties			
Sales		178	9
Services provided		3,736	181
Services availed		79,480	44,913
Purchases		5,083	5,262
Contribution to defined contribution plan - provident fund		46,228	38,284
Sales of vehicles		2,564	-
Dividend paid		6	6
Transactions with key management personnel			
Remuneration and allowances including staff retirement benefits	40.1	150,489	73,615
Dividend paid		8,678	10,127
Sales of vehicles		3,926	-

40.1 Compensation to key management personnel

	2018	2017
Salaries and other benefits	109,643	63,778
Contribution to provident fund	5,901	2,648
Gratuity	7,452	2,264
Bonus	14,862	2,555
Meeting fee	540	465
Others	12,091	1,905
	150,489	73,615
Number of persons	3	4

41 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

41.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value			
		Amount in Rs'000							
	Note	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2018									
Financial assets measured at fair value									
Short term investment	24	1,113,708	-	-	1,113,708	1,113,708	-	-	1,113,708
Financial assets not measured at fair value	41.2								
Long term advance		-	-	-	-	-	-	-	-
Long term deposits	20	-	29,655	-	29,655	-	-	-	-
Trade debts	22	-	704,692	-	704,692	-	-	-	-
Advance to employees	23	-	18,005	-	18,005	-	-	-	-
Trade deposits	23	-	24,721	-	24,721	-	-	-	-
Other receivables	23	-	98,989	-	98,989	-	-	-	-
Interest accrued	23	-	12,428	-	12,428	-	-	-	-
Term deposit receipt	24	-	2,009,523	-	2,009,523	-	-	-	-
Short term advance	25	-	40,000	-	40,000	-	-	-	-
Cash and bank balances	27	-	1,267,377	-	1,267,377	-	-	-	-
		-	4,205,390	-	4,205,390	-	-	-	-
Financial liabilities not measured at fair value	41.2								
Loans and borrowings	8	-	-	11,040,833	11,040,833			-	-
Short term borrowings	11	-	-	553,868	553,868	-	-	-	-
Liabilities against diminishing Musharaka facility	8	-	-	33,857	33,857	-	-	-	-
Trade and other payables	12	-	-	1,416,108	1,416,108	-	-	-	-
Markup accrued		-	-	223,910	223,910	-	-	-	-
Unclaimed dividend		-	-	9,242	9,242	-	-	-	-
Unpaid dividend		-	-	19,210	19,210	-	-	-	-
		-	-	13,297,028	13,297,028	-	-	-	-

30 June 2017	Note	Carrying amount: Fair value through profit or loss	Carrying amount: Loans and receivables	Carrying amount: Other financial liabilities	Carrying amount: Total	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
		(Rupees'000)							
Financial assets measured at fair value									
Short term investment	24	1,364,184	-	-	1,364,184	1,364,184	-	-	1,364,184
Financial assets not measured at fair value	41.2								
Long term advance		-	400,000	-	400,000	-	-	-	-
Long term deposits	20	-	22,323	-	22,323	-	-	-	-
Trade debts	22	-	601,610	-	601,610	-	-	-	-
Advance to employees	23	-	5,546	-	5,546	-	-	-	-
Trade deposits	23	-	19,658	-	19,658	-	-	-	-
Other receivables	23	-	3,707,279	-	3,707,279	-	-	-	-
Interest accrued	23	-	20,945	-	20,945	-	-	-	-
Term deposit receipt	24	-	9,523	-	9,523	-	-	-	-
Short term advance	25	-	-	-	-	-	-	-	-
Cash and bank balances	27	-	270,658	-	270,658	-	-	-	-
		-	5,057,542	-	5,057,542	-	-	-	-
Financial liabilities not measured at fair value	41.2								
Loans and borrowings	8	-	-	7,350,000	7,350,000	-	-	-	-
Short term borrowings	11	-	-	339,943	339,943	-	-	-	-
Liabilities against diminishing Musharaka facility	8	-	-	12,372	12,372	-	-	-	-
Trade and other payables	12	-	-	1,056,377	1,056,377	-	-	-	-
Markup accrued		-	-	103,859	103,859				
Unclaimed dividend		-	-	16,588	16,588	-	-	-	-
Unpaid dividend		-	-	-	-	-	-	-	-
		-	-	8,879,139	8,879,139	-	-	-	-

41.2 The Company has not disclosed the fair values for these financial assets and financial liabilities, because their carrying amounts are reasonable approximation of fair value.

41.3 It excludes advances from customers, federal excise duty, bed tax and sales tax payable, banquet / beverage tax, unearned income and income tax deducted at source.

Measurement of fair values

All financial assets and financial liabilities are initially recognised at fair value of consideration paid or received, net of transaction costs as appropriate. The financial assets and liabilities of the Company approximate their carrying values. A number of Company's accounting policies and disclosures require the determination of fair value, for financial assets. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

Non - derivative financial assets

The fair value of non - derivative financial assets is estimated as the market value.

Financial Risk Management

The Company has exposure to the following risk arising for financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

Risk Management Framework

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

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

41.4 **Credit risk**

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

The Company's credit risk exposure is categorized under the following headings:

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual's characteristics of each customer. The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment terms and conditions are offered. Credit limits are established for each customer, which are regularly reviewed and approved by the management. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment or cash basis.

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

Concentration of credit risk

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

	Note	2018	2017
		(Rupees' 000)	
Long term advance		-	400,000
Long term deposits	20	29,655	22,323
Trade debts	22	704,692	601,610
Advance to employees	23	18,005	5,546
Trade deposits	23	24,721	19,658
Interest accrued	23	12,428	20,945
Other receivables	23	98,989	3,707,279
Term Deposit Receipt	24	2,009,523	9,523
Bank balances	27	1,235,822	254,935
		4,133,835	5,041,819

Geographically there is no concentration of credit risk. The maximum exposure to credit risk for financial assets at the reporting date by type of counter party is as follows:

	2018	2017
	(Rupees' 000)	
From related parties	8,591	17,361
From government institutions	43,675	55,951
From foreign embassies	17,325	3,545
Banks and financial institutions	3,245,345	323,449
Others	818,899	4,641,513
	4,133,835	5,041,819

Impairment losses

The aging of trade debts at the reporting date was:

	Note	2018		2017	
		Gross	Impairment	Gross	Impairment
		(Rupees' 000)		(Rupees' 000)	
Less than one year		704,692	-	601,610	-
Over one year		180,781	180,781	181,269	181,269
	22	885,473	180,781	782,879	181,269

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

	Note	2018	2017
		(Rupees' 000)	
Balance at 01 July		181,269	201,803
Reversal of impairment loss	31	(488)	(20,534)
Balance as at 30 June	41.4.1	180,781	181,269

41.4.1 This includes provision of Rs. 3.56 million (2017: Rs. 13.09 million) against doubtful debts recoverable from related parties. Refer note 22.3.

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

The Company has no collateral in respect of financial assets exposed to credit risk. Based on past experience, management believes that except as already provided for in these unconsolidated financial statements, no further impairment is required to be recognized against any financial assets of the Company.

Credit quality of financial Assets

The credit quality of companies financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited.

An analysis of the credit quality of financial assets that are neither past due nor impaired is as follows:

	2018	2017
	(Rupees' 000)	
Long term advance		
Counterparties without external credit ratings	-	400,000
Long term deposits		
Counterparties with external credit ratings of AA+	26,978	19,860
Counterparties without external credit ratings	2,677	2,463
	29,655	22,323
Trade debts		
Counterparties with external credit ratings of A1+ to B	76,167	67,796
Counterparties without external credit ratings	628,525	533,814
	704,692	601,610
Advance to employees		
Counterparties without external credit ratings	18,005	5,546
Trade deposits		
Counterparties without external credit ratings	24,721	19,658
Interest accrued		

Counterparties with external credit ratings A1+	12,049	1,375
Counterparties without external credit ratings	379	19,570
	12,428	20,945
Other receivables		
Counterparties without external credit ratings	98,989	3,707,279
Term deposit receipt		
Counterparties with external credit ratings of A-	2,009,523	9,523
Cash at bank		
Counterparties with external credit ratings of A1+ to A-2	1,235,822	254,935

41.5 Liquidity risk

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

There were no defaults on loans payable during the year.

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

	Note	Carrying amount	Contractual cash	Maturity up to one year	Maturity after one year and upto five year
		(Rupees' 000)			
2018					
Long term financing	8	11,040,833	13,663,181	2,144,310	11,518,871
Liabilities against diminishing musharaka facility	8	33,857	36,439	13,601	22,838
Trade and other payables	12	1,416,108	1,416,108	1,416,108	-
Markup accrued		223,910	223,910	223,910	-
Short term borrowings	11	553,868	553,868	553,868	-
Unclaimed dividend		9,242	9,242	9,242	-
Unpaid dividend		19,210	19,210	19,210	-
		13,297,028	15,921,958	4,380,249	11,541,709
2017					
Long term financing	8	7,350,000	9,026,283	984,620	8,041,663
Liabilities against diminishing musharaka facility	8	12,372	13,031	5,580	7,415
Trade and other payables	12	1,056,377	1,056,377	1,056,377	-
Markup payable		103,859	103,859	103,859	-
Short term borrowings	11	339,943	339,943	339,943	-
Unclaimed dividend		16,588	16,588	16,588	-
		8,879,139	10,543,050	2,501,387	8,041,663

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

The contractual cash flows relating to long and short term borrowings have been determined on the basis of expected mark up rates. The mark up rates have been disclosed in notes 8 and 11 to these unconsolidated financial statements.

41.6 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk and interest rates only.

Foreign Currency risk

The PKR is the functional currency of the Company and, as a result, currency exposures arise from transactions and balances in currencies other than PKR. The Company's potential foreign currency exposure comprise:

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as part of overall risk management strategy. The Company does not enter into forward exchange contracts.

Exposure to forex risk on year end monetary balances:

	2018		2017	
	(Rupees'000)	USD' 000	(Rupees' 000)	USD' 000
Bank Balance	4,945	40.74	32	0.30

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2018	2017	2018	2017
PKR/ US Dollars	110.43	104.33	121.40	104.58

Foreign Currency Sensitivity Analysis

Following is the demonstration of the sensitivity to a reasonably possible change in exchange rate of USD applied to assets at reporting date represented in foreign currency, with all other variables held constant, of the Company's profit before tax.

	2018	2017
	(Rupees'000)	
Increase in 5% USD rate	247	2
Decrease in 5% USD rate	(247)	(2)

Interest rate risk

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

Exposure to interest rate risk:

	2018	2017	2018	2017
	Effective interest rates %		(Rupees' 000)	
Fixed rate instruments				
Financial assets	**0.25 to 5.75**	0.25 to 5.75	1,199,781	225,946
Variable rate instruments				
Financial assets	**KIBOR +**	KIBOR +	-	400,000
Financial liabilities	**0.6 to 1.5**	0.6 to 1.5	(11,628,558)	(7,689,943)
			(11,628,558)	(7,289,943)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not effect profit or loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity / profit and loss by Rs. 104.13 million (2017: Rs. 70.64 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

Other market price risk

The primary goal of the Company's investment strategy is to maximize investment returns on surplus funds. The Company adopts a policy of ensuring to minimize its price risk by investing in securities having sound market performance. Certain investments are designated as held for trading because their performance is actively monitored and these are managed on a fair value basis. Equity price risk arises from investments at fair value through profit and loss.

Sensitivity analysis – equity price risk

For quoted investments classified as held for trading, a 100 basis point increase in market price at reporting date would have increased profit or loss by Rs. 11.14 million (2017: Rs. 13.64 million); an equal change in the opposite direction would have decreased profit or loss by the same amount. The analysis is performed on the same basis for 2017 and assumes that all other variables remain the same.

	Level 1	Level 2	Level 3
Assets carried at fair value		(Rupees '000)	
2018			
Financial assets at fair value through profit or loss - held for trading	1,113,708	-	-
2017			
Financial assets at fair value through profit or loss - held for trading	1,364,184	-	-

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

42 APPLICATION OF IFRIC INTERPRETATION 12 - SERVICE CONCESSION ARRANGEMENTS

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

	2018 (Rupees'000)	2017 (Rupees'000)
Increase in profit after tax for the year	11,736	8,647
Derecognition of property, plant and equipment	(225,782)	(251,995)
Recognition of intangible asset	391,268	408,280
Recognition of financial liability	(28,813)	(29,059)
Increase in taxation obligations	2,834	3,885
Increase in unappropriated profits	95,671	87,786

43 CAPACITY

	Note	No. of lettable rooms		Average occupancy	
		2018	2017	2018	2017
Pearl Continental Hotel				%	%
- Karachi		286	286	75	70
- Lahore		607	607	68	64
- Rawalpindi		193	193	64	61
- Peshawar		148	148	59	56
- Bhurban		190	190	69	63
- Muzaffarabad		102	102	46	46
- Hotel One The Mall, Lahore	43.1	32	32	66	70

43.1 This is a budget hotel owned by the Company and operated by Hotel One (Private) Limited, an associated company, under franchise and management agreement.

44 NUMBER OF EMPLOYEES

	2018	2017
Number of employees at the year end	3,470	3,281
Average number of employees during the year	3,365	3,317

45 EMPLOYEES' PROVIDENT FUND

The following information is based on unaudited financial statements of the provident fund trust at the reporting date:

	2018 (Rupees'000)	2017 (Rupees'000)
Size of the fund	751,166	782,946
Cost of investment made	745,626	679,075
Percentage of investment made	99%	87%
Fair value of investments	715,709	745,626

	2018		2017	
	(Rupees'000)	%	(Rupees'000)	%
Fair value of investments made:				
Listed shares	152,505	21%	185,637	25%
Mutual funds	184,882	26%	208,877	28%
Special Savings Certificates	378,322	53%	351,112	47%
	715,709	100%	745,626	100%

All the investments out of provident fund trust have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

46 CHANGE IN POLICY NOTE

The Companies Act, 2017, has not carried forward the specific requirement to show surplus on revaluation of property, plant and equipment under the shareholders equity which was previously required under repealed Companies Ordinance, 1984. There for presentation of surplus on revaluation of property, plant and equipment is now as per requirement of IAS 16 under the shareholders equity. Since this change require retrospective adjustment, accordingly presentation of surplus on revaluation of property, plant and equipment is reclassified in current and comparative period.

Following the application of IAS 16, the Company's accounting policy for surplus on revaluation of property, plant and equipment stands amended as follows:

Increases in the carrying amounts arising on revaluation of land is recognized, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

	As at 30 June 2017			As at 30 June 2016		
	As previously reported	As restated	Restatement	As previously reported	As restated	As previously reported
Effect on Statement of Financial position		Rs. ' 000 '			Rs. ' 000 '	
Revaluation surplus on property, plant and equipment	23,779,515	-	(23,779,515)	23,779,515	-	23,779,515
Equity	8,330,947	32,110,462	23,779,515	7,783,154	31,562,669	7,783,154
Effect on Statement of Changes in equity						
Revaluation surplus on property, plant and equipment	-	23,779,515	23,779,515	-	23,779,515	-

There was no impact on comprehensive income and cash flow statement.

47 REARRANEGEMENT / RECLASSIFICATION OF CORRESPONDING FIGURES

The following table summarizes the impact of rearrangement / reclassification of corresponding figures on the unconsolidated financial statements: (Refer note 3)

	As previously reported at 30 June 2017	Reclassifications	As reclassified at 30 June 2017
47.1 Effect on statement of financial position			
		(Rupees'000)	
Long term financing	6,816,692	-	(6,816,692)
Current portion of long term financing	492,500	-	(492,500)
Loans and borrowings	-	7,309,192	7,309,192
	7,309,192	7,309,192	-

	As previously reported at 30 June 2017	Reclassifi-cations	As reclassified at 30 June 2017
		(Rupees'000)	
Deferred liabilities	809,299	-	(809,299)
Employee benefits	-	600,182	600,182
Deferred tax liability - net	-	216,934	216,934
Trade and other payable	-	(7,817)	(7,817)
	809,299	809,299	-
Trade and other payables	1,656,447	1,632,042	(24,405)
Unpaid dividend	-	-	-
Unclaimed dividend	-	16,588	16,588
Deferred liabilities	-	7,817	7,817
	1,656,447	1,656,447	-
Reserves	1,869,424	-	(1,869,424)
Unappropriated profits	6,130,276	-	(6,130,276)
Capital reserve	-	269,424	269,424
Revenue reserves	-	7,730,276	7,730,276
	7,999,700	7,999,700	-
Property, plant and equipment	32,898,795	(16,633)	(32,915,428)
Stores, spare parts and loose tools	175,714	-	(175,714)
Stock in trade - food and beverages	83,160	-	(83,160)
Inventories	-	258,874	258,874
	258,874	258,874	-
Advances	100,041	-	(100,041)
Trade deposits and prepayments	66,985	-	(66,985)
Interest accrued	20,945	-	(1,375)
Other receivables	3,707,279	-	(3,711,142)
Advances, prepayments, trade deposits and other receivables	-	3,895,250	3,895,250
	3,895,250	3,895,250	-
Other financial assets	1,373,707	-	(1,373,707)
Short term investments	-	1,373,707	1,373,707
	1,373,707	1,373,707	-

	As previously reported at 30 June 2017	Reclassifications	As reclassified at 30 June 2017
		(Rupees'000)	
Effect on statement of profit or loss			
Sales and services - net	9,811,986	9,811,986	-
Cost of sales and services	(5,427,241)	(5,427,241)	-
Administrative expenses	(2,663,169)	(2,663,169)	-
Finance cost	(410,915)	(410,915)	-
Finance income	-	89,211	89,211
Unrealised (loss)/gain on remeasurement of investments to fair value-net	-	165,120	165,120
Other income	391,614	137,283	(254,331)
Impairment loss	(40,509)	-	40,509
Other expenses	-	(40,509)	(40,509)
Taxation	(515,929)	(515,929)	-
	1,145,837	1,145,837	-

47.2 Reclassification other than those required due to application of Companies Act 2017

	As previously reported at 30 June 2017	Reclassifications	As reclassified at 30 June 2017
		(Rupees'000)	
Long term investment	1,141,794	(104,000)	1,037,794
Advance against equity	-	104,000	104,000
	1,141,794	-	1,141,794

48 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on 24 September 2018.

