

CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS PERIOD
ENDED 31 DECEMBER 2017



*Cultured like no other
pearl in the world.*





Pearl-Continental
HOTELS & RESORTS

CONDENSED INTERIM FINANCIAL INFORMATION

(UNAUDITED)

For the six months period ended 31 December 2017



PAKISTAN SERVICES LTD.

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.

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.

Directors' Report

Dear Members,

The Board of Directors of Pakistan Services Limited (PSL) presents the condensed interim financial information on the performance of the company for the six months period ended 31 December 2017.

Economic Overview

Improved security condition, strong credit growth and soaring investment are shoring up the economic activity in FY 2018. This year, the economy will continue to benefit from bold investments, mostly related to China-Pakistan Economic Corridor. Gross domestic product (GDP) growth is expected to accelerate to 5.5% in FY 2018.

Anticipating the improved security situation as well as overall conditions of the country, international cricket is coming back to Pakistan as cricketers are eager to visit Pakistan to participate in the matches of Pakistan Super League. This event will lift Pakistan's image which will certainly be helpful in stimulating further growth in terms of business as well as tourism and we hope that upcoming elections will not cause economic volatility in the country.

Overall performance of the Company

During the six months period ended 31 December 2017, the Company achieved revenue (net) of Rs. 5,331 million, as compared to Rs. 4,938 million for the corresponding period of last year, which indicates revenue growth of 8%. The company achieved Gross profit of Rs. 2,573 million, which is Rs. 283 million higher from the corresponding period. Profit before tax is Rs. 407 million as compared to Rs. 1,037 million for comparative period of last year. During the period, Company sustained unrealized loss of Rs. 262 million as compared to unrealized gain of Rs. 102 million on investment in marketable securities. In addition to the said unrealized loss, higher financing cost resulted in reduced profits.

Highlights of Performance:

	For the six months period ended 31 December	
	2017	2016
	(Rupees million)	
Sales and Services - net	5,331	4,938
Gross profit	2,573	2,291
Profit before taxation	407	1,037
Profit after taxation	242	767
Earnings per share (Rupees)	7.44	23.59

Performance of Rooms Department

During the period Rooms revenue-net was recorded at Rs. 2,674 million against Rs. 2,407 million for the corresponding period of last year registering a growth of 11%. This growth has been achieved through increased Occupancy and improved Average Daily Rate (ADR).

Performance of Food & Beverage (F&B) Department

Net revenue from this segment has been recorded at Rs. 2,412 million as compared to Rs. 2,311 million for the corresponding period of last year registering an increase of 4%.

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

The revenue (net) of Rs. 245 million has been achieved during the period as compared to Rs. 220 million for corresponding period, registering a growth of 11%.

Prospects

The Company is constantly directed on the projects towards modernization and expansion of its existing facilities, with special emphasis on latest technologies and improved services. The construction phase of Pearl Continental Hotel Multan and Mirpur is progressing with a decent pace.

To gear up the expansion of existing facilities and developing of new facilities, the Company successfully entered into an arrangement of rated, secured, long term privately placed sukuk issue of Rs. 7,000 million with six years tenor.

Consolidated Results

During the current period the group recorded a revenue (net) of Rs. 5,382 million as compared to Rs. 4,987 million for corresponding period of last year, registered a growth of 8%. Profit after taxation is recorded at Rs. 460 million in comparison with Rs. 1,033 million for the corresponding period of last year.

Acknowledgement

The Directors show their appreciation to the staff of the company for their dedicated professional services and are grateful to the valued guests, who always encourage and expect from PSL and its staff, to provide the best level of products and services to win their continued support and patronage.

The Board also extends its gratitude to consultants, bankers, advisers and the shareholders for the advice, understanding and support that are critical for the success of company's programs, projects and business operations.