Murtaza Hashwani Chief Executive	Shakir Abu Bakar Director	Abdul Qadeer Khan Chief Financial Officer

PATTERN OF SHAREHOLDINGS

For the year ended 30 June 2018

Categories of Shareholders:	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	585,938	1.80
Associated Companies	7,363,936	22.64
Banks, Development Financial Institutions and Non-Banking Financial Institutions	440,093	1.35
Insurance Companies	28,815	0.09
Modarabas and Mutual Funds	1,123,601	3.45
Foreign Companies	21,032,343	64.67
Individual:		
Local	181,190	0.56
Foreign	19,650	0.06
Others	1,748,604	5.38
	32,524,170	100

DISCLOSURE TO PATTERN OF SHAREHOLDINGS

As at 30 June 2018

SHAREHOLDERS	SHARES HELD
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND CHILDREN:	
Mr. Sadruddin Hashwani	576,513
Syed Haseeb Amjad Gardezi	550
Syed Sajid Ali	500
Mr. M. A. Bawany	2,875
Mr.Mansoor Akbar Ali	2,500
Mr. Murtaza Hashwani	1,500
Mr. Muhammad Ahmed Ghazali Marghoob	500
Mr. Shakir Abu Bakar	500
Syed Asad Ali Shah	500
	585,938
ASSOCIATED COMPANIES:	
Hashoo Holdings (Private) Limited	973,304
Zaver Petroleum Corporation Limited	2,466,332
Hashoo (Private) Limited	300
OPI Gas (Private) Limited	753,000
Gulf Properties (Private) Limited	3,171,000
	7,363,936
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE, COMPANIES,	
National Bank of **Pakistan**	418,921
The Bank of Punjab, Treasury Division	26
National Investment Trust Limited	21,146
	440,093
INSURANCE COMPANIES	
Alpha Insurance Co. Limited	28,815

DISCLOSURE TO PATTERN OF SHAREHOLDINGS

As at 30 June 2018

Categories of Shareholders:	Shares Held
MODARBAS & MUTUAL FUNDS:	
CDC - Trustee AKD Index Tracker Fund	5,650
Golden Arrow Selected Stocks Fund Limited	13,400
CDC-Trustee National Investment (UNIT) Trust	1,104,551
	1,123,601
FOREIGN COMPANIES:	
Penoramic International General Trading Llc	382,900
Ocean Pakistan Limited	3,170,000
Dominion Hospitality Investments Ltd.	3,150,000
Castle Participations Inc.	3,170,000
Orient Drilling & Oilfield Services Limited	1,215,643
Sharan Associates S.A	2,760,000
Brickwood Investment Holding S.A.	2,905,000
Grenley Investments Limited	1,163,890
Amcorp Investments Limited	1,906,260
Azucena Holdings Limited	1,208,650
	21,032,343
OTHERS:	
Secretary, P.I.A	172,913
President Of Pakistan	336,535
Shakil Express Limited	418
Sheriar F.Irani Invmt.Trut.Ltd	62
Molasses Export Co.(Pvt) Ltd	93
Galadari Invest International	1,052,085
Jahangir Siddiqui & Co Ltd.	990
Rs Publishers (Private) Limited	200
Central Depository Company Of Pakistan Ltd.	4
Kaizen Construction (Pvt) Limited	60,025
Trustee National Bank Of Pakistan Employees Pension Fund	75,074
Trustee National Bank Of Pakistan Emp Benevolent Fund Trust	2,634
Asian Co-Operative Society Ltd.	47,088
H M Investments (Pvt) Limited	214
Horizon Securities Limited	200
Msmaniar Financials (Pvt) Ltd.	67
Fikrees (Private) Limited	2
	1,748,604
INDIVIDUAL	200,840
	32,524,170

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS' REPORT CONSOLIDATED

Dear Members,

The Board of Directors of Pakistan Services Limited, the Parent Company, is pleased to present before you 59th Annual Report carrying therewith also the audited consolidated financial statements for the year ended on June 30, 2018 and Auditors' Report thereon.

The financial results reflected in the Consolidated Financial Statements for the year ended on June 30, 2018 are as under:

	(Rupees '000)
Profit before taxation	785,833
Taxation	(384,338)
Profit after taxation	401,495

Earnings per share

Earnings per share for the year worked out at Rs. 12.34.

During the year under review; wholly owned subsidiary M/s Pearl Tours & Travels (Private) Limited remained engage in the business of rent-a-car as well as arrangement of tour packages and generated revenue of Rs. 211 million as compared to Rs. 200 million of last year and registered 5% increase in its revenue. During the year under review the Company recorded profit after tax of Rs. 6.396 million as compared to after tax loss of Rs. 26.283 million in last year.

Wholly owned subsidiary companies M/s City Properties (Private) Limited, M/s Elite Properties (Private) Limited have not started their commercial operations. Whereas another wholly owned subsidiary M/s Pearl Continental Hotels (Private) Limited remained dormant during the year 2017-18.

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

Name of Directors are included in Un-consolidated directors' report.

Nature of business throughout the year remains the same.

Auditors report has significantly modified as per requirement of Auditors (Reporting Obligation) Regulations, 2018, accordingly auditors report will reflect major structural changes and considerable additional information.

During the year no default occurred due to nonpayment of debts.

The system of internal financial control is sound in design and has been effectively implemented and monitored.

No such material change, and commitment occur between the date end of financial year and the date of report.

The directors' of the company has formulated and implemented adequate internal financial controls.

Murtaza Hashwani
Chief Executive

Shakir Abu Bakar
Director

Islamabad: 24 September 2018

ڈائریکٹر رپورٹ (مجموعی)

محترم حصص داران:

پاکستان سروسز لمیٹڈ (پی ایس ایل) کے بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ کمپنی کی ۵۹ ویں سالانہ رپورٹ پیش کرتی ہے، جس کے ساتھ محاسبہ شدہ مجموعی مالیاتی گوشوارے بمعہ محاسب رپورٹ برائے سال جو کہ مورخہ ۳۰ جون ۲۰۱۸ کو اختتام پزیر ہوا، شامل ہے۔

مالیاتی نتائج برائے سال جو کہ مورخہ ۳۰ جون ۲۰۱۸ کو اختتام پزیر ہوا اور مجموعی مالیاتی گوشواروں میں دیے گئے ہیں، درج ذیل ہے۔

	(روپے '۰۰۰)
منافع قبل از ٹیکس	۷۸۵،۸۳۳
ٹیکس	(۳۸۴،۳۳۸)
منافع بعد از ٹیکس	۴۰۱،۴۹۵

فی حصہ آمدنی

فی حصہ آمدنی برائے سال ۱۸-۲۰۱۷ مبلغ ۱۲٫۳۴ ہے۔

زیر نظر جائزہ مدت کے دوران مکمل ملکیتی ذیلی کمپنی پرل ٹورز اینڈ ٹریولز (پرائیویٹ) لمیٹڈ رینٹ۔اے کار اور ٹور پیکجز کے کاروبار سے منسلک رہا اور گزشتہ سال ۲۰۷ ملین کے مقابلے میں ۲۱۱ ملین روپے کی آمدن ریکارڈ کی اور اس طرح آمدن میں ۵ فیصد اضافہ ریکارڈ کیا گیا۔ زیر جائزہ سال کے دوران کمپنی نے گزشتہ سال حاصل ہونے والے ۶٫۳۹۶ ملین کے بعد از ٹیکس منافع کے مقابلے میں ۲۶٫۲۸۳ ملین کا بعد از ٹیکس نقصان ریکارڈ کیا۔

مکمل ملکیتی ذیلی کمپنیوں سٹی پراپرٹیز (پرائیویٹ) اور ایلیٹ پراپرٹیز (پرائیویٹ) لمیٹڈ نے اپنے کمرشل آپریشن شروع نہیں کئے جبکہ دوسری مکمل ملکیتی ذیلی کمپنی پرل کانٹینینٹل ہوٹلز (پرائیویٹ) لمیٹڈ سال ۱۸-۲۰۱۷ کے دوران بھی کوئی کاروباری سرگرمی نہیں کی۔

ڈائریکٹران مکمل طور پر چیئرمین کے جائزہ رپورٹ کی توثیق کرتے ہیں جو سالانہ رپورٹ میں شامل ہے اور یہ مجموعی طور پر مالیاتی اور کاروباری نتائج کے ساتھ ان میں وجہ تغیر اور مستقبل کے اہم منصوبہ جات اور معاملات کی احاطہ کرتی ہے۔

ڈائریکٹران کے نام انفرادی ڈائریکٹر رپورٹ میں شامل ہیں۔

دوران سال کاروبار کی نوعیت میں کوئی تبدیلی نہیں آئی۔

آڈیٹرز رپورٹ میں آڈیٹرز ریگولیشن ۲۰۱۸ء کے مطابق تبدیلی آئی ہے جسکی وجہ سے آڈیٹرز رپورٹ کے بنیادی ڈھانچے میں نمایاں تبدیلیاں آئی ہیں اور نمایاں اضافی معلومات مہیا کی گئی ہیں۔

دوران سال قرضہ جات کی ادائیگی کے سلسلے میں کوئی ڈیفالٹ نہیں ہوا۔

انٹرنل فنانشل کنٹرول مکمل طور پر مؤثر اور نافذ ہیں۔

سال کے اختتام اور آڈٹ رپورٹ شائع ہونے کی دوران کوئی اہم کاروباری معاملہ طے نہیں پایا۔

بورڈ آف ڈائریکٹرز موثر فنانشل کنٹرولز وضح کیے ہیں جو کہ مکمل طور پر نافذ ہیں۔

منجانب بورڈ آف ڈائریکٹر

مرتضیٰ ہاشوانی
چیف ایگزیکٹو

شاکر ابوبکر
ڈائریکٹر

اسلام آباد ۲۴ ستمبر ۲۰۱۸ء

INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Services Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Pakistan Services Limited (the Company), which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the consolidated statement of financial position, consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Auditors' report to the members

Following are the key audit matters:

S. No.	Key audit matter	How the matter was addressed in our audit
1	**Advance against purchase of land** We draw attention to note 16 to the consolidated financial statements, wherein it is disclosed that the Company has extended advance against purchase of following land; ***Advance amounting to Rs. 626.82 million*** • This was extended to a related party for purchase of two plots of land. According to the agreements, both the land were to be transferred to the Company by 30 June 2012 after completion of development work. ***Advance amounting to Rs. 381.65 million*** • This represents amount paid for purchase of 113.34 acres of land and fee for regularisation of land as per the value assessed by the Land Regularization Committee established by the Government of Sindh under the Sindh Ordinance, 2001. As disclosed in detail in note 16.2, the matter is under litigation. The Company is confident that the case will be decided in its favour and possession of land will be handed over to the Company. Further, the Company has sought legal advice that in case of an adverse outcome, the Company would be entitled to recover the amounts from the purchaser as well as from the relevant Government department. We identified advance against purchase of land as a key audit matter due to its relative significance and the risk that underlying asset is not eventually transferred to the Company due to litigation and prolonged delay.	Our audit procedures to evaluate the appropriateness of the impairment of advance against the purchase of land, amongst others, included the following: • Held discussions at appropriate level of management and Audit Committee to assess their views on the settlement and recoverability of advances for land; • Reviewing legal opinion obtained by the Company regarding transfer of land and recoverability of advance where Company is in litigation. • for advances where Company is not in litigation, circularised external confirmations, and evaluating the replies received thereto; and • evaluating the appropriateness of the disclosure in accordance with the accounting and reporting standards as applicable in Pakistan.

S. No.	Key audit matter	How the matter was addressed in our audit
2	**Related party transactions, balances and disclosures** Transactions with related parties are disclosed in note 39 of the consolidated financial statements. We identified transactions with related parties and its disclosures as key audit matter due to the nature and number of transactions with related parties, and also due to their significance to the financial statements.	Our audit procedures to evaluate the related party transactions and disclosures, amongst others, included the following: • Obtaining an understanding of the process that management has established to identify, account for and disclose related party transactions and authorize and approve related party transactions and arrangements; • obtaining the details of related parties and transactions and comparing the same with underlying accounting records to identify transactions that are outside the normal course of business; • inspecting bank and legal confirmations, and minutes of meetings; • obtaining, on a sample basis, confirmations of transactions and balances with related parties; • comparing, on a sample basis, the recording of related party transactions with the related agreements / arrangements and underlying supporting documents; and • evaluating the completeness and appropriateness of the related parties disclosure in accordance with the accounting and reporting standards as applicable in Pakistan.

S. No.	Key audit matter	How the matter was addressed in our audit
3	**Revenue from letting of rooms and food and beverages** Refer note 28 to the consolidated financial statements. The Company recognized revenue of Rs. 11,742 million from rooms and food and beverages for the year ended 30 June 2018. We identified recognition of revenue from these two streams as a key audit matter because these are key performance indicators of the Company and gives rise to an inherent risk that rooms and food and beverages revenue could be subject to misstatement to meet expectations or targets.	Our audit procedures to evaluate the recognition of rooms and food and beverages revenue, amongst others, included the following: • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • Comparing a sample of revenue transactions recorded during the year with reservations, sales invoices and other relevant underlying documents; • Comparing a sample of revenue transactions recorded around the year end with the bookings, sales invoices and other relevant underlying documentation to evaluate if the related revenue was recorded in the appropriate accounting period; and • Comparing the details of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation.

S. No.	Key audit matter	How the matter was addressed in our audit
4	**Revaluation of land** Refer to note 7 to the consolidated financial statements. The Company has a policy of carrying land at revalued amounts. We identified the revaluation of land as a key audit matter due following factors; • Revaluation exercised was conducted during the year which resulted in revaluation surplus of Rs. 3.8 billion. • significance of the revaluation surplus balance to the consolidated financial statements; and • significant judgments and inherent estimation uncertainty associated with determining the revalued amounts.	Our audit procedures to evaluate the revaluation of land, amongst others, included the following: • evaluating the completeness and description of the land records provided to the management's valuation expert; • engaging an independent, competent and qualified valuation expert to validate the reasonableness of the value determined by the management's valuation expert and the underlying assumption used; and • evaluating the appropriateness of related disclosures in the consolidated financial statements as per applicable accounting and reporting standards as applicable in Pakistan.

S. No.	Key audit matter	How the matter was addressed in our audit
5	**Capitalization of property, plant and equipment** Refer to notes 15.1 and 15.2 to the consolidated financial statements. The Company has made significant capital expenditure of Rs. 4,026.57 million for the construction of new hotels, modernization of existing hotel properties and purchase of an aircraft. We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that unauthorised capital expenditure might be incurred and amounts being capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year.	Our audit procedures to evaluate the capitalization of property, plant and equipment, amongst others, included the following: • Obtaining an understanding of the process relating to authorization and capitalization and testing the design, implementation and operating effectiveness of key internal controls; • testing, on sample basis, the costs capitalized with supporting documentation and contracts; • evaluating the nature of costs incurred through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the accounting policy and applicable financial reporting framework; and • inspecting supporting documents for the date of capitalization when the assets became available for their intended use to evaluate whether depreciation commenced and further capitalization of costs ceased from that date and evaluating the appropriateness of classification of assets in correct category and testing the calculation of related depreciation.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) Proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) 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 engagement partner on the audit resulting in this independent auditors' report is Riaz Akbar Ali Pesnani.

KPMG Taseer Hadi & Co.

Chartered Accountants

Islamabad: 28 September 2018

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	30 June 2018	Restated 30 June 2017	Restated 01 July 2016
			(Rupees'000)	
EQUITY				
SHARE CAPITAL AND RESERVES				
Share capital	4	325,242	325,242	325,242
Capital reserves	5	416,645	416,645	416,645
Revenue reserves	6	7,539,821	7,565,056	7,095,842
Revaluation surplus on property, plant and equipment	7	27,530,741	23,779,515	23,779,515
Total equity		35,812,449	32,086,458	31,617,244
LIABILITIES				
Loans and borrowings	8	9,681,188	6,834,951	2,211,799
Employee benefits	9	704,306	632,493	514,935
Deferred tax liability - net	10	288,014	223,676	177,994
Non current liabilities		10,673,508	7,691,120	2,904,728
Short term borrowings	11	553,868	339,943	-
Current portion of loans and borrowings	8	1,359,247	510,681	512,308
Trade and other payables	12	1,980,750	1,651,986	1,611,175
Markup accrued		224,422	104,285	85,032
Liabilities directly associated with assets classified as held for sale		120	-	-
Unpaid dividend	13	19,210	-	-
Advance against sale of long term investment		115,000	-	-
Unclaimed dividend		9,242	16,588	8,600
Current liabilities		4,261,859	2,623,483	2,217,115
Total equity and liabilities		50,747,816	42,401,061	36,739,087
CONTINGENCIES AND COMMITMENTS	14			

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

	Note	30 June 2018	Restated 30 June 2017	Restated 01 July 2016
		(Rupees'000)		
ASSETS				
Property, plant and equipment	15	40,039,622	33,290,344	31,991,730
Advances for capital expenditures	16	1,532,203	1,346,935	1,220,607
Investment property	17	60,000	50,000	45,000
Long term investments	18	1,105,980	1,355,100	1,190,250
Long term deposits and prepayments	19	42,837	24,510	26,332
Non current assets		42,780,642	36,066,889	34,473,919
Inventories	20	279,917	258,874	284,527
Development properties	21	2,746,619	1,097,196	592,901
Trade debts	22	732,591	626,337	550,167
Advances, prepayments, trade deposits and other receivables	23	314,953	3,889,562	228,024
Short term investments	24	2,017,250	27,914	27,613
Asset held for sale	25	259,702	-	-
Advance tax - net	26	302,050	108,318	122,157
Cash and bank balances	27	1,314,092	325,971	459,779
Current assets		7,967,174	6,334,172	2,265,168
Total assets		50,747,816	42,401,061	36,739,087

Murtaza Hashwani
Chief Executive

Shakir Abu Bakar
Director

Abdul Qadeer Khan
Chief Financial Officer

Consolidated Statement of Profit or Loss

For the year ended 30 June 2018

	Note	2018	Restated 2017
		(Rupees'000)	
Revenue - gross	28	12,534,459	11,728,939
Discounts and commissions	28	(207,479)	(216,512)
Sales tax	28	(1,704,400)	(1,591,855)
Revenue - net		10,622,580	9,920,572
Cost of sales and services	29	(5,739,399)	(5,555,823)
Gross profit		4,883,181	4,364,749
Other income	30	153,974	141,164
Administrative expenses	31	(3,276,907)	(2,684,839)
Other expense		-	(40,509)
Operating profit		1,760,248	1,780,565
Finance income	33	(335,512)	49,806
Unrealised (loss) / gain on remeasurement of investments of fair value - net		(1,355)	270
Finance cost	34	(728,100)	(413,955)
Net finance cost		(1,064,967)	(363,879)
Share of profit in equity accounted investments - net		90,552	100,499
Profit before taxation		785,833	1,517,185
Income tax expense	35	(384,338)	(537,609)
Profit for the year		401,495	979,576

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Murtaza Hashwani Chief Executive	Shakir Abu Bakar Director	Abdul Qadeer Khan Chief Financial Officer

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	2018	2017
	(Rupees'000)	
Profit for the year	401,495	979,576
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefits liability	(48,184)	(39,124)
Surplus on revaluation of property, plant and equipment	3,751,226	-
Related tax	12,046	11,737
	3,715,088	(27,387)
Items to be reclassified to consolidated profit and loss account in subsequent periods		
Exchange gain on translation of long term investments in equity accounted investees	215,539	5,370
Surplus on remeasurement of available for sale securities	(118,268)	81,968
Share of remeasurement of defined benefit obligation of associate	-	(1,053)
Share of exchange translation reserve for the year	-	(87)
Related tax	-	-
	97,271	86,198
Total other comprehensive income for the year	3,812,359	58,811
Total comprehensive income for the year	4,213,854	1,038,387

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Murtaza Hashwani Chief Executive	Shakir Abu Bakar Director	Abdul Qadeer Khan Chief Financial Officer

Consolidated Statement of Cash Flow

For the year ended 30 June 2018

	Note	2018	2017
		(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operating activities before working capital changes	36	2,572,820	2,506,515
Working capital changes			
(Increase) / decrease in current assets			
Inventories		(21,239)	26,639
Development property		(1,649,423)	(504,295)
Trade debts		(106,211)	(57,822)
Advances		(22,237)	(1,333)
Trade deposits and prepayments		(1,915)	2,469
Other receivables		(39,581)	(13,890)
Advance against sale of long term investment		115,000	-
Increase in trade and other payables		328,884	40,811
Cash generated from operations		(1,396,722)	(507,421)
Staff retirement benefit - gratuity paid		(46,885)	(44,546)
Compensated leave absences paid		(22,960)	(19,087)
Income tax paid		(501,698)	(466,264)
Finance cost paid		(631,631)	(385,124)
Net cash from operating activities		(27,076)	1,084,073
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(3,944,893)	(1,863,574)
Advance for capital expenditure		(185,268)	(166,837)
Other receivables - Refund of Advance for purchase of land (Advance for purchase of land)		3,648,420	(3,648,420)
Proceeds from disposal of property, plant and equipment		61,220	21,991
Purchase of other financial assets		-	(31)
Dividend income received		55,144	42,034
Short term investments		(1,990,691)	-
Receipts of return on bank deposits and short term advance		31,338	25,480
Long term deposits and prepayments		(18,327)	1,822
Net cash used in investing activities		(2,343,057)	(5,587,535)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans and borrowings		(492,500)	(500,000)
Proceed from loans and borrowing		1,850,000	5,150,000
Proceeds from Sukuk issuance		2,333,333	-
Repayment of diminishing musharaka facility		(25,505)	(22,604)
Dividend paid		(475,999)	(561,185)
Payment of transaction cost of long term financing		(45,000)	(36,500)
Net cash from financing activities		3,144,329	4,029,711
Net increase / (decrease) in cash and cash equivalents		774,196	(473,751)
Cash and cash equivalents at beginning of the year		(13,972)	459,779
Cash and cash equivalents at end of the year	37	760,224	(13,972)

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Murtaza Hashwani Chief Executive	Shakir Abu Bakar Director	Abdul Qadeer Khan Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Share capital	Capital reserves			Revenue reserves				Total equity
		Share premium	Surplus on revaluation of property, plant and equipment	Share of associate's capital reserve	General reserve	"Exchange translation reserve (net of tax)"	Surplus on remeasurement of available for sale securities	Unappropriated profit	
	(Rupees'000)								
Balance at 01 July 2016-as previously reported	325,242	269,424	-	147,221	1,600,000	493,439	140,546	4,853,511	7,829,383
Effect of change in policy (note 45)	-	-	23,779,515	-	-	-	-	-	23,779,515
Effect of restatement - correction of an error	-	-	-	-	-	-	-	8,346	8,346
Balance at 01 July 2016-as restated	325,242	269,424	23,779,515	147,221	1,600,000	493,439	140,546	4,861,857	31,617,244
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	979,576	979,576
Other comprehensive income for the year	-	-	-	-	-	5,370	81,968	(28,527)	58,811
Total comprehensive income for the year	-	-	-	-	-	5,370	81,968	951,049	1,038,387
Transaction with owners of the Company									
Distributions:									
Final cash dividend 30 June 2016 - Rs. 2.5 per share	-	-	-	-	-	-	-	(81,310)	(81,310)
First interim cash dividend 2017 - Rs. 5 per share	-	-	-	-	-	-	-	(162,621)	(162,621)
Second interim cash dividend 2017 -Rs. 5 per share	-	-	-	-	-	-	-	(162,621)	(162,621)
Third interim cash dividend 2017-Rs. 5 per share	-	-	-	-	-	-	-	(162,621)	(162,621)
Total distributions	-	-	-	-	-	-	-	(569,173)	(569,173)
Balance at 30 June 2017- as restated	325,242	269,424	23,779,515	147,221	1,600,000	498,809	222,514	5,243,733	32,086,458
Balance at 30 June 2017- as previously reported	325,242	269,424	-	147,221	1,600,000	498,809	222,514	5,233,980	8,297,190
Effect of change in policy (note 45)	-	-	23,779,515	-	-	-	-	-	23,779,515
Effect of restatement - correction of an error	-	-	-	-	-	-	-	9,753	9,753
Balance at 30 June 2017-as restated	325,242	269,424	23,779,515	147,221	1,600,000	498,809	222,514	5,243,733	32,086,458
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	401,495	401,495
Other comprehensive income for the year	-	-	3,751,226	-	-	215,539	(118,268)	(36,138)	3,812,359
Total comprehensive income for the year	-	-	3,751,226	-	-	215,539	(118,268)	365,357	4,213,854
Transaction with owners of the Company									
Distributions:									
Final cash dividend 30 June 2017 - Rs. 5 per share	-	-		-	-	-	-	(162,621)	(162,621)
First interim cash dividend 2018 - Rs. 5 per share	-	-		-	-	-	-	(162,621)	(162,621)
Second interim cash dividend 2018 -Rs. 5 per share	-	-		-	-	-	-	(162,621)	(162,621)
Total distributions	-	-		-	-	-	-	(487,863)	(487,863)
Balance at 30 June 2018	325,242	269,424	27,530,741	147,221	1,600,000	714,348	104,246	5,121,227	35,812,449

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Murtaza Hashwani
Chief Executive

Shakir Abu Bakar
Director

Abdul Qadeer Khan
Chief Financial Officer

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

1. THE GROUP AND ITS OPERATIONS

Pakistan Services Limited ("the Parent Company") was incorporated on 06 December 1958 in Pakistan under the Companies Act, 1913 (now Companies Act, 2017) as a public limited company and is quoted on Pakistan Stock Exchange Limited.

The Parent Company is principally engaged in the hotel business and owns and manages the chain of Pearl Continental Hotels in Pakistan. The Parent Company also owns one small sized property in Lahore, operating under the budget concept. The Parent Company also grants franchise to use its trade mark and name "Pearl Continental". Further, the Parent company is also in the process of constructing hotels in Multan and Mirpur Azad Jammu and Kashmir.

The Parent Company's registered office is situated at 1st Floor, NESPAK House, Sector G-5/2, Islamabad. The addresses of lands, hotel buildings and other properties owned by the Parent Company located in Karachi, Lahore, Rawalpindi, Bhurban, Peshawar, Multan, Muzaffarabad and Mirpur are disclosed in note 15.1.5. The addresses of the Parent Company's other sales offices / lounges are as follows:

- CIP Lounge, New Islamabad International Airport.
- CIP Lounge, Allama Iqbal International Airport, Lahore
- Sales center, office no. 07, Islamabad Center, Fazal-e-Haq Road, Blue Area, Islamabad.

As at the reporting date, the Parent Company has the following subsidiaries:

Subsidiary companies	Nature of business	Holding
Pearl Tours and Travels (Private) Limited	Rent-a-car, tour packages and travel related work	100%
Pearl Continental Hotels (Private) Limited	Non-operational	100%
City Properties (Private) Limited	Real estate development	100%
Elite Properties (Private) Limited	Real estate development	100%

1.1 Summary of significant events and transactions

Significant events and transactions affecting the consolidated financial statements are summarized as follows:

- The Group incurred major capital expenditures of Rs. 1,035 million for construction of its hotels in Mirpur and Multan. Further, the Group has made significant capital expenditure of Rs. 2,728 million for the balancing, modernization and rehabilitation of existing hotel properties and also purchased an aircraft.

- The Group entered into an agreement for issuance of rated, secured long term privately placed Sukuk of Rs. 7,000 million; out of which the Group issued first tranche of Sukuk amounting to Rs. 2,333.33 million.

- The Group also obtained a new term finance loan with a limit of Rs. 2,000 million. During the year, the total drawdowns from this facility amounted to Rs. 1,850 million.

- The Group made investments of Rs. 2,000 million in term deposit receipts.

- The Group has purchased land from different individuals for launching housing society in Faisalabad as disclosed in note 15 of these consolidated financial statements.

- Zashan (Private) Limited ("ZPL") a subsidiary of the Parent Company subsidiary was classified as held for sale pursuant to the approval of shareholders of the Subsisdiary in extra ordinary general meeting held on 26 March 2018 to sell controlling interest in Zashan (Private) Limited. Also refer note 25 of these consolidated financial statements.
- Development properties of Rs. 911 million were purchased during the year from different parties to launch housing societies in different cities. Further, advance of Rs. 404 million was given for the purchase of bungalow in Lahore.
- Dividends of Rs. 488 million have been declared including the final cash dividend of Rs. 162 million for the year ended 30 June 2017.

- Due to first time application of financial reporting requirements under the Companies Act, 2017, the accounting policy for revaluation surplus on property, plant and equipment has been changed during the year. Consequently, the amount of revaluation surplus on property, plant and equipment reported outside the equity, in the prior years, has been reclassified to equity. Further in order to comply with the disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017 some of the amounts reported in the prior year have been reclassified. (Refer to note 46)

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The applicable financial reporting framework for equity - accounted investees also include insurance Ordinance, 2001 and underlying Rules and Directives.

2.2 Basis of consolidation

These consolidated financial statements include the financial statements of the Parent Company and the subsidiary companies together constituting "the Group".

2.2.1 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in consolidated statement of profit or loss immediately. Transaction costs are expensed as incurred. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in consolidated statement of profit or loss. Any contingent gain is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in consolidated statement of profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

These consolidated financial statements include Pakistan Services Limited (PSL/Parent Company) and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the Subsidiaries).

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary, except those part of the initial acquisition transaction, that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in consolidated statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise of interests in associates and a jointly controlled entity. Associates are those entities in which the Group has significant influence, but not control over the financial and operating policies. A jointly controlled entity is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the jointly controlled entity are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investee, until the date on which significant influence or joint control ceases.

Transactions elimination in consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra- group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Pak Rupee at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Pak Rupee at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in the consolidated statement of comprehensive income, and accumulated in the foreign currency translation reserve.

When a foreign operation is disposed off in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the consolidated profit or loss account as part of the gain or loss on disposal. When the Group disposes off only a part of an associate or jointly controlled entity while retaining significant influence or control, the relevant proportion of the cumulative amount is reclassified to consolidated statement of profit or loss.

2.3 Basis of measurement and preparation

These consolidated financial statements have been prepared under historical cost convention except for the following items which are measured on an alternative basis on each reporting date.

Item	Measurement basis
Land	Revaluation model
Investment property	Fair value
Investments held for trading	Fair value
Employee benefits - Net defined benefit liability	Present value of the defined benefit liability, determined through actuarial valuation

2.4 Functional and presentation currency

These consolidated financial statements are presented in Pak Rupees (Rupee or PKR), which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.5 Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgment was exercised in application of accounting policies are as follows:

- Note 15.1 useful lives, reassessed values, residual values and depreciation method of property, plant and equipment
- Note 17 fair value of investment property
- Note 20 provision for slow moving inventories
- Note 14 recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 9 measurement of defined benefit obligations: key actuarial assumptions
- Note 10 and 35 recognition of deferred tax liabilities and estimation of income tax provisions
- Note 22 provision for doubtful trade debts

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair value, both for financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the approved accounting standards as applicable in Pakistan, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows;

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).
If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the changes as follows:

i. Amendments to IAS 7 'Statement of Cash Flow' became effective during the year. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. Accordingly, these disclosures have been included in the note 37.1 to these consolidated financial statements.

ii. The Companies Act, 2017 specified certain disclosures to be included in the consolidated financial statements. The Group has presented the required disclosures in these consolidated financial statements and reclassified / rearranged certain corresponding figures. However, there was no change in the reported amounts of profit and other comprehensive income and the amounts presented in the statement of financial position due to these reclassifications / rearrangements. Refer to note 46.

iii. The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of property, plant and equipment has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of property, plant and equipment which was not in accordance with the IFRS requirements. Accordingly, the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment, revaluation surplus of property, plant and equipment would now be presented under equity.

Following the application of IAS 16, the Group's policy for surplus on revaluation of land stands amended as follows:

- Increases in the carrying amounts arising on revaluation of land are recognised, net of tax, if any, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. Refer to note 45.

3.1 Property, plant and equipment and advance for capital expenditure

3.1.1 Owned

Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses except for:

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

Increases in the carrying amounts arising on revaluation of land are recognised, net of tax, in consolidated statement of comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in consolidated statement of profit or loss, the increase is first recognised in consolidated statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognised in consolidated statement of comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to consolidated statement of profit or loss.

Cost comprises of purchase price and other directly attributable costs less refundable taxes. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use.

The completed or / acquired capital work in progress and advance for capital expenditure is transferred to the respective item of operating fixed assets when it becomes available for intended use.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the diminishing balance method over their estimated useful lives, and is generally recognised in consolidated statement of profit or loss at rates given in note 15 to these consolidated financial statements. Leased assets are depreciated over the shorter of the leased term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land and capital work in progress are not depreciated.

Depreciation on additions to property, plant and equipment is charged on prorate basis from the month in which property, plant and equipment is acquired or capitalized while no depreciation is charged for the month in which property, plant and equipment is disposed off / derecognized.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.1.2 Leased

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values.

If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

Leased assets

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Group.

Lease payments

Payments made over operating leases are recognised in consolidated statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Ijarah

Assets held under Ijarah arrangement are classified as operating leases and are not recognised in the Group's consolidated statement of financial position.

Rentals payable under Ijarah arrangement are charged to consolidated statement of profit or loss on a straight line basis over the term of the Ijarah lease arrangement.

3.2 Investment property

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

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and carrying amount of the item) is recognised in consolidated statement of profit or loss.

When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to consolidated retained earnings.

3.3 Inventories

3.3.1 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at weighted average cost except for items in transit which are stated at cost incurred up to the reporting date less impairment, if any. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Group reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence, if there is any change in usage pattern and physical form of related stores, spare parts and loose tools.

3.3.2 Stock in trade

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

3.4 Financial instruments

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

3.4.1 Non-derivative financial assets and financial liabilities

3.4.1.1 Recognition and derecognition

The Group initially recognizes loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.4.1.2 Non-derivative financial assets – Measurement

Held-for-trading - Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in consolidated statement of profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in consolidated statement of profit or loss.

Held-to-maturity financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method less impairment loss, if any.

Available-for-sale financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in consolidated statement of comprehensive income and accumulated in the fair value reserve in equity. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to consolidated statement of profit or loss.
Loans and receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

3.4.1.3 Non-derivative financial liabilities – Measurement

Financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

3.5 Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessment of time value of money and risk specific to the liability. The unwinding of discount is recognised as finance cost.

3.6 Contingent liabilities

A contingent liability is disclosed when the Group has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Group; or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.7 Share capital and dividend

Ordinary shares are classified as equity and recognised at their face value. Dividend distribution to the shareholders is recognised as liability in the period in which it is declared.

3.8 Employee benefits

The accounting policies for employee benefits are described below:

3.8.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.8.2 Defined contribution plan – Provident fund

The Group operates a defined contribution provident fund scheme for permanent employees. Contributions to the fund are made monthly by the Group and employees at an agreed rate of salary, the fund is managed by its Board of Trustees. The contributions of the Group are charged to consolidated statement of profit or loss.

3.8.3 Defined benefit plans

The Group operates the following defined benefit plans:

a. **Gratuity**

The Group operates defined benefit plan comprising an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme.

The Group's net liability in respect of this defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit liability is performed annually by a qualified actuary using the projected unit credit method (PUC).

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in consolidated statement of comprehensive income. The Group determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in consolidated statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in consolidated statement of profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

b. **Compensated leave absences**

The Group operates defined benefit plan comprising an unfunded compensated leave absences scheme covering all eligible employees as specified by the scheme.

3.9 Income tax

Income tax expense comprises current and deferred tax. It is recognised in consolidated statement of profit or loss except to the extent that it relates to a business combination, or items reconginsed directly in equity or in OCI.

3.9.1 Current tax

Current tax comprises the expected tax payable or refundable on the taxable income or loss for the year and any adjustment to the tax payable or refundable in respect of previous years. The amount of current tax payable or refundable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset if certain criteria are met. The charge for current taxation is based on taxable income at current rates of taxation enacted or substantially enacted at the reporting date, after taking into consideration available tax credits, rebates and tax losses, if any.

3.9.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Group and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this assumption. Deferred tax assets and liabilities are offset if certain criteria are met.

3.10 Revenue recognition

Revenues are recognised as services are rendered and when collectability is reasonably assured. Amounts received in advance of revenue recognition are deferred as liabilities.

Revenue primarily consists of room rentals, food and beverage sales, communication towers, other rental income, shop license fees, revenue from minor operating departments and privilege club card fees.

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

3.11 Foreign currency transactions and translations

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupee at the exchange rate ruling on the reporting date and exchange differences, if any, are recognised in consolidated statement of profit or loss.
Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in consolidated statement of profit or loss.

3.12 Finance income and finance cost

The Group's finance income and finance costs include interest income, dividend income, bank charges, interest expense, foreign currency gain or loss on financial assets and financial liabilities. Interest income or expense is recognised using the effective interest method. Dividend income is recognised in consolidated statement of profit or loss on the date on which the Group's right to receive payment is established.

Mark-up, interest and other charges on borrowings used for the acquisition and construction of qualifying assets are capitalized up to the date when the qualifying assets are substantially ready for their intended use. Borrowing cost is included in the related property, plant and equipment acquired/constructed out of the proceeds of such borrowings.

3.13 Impairment

3.13.1 Financial assets

Financial assets not classified at fair value through profit or loss, including an interest in subsidiaries, associates and jointly controlled entities are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on the terms that the Group would not consider otherwise and indication that a debtor will enter bankruptcy.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

For financial assets measured at amortized cost, the Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in consolidated statement of profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through consolidated statement of profit or loss.

For subsidiaries, associates and jointly controlled entities an impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in consolidated statement of profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

3.13.2 Non-financial assets

At each reporting date, the Group reviews the carrying amount of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in consolidated statement of profit or loss. They are allocated first to reduce the carrying amounts of any goodwill allocated to CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

3.14 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in consolidated statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

3.15 Development properties

Development properties include land acquired to carry on real estate business and property development. These are carried in the consolidated statement of financial position at lower of cost and net realizable value. Cost includes purchase costs, related government taxes, construction cost, borrowing cost and other overheads necessary to bring the properties in the saleable condition. Net realizable value represents the selling price in the ordinary course of business less cost of completion and estimated cost necessary to be incurred for making the sale. This also includes advances given to acquire the land / villas.

3.16 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, short term investments and short-term borrowings under mark-up arrangements, used by the Group in the management of its short-term commitments.

3.17 Segment

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

3.18 Earnings per share

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

3.19 Standards, Interpretations and Amendments to the Approved Accounting Standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Group's consolidated financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 01 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Group's consolidated financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IAS 28 'Investments in Associates and Joint Ventures') (effective for annual periods beginning on or after 01 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Group's consolidated financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The Group is currently assessing the impact of the IFRIC 22 on its consolidated financial statements, if any.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The Group is currently assessing the impact of the IFRIC 23 on its consolidated financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Group is currently in the process of analysing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2018 and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is currently in the process of analysing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-statement of financial position lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Group is currently in the process of analysing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The application of amendments is not likely to have an impact on Group's consolidated financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a Group now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Group's consolidated financial statements.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangement' - the amendment aims to clarify the accounting treatment when a Group increases its interest in a joint operation that meets the definition of a business. A Group re-measures its previously held interest in a joint operation when it obtains control of the business. A Group does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 'Income Taxes' - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 'Borrowing Costs' - the amendment clarifies that a Group treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 01 January 2019 and are not likely to have an impact on Group's consolidated financial statements.

4 SHARE CAPITAL

4.1 Authorised share capital

Authorized share capital is 200,000,000 (2017: 200,000,000) ordinary share of Rs. 10 each.

4.2 Issued, subscribed and paid up share capital

2018	2017		2018	2017
Number of shares			(Rupees'000)	
		Ordinary shares of Rs.10 each		
25,672,620	25,672,620	- Fully paid in cash	256,726	256,726
362,100	362,100	- For consideration other than cash (against property)	3,621	3,621
6,489,450	6,489,450	- Fully paid bonus shares	64,895	64,895
32,524,170	32,524,170		325,242	325,242

4.2.1 All ordinary shares rank equally with regard to the Parent Company's residual assets. Holders of the shares are entitled to dividends from time to time and are entitled to one vote per share at the general meetings of the Parent Company.

4.2.2 As of the reporting date 7,363,936 (2017: 7,255,136) and 585,938 (2017: 585,438) ordinary shares of Rs. 10 each were held by associated companies and directors of the Parent Company respectively.

4.3 Capital management

The Parent Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors of the Parent Company monitors the return on capital, which the Parent Company defines as net profit after tax divided by the total shareholders' equity. The Board of Directors also determines the level of dividends to ordinary shareholders.

There were no changes to the Parent Company's approach to capital management during the year and the Parent Company was not subject to externally imposed capital requirements.

5 CAPITAL RESERVE

	Note	2018	2017
		(Rupees'000)	
Share premium	5.1	269,424	269,424
Share of associate's capital reserve		147,221	147,221
		416,645	416,645

5.1 Capital reserve represents share premium received during previous years.

6 REVENUE RESERVES

	2018	2017
	(Rupees'000)	
General reserve	1,600,000	1,600,000
Exchange translation reserve	714,348	498,809
Surplus on remeasurement of available for sale securities	104,246	222,514
Unappropriated profits	5,121,227	5,243,737
	7,539,821	7,565,056

7 REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT

	2018	2017
Balance at 01 July	23,779,515	23,779,515
Surplus arising on revaluation during the year	3,751,226	-
Balance at 30 June	27,530,741	23,779,515

7.1 Also refer note 15.1.3

		Note	2018	2017
8	**LOANS AND BORROWINGS - Secured**		(Rupees'000)	
a.	Non current portion			
	Term Finance Loan - 1	8.1	807,500	850,000
	Syndicated term loan	8.2	900,000	1,350,000
	Term Finance Loan - 2	8.3	2,150,000	2,150,000
	Term Finance Loan - 3	8.4	3,000,000	3,000,000
	Term Finance Loan - 4	8.5	1,850,000	-
	Sukuk	8.6	2,333,333	-
	Transaction cost		(71,257)	(40,808)
			10,969,576	7,309,192
	Current portion of loans		(1,335,000)	(492,500)
			9,634,576	6,816,692
	Lease finance facilities			
	Diminishing Musharaka Facility	8.7	70,859	36,440
	Current portion		(24,247)	(18,181)
			46,612	18,259
			9,681,188	6,834,951
b.	Current portion			
	Current portion of loans		1,335,000	492,500
	Current portion of Diminishing Musharaka Facility		24,247	18,181
			1,359,247	510,681

8.1 This represents outstanding balance of term finance loan of Rs. 350 million (2017: Rs. 350 million) and Rs. 500 million (2017: Rs. 500 million) carrying markup of 3-month KIBOR plus 1.5% (2017: 3-month KIBOR plus 1.5%) per annum. These are secured against first pari passu equitable mortgage charge on land and building of Pearl Continental Hotel, Rawalpindi for an amount of Rs. 1,534 million (2017: Rs. 1,534 million), ranking hypothecation charge over all present and future movable assets of Pearl Continental Hotel, Rawalpindi to the extent of Rs. 734 million (2017: Rs. 734 million). These loans are repayable in twenty equal quarterly installments of Rs. 17.50 million and Rs. 25.00 million each against respective loans from June 2018.

8.2 This represents the outstanding balance of syndicated term loan of Rs. 1,800 million carrying markup of 6-month KIBOR plus 1.95% (2017: 6-month KIBOR plus 1.95%) per annum payable semi-annually. This facility is secured against first pari passu equitable mortgage charge over the property of Pearl Continental Hotel, Karachi with 25% margin over facility amount and first pari passu hypothecation charge over all present and future movable and immovable fixed assets (excluding land and building) of Pearl Continental Hotel, Karachi with 25% margin over facility amount. The loan is repayable in eight equal semi-annual installments of Rs. 225 million each. Repayments have started from July 2016.

8.3 This represents term finance loan of Rs. 2,150 million carrying markup of 3-month KIBOR plus 0.75% (2017 :3-month KIBOR plus 0.75%) per annum payable quarterly. This facility is secured against charge over land and building of Pearl Continental Hotel, Rawalpindi and Peshawar to the extent of Rs. 1,200 million (2017: Rs. 1,200 million) and Rs. 1,667 million (2017: Rs. 1,667 million) respectively. The loan is repayable in twenty equal quarterly installments of Rs. 107.50 million each, commencing from January 2019.

8.4 This represents term finance loan of Rs. 3,000 million carrying markup of 3-month KIBOR plus 0.75% (2017: 3-month KIBOR plus 0.75%) per annum payable quarterly. This facility is secured against ranking equitable mortgage charge over land and building of Pearl Continental Hotel, Karachi and ranking hypothecation charge on all present and future fixed and current assets of Pearl Continental Hotel, Karachi to the extent of Rs. 4,000 million (2017: Rs. 4,000 million). The loan is repayable in eighteen equal quarterly installments of Rs. 166.67 million, commencing from September 2018.

8.5 This represents utilized amount of term finance loan of Rs. 2,000 million carrying markup of 6-month KIBOR plus 0.65% per annum payable semi-annual (2017: Nil). This facility is secured against first pari passu equitable mortgage charge over land and building and first pari passu hypothecation charge on all on all present and future moveable assets of Pearl Continental Hotel, Peshawar with 25% margin. The loan is repayable in ten equal semi-annual installments commencing from May 2020.

8.6 During the year, the Parent Company entered into an arrangement for issuance of rated, secured, long term privately placed Sukuk of Rs. 7,000 million; out of which the Parent Company issued first tranche of Sukuk amounting to Rs. 2,333.33 million. Pak Brunei Investment Company Limited is the trustee while Faysal Bank Limited is acting as shariah structuring advisor for this Sukuk arrangement. The Sukuk tenor is six years, and carries profit of 6-month KIBOR plus 1% per annum payable semi-annually. The Sukuk is secured by way of first mortgage charge on Pearl Continental Hotel, Lahore with 25% margin and hypothecation on all the present and future assets (excluding land and building) of Pearl Continental Hotel, Lahore. Redemption of Sukuk will be in nine equal semi-annual installments starting from March 2020.

8.7 This represents outstanding balance of diminishing musharaka facility of Rs. 70.86 million (2017: Rs. 36.44 million) from an Islamic financial institution and carries markup of 3-month KIBOR plus 1% (2017: 3-month KIBOR plus 1%) per annum payable quarterly . The facility is secured by way of ownership of leased assets.

Diminishing musharka facility is payable as follows:

	2018		
	Present value of minimum lease payment	Interest cost for future periods	Future minimum lease payments
		(Rupees'000)	
Not later than one year	24,247	1,467	25,714
Later than one year and not later than five years	46,612	1,115	47,727
	70,859	2,582	73,441

	2017		
	Present value of minimum lease payment	Interest cost for future periods	Future minimum lease pay-ments
		(Rupees'000)	
Not later than one year	18,259	1,211	19,470
Later than one year and not later than five years	18,181	701	18,882
	36,440	1,912	38,352

9 EMPLOYEE BENEFITS

	Note	2018	2017
		(Rupees'000)	
Net defined benefit liability - gratuity	9.1.1	561,853	493,617
Net defined benefit liability - compensated leave absences	9.2.2	142,453	138,876
		704,306	632,493

9.1 Net defined benefit liability - gratuity

The Group operates an unfunded gratuity scheme for its eligible employees detail of which are as follows:

9.1.1 Movement in net defined liability - gratuity	Note	2018	2017
		(Rupees'000)	
Balance at 01 July		493,617	417,143
Included in profit or loss	9.1.3	66,937	81,896
Benefits paid		(46,885)	(44,546)
Included in other comprehensive income	9.1.4	48,184	39,124
Balance at 30 June		561,853	493,617

		Note	2018	2017
			(Rupees'000)	
9.1.2	**Reconciliation of liability recognised in the statement of financial position**			
	Present value of defined benefit liability		561,853	493,617
	Net defined benefit liability		561,853	493,617
9.1.3	**Included in profit or loss**			
	Current service cost		31,084	23,380
	Interest cost		35,853	28,470
	Past service cost		-	30,046
			66,937	81,896
9.1.3.1	**Expense is recognized in the following line items in profit or loss**			
	Cost of sales and services		40,370	32,670
	Administrative expenses		26,567	49,226
			66,937	81,896
9.1.4	**Included in other comprehensive income**			
	Actuarial loss from changes in financial assumptions		691	233
	Experience adjustments on defined benefit liability		47,493	38,891
			48,184	39,124

9.1.5 **Key Actuarial assumption**

The latest actuarial valuation was carried out on 30 June 2018 using projected unit credit method with the following assumptions:

	Note	2018	2017
Discount rate		7.75%	7.25%
Expected increase in eligible salary		N/A	7.75%
Mortality rate	9.1.5.1	SLIC 2001-2005	SLIC 2001-2005

9.1.5.1 Assumption regarding future mortality has been based on State Life Corporation (SLIC 2001-2005), ultimate mortality rate with 1 year setback as per recommendation of Pakistan Society of Actuaries (PSOA).

9.1.6 **Sensitivity analysis**

For a change of 100 basis points, present value of defined benefit liability at reporting date would have been as follows:

	2018		2017	
	Increase	Decrease	Increase	Decrease
	(Rupees'000)		(Rupees'000)	
Discount rate	520,160	590,964	455,842	521,174
Salary increase rate	591,185	519,340	521,382	455,074

9.1.6.1 Although the analysis does not take into account full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

9.1.6.2 The Company's expected charge for the defined benefit liability - gratuity for the next year is Rs. 87.66 million

9.1.7 Risk associated with defined benefit liability- gratuity

9.1.7.1 Salary Risk- (linked to inflation risk)

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

9.1.7.2 Demographic Risks

Mortality Risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal Risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

9.1.8 Expected benefit payments for the next 10 years and beyond;

Years	(Rupees '000)
FY 2019	56,439
FY 2020	50,199
FY 2021	57,226
FY 2022	50,908
FY 2023	70,205
FY 2024	63,681
FY 2025	84,546
FY 2026	89,498
FY 2027	133,430
FY 2028	77,157
FY 2029 onwards	1,390,914

		Note	2018	2017
9.2	**Net defined benefit liability - compensated leave absences**		(Rupees'000)	
9.2.1	**Movement in defined benefit liability - compensated leave absences**			
	Balance at 01 July		138,876	97,792
	Included in profit or loss	9.2.3	26,537	60,171
	Payments made during the year		(22,960)	(19,087)
	Balance at 30 June		142,453	138,876

		Note	2018	2017
9.2.2	**Reconciliation of liability recognised** in the Statement of financial position		(Rupees'000)	
	Present value of defined benefit liability		142,453	138,876
	Net defined benefit liability		142,453	138,876
9.2.3	**Included in profit or loss**			
	Current service cost		21,083	23,348
	Interest cost		9,768	6,378

		2018	2017
		(Rupees'000)	
Past service cost		-	3,171
Experience adjustments on defined benefit liability		(4,314)	27,274
		26,537	60,171

9.2.3.1 Expense is recognized in the following line items in profit or loss

	2018	2017
Cost of sales and services	9,346	37,014
Administrative expenses	17,191	23,157
	26,537	60,171

9.2.4 Actuarial assumption

		2018	2017
Discount rate		7.25%	7.25%
Expected increase in eligible salary		N/A	7.75%
Mortality rate	9.2.4.1	SLIC 2001-2005	SLIC 2001-2005

9.2.4.1 Assumption regarding future mortality has been based on State Life Corporation (SLIC 2001-2005), ultimate mortality rate with 1 year setback as per recommendation of Pakistan Society of Actuaries (PSOA).

9.2.5 Sensitivity analysis

For a change of 100 basis points, present value of defined benefit liability at reporting date would have been as follows:

	2018		2017	
	Increase	Decrease	Increase	Decrease
	(Rupees'000)		(Rupees'000)	
Discount rate	129,826	152,632	127,309	150,283
Salary increase rate	152,627	129,985	149,872	127,481

Although the analysis does not take into account full distribution of cash flows expected under the plan, it does provide an approximation of the sentivity of the assumptions shown.

9.2.6 Risk associated with defined benefit liability- compensated leave absences

Salary Risk- (linked to inflation risk)

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Demographic Risks

Mortality Risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal Risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

9.2.7 Expected benefit payments for the next 10 years and beyond;

Years	(Rupees '000)
FY 2019	14,605
FY 2020	13,850
FY 2021	16,011
FY 2022	18,400
FY 2023	19,239
FY 2024	20,655
FY 2025	32,692
FY 2026	23,863
FY 2027	35,192
FY 2028	17,916
FY 2029 onwards	523,733

10 DEFERRED TAX LIABILITY

	Net balance at 01 July 2017	Recognized in Profit or loss (Note 35)	Recognized in " Other comprehensive income "	Net balance at 30 June 2018
2018				
Taxable temporary differences				
Property, plant and equipment	467,783	33,387	-	501,170
Exchange translation reserve	141,110	31,522	-	172,632
Deductible temporary differences				
Employees benefit - gratuity	155,519	(27,102)	12,046	140,463
Provision against doubtful debts	59,661	(11,132)	-	48,529
Unabsorbed tax losses and depreciation	122	-	-	122
Share in loss of equity accounted investments	28,175	2,554	-	30,729
Provision for inventory	434	(24)	-	410
Short term investment	1,590	(90)	-	1,500
Income not yet received	44	-	-	44
Write down of investment to its net selling price	134,179	-	-	134,179
Diminishing musharaka facility	5,493	24,319	-	29,812
	385,217	(11,475)	12,046	385,788
	223,676	76,384	(12,046)	288,014
2017				
Taxable temporary differences				
Property, plant and equipment	427,204	40,579	-	467,783
Exchange translation reserve	141,760	(650)	-	141,110
Deductible temporary differences				
Employees benefit - gratuity	125,143	(18,639)	11,737	155,519
Provision against doubtful debts	65,165	5,504	-	59,661
Unabsorbed tax losses and depreciation	122	-	-	122
Share in loss of equity accounted investments	56,804	28,628	-	28,175
Provision for inventory	730	296	-	434
Short term investment	1,590	-	-	1,590
Income not yet received	-	44	-	44
Write down of investment to its net selling price	134,179	-	-	134,179
Diminishing musharaka facility	7,237	1,744	-	5,493
	390,970	17,577	11,737	385,217
	177,994	57,506	(11,737)	223,676

		Note	2018	2017
11	SHORT TERM BORROWINGS - Secured		(Rupees'000)	
	Running finance facilities - from banking companies	11.1	553,868	339,943

11.1 These facilities are obtained from various commercial banks with an aggregate limit of Rs. 1,770 million (2017: Rs. 1,250 million) which are secured against pari passu equitable mortgage charge on fixed assets and hypothecation charge on stock-in-trade, trade debts, receivables and all other moveable properties of Pearl Continental Hotel Karachi and Rawalpindi and lien on certain listed securities held by the Parent Company. These facilities carry markup rates ranging from 1-month KIBOR to 3-month KIBOR plus 0.6% to 0.7% (2017: 1-month KIBOR to 3-month KIBOR plus 0.6% to 1.5%) per annum.

11.2 The Parent Company has unutilised running finance facilities aggregating to Rs. 1,216.13 million (2017: Rs.910.06 million) at the year end.

		Note	2018	2017
12	TRADE AND OTHER PAYABLES		(Rupees'000)	
	Creditors		556,376	267,906
	Accrued liabilities		579,585	572,239
	Advances from customers		288,726	323,783
	Shop deposits	12.1	57,280	55,630
	Retention money		172,357	95,109
	Due to related parties - unsecured		21,101	25,129
	Sales tax payable - net		105,924	103,030
	Income tax deducted at source		1,493	3,300
	Un-earned income		139,376	155,375
	Other liabilities		58,532	50,485
			1,980,750	1,651,986

12.1 As per terms of written agreement with customers, the amount of shop deposits are fully utilizable by the Company.

13 UNPAID DIVIDEND

13.1 As per the provision of Section -242 of the Companies Act, 2017 and directives of Securities & Exchange Commission of Pakistan vide circular no. 18 dated 01 August, 2017, cash dividend will only paid through electronic mode directly in the bank accounts of shareholders, accordingly this unpaid dividend pertains to those sahreholders who did not provided their valid bank accounts details. This also includes an amount of Rs. 13.47 million (2017: Rs. Nil) payable to related parties.

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 For tax related contingencies please refer note 35.

		Note	2018	2017
	Guarantees		(Rupees'000)	
14.2	**Commitments**		278,724	251,721
	Commitments for capital expenditure		1,601,622	992,863

		Note	2018	2017
15	PROPERTY, PLANT AND EQUIPMENT			
	Operating fixed assets	15.1	36,700,470	31,216,208
	Capital work in progress	15.2	3,339,152	2,074,136
			40,039,622	33,290,344

15.1 OPERATING FIXED ASSETS

15.1.1 Reconciliation of carrying amount

	Owned								Leased	
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Furniture, fixtures, fittings and office equipment	Computers	Vehicles	Vehicles	Total
	Rupees'000									
Cost / Revalued amounts										
Balance at 01 July 2016 - as previously reported	12,825,341	13,323,790	1,739,534	1,894,117	3,469,625	1,828,618	292,219	283,135	50,194	35,706,573
Effect of restatement - correction of an error	-	-	-	-	-	-	-	-	22,495	22,495
Balance at 01 July 2016 - as restated	12,825,341	13,323,790	1,739,534	1,894,117	3,469,625	1,828,618	292,219	283,135	72,689	35,729,068
Additions	15,360	-	3,626	66,451	42,107	388,433	64,315	10,431	21,851	612,574
Disposals	-	-	(47,924)	(63,435)	(44,857)	(50,048)	(2,947)	(9,532)	-	(218,743)
Transfer from lease assets to owned assets	-	-	-	-	-	-	-	25,253	(25,253)	-
Transfer from CWIP (refer note 15.2)	-	-	-	112,289	99,287	67,373	64,054	-	-	343,003
Balance at 30 June 2017 - as restated	12,840,701	13,323,790	1,695,236	2,009,422	3,566,162	2,234,376	417,641	309,287	69,287	36,465,903
Balance at 30 June 2017 - as previously reported	12,840,701	13,323,790	1,695,236	2,009,422	3,566,162	2,234,376	417,641	309,287	46,793	36,443,408
Effect of restatement - correction of an error	-	-	-	-	-	-	-	-	22,495	22,495
Balance at 30 June 2017- as restated	12,840,701	13,323,790	1,695,236	2,009,422	3,566,162	2,234,376	417,641	309,287	69,288	36,465,903
Balance at 01 July 2017- as restated	12,840,701	13,323,790	1,695,236	2,009,422	3,566,162	2,234,376	417,641	309,287	69,288	36,465,903
Additions	110,959	-	-	-	334,462	495,139	56,136	15,870	59,924	1,072,490
Revaluation surplus (refer note 7)	3,586,226	165,000	-	-	-	-	-	-	-	3,751,226
Disposals	-	-	(120,767)	(9,266)	(99,289)	(16,837)	(3,079)	(56,847)	-	(306,085)
Transfer from lease assets to owned assets	-	-	-	-	-	-	-	24,941	(24,941)	-
Transfer from CWIP (refer note 15.2)	-	-	823,433	100,385	232,560	371,662	177,485	-	-	1,705,525
Transfer to Asset held for sale	(250,247)	-	(10,000)	-	-	-	-	-	-	(260,247)
Balance at 30 June 2018	16,287,639	13,488,790	2,387,902	2,100,541	4,033,895	3,084,340	648,183	293,251	104,271	42,428,812
Accumulated depreciation										
Balance at 01 July 2016 - as previously reported	-	-	702,554	772,444	2,238,882	806,093	181,926	162,153	14,421	4,878,473
Effect of restatement - correction of an error	-	-	-	-	-	-	-	-	3,152	3,152
Balance at 01 July 2016- as restated	-	-	702,554	772,444	2,238,882	806,093	181,926	162,153	17,573	4,881,625
Depreciation (refer note 15.1.6)	-	-	47,507	60,046	181,739	161,369	50,410	20,487	7,417	528,975
Disposals	-	-	(34,199)	(40,060)	(36,693)	(40,584)	(2,457)	(6,912)	-	(160,905)
Transfer from lease assets to owned assets	-	-	-	-	-	-	-	9,684	(9,684)	-
Balance at 30 June 2017	-	-	715,862	792,430	2,383,928	926,878	229,879	185,412	15,306	5,249,695
Balance at 30 June 2017 - as previously reported	-	-	715,862	792,430	2,383,928	926,878	229,879	185,412	9,444	5,243,833
Effect of restatement - correction of an error	-	-	-	-	-	-	-	-	5,862	5,862
Balance at 30 June 2017- as restated	-	-	715,862	792,430	2,383,928	926,878	229,879	185,412	15,306	5,249,695
Balance at 01 July 2017- as restated	-	-	715,862	792,430	2,383,928	926,878	229,879	185,412	15,306	5,249,695
Depreciation (refer note 15.1.6)	-	-	64,620	58,324	203,046	237,609	74,886	15,830	10,900	665,215
Disposals	-	-	(58,890)	(4,239)	(84,002)	(14,393)	(2,520)	(11,068)	(9,723)	(184,835)
Transfer to Asset held for sale	-	-	(1,733)	-	-	-	-	-	-	(1,733)
Transfer from lease assets to owned assets	-	-	-	-	-	-	-	9,488	(9,488)	-
Balance at 30 June 2018	-	-	719,859	846,515	2,502,972	1,150,094	302,245	199,662	6,995	5,728,342
Carrying amount - 01 July 2016 - as restated	12,825,341	13,323,790	1,036,980	1,121,673	1,230,743	1,022,525	110,293	120,982	55,116	30,847,443
Carrying amount - 30 June 2017 - as restated	12,840,701	13,323,790	979,374	1,216,992	1,182,234	1,307,498	187,762	123,875	53,982	31,216,208
Carrying amount - 30 June 2018	16,287,639	13,488,790	1,668,043	1,254,026	1,530,923	1,934,246	345,938	93,589	97,276	36,700,470
"Rates of depreciation per annum (2018 and 2017)"	-	-	5%	5%	15%	15%	30%	15%	15%	

15.1.2 The operating fixed assets are secured against various loan availed by the Parent Company. Refer note 8 and 11.

15.1.3 Revaluation surplus on property, plant and equipment

Freehold and leasehold land were revalued on 30 June 2018 by Oceanic Surveyors (Private) Limited, an independent valuer, based on market value basis method.

Had the aforementioned revaluation not carried out, the book value of freehold and leasehold land would have been Rs. 2,245.69 million (2017: Rs. 2,384.98 million).

15.1.4 The forced sale value of the revalued land has been assessed at Rs. 24,451 million.

15.1.5 Particulars of immovable fixed assets (i.e. land and building) of the Parent Company are as follows:

Location	Address	Particular	Land area (Sq. yards)
Karachi	Plot No. 11, CL 11, Club Road	Land and building	23,255
Karachi	Civil Line Quarters, Abdullah Haroon Road (refer note 15.1.7)	Land and building	13,101
Lahore	Upper Mall	Land and building	74,440
Lahore	Plot No. 105-A, Upper Mall Road	Land and building	2,432
Lahore	Shahi Muhallah, Fort Road	Land	1,132
Lahore	Defence Housing Authority (refer note 15.1.8)	Building	2,420
Rawalpindi	Property No. 253, Survey No. 559, The Mall Road	Land and building	26,668
Peshawar	Survey No. 32-B, Khyber Road, Peshawar Cantt	Land and building	25,167
Multan	Askari By-Pass Road, Mouza Abdul Fateh	Land and under construction building	8,303
Hunza	Mominabad	Land	19,541
Gwadar	Mauza/Ward, Koh-e-Batil	Land	96,800
Gilgit	Airport Road	Land	16,375
Chitral	Zargarandeh	Land	10,528
Bhurban	Compartment No. 08, Tehsil Murree	Building	-
Muzaffarabad	Upper Chattar, Muzzaffarabad	Building	-
Mirpur	Bhutto Park, Mirpur	Under construction building	-

			2018	2017
15.1.6	Depreciation charge has been allocated as follows:	Note	(Rupees'000)	
	Cost of sales and services	29	598,101	475,456
	Administrative expenses	31	67,114	53,519
			665,215	528,975

15.1.7 The Parent Company purchased this property from an associated company, the possession of the property has been transferred to the Parent Company, however NOC for transfer of title was not issued by respective department for transfer title in favor of the Parent Company and the property is still in the name of Hashoo (Private) Limited, an associated company. The Parent Company is pursuing issuance of NOC at different forums.

15.1.8 The Parent Company constructed building for spa and saloon facility under an agreement of absolute transfer and assignment agreement with Nirvana, a partnership firm (a related party as defined under Companies Act 2017). As per the term of the said agreement Nirvana will use two floors of this building. Since completion certificate from DHA has not been obtained yet, therefore the transfer of title of the property is pending.

15.1.9 Detail of disposal of operating fixed assets:

Description	Cost	Carrying value	Sale pro-ceeds	Gain/ (Loss)	Mode of dis-posal	Purchaser	Relationship with purchaser
					(Rupees'000)		
Building	130,033	66,903	4,691	(62,212)	Negotiation	Various	
Computers	3,079	559	163	(396)	Negotiation	Various	
Plant and Machinery	99,289	15,287	8,326	(6,961)	Negotiation	Various	
Furniture, fixture and equipment	16,837	2,443	426	(2,017)	Negotiation	Various	
Vehicle	17,972	17,972	17,972	-	Negotiation	First Habib Mudaraba	
Vehicle	3,500	2,898	2,898	-	Company policy	Haseeb Amjad Gardezi	Director
Vehicle	2,090	866	866	-	Company policy	Syed Sajid Ali	Director
Vehicle	7,285	2,564	2,700	136	Negotiation	Ms. Nadia Lakhani	Relative of Director
Vehicle	2,029	852	1,334	482	Negotiation	Mr. Abrar Hussain	
Vehicle	1,463	638	638	-	Company policy	Tahir Mahmood Satti	Employee
Vehicle	1,463	662	662	-	Company policy	Arif Zubairi	Employee
Vehicle	1,463	592	599	7	Company policy	Javed Tariq Sheikh	Employee
Vehicle	2,121	948	960	12	Company policy	Mr. Shehriyar Mirza	Employee
Vehicle	1,463	614	614	-	Company policy	Mian Shah Faisal	Employee
Vehicle	1,463	591	591	-	Company policy	Mr. Bakht Zada	Employee
Vehicle	1,463	592	592	-	Company policy	Rana Kashif Shahbaz	Employee
Vehicle	209	162	865	703	Company policy	Mansoor Akbar Ali	Director
Vehicle	1,386	289	860	571	Auction	Sajid Hussain Gondal	
Aggregate of other items with individual book values not exceeding Rs. 500,000.	11,476	5,818	15,463	9,645		Various	
Total - 2018	306,084	121,250	61,220	(60,030)			
Total - 2017	218,743	57,838	21,991	(35,847)			

15.2	Capital work in progress	Note	2018 (Rupees'000)	2017
	Balance at 01 July		2,074,136	1,144,288
	Additions during the year		2,970,541	1,272,851
	Transfers to operating fixed assets	15.1.1	(1,705,525)	(343,003)
	Balance at 30 June	15.2.1	3,339,152	2,074,136
15.2.1	Construction of Pearl Continental Hotel Multan		1,032,064	795,168
	Construction of Pearl Continental Hotel Mirpur		1,311,671	500,346
	Aircraft		612,912	-
	Other civil works	15.2.2	382,505	778,622
		15.2.3	3,339,152	2,074,136

15.2.2 This includes construction work on expansion of Pearl Continental Hotel Peshawar amounting to Rs. 94.39 million (2017: Rs. 94.39 million) which is under suspension due to dispute with the Military Estate Office.

15.2.3 This also includes capitalized borrowing cost amounting to Rs. 173.97 million (2017: Rs. 135.75 million). During the year borrowing cost amounting to Rs. 38.22 million (2017: Rs. 32.44 million) was capitalized at the rate of 7.51% (2017: 7.2%) per annum.

16 ADVANCES FOR CAPITAL EXPENDITURES

	Note	2018 (Rupees'000)	2017
Advance for purchase of land	16.1	667,820	666,820
Advance for purchase of Malir Delta Land	16.2	381,656	381,656
		1,049,476	1,048,476
Advance for purchase of apartment		40,509	40,509
Impairment loss		(40,509)	(40,509)
		-	-
Advance for purchase of fixed assets		358,660	173,154
Advances for Pearl Continental Multan Project		72,420	47,986
Advances for Pearl Continental Mirpur Project		51,647	77,319
		482,727	298,459
		1,532,203	1,346,935

16.1 This includes amount of Rs. 626.82 million (2017: Rs. 626.82 million) paid to a related party, Associated Builders (Private) Limited, for purchase of tourist site piece(s) of land measuring 7.29 acres in Gwadar.

16.2 "This represents amount paid for purchase of 1/3rd share (113.34 acres of land) from Ms. Seema Tressa Gill's situated in Deh Dih in the Delta of Malir River. The Group relying upon the representation of good title by Ms. Seema Tressa Gill entered into a Agreement to Sale with her 1/3rd share (113.34 acres land) against a total sale consideration of Rs. 80 million which was followed by registered documents inter-alia includes a Deed of Conveyance. The relevant documents provide for indemnification by the Seller's against all losses, detriments occasioned to or sustained/suffered by the Purchaser due to any defect in the title of the Seller. The Group also paid regularization fee amounting to Rs. 301.65 million to the Land Utilization Department Govt. of Sindh on her behalf through Challan.

Legal proceedings of the above said piece of land were instituted in the Courts of Law, the Group being aggrieved and dissatisfied with a impugned judgment of High Court against dismissal of its Constitution Petition has filed a Civil Petition for Leave to Appeal (CPLA) before Honourable Supreme Court of Pakistan and presently the matter is pending adjudication before the Apex Court and Group is diligently pursuing the same. The Parent Company is hopeful of a favorable result. However, even if there is an adverse decision as per legal opinion, the Group would be entitled to recover the amounts from the Seller as well as from the relevant Government Department. In this regard the paid Challan for regularization fee also states that ""Subject to the condition that the land in question is available on site and the lease money may be deposited into Government Treasury in the relevant Head of Accounts by the depositor at his own risk. In case if any irregularity/false information/ concealment of facts / stay of court is noticed hereafter, the malkano amount paid to this effect by the depositor shall be reimbursed."

		Note	2018	2017
17	**INVESTMENT PROPERTY**		(Rupees'000)	
17.1	**Reconciliation of carrying amount**			
	Balance at 01 July		50,000	45,000
	Increase in fair value		10,000	5,000
	Balance at 30 June	17.1.1	60,000	50,000

17.1.1 This represents piece of land, located at Gawadar, owned by the Parent Company held for capital appreciation. On 30 June 2018, an independent valuation exercise was carried out to assess the fair value of investment property. The price of land of the investment property is assessed based on market research carried out in the area where the property is situated. The fair value of the property is based on independent valuer's judgment about average prices prevalent on the said date in the vicinity / locality and has been prepared on openly available / provided information after making relevant inquiries. The valuer holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Particular of Investment Company and Forced sale value are as follows:

Location	Area (Sq. yards)	FSV Rs. '000'
Khasra no. 59 min, khewat no.12, and khatooni no. 12, katat 20, mouza ankara north, tehsil & district Gwadar, Baluchistan	484,000	51,000

Increases in fair value are recognised as gains in consolidated profit or loss and included in other income. All increase in fair value of investment property are unrealised.

17.2 Measurement of fair values

17.2.1 Fair Value hierarchy

The fair value of investment property was determined by external, independent valuers, having appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The fair value measurement of the investment property has been categorized as a Level 3 fair value based on the inputs to the valuation technique used. Since the value has been determined by the external independent valuer and inputs are unobservable, sensitivity analysis has not been presented.

18 LONG TERM INVESTMENTS

	Country of incorporation / Jurisdiction	Amount in Foreign Currency	Percent-age of holding	Note	2018	2017
					(Rupees'000)	
Associated undertaking - unquoted						
Hashoo Group Limited	British Virgin Island		14%	18.1	-	-
Hotel One (Private) Limited	Pakistan		17.85%	18.2	-	-
Associated undertaking - quoted						
Jubilee General Insurance Company Limited - an associated company	Pakistan	$9,800,000	7.6%	18.3	1,105,980	1,355,100
					1,105,980	1,355,100
Investment in jointly controlled entity - unquoted						
Pearl Continental Hotels Limited	United Arab Emirates	$4,750,000	50%	18.4	-	-
Other investments						
Available for sale - unquoted company						
Malam Jabba Resorts Limited					1,000	1,000
Impairment loss					(1,000)	(1,000)
					-	-
					1,105,980	1,355,100

18.1 Hashoo Group Limited

The Parent Company holds 98,000 (2017: 98,000) ordinary shares of US$ 100 each in Hashoo Group Limited (HGL). HGL is treated as an 'associate' due to the Parent Company's significant influence over it due to common directorship. Due to prevailing political turmoil, unrest, law and order situation in Libya, this Investment has been fully impaired.

This is an equity investment therefore period of investment is not specific, the Parent Company has not received any return from this investment, during the term of investment no default/breach is made.

Beneficial owner of Hashoo group Limited are:

Name	% of Holding	Address
Pakistan Services Limited	14%	1st Floor Nespak House Islamabad
Saladala investment	86%	53rd street 16th Floor Panama, the republic of panama

18.2 Hotel One (Private) Limited

The Parent Company holds 500,000 (2017: 500,000) ordinary shares of Rs.100 each in Hotel One (Private) Limited (HOPL). HOPL is treated as an 'associate' due to the Parent Company's significant influence over it due to common directorship. This investment was fully impaired based on prudence, considering the accumulated losses beyond equity, however HOPL is performing well and the management is hopeful for recovery of the impairment in near future.

18.3 Investment in associated undertakings	2018	2017
	(Rupees'000)	
Cost of investment	1,534,082	1,534,082
Share of equity brought forward	1,163,027	1,017,180
Share of profit for the year - net	92,177	101,916
Share of surplus on remeasurement of available for sale securities for the year	(118,268)	81,968
Share of experience adjustments on defined benefit obligation of associate	-	(1,053)
Share of exchange translation reserve for the year	178,474	4,675
Dividend received	(54,751)	(41,659)
	97,632	145,847
	1,260,659	1,163,027
Impairment losses		
Opening balance	(1,342,009)	(1,361,012)
Loss recognised during the year	(346,752)	-
Loss reversed during the year	-	19,003
	(1,688,761)	(1,342,009)
	1,105,980	1,355,100

18.3.1 Summarised financial information of associate and group share is as follows:

	Hashoo Group Limited		Hotel One (Pvt) Limited		Jubilee General Insurance	
	2018	2017	2018	2017	2018	2017
			(Rupees'000)			
Non current assets	8,952,817	7,712,402	161,500	157,467	12,476,601	10,726,115
Current assets	209,621	168,035	371,527	305,429	10,301,774	8,047,286
Non current Liabilities	-	-	45,353	30,396	9,087,271	7,049,960
Current Liabilities	375,516	267,174	146,992	94,764	5,667,201	5,068,851
Net Assets	8,786,922	7,613,263	340,682	337,736	8,023,903	6,654,590
Group share in net assets	1,230,169	1,065,857	47,968	47,553	608,613	504,751
Impairment	(1,230,548)	(1,066,236)	(61,340)	(58,686)	(414,789)	(235,514)
Other adjustments	379	379	13,372	11,133	9,830	9,830
Goodwill					709,299	709,299
Impact of policy alignment	-	-	-	-	193,027	366,734
Carrying amount of interest in associate	-	-	-	-	1,105,980	1,355,100
Revenues	-	-	490,959	475,820	5,388,965	5,313,359
Expenses	(101,158)	(28,255)	(472,112)	(415,159)	(4,449,221)	(4,281,435)
Profit / (loss)	(101,158)	(28,255)	18,847	60,661	939,744	1,031,924
Group share of profit / (loss)	(14,162)	(3,956)	2,654	8,541	71,327	78,271

The reporting date of M/s Jubilee General Insurance Company Limited is 31 December. For the purpose of applying equity method of accounting, assets, liabilities and consolidated statement of profit or loss are based on the financial statements of the year / period ended 30 June 2018.

Out of total shares, 12,500,000 (2017: 3,000,000) ordinary shares are placed / lien marked as security against running finance facility availed by the Parent Company .

18.4 Pearl Continental Hotels Limited

"The Parent Company holds 95 (2017: 95) ordinary shares of US $ 50,000 each in Pearl Continental Hotels Limited - UAE (PCHL - UAE) which represents 50% interest in PCHL - UAE, a jointly controlled entity of the Company and Hashwani Hotels Limited, a related party. Due to economic meltdown in year 2007-08, PCHL - UAE incurred losses and consequently the investment was fully impaired, however the Company is putting all its efforts to recover the losses.

This is an equity investment therefore period of investment is not specific, the Parent Company has not received any return from this investment, during the term of investment no default/breach is made."

Beneficial owner of Pearl Continental Hotels Limited are:

Name	% of Holding	Address
Pakistan Services Limited	50%	1st Floor Nespak House Islamabad
Hashwani Hotels Limited	50%	107-A, 1st Floor I.I. Chundrighar Road Karachi

	2018	2017
18.4.1 Investment in jointly controlled entity	(Rupees'000)	
Cost of investment	284,052	284,052
Post acquisition loss brought forward	(71,425)	(70,616)
Share of loss for the year	(1,625)	(1,417)
Share of exchange translation reserve for the year	37,065	608
	35,440	(809)
Impairment loss	(35,985)	(71,425)
	(248,067)	(212,627)
	-	-

18.4.2 Summarised financial information of jointly controlled entity is as follows:

	2018	2017
Non current assets	-	-
Current assets	536,346	457,457
Non current Liabilities	-	-
Current Liabilities	33,436	25,420
Net Assets	502,910	432,037
Group share of net assets	251,455	216,019
Impairment	(212,627)	(213,436)
Impairment / (reversal) of impairment	(35,436)	809
Other adjustments	(3,392)	(3,392)
Carrying amount of interest in jointly controlled entity	-	-
Revenues	-	-
Expenses	(3,249)	(2,834)
Loss	(3,249)	(2,834)
Group share of loss	(1,625)	(1,417)

The reporting date of Pearl Continental Hotels Limited - UAE is 31 December. For the purpose of applying equity method of accounting, assets, liabilities and consolidated profit or loss are based on the audited financial statements of the period ended 30 June 2018.

18.5 All the investments in associated companies been made in accordance with the provisions of Section 199 of the Companies Act, 2017 and the rules formulated for this purpose.

19 LONG TERM DEPOSITS AND PREPAYMENTS

	Note	2018	2017
		(Rupees'000)	
Deposits	19.1	34,522	24,510
Prepayments		8,315	-
		42,837	24,510

19.1 This includes deposit amounting to Rs. 26.98 million (2017: Rs. 19.86 million) with an Islamic bank to acquire assets under Ijarah and diminishing musharaka agreements.

20 INVENTORIES

	Note	2018	2017
		(Rupees'000)	
Stores, spare parts and loose tools			
Stores		136,066	121,667
Spare parts and loose tools		59,297	55,493
		195,363	177,160
Provision for obsolescence		(1,642)	(1,446)
		193,721	175,714
Stock in trade - food and beverages		86,196	83,160
		279,917	258,874

21 DEVELOPMENT PROPERTIES

	Note	2018	2017
Land	21.1	2,278,465	1,003,696
Advance for purchase of land and property		468,154	93,500
		2,746,619	1,097,196

21.1 This includes land measuring 20 kanal 8 marla amounting to Rs. 30 million purchased from M/s. Hashwani Hotels Limited, a related party, possession of land has been handed over to the Subsidiary Company, however, title of the property is in the process of transfer to the Subsidiary Company.

21.2 Particulars of land included in development properties of the Parent Company are as follows:

Location	Address	Particulars	"Land area (Acres)"
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	5.26
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	2.54
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	0.17
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	0.54
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	0.60
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	0.06
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	1.31
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	2.33
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	0.54
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	8.08
Faisalabad	Moza Chak No 162 Rab, Tehsil Chak Jhumra	Land	11.26
Faisalabad	Moza Chak No 164 Rab, Tehsil Chak Jhumra	Land	21.12
Faisalabad	Moza Chak No 164 Rab, Tehsil Chak Jhumra	Land	4.13
Faisalabad	Moza Chak No 164 Rab, Tehsil Chak Jhumra	Land	2.76
Faisalabad	Moza Chak No 189 Rab, Tehsil Chak Jhumra	Land	1.54
Faisalabad	Moza Chak No 189 Rab, Tehsil Chak Jhumra	Land	13.67
Faisalabad	Moza Chak No 189 Rab, Tehsil Chak Jhumra	Land	8.14
Faisalabad	Moza Chak No 189 Rab, Tehsil Chak Jhumra	Land	3.08
Faisalabad	Moza Chak No 189 Rab, Tehsil Chak Jhumra	Land	0.92
Faisalabad	Moza Chak No 189 Rab, Tehsil Chak Jhumra	Land	0.75
Faisalabad	Moza Chak No 189 Rab, Tehsil Chak Jhumra	Land	1.69
Faisalabad	Moza Chak No 189 Rab, Tehsil Chak Jhumra	Land	0.97
Multan	Mouza Kotla Abdul Fateh, Tehsil Multan City	Land	9.51
Multan	Mouza Kotla Abdul Fateh, Tehsil Multan City	Land	0.87
Karachi	Plot bearing Survey No 10/1, Sheet CL-9, Civil Line Quarters, Karachi	Land	0.50
Islamabad	Plot No 21, Street Apricot, Sector-A, Al Hamra Hills, Islamabad	Land	2.55

		Note	2018	2017
22	TRADE DEBTS -Unsecured		(Rupees'000)	
	Considered good			
	Due from related parties	22.1	10,905	21,376
	Others		721,686	604,961
			732,591	626,337
	Considered doubtful		194,118	194,161
			926,709	820,498
	Provision against doubtful debts	22.3	(194,118)	(194,161)
			732,591	626,337

		Maximum amount outstanding at the end of any month	2018	2017
22.1	**Due from related parties**			
	Hashwani Hotels Limited	7,165	6,948	8,025
	Hashoo Foundation	894	894	705
	Hotel One (Private) Limited	543	543	298
	Jubilee General Insurance Company Limited	133	112	13
	Ocean Pakistan Limited	1090	1,090	982
	Pearl Ceramics (Private) Limited	204	204	-
	Pearl Communications (Private) Limited	382	382	382
	Pearl Real Estate Holdings (Private) Limited	176	176	203
	Trans Air Travels (Private) Limited	392	329	470
	Tejari Pakistan (Private) Limited	568	158	362
	Zahdan Retail (Private) Limited	1469	66	9,936
	Zaver Mining Private Limited	3	3	-
			10,905	21,376

		2018	2017
22.2	**Age analysis of due from related parties is as follows:**		
	Past due by 30 days	2,968	1,250
	Past due by 31 to 90 days	3,890	4,602
	Past due over 91 days	822	2,599
	Past due over 1 year	3,225	12,925
		10,905	21,376

22.3 This includes provision of Rs. 3.23 million (2017: Rs. 12.93 million) against doubtful debts recoverable from related parties. The decrease in provision against doubtful debts recoverable from related parties is due to recovery of outstanding amounts.

		Note	2018	2017
23	ADVANCES, PREPAYMENTS, TRADE DEPOSITS AND OTHER RECEIVABLES		(Rupees'000)	
	Advance to employees - Non-interest bearing - unsecured	23.1	22,150	10,047
	Advance to suppliers and contractors - Non-interest bearing		74,741	70,036
	Advance to related parties - Non-interest bearing	23.2	29,947	24,518
	Trade deposits - Non-interest bearing	23.3	27,839	25,019
	Prepayments		46,520	47,425
	Interest accrued		12,623	1,375
	Other receivables	23.4	101,133	3,711,142
			314,953	3,889,562

23.1 This also includes advances as per company policy exceeding Rupees one million to employees namely Mr. Shahid Bashir, Mr. Tahir Mehmood and Mr. Muhammad Amir (2017: Nil). These loans are un-secured, interest free and are repayable over varying periods.

23.2 The advances to related parties are of trade nature and extended for provision of goods and services.

23.3 This includes deposit amounting to Rs. 1.42 million (2017: Nil) with an Islamic bank to acquire assets under Ijarah and diminishing musharaka agreements.

23.4 During the year amount of Rs. 3,648 million was received from an associated Company, Gulf Properties (Private) Limited as refund of advance against cancellation of the agreement for purchase of land.

24 SHORT TERM INVESTMENTS

	Note	2018 (Rupees'000)	2017 (Rupees'000)
Held to maturity			
Certificate of investments		5,300	5,300
Provision for impairment loss		(5,300)	(5,300)
		-	-
Available for sale - unquoted			
National Technology Development Corporation Limited		200	200
Indus Valley Solvent Oil Extraction Limited		500	500
Impairment loss		(700)	(700)
		-	-
Loans and receivables			
Term Deposit Receipt	24.1	2,009,522	18,831
Financial assets at fair value through profit or loss - held for trading			
Short term investments in shares of listed companies	24.2	7,728	9,083
		2,017,250	27,914

24.1 This represent term deposit receipts having maturity of 3 months to one year carrying interest rate ranging from 5% to 5.22% (2017: 5%) per annum.

24.2 Short term investments in shares of listed companies

	No. of ordinary shares of Rs.	Unrealised gain / (loss)	2018 (Rupees'000)	2017 (Rupees'000)
Pakistan Telecommunication Company Limited	350,000	(1,460)	4,004	5,464
Lotte Chemical Pakistan Limited	150,000	317	1,794	1,478
Fauji Fertilizer Bin Qasim Limited	50,000	(212)	1,930	2,141
		(1,355)	7,728	9,083

25 ASSET HELD FOR SALE

During the year, the Subsidiary Company vide agreement dated 09 June 2018 agreed to dispose off 100% equity interest comprising of 3,783 ordinary shares of Rs. 5,000 each in its wholly owned subsidiary M/s Zashan (Private) Limited to M/s Sumaya Builders and Developers against total sale consideration of Rs. 290 million. At the year end, the Group has received Rs. 115 million out of the total agreed sale price.

In view of above, the Group has classified its investment in M/s Zashan (Private) Limited as held for sale in accordance with International Financial Reporting Standard 5 - Non-current Assets Held for Sale and Discontinued Operations.

At 30 June 2018, subsidiary was stated at fair value less cost to sell and comprised the following assets and liabilities.

Assets and liabilities of subsidiary held for sale	Note	2018 (Rupees'000)	2017 (Rupees'000)
Trade and other payables		120	-
Liabilities held for sale		120	
Property, plant and equipment		258,514	-
Other receivables		1,171	-
Taxation - net		13	-
Bank balance		4	-
Assets held for sale		259,702	-

26 ADVANCE TAX - net

	Note	2018	2017
Balance at 01 July		108,318	122,157
Income tax paid during the year		501,686	466,264
Charge for the year	35	(307,954)	(480,103)
Balance at 30 June		302,050	108,318

27 CASH AND BANK BALANCES

	Note	2018	2017
Cash in hand		31,903	16,039
Cash at bank			
Current accounts - Local currency		63,862	31,848
Deposit accounts - Local currency	27.1	1,213,274	277,963
Deposit accounts - Foreign currency	27.2	5,053	121
		1,282,189	309,932
		1,314,092	325,971

27.1 Deposit accounts carry interest rate ranging from 1.75% to 5.70% (2017: 1.75% to 5.75%) per annum.

27.2 Deposit accounts carry interest @ 0.25% (2017: 0.25%) per annum.

28 REVENUE

	Note	2018 (Rupees'000)	2017 (Rupees'000)
Rooms		6,013,861	5,527,058
Food and beverages		5,702,439	5,411,564
Other related services	28.1	606,976	572,700
Vehicle rental		161,021	174,413
Shop license fees		50,162	43,204
Revenue - gross		12,534,459	11,728,939
Discounts and commissions		(207,479)	(216,512)
Sales tax		(1,704,400)	(1,591,855)
Revenue - net		10,622,580	9,920,572

28.1 This includes revenue from telephone, laundry, discount cards and other ancillary services.

		Note	2018	2017
29	COST OF SALES AND SERVICES		(Rupees'000)	
	Food and beverages			
	Opening balance		83,160	96,189
	Purchases during the year		1,717,131	1,595,140
	Closing balance		(86,196)	(83,160)
	Consumption during the year		1,714,095	1,608,169
	Direct expenses			
	Salaries, wages and benefits	29.1	1,608,045	1,481,484
	Heat, light and power		700,065	700,862
	Repair and maintenance		422,545	634,166
	Depreciation	15.1.6	598,101	475,185
	Guest supplies		239,996	225,179
	Linen, china and glassware		101,242	103,171
	Communication and other related services		81,875	78,856
	Banquet and decoration		84,609	69,965
	Transportation		26,753	28,066
	Uniforms		26,834	23,749
	Music and entertainment		13,474	12,253
	Insurance		4,191	4,757
	Vehicle operating expense		33,961	31,219
	Vehicle rentals and registration charges		24,539	36,652
	Others		59,074	42,090
			5,739,399	5,555,823

29.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 76.08 million (2017: Rs. 119.04 million).

		2018	2017
30	OTHER INCOME	(Rupees'000)	
	Concessions and commissions	8,785	8,745
	Loss on disposal of property, plant and equipment	(60,030)	(35,847)
	Liabilities written back	82,743	68,209
	Increase in fair value of investments property	10,000	5,000
	Communication towers and other rental income	67,540	61,441
	Others - net	44,936	33,616
		153,974	141,164

		Note	2018	2017
31	ADMINISTRATIVE EXPENSES		(Rupees'000)	
	Salaries, wages and benefits	31.1	1,211,782	1,084,514
	Rent, rates and taxes		199,116	184,433
	Security and protective services		363,503	310,689
	Advertisement and sales promotion		102,321	91,359
	Repair and maintenance		80,345	94,840
	Heat, light and power		85,885	82,121
	Travelling and conveyance		98,786	52,462
	Depreciation	15.1.6	67,114	53,790
	Communications		29,808	20,931
	Printing and stationery		41,115	40,563
	Legal and professional charges		240,034	65,142

		2018	2017
		(Rupees'000)	
Insurance		**91,485**	90,766
Entertainment		**19,751**	15,332
Subscriptions		**86,759**	54,654
Laundry and dry cleaning		**7,373**	7,560
Uniforms		**5,614**	6,655
Auditors' remuneration	31.2	**5,134**	4,471
Reversal of provision against doubtful debts		**(43)**	(18,347)
Donations	31.3	**455,650**	376,350
Vehicle rentals and registration charges	31.4	**56,226**	30,442
Franchise fee		**14,251**	10,642
Miscellaneous		**14,898**	25,470
		3,276,907	2,684,839

31.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 63.133 million (2017: Rs. 75.23 million).

	2018	2017
	(Rupees'000)	
31.2 Auditors' remuneration		
Annual audit fee	**3,499**	2,587
Audit of consolidated financial statements	**495**	495
Half yearly review	**520**	572
Special reports and certificates	**420**	632
Tax advisory	**200**	185
	5,134	4,471

31.3 Detail of donation exceeding Rs. 500,000 is presented below:

Name of donee	2018	2017
Agha Khan Education Services	**60,000**	30,000
Agha Khan Planning and Building Services	**-**	41,000
Agha Khan Hospital and Medical College Foundation	**219,450**	228,350
Dil Jan Foundation	**1,200**	14,000
Akhuwat Foundation	**25,000**	20,000
Taraqee Foundation	**105,000**	20,000
School of Leadership Foundation	**45,000**	-
Umeed-e-Noor Trust	**-**	22,000
	455,650	375,350

31.3.1 During the year no donation was made to institutions in which directors or their spouse(s) have interest. (2017:Nil).

31.4 This includes Ijarah payments of Rs. 53.184 million (2017: Rs. 36.97 million) and vehicles registration charges under an Ijarah (lease) agreement. As required under IFAS 2 " IJARAH" (notified through SRO 43(1) / 2007 by Securities & Exchange Commission of Pakistan). Ijarah payments under an Ijarah (lease) agreement are recognised as an expense in the profit or loss account on straight line basis over the term of Ijarah. The amount of future Ijarah payments and the periods in which these will be due are as follows:

	Note	2018	2017
		(Rupees'000)	
Within one year		69,240	12,289
After one year but not more than five years		111,962	42,847
		181,202	55,136

32 OTHER EXPENSE

	Note	2018	2017
Impairment loss on advance for purchase of apartment		-	40,509

33 FINANCE INCOME

	Note	2018	2017
Interest income on			
Bank deposits / certificate of investments		42,586	25,847
Dividend income	33.1	393	375
Impairment / (reversal) of impairment loss on associates and jointly controlled entity		(382,191)	19,812
Exchange gain - net		3,700	3,772
		(335,512)	49,806

33.1 Dividend income

	2018	2017
Fauji Fertilizer Bin Qasim Limited	43	25
Pakistan Telecommunication Company Limited	350	350
	393	375

34 FINANCE COST

	2018	2017
Interest expense on		
Loans and borrowing	512,143	298,727
Short term borrowings	66,628	34,420
Sukuk finance	51,505	-
Amortization of finance cost	14,551	8,692
Credit cards, bank and other charges	83,273	72,116
	728,100	413,955

35 INCOME TAX EXPENSE

	Note	2018	2017
		(Rupees'000)	
Current tax expense			
- Current year		310,914	482,386
- Change in estimates related to prior year		(2,960)	(2,283)
		307,954	480,103
Deferred tax expense		76,384	57,506
Tax expense for the year		384,338	537,609

35.1 Relationship between accounting profit and tax expense is as follows:

Accounting profit for the year	785,833	1,517,185
Tax charge @ 30% (2017: 31%)	235,750	470,327
Tax effect of minimum tax	87,782	-
Tax effect of exempt income	(27,379)	(52,239)
Tax effect of admissible / inadmissible items	84,042	110,065
Tax effect of tax credits	(25,796)	(24,177)
Tax effect of super tax	26,327	43,966
Tax effect of income subject to lower taxation	6,572	(8,050)
Prior year's tax charge	(2,960)	(2,283)
	384,338	537,609

35.2 "The provision for current year tax represent tax on taxable income at the rate of 30%. The tax provision made in the financial statements is sufficient. A comparison of last three years of income tax provision with tax assessed is presented below:

	2017	2016 (Rupees'000)	2015
Income tax provision as per accounts	478,756	593,738	531,954
Income tax as per tax assessment	479,764	591,444	509,590

35.3 Tax related contingencies

Income tax

The income tax assessments of the Parent Company have been finalised and returns have been filed up to and including the tax year 2017. However, for the assessment year 1999-2000, an appeal is pending with the Appellate Tribunal, Inland Revenue. In case of adverse decision of the appeal, the tax liability of Rs. 73.165 million (2017: Rs. 73.165 million) may arise against the Parent Company for which no provision has been recognised by the Parent Company. These comprise of disallowances of certain expenses and arbitrary additions to the income of the Parent Company. Based on appellate history and merits, the Parent Company is confident of a favorable outcome of the appeal. Therefore, the Parent Company considers that provision against this tax liability is not required.

Sales Tax

i. Sales Tax Collectorate, Lahore created the sales tax liability.amounting to Rs. 9.571 million on the basis of audit proceedings for the year 1997-98 that the Parent Company provided out door catering to PIA without payment of sales tax. The Additional Collector disposed off the above referred audit observations. The department filed appeal before the Appellate Tribunal Inland Revenue (ATIR).The ATIR set aside order of Additional collector through order no. 1394/LB/09 dated 13 May 2011.The Parent Company filed reference application no. 128/2011 before the Honorable Lahore High Court dated 12 September 2011 against the order passed by ATIR.

ii. The Additional Collector, Lahore disallowed the input tax relating to purchase of certain items amounting to Rs. 7.22 million during the period of October 2000 and June 2002 on the basis of section 8(1) of the Sales Tax Act, 1990 read with SRO 578(1)/98 dated 12 June 1998. The Parent Company filed appeal before the Appellate Tribunal Inland Revenue (ATIR), while the ATIR upheld the order of Additional Collector, Lahore. The Parent Company filed reference application before the Lahore High Court on 24 September 2011 against the order passed by ATIR.

iii. The Deputy Commissioner Inland Revenue, Zone IV, Large Taxpayer Unit, Karachi based upon the sales tax audit for the year 2008-09, passed Order in Original 52/2013 dated 28 June 2013 and created sales tax liability amounting to Rs. 33.13 million along with default surcharge amounting to Rs. 1.85 million and penalty amounting to Rs. 1.79 million. The Parent Company filed appeal before the Commissioner Appeal, Karachi. The Commissioner Appeals remanded back the case. The department filed appeal against the Order on 02 June 2014 before the Appellate Tribunal Inland Revenue (ATIR).

iv. The Deputy Commissioner, Punjab Revenue Authority, Lahore issued notices having references No.PRA/PC/Hotel/14/32972 on 05 November 2014 and No.PRA/PC/Hotel/14/32985 on 12 November 2014 for the tax period August 2014 and tax periods from July 2012 to September 2014 respectively. Through notice dated 05 November 2014 it has been alleged that the Company claimed inadmissible input tax adjustment on construction material amounting to Rs 21.15 million. Through notice dated 12 November 2014, the Deputy Commissioner, Punjab Revenue Authority, Lahore initiated the inquiry/investigation against the Parent Company for the period from July 2012 to September 2014. The Parent Company filed Writ Petition 30844/2014 before Lahore High Court which is pending adjusdication.

36 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES

	Note	2018	2017
		(Rupees'000)	
Profit before tax		785,833	1,517,185
Adjustments for:			
Depreciation	15.1.6	665,215	528,975
Loss on disposal of property, plant and equipment	30	60,030	35,847
Provision for staff retirement benefit - gratuity	9.1	66,937	81,896
Provision for compensated leave absences	9.2	26,537	60,171
Reversal for doubtful debts	31	(43)	(18,347)
Return on bank deposits / certificate of investment	33	(42,586)	(25,847)
Share of gain on equity accounted investments		(90,552)	(100,499)
Finance cost	34	728,100	413,068
Dividend income	33	(393)	(375)
Impairment / (reversal) of impairment loss on associates and jointly controlled entity	33	382,191	(19,812)
Unrealized loss on remeasurement of investment to fair value		1,355	(270)
Unrealised gain on remeasurement of investments property	33	(10,000)	(5,000)
Impairment loss	32	-	40,509
Provision / (reversal) of provision on stores, spare parts and loose tools	20	196	(986)
		2,572,820	2,506,515

37 CASH AND CASH EQUIVALENTS

	Note	2018	2017
Cash and bank balances	27	1,314,092	325,971
Short term borrowings	11	(553,868)	(339,943)
		760,224	(13,972)

37.1 Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Loans and borrowings	Diminishing Musharka Facility	Unclaimed dividend	Unpaid dividend	Total
			(Rupees'000)		
Balance at 01 July 2017	7,309,192	36,440	16,588	-	7,362,220
Changes from financing activities					
Proceeds from loans	4,183,333	-	-	-	4,183,333
Repayment of loan	(492,500)	-	-	-	(492,500)
Repayment Diminishing Musaraka Facility	-	(25,505)	-	-	(25,505)
Transaction cost paid	(45,000)	-	-	-	(45,000)
Dividend paid	-	-	(475,999)	-	(475,999)
	3,645,833	(25,505)	(475,999)	-	3,144,329
Other changes					
Amortization of transaction cost	14,551	-	-	-	14,551
Diminishing Musaraka Facility availed	-	59,924	-	-	59,924
Dividend declared	-	-	468,653	19,210	487,863
	14,551	59,924	468,653	19,210	562,338
Balance at 30 June 2018	10,969,576	70,859	9,242	19,210	11,068,887

38 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2018			2017		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	Rupees '000					
Managerial remuneration	72,000	37,643	467,725	31,935	31,843	521,500
Provident fund contribution	3,999	1,902	9,372	1,032	1,616	12,194
Provision for gratuity	4,932	2,520	6,101	986	1,278	7,875
Provision for compensated leave absences	6,000	3,137	7,254	-	1,479	5,556
Bonus	12,000	2,862	594	-	2,555	978
Leave fare assistance	2,000	954	-	-	426	-
Meeting fee	45	*495	-	15	450	-
	100,976	49,513	491,046	33,968	39,647	548,103
Number of persons	1	2	95	1	2	76

* This includes Rs. 345,000 (2017: Rs. 300,000) paid to non-executive directors of the Parent Company.

38.1 In addition to the above, Chief Executive Officer and certain executives are provided with the Company maintained vehicles carrying value of Rs. 99.72 million (2017: 45.77 million). Accommodation maintenance is also provide to Chief Executive. Certain executives are also provided medical expenses and company maintained accommodation, as per the Company's policy.

38.2 Comparative figures have been restated due to change in definition of executive as per Companies Act, 2017.

39 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors as well as their close family members, companies with common directorship, executives, key management personnel, major shareholders and provident fund. Detail of related parties (with whom the Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

Basis of Relationship	Name of Related Party	Percentage of Share holding
Common directorship	Gelcaps (Pakistan) Limited	-
	Genesis Trading (Private) Limited	-
	Gulf Properties (Private) Limited	-
	Hashoo Holdings (Private) Limited	-
	Hashwani Hotels Limited	-
	Hotel One (Private) Limited	17.85%
	Jubilee General Insurance Company Limited	7.6%
	Ocean Pakistan Limited	-
	OPI Gas (Private) Limited	-
	Pearl Ceramics (Private) Limited	-
	Tejari Pakistan (Private) Limited	-
	Zahdan Retail (Private) Limited	-
	Zaver Mining (private) Limited	
Directors	Mr. Sadruddin Hashwani	-
	Mr. Murtaza Hashwani	-
	Mr. M.A. Bawany	-

	Mr. Mansoor Akbar Ali	-
Directors	Syed Sajid Ali	-
	Mr. Shakir Abu Bakar	-
	Syed Haseeb Amjad Gardezi	-
	Syed Asad Ali Shah	-
	Mr. M. Ahmed Ghazali Marghoob	-
Directors in Board of trustees	Hashoo Foundation	-
Significant influence of Director	Hashoo (Private) Limited	-
Significant influence of Director	Pearl Real Estate Holdings (Private) Limited	-
Staff retirement fund	Trustee PSL Employees Provident Fund	-
Significant influence of Relative of Director	Nirvana, a partnership firm	-
Relative of Director	Mrs. Nadia Lakhani	

	Note	2018	2017
		(Rupees'000)	
Transactions and balances with associated undertakings			
Sales		128	1,096
Services provided		19,336	16,904
Services availed		58,920	58,620
Purchases		144,228	134,957
Franchise fee - income		4,655	4,972
Franchise and management fee - expense		10,305	10,642
Dividend income		54,751	41,659
Dividend paid		141,065	151,335
Purchase of property, plant and equipment		17,444	-
Purchase of building material		2,728	-
Advances		29,947	24,518
Other receivable		-	3,648,420
Refund of advance against purchase of land		3,648,420	-
Transactions and balances with other related parties			
Sales		178	9
Services provided		3,736	181
Services availed		79,473	44,913
Purchases		5,083	5,262
Contribution to defined contribution plan - provident fund		46,228	38,284
Sales of vehicles		2,564	-
Dividend paid		6	6
Transactions with key management personnel			
Remuneration and allowances including staff retirement benefits	39.1	150,489	73,615
Dividend paid		8,678	10,127
Sales of vehicles		3,926	-

39.1 Compensation to key management personnel

	2018	2017
Salaries and other benefits	109,643	63,778
Contribution to provident fund	5,901	2,648
Gratuity	7,452	2,264
Bonus	14,862	2,555
Meeting fee	540	465
Others	12,091	1,905
	150,489	73,615
Number of persons	3	4

40 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

40.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	Carrying amount				Fair value			
		Amount in Rs'000							
		Fair value through profit or loss	Loans & receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2018									
Financial assets measured at fair value									
Short term investment	24	7,728	-	-	7,728	7,728	-	-	7,728
Financial assets not measured at fair value	40.2								
Long term deposits	19	-	34,522	-	34,522	-	-	-	-
Trade debts	22	-	732,591	-	732,591	-	-	-	-
Advance to employees	23	-	22,150	-	22,150	-	-	-	-
Trade deposits	23	-	27,839	-	27,839	-	-	-	-
Other receivables	23	-	101,133	-	101,133	-	-	-	-
Interest accrued	23	-	12,623	-	12,623	-	-	-	-
Term deposit receipt	24	-	2,009,522	-	2,009,522	-	-	-	-
Cash and bank balances	27	-	1,314,092	-	1,314,092	-	-	-	-
		-	4,254,472	-	4,254,472	-	-		-
Financial liabilities not measured at fair value	40.2								
Loans and borrowings	8	-	-	11,040,833	11,040,833	-	-		-
Short term borrowings	11	-	-	553,868	553,868	-	-		-
Liabilities against diminishing Musharaka facility	8	-	-	70,859	70,859	-	-		-
Trade and other payables	12	-	-	1,445,231	1,445,231	-	-		-
Markup accrued		-	-	224,422	224,422	-	-		-
Unclaimed dividend		-	-	9,242	9,242	-	-		-
Unpaid dividend		-	-	19,210	19,210	-	-		-
		-	-	13,363,665	13,363,665	-	-		-

	Note	Carrying amount				Fair value			
		Amount in Rs'000							
		Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2017									
Financial assets measured at fair value									
Short term investment	24	9,083	-	-	9,083	9,083	-	-	9,083
Financial assets not measured at fair value	40.2								
Long term deposits	19	-	24,510	-	24,510	-	-	-	-
Trade debts	22	-	626,337	-	626,337	-	-	-	-
Advance to employees	23	-	10,047	-	10,047	-	-	-	-
Trade deposits	23	-	25,019	-	25,019	-	-	-	-
Other receivables	23	-	3,711,142	-	3,711,142	-	-	-	-
Interest accrued	23	-	1,375	-	1,375	-	-	-	-
Term deposit receipt	24	-	18,831	-	18,831	-	-	-	-
Cash and bank balances	27	-	325,971	-	325,971	-	-	-	-
		-	4,743,232	-	4,743,232	-	-	-	-
Financial liabilities not measured at fair value	40.2								
Loans and borrowings	8	-	-	7,350,000	7,350,000	-	-	-	-
Short term borrowings	11	-	-	339,943	339,943	-	-	-	-
Liabilities against diminishing Musharaka facility	8	-	-	36,440	36,440	-	-	-	-
Trade and other payables	12	-	-	1,074,314	1,074,314	-	-	-	-
Markup accrued		-	-	104,285	104,285	-	-	-	-
Unclaimed dividend		-	-	16,588	16,588	-	-	-	-
Unpaid dividend		-	-	-	-	-	-	-	-
		-	-	8,921,570	8,921,570	-	-	-	-

40.2 The Group has not disclosed the fair values for these financial assets and financial liabilities, because their carrying amounts are reasonable approximation of fair value.

40.3 It excludes advances from customers, federal excise duty, bed tax and sales tax payable, banquet / beverage tax, unearned income and income tax deducted at source.

Measurement of fair values

All financial assets and financial liabilities are initially recognised at fair value of consideration paid or received, net of transaction costs as appropriate. The financial assets and liabilities of the Company approximate their carrying values. A number of Group's accounting policies and disclosures require the determination of fair value, for financial assets. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

Non - derivative financial assets

The fair value of non - derivative financial assets is estimated as the market value.

Financial Risk Management

"The Company has exposure to the following risk arising for financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

Risk Management Framework

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

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

40.4 Credit risk

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

The Group's credit risk exposure is categorized under the following headings:

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual's characteristics of each customer. The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. Credit limits are established for each customer, which are regularly reviewed and approved by the management. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment or cash basis.

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

Concentration of credit risk

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

	Note	2018	2017
		(Rupees' 000)	
Long term deposits	19	34,522	24,510
Trade debts	22	732,591	626,337
Advance to employees	23	22,150	10,047
Trade deposits	23	27,839	25,019
Interest accrued	23	12,623	1,375
Other receivables	23	101,133	3,711,142
Term Deposit Receipt	24	2,009,522	18,831
Bank balances	27	1,282,189	309,932
		4,222,569	4,727,193

Geographically there is no concentration of credit risk. The maximum exposure to credit risk for financial assets at the reporting date by type of counter party is as follows:

	2018	2017
	(Rupees' 000)	
From related parties	10,905	21,376
From government institutions	43,675	55,951
From foreign embassies	17,325	3,545
Banks and financial institutions	3,291,711	351,856
Others	858,953	4,294,465
	4,222,569	4,727,193

Impairment losses

The aging of trade debts at the reporting date was:

	Note	2018		2017	
		Gross	Impairment	Gross	Impairment
		(Rupees' 000)		(Rupees' 000)	
Less than one year		732,591	-	626,337	-
Over one year		194,118	194,118	194,161	194,161
	22	926,709	194,118	820,498	194,161

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

	Note	2018	2017
		(Rupees' 000)	
Balance at 01 July		194,161	212,508
Reversal of impairment loss	31	(43)	(18,347)
Balance as at 30 June	40.4.1	194,118	194,161

40.4.1 This includes provision of Rs. 3.23 million (2017: Rs. 12.93 million) against doubtful debts recoverable from related parties. Refer note 22.3.

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

The Group has no collateral in respect of financial assets exposed to credit risk. Based on past experience, management believes that except as already provided for in these consolidated financial statements, no further impairment is required to be recognized against any financial assets of the Group.

Credit quality of financial Assets

The credit quality of companies financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited.

An analysis of the credit quality of financial assets that are neither past due nor impaired is as follows:

	2018	2017
	(Rupees' 000)	
Long term deposits		
Counterparties with external credit ratings of AA+	31,845	24,510
Counterparties without external credit ratings	2,677	-
	34,522	24,510
Trade debts		
Counterparties with external credit ratings of A1+ to B	76,167	67,796
Counterparties without external credit ratings	656,424	558,541
	732,591	626,337
Advance to employees		
Counterparties without external credit ratings	22,150	10,047
Trade deposits		
Counterparties without external credit ratings	27,839	25,019
Interest accrued		
Counterparties with external credit ratings A1+	12,623	1,375
Other receivables		
Counterparties without external credit ratings	101,133	3,711,142
Term deposit receipt		
Counterparties with external credit ratings of A-	2,009,522	18,831
Cash at bank		
Counterparties with external credit ratings of A1+ to A-2	1,282,189	309,932

40.5 Liquidity risk

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

There were no defaults on loans payable during the year.

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

	Note	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year and up to five years
		(Rupees' 000)			
2018					
Long term financing	8	11,040,833	13,663,181	2,144,310	11,518,871
Liabilities against diminishing musharaka facility	8	70,859	73,441	25,714	47,727
Trade and other payables	12	1,445,231	1,445,231	1,445,231	-
Markup accrued		224,422	224,422	224,422	-
Short term borrowings	11	553,868	553,868	553,868	-
Unclaimed dividend		9,242	9,242	9,242	
Unpaid dividend		19,210	19,210	19,210	
		13,363,665	15,988,595	4,421,997	11,566,598
2017					
Long term financing	8	7,350,000	9,026,283	984,620	8,041,663
Liabilities against diminishing musharaka facility	8	36,440	38,352	19,470	18,882
Trade and other payables	12	1,074,314	1,090,902	1,090,902	-
Markup payable		104,285	104,285	104,285	-
Short term borrowings	11	339,943	339,943	-	-
Unclaimed dividend		16,588	16,588	16,588	-
		8,921,570	10,616,353	2,215,865	8,060,545

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

The contractual cash flows relating to long and short term borrowings have been determined on the basis of expected mark up rates. The mark up rates have been disclosed in notes 8 and 11 to these consolidated financial statements.

40.6 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Group is exposed to currency risk and interest rates only.

Foreign Currency risk

The PKR is the functional currency of the Group and, as a result, currency exposures arise from transactions and balances in currencies other than PKR. The Group's potential foreign currency exposure comprise:

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Group are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Group in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as part of overall risk management strategy. The Company does not enter into forward exchange contracts.

Exposure to forex risk on year end monetary balances:

	2018		2017	
	(Rupees'000)	USD' 000	(Rupees' 000)	USD' 000
Bank Balance	5,053	41.62	121	1.16

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2018	2017	2018	2017
PKR/ US Dollars	110.43	104.33	121.40	104.58

Foreign Currency Sensitivity Analysis

Following is the demonstration of the sensitivity to a reasonably possible change in exchange rate of USD applied to assets at reporting date represented in foreign currency, with all other variables held constant, of the Group's profit before tax.

	2018	2017
	(Rupees'000)	
Increase in 5% USD rate	253	6.05
Decrease in 5% USD rate	(253)	(6.05)

Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Group has long term and short term Pakistan Rupees based loans and borrowing arrangements at variable rates. The local currency loans and borrowings have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR).

Exposure to interest rate risk:

	2018	2017	2018	2017
	Effective interest rates %		(Rupees' 000)	
Fixed rate instruments				
Financial assets	0.25 to 5.75	0.25 to 5.75	1,218,327	296,915
Variable rate instruments				
Financial assets			-	-
Financial liabilities	KIBOR +	KIBOR +	(11,665,560)	(7,714,011)
	0.6 to 1.5	0.6 to 1.5	(11,665,560)	(7,714,011)

The group does not account for any fix report financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not effect profit or loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity / profit and loss by Rs. 104.47 million (2017: Rs. 74.17 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

Other market price risk

The primary goal of the Group's investment strategy is to maximize investment returns on surplus funds. The Group adopts a policy of ensuring to minimize its price risk by investing in securities having sound market performance. Certain investments are designated as held for trading because their performance is actively monitored and these are managed on a fair value basis. Equity price risk arises from investments at fair value through profit and loss.

Sensitivity analysis – equity price risk

For quoted investments classified as held for trading, a 100 basis point increase in market price at reporting date would have increased profit or loss by Rs. 0.07 million (2017: Rs. 0.09 million) thousand; an equal change in the opposite direction would have decreased profit or loss by the same amount. The analysis is performed on the same basis for 2017 and assumes that all other variables remain the same.

	Level 1	Level 2	Level 3
Assets carried at fair value	(Rupees '000)		
2018			
Financial assets at fair value			
through profit or loss - held for trading	7,728	-	-
2017			
Financial assets at fair value			
through profit or loss - held for trading	9,083	-	-

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

41 APPLICATION OF IFRIC INTERPRETATION 12 - SERVICE CONCESSION ARRANGEMENTS

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

	2018	2017
	(Rupees'000)	
Increase in profit after tax for the year	11,736	8,647
Derecognition of property, plant and equipment	(225,782)	(251,995)
Recognition of intangible asset	391,268	408,280
Recognition of financial liability	(28,813)	(29,059)
Increase in taxation obligations	2,834	3,885
Increase in unappropriated profits	95,671	87,786

42 CAPACITY

	Note	No. of lettable rooms		Average occupancy	
		2018	2017	**2018**	2017
Pearl Continental Hotel				%	%
- Karachi		**286**	286	**75**	70
- Lahore		**607**	607	**68**	64
- Rawalpindi		**193**	193	**64**	61
- Peshawar		**148**	148	**59**	56
- Bhurban		**190**	190	**69**	63
- Muzaffarabad		**102**	102	**46**	46
- Hotel One The Mall, Lahore	42.1	**32**	32	**66**	70

42.1 This is a budget hotel owned by the Parent Company and operated by Hotel One (Private) Limited, an associated company, under franchise and management agreement.

43 NUMBER OF EMPLOYEES

	2018	2017
Number of employees at the year end	3,644	3,461
Average number of employees during the year	3,545	3,503

44 EMPLOYEES' PROVIDENT FUND

44.1 The following information is based on unaudited financial statements of the provident fund trust at the reporting date:

	Note	**2018**	2017
		(Rupees'000)	
Size of the fund		**751,166**	782,946
Cost of investment made		**745,626**	679,075
Percentage of investment made		**99%**	87%
Fair value of investments	44.2	**715,709**	745,626

44.2 Fair value of investments made:

	2018		2017	
	(Rupees'000)	%	(Rupees'000)	%
Listed shares	152,505	21%	185,637	25%
Mutual funds	184,882	26%	208,877	28%
Special Savings Certificates	378,322	53%	351,112	47%
	715,709		745,626	

All the investments out of provident fund trust have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

45 CHANGE IN POLICY NOTE

The Companies Act, 2017, has not carried forward the specific requirement to show surplus on revaluation of property, plant and equipment under the shareholders equity which was previously required under repealed Companies Ordinance, 1984. There for presentation of surplus on revaluation of property, plant and equipment is now as per requirement of IAS 16 under the shareholders equity. Since this change require retrospective adjustment, accordingly presentation of surplus on revaluation of property, plant and equipment is reclassified in current and comparative period.

Following the application of IAS 16, the Group's accounting policy for surplus on revaluation of property, plant and equipment stands amended as follows:

Increases in the carrying amounts arising on revaluation of land is recognized, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

	As at 30 June 2017			As at 30 June 2016		
	As previously reported	As restated	Restatement	As previously reported	As restated	Restatement
Effect on Statement of Financial position	Rs. ' 000 '			Rs. ' 000 '		
Revaluation surplus on property, plant and equipment	23,779,515	-	(23,779,515)	23,779,515	-	(23,779,515)
Equity	8,303,195	32,082,710	23,779,515	7,836,872	31,616,387	23,779,515
Effect on Statement of Changes in equity						
Revaluation surplus on property, plant and equipment	-	23,779,515	23,779,515	-	23,779,515	23,779,515

There was no impact on comprehensive income and cash flow statement.

46 REARRANEGEMENT / RECLASSIFICATION OF CORRESPONDING FIGURES

The following table summarizes the impact of rearrangement / reclassification of corresponding figures on the consolidated financial statements: (Refer note 3)

46.1 Effect on statement of financial position

	As previously reported at 30 June 2017	Reclassifica-tions	As reclas-sified at 30 June 2017
	(Rupees'000)		
Long term financing	6,816,692	-	(6,816,692)
Current portion of long term financing	492,500	-	(492,500)
Liabilities against asset subject to finance lease	10,949	-	(10,949)
Liabilities against asset subject to finance lease current	13,119	-	(13,119)
Loans and borrowings	-	7,333,260	7,333,260
	7,333,260	7,333,260	-

	As previously reported at 30 June 2017	Reclassifications	As reclassified at 30 June 2017
	(Rupees'000)		
Deferred liabilities	853,844	-	(853,844)
Employee benefits	-	632,493	632,493
Deferred tax liability - net	-	229,168	229,168
Trade and other payable	-	(7,817)	(7,817)
	853,844	853,844	-
Trade and other payables	1,676,391	1,651,986	(24,405)
Unpaid dividend	-	-	-
Unclaimed dividend	-	16,588	16,588
Deferred tax liability - net	-	7,817	7,817
	1,676,391	1,676,391	-
Reserves	2,737,968	-	(2,737,968)
Unappropriated profits	5,233,980	-	(5,233,980)
Capital reserve	-	416,645	416,645
Revenue reserves	-	7,555,303	7,555,303
	7,971,948	7,971,948	-
Property, plant and equipment	33,273,710	(16,633)	(33,290,343)
Stores, spare parts and loose tools	175,714	-	(175,714)
Stock in trade - food and beverages	83,160	-	(83,160)
Inventories	-	258,874	258,874
	258,874	258,874	-
Advances	104,601	-	(104,601)
Trade deposits and prepayments	72,444	-	(72,444)
Interest accrued	1,375	-	(1,375)
Other receivables	3,711,142	-	(3,711,142)
Advances, prepayments, trade deposits	-	3,889,562	3,889,562
and other receivables	-	-	-
	3,889,562	3,889,562	-
Other financial assets	27,914	-	(27,914)
Short term investments	-	27,914	27,914
	27,914	27,914	-
Sales and services - net	9,920,572	9,920,572	-
Cost of sales and services	(5,553,384)	(5,553,384)	-
Administrative expenses	(2,691,403)	(2,691,403)	-
Finance cost	(413,068)	(413,068)	-
Finance income	-	49,806	49,806
Unrealised gain (loss) on remeasurement of investments to fair value-net	-	270	270
Other income	191,240	141,164	(50,076)
Impairment loss	(40,509)	-	40,509
Other expenses	-	(40,509)	(40,509)
Taxation	(535,778)	(535,778)	-
	877,670	877,670	-

47.2 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Parent Company in its meeting held on 24 September 2018.

Murtaza Hashwani Chief Executive	**Shakir Abu Bakar** Director	**Abdul Qadeer Khan** Chief Financial Officer

PAKISTAN SERVIES LIMITED
FORM OF PROXY

I / We____of_____________________ being a member of Pakistan Services Limited hereby appoint Mr./Ms./M/s.____ of ____failing whom Mr./Ms./M/s.____________________________________ of____________________ as my proxy to attend and act for me, and on my behalf, at the Annual General Meeting of the Company to be held on Thursday, October 25, 2018 at 11:00 a.m. at Islamabad Marriott Hotel, and any adjournment thereof.

Dated this __________ day of _________ 2018.

Revenue
Stamp
Rs. 5/=

____
Specimen Signature of Proxy

Folio No. _______________________

Participant I.D. No._______________

Sub Account No._________________

____
Signature of Shareholder

Folio No.________________________

Participant I.D. No._______________

Sub Account No._________________

____
Specimen Signature of Alternate Proxy

Folio No.________________________

Participant I.D. No._______________

Sub Account No.__________________

Note:

i) If a member is unable to attend the Meeting, he / she may appoint another member as his / her proxy and send this form to Pakistan Services Limited, 1st Floor, NESPAK House, Sector G-5/2, Islamabad to reach not less than 48 hours before the time appointed for holding the meeting.

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

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

iv) In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

پاکستان سروسز لمیٹڈ
پراکسی فارم

اختتام سال ۳۰ جون ۲۰۱۸

میں/ ہم .... سکنہ .... بحیثیت ممبر

(رکن) پاکستان سروسز لمیٹڈ بذریعہ ہذا مسمی / مسماۃ .... سکنہ

.... یا ان کی غیر حاضری کی صورت میں متبادل مسمی / مسماۃ

.... سکنہ .... کواپنا پراکسی مقرر

کرتا/ کرتی ہوں جو کہ میری/ہماری جانب سے میری/ہماری عدم موجودگی کی صورت میں کمپنی کے سالانہ اجلاسِ عام جو کہ بروز جمعرات مورخہ ۲۵ اکتوبر ۲۰۱۸ء کو اسلام آباد میرٹ ہوٹل میں منعقد ہوگا یا التواء کی صورت میں حاضر ہوکر میری/ہماری نمائندگی کرے۔

مورخہ .... بروز ۲۰۱۸ء

....

پراکسی کے دستخط کا نمونہ

پانچ روپے مالیت کی ریونیو ٹکٹ

فولیو نمبر ....

سی ڈی سی پارٹسپنٹ آئی ڈی نمبر ....

ذیلی اکاؤنٹ نمبر ....

ممبر (رکن) کا دستخط ....

فولیو نمبر ....

سی ڈی سی پارٹسپنٹ آئی ڈی نمبر ....

ذیلی اکاؤنٹ نمبر ....

متبادل پراکسی کے دستخط کا نمونہ ....

فولیو نمبر ....

سی ڈی سی پارٹسپنٹ آئی ڈی نمبر ....

ذیلی اکاؤنٹ نمبر ....

نوٹ:

(i) اگر کوئی ممبر اجلاس میں حاضر ہونے سے قاصر ہے تو وہ اپنا پراکسی تعینات کرنے کا مجاز ہے اور فارم ہذا کو اجلاس کے انعقاد کے لئے مقررہ وقت سے کم از کم ۴۸ گھنٹے پہلے تک پاکستان سروسز لمیٹڈ واقع پہلی منزل، نیسپاک ہاؤس، سیکٹر G-5/2 اسلام آباد میں جمع کرادے۔

(ii) پراکسی فارم کے ہمراہ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول بھی منسلک کرنا ہوں گی۔

(iii) اجلاس کے وقت پراکسی کو اپنا اصلی شناختی کارڈ یا پاسپورٹ پیش کرنا ہوگا۔

(iv) کمپنی ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/ مختار نامہ بشمول نمونہء دستخط (بشرطیکہ پہلے سے کمپنی کو فراہم نہ کیا گیا ہو) پراکسی فارم کے ساتھ جمع کرنا ہوگا۔

1st Floor, NESPAK House sector G-5/2, Islamabad
Phone: +92-51-2272890-8
Fax: +92-51-2878636
Email: psl@hashoohotels.com
OWNERS AND OPERATORS OF PEARL-CONTINENTEL HOTELS

PAKISTAN SERVICES LIMITED

Dear Shareholder,

ELECTRONIC PAYMENT OF CASH DIVIDENDS

Pursuant to Section-242 of the Companies Act, 2017 and Companies (Distribution of Dividends) Regulations, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP), it is mandatory for a listed company to pay cash dividends to its shareholders only through electronic mode directly in the bank accounts of the shareholders.

In this connection, it is necessary to provide complete bank mandate detail including IBAN number to credit the proceeds of the future dividends into your bank account. You are therefore required to provide complete bank mandate details with IBAN otherwise future dividend may be withheld.

The Shareholders, who are holding physical shares are requested to submit e-dividend mandate form by filling the attached format and send it to Company's Share Registrar at the following address:

M/s. THK Associates (Pvt) Limited,

1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi

Phone: 021-111-000-322 E-mail: sfc@thk.com.pk

The CDC shareholders must submit their e-dividend mandate form details to Investor Account Services or to their brokers where shares are placed electronically.

Electronic Dividend Mandate Form is attached with Printed Annual Report and also placed on Company's website www.psl.com.pk.

For any query/ problem/information, the investors may contact the company's Share Registrar at the above phone Numbers, email address.

Yours faithfully,

for Pakistan Services Limited

____

Mansoor Khan

Company Secretary

E-DIVIDEND MANDATE FORM

To,
Investor Account Services - Central Depository Company of Pakistan Limited or **in case of a sub account with any of the broker participant, kindly convey information to your broker participant.**
OR
In case of Physical Shareholder
Share Registrar
Pakistan Services Limited
M/s. THK Associates (Pvt) Limited,
1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi
Phone: 021-111-000-322 E-mail: sfc@thk.com.pk

Participant Id	
Investor / Sub Account No.	
Folio number (Physical Shareholder)	
Title of Account	
IBAN Number	
Bank Name	
Branch	
Branch Address	
Mobile Number	
Email address	

Authorized Signatories (to be signed as per operating instruction, in case of physical dispatch)

1) ______________________________ 2) ______________________________

3) ______________________________ 4) ______________________________

For information, how to fill the form:

A) IBAN Number (24 Digit) : PK37 HABB 0000 0700 3333 9999 (example)
B) e mail investor account services CDC : ias-khi@cdcpak.com (example)
C) Independent Share Registrar : mail@ttpl.com.pk (example)
D) CDC Participant : in case of a sub account with any of the broker participant, kindly convey information to your broker participant.

Notes

1st Floor, NESPAK House
Sector G-5/2, Islamabad
Phone: +92-51-2272890-8
Fax: +92-51-2878636
Email: psl@hashoohotels.com

PSL
PAKISTAN SERVICES LIMITED

OWNERS AND OPERATORS OF PEARL-CONTINENTAL HOTELS

CA/PSX/18-19/ 0799
October 04, 2018

The General Manager,
Pakistan Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

Subject: **AUDITORS' INDEPENDENT ASSURANCE REPORT ON FREE FLOAT STATEMENT**

Dear Sir,

Please refer to notice no. PSX/N-4829 dated August 16, 2017 issued by Pakistan Stock Exchange ("PSX") regarding submission of Free Float Statement along with Independent Reasonable Assurance Report by the External Auditor.

In this regard, we are enclosing herewith Independent Reasonable Assurance Report on Free Float Statement by our External Auditors for the year 2017-18.

Thanking you,

Regards,

Yours faithfully
For **PAKISTAN SERVICES LIMITED**

MANSOOR KHAN
Company Secretary

Encl: As Above

Pearl-Continental
HOTELS & RESORTS

KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building, Blue Area
Islamabad, Pakistan
Telephone 92 (51) 282 3558, Fax 92 (51) 282 2671

INDEPENDENT REASONABLE ASSURANCE REPORT ON STATEMENT OF FREE FLOAT OF SHARES

To the Chief Executive Officer of Pakistan Services Limited

Introduction

We have been engaged to perform a reasonable assurance engagement on the annexed Statement of Free Float of Shares (the 'Statement') of Pakistan Services Limited (the Company) as of 30 September 2017, 31 December 2017, 31 March 2018 and 30 June 2018.

Applicable Criteria

The criteria against which the Statement is assessed is Regulation No. 5.7.2(c)(ii) of Pakistan Stock Exchange Limited Regulations (PSX Regulations) which requires every listed company to submit directly to Pakistan Stock Exchange (PSX) an annual Free-Float Certificate duly verified by the auditor along with the annual audited accounts as prescribed under regulation 5.6.4(a) of the PSX Regulations.

Management's Responsibility for the Statement

Management is responsible for the preparation of the Statement as of 30 September 2017, 31 December 2017, 31 March 2018 and 30 June 2018 in accordance with the applicable criteria. This responsibility includes maintaining adequate records and internal controls as determined necessary to enable the preparation of the Statement such that it is free from material misstatement, whether due to fraud or error.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

KPMG Taseer Hadi & Co.

The firm applies International Standard on Quality Control 1 "Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility and summary of the work performed

Our responsibility is to carry out an independent reasonable assurance engagement and to express an opinion as to whether the Statement is prepared in accordance with the applicable criteria, based on the procedures we have performed and the evidence we have obtained.

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagement 3000 (Revised), 'Assurance Engagements other than audits or reviews of historical financial statements' (ISAE 3000) (Revised) issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable level of assurance about whether the Statement is free from material misstatement.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the free float of shares and related information in the Statement. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the assessment of the risk of material misstatement, whether due to fraud or error, in the Statement. In making those risk assessments, we considered internal control relevant to Pakistan Services Limited's preparation of the Statement. A reasonable assurance engagement also includes assessing the applicable criteria used and significant estimates made by management, as well as, evaluating the overall presentation of the Statement.

We have carried out the procedures considered necessary for the purpose of providing reasonable assurance on the Statement. Our assurance procedures performed included verification of Information in the Statement with the underlying data and record comprising of Central Depository Company statements, forms submitted by the Company with Securities & Exchange Commission of Pakistan relating to its pattern of shareholding and other related information. Verification that the computation of free float of shares is in accordance with the PSX regulation also forms part of our assurance procedures.

KPMG

KPMG Taseer Hadi & Co.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Statement as of 30 September 2017, 31 December 2017, 31 March 2018 and 30 June 2018 is prepared, in all material respects, in accordance with the PSX Regulations.

Restriction on use and distribution

This report is issued in relation to the requirements as stipulated under Regulation No. 5.7.2(c)(ii) of the PSX Regulations and is not to be used or distributed for any other purpose. This report is restricted to the facts stated herein and the attachments.

KPMG Taseer Hadi & Co

Date: 28 September 2018

KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of Free Float

Annexure-A

	Quarter ended September 30, 2017	Quarter ended December 31, 2017	Quarter ended March 31, 2018	Quarter ended June 30, 2018
Total Outstanding Shares	**32,524,170**	**32,524,170**	**32,524,170**	**32,524,170**
Less: Government Holdings	-	-	-	-
Less: Shares held by Directors / Sponsors/ Senior Management Officers and their associates	(571,976)	(571,976)	(571,976)	(571,976)
Less: Shares in Physcial Form	(1,715,677)	(1,715,677)	(1,715,677)	(1,715,272)
Less: Shares held by Associate Companies / Group Companies (Cross holdings)	(7,249,632)	(7,249,632)	(7,249,632)	(7,358,432)
Less: Shares issued under Employees Stock Option Schemes that cannot be sold in the open market in normal course	-	-	-	-
Less: Treasury shares	-	-	-	-
Less: Any other category that are barred from selling at the review date	-	-	-	-
Free Float	**22,986,885**	**22,986,885**	**22,986,885**	**22,878,490**

Basis of Preparation: This Statement is prepared in accordance with the requirement of Regulation No. 5.7.2 (c)(ii) of Pakistan Stock Exchange Limited Regulations (PSX Regulations)

Company Secretary