For and on behalf of the Board of Directors



M.A. Bawany
Director



Shakir Abu Bakar
Director

Islamabad: 22 February 2018

ڈائریکٹرز رپورٹ

محترم حصص داران:

پاکستان سروسز لمیٹڈ (پی ایس ایل) کے بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ ۳۱ دسمبر ۲۰۱۷ء کو ختم ہونے والی ششماہی مدت میں کمپنی کی کارکردگی اور مالیاتی معلومات پیش خدمت ہے۔

اقتصادی جائزہ:

مالی سال ۲۰۱۸ میں معاشی سرگرمیوں میں بہتر امن و امان کی صورت حال اور مضبوط کریڈٹ ریٹنگ کی بدولت بہتری آرہی ہے۔ معیشت کو اس سال بھی چین پاکستان اقتصادی رہداری کے اثرات حاصل ہوتے رہیں گے۔ مالی سال ۲۰۱۸ء میں معاشی شرح نمو ۵.۵ فیصد تک پہنچنے کی توقع ہے۔

ملکی حالات میں عمومی طور پر بہتری اور مربوط امن و امان کی صورت حال کی بدولت بین الاقوامی کرکٹ کی واپسی کے قوی امکانات ہیں۔ بین الاقوامی کھلاڑی پاکستان آنے، کرکٹ کی بحالی اور پاکستان سپر لیگ میں شمولیت کیلئے بے چین ہیں۔ اس طرح کی تقاریرب ناصرف ملکی وقار میں بہتری کا سبب ہیں بلکہ ملک میں کاروباری سرگرمیوں اور سیر و تفریح جیسی صنعتوں کیلئے خوش آئند بھی ہیں۔ ہم امید کرتے ہیں کہ آئندہ ہونے والے انتخابات ملک میں اقتصادی سرگرمیوں پر اثر انداز نہیں ہونگے۔

کمپنی کی مجموعی کارکردگی:

۳۱ دسمبر ۲۰۱۷ء تک ختم ہونے والی ششماہی کی مدت کے دوران کمپنی نے ۵,۳۳۱ ملین روپے کی خالص آمدنی حاصل کی ہے جو گزشتہ سال کے اسی عرصے کے دوران ریکارڈ ہونے والے ۴,۹۳۸ ملین روپے کے محاصلات سے ۸ فی صد زیادہ ہے۔ کمپنی کا مجموعی منافع ۲,۵۷۳ ملین روپے ہے جو کہ گزشتہ سال کے اسی عرصے کے مقابلے میں ۲,۸۳۳ ملین روپے زیادہ ہے۔ بازار حصص کے مندرجہ تسکات میں سرمایہ کاری سے نقصان گزشتہ برس کے اسی عرصے کے ۱.۰۲ ملین کے منافع کے مقابلے میں ۲.۶۲ ملین روپے ریکارڈ کیا گیا۔ اس نقصان اور مالیاتی لاگت میں اضافے کی وجہ سے قبل از ٹیکس منافع گزشتہ برس کے اسی عرصے کے ۱,۰۳۷ ملین روپے کے مقابلے میں ۲,۰۷۷ ملین روپے ریکارڈ کیا گیا۔

کارکردگی کی جھلکیاں:

ششماہی مدت اختتام ۳۱ دسمبر ۲۰۱۷ء		
	۲۰۱۷	۲۰۱۶
	(ملین روپے)	
فروخت اور خدمات (خالص)	۵,۳۳۱	۴,۹۳۸
کل منافع	۲,۵۷۳	۲,۲۹۱
منافع قبل از ٹیکس	۴۰۷	۱,۰۳۷
منافع بعد از ٹیکس	۲۴۲	۷۶۷
فی حصہ آمدنی (روپے میں)	۷.۴۴	۲۳.۵۹

رومز ڈیپارٹمنٹ کی کارکردگی:

اس عرصہ کے دوران گزشتہ سال کے اسی عرصہ کے ۲,۴۰۷ ملین روپے کی نسبت آمدنی (خالص) ۱۱ فی صد اضافے کے ساتھ ۲,۶۷۷ ملین روپے ریکارڈ کی گئی۔ رومز ریونیو (خالص) میں اضافہ اوسط یومیہ کمرے کی شرح (اے ڈی آر) میں اضافے کی وجہ سے ہے۔

فوڈ اینڈ بیورج (F&B) ڈیپارٹمنٹ کی کارکردگی:

اس شعبے کی خالص آمدنی ۲ فی صد اضافے کے ساتھ ۲,۴۱۲ ملین روپے ریکارڈ کی گئی جو گزشتہ اسی عرصے میں ۲,۳۱۱ ملین روپے تھی۔

دیگر متعلقہ خدمات لائسنس فیس / ٹریول و ٹورڈویژن کی کارکردگی:

اس شعبے میں زیر جائزہ عرصے کے دوران ۱۱ فی صد اضافہ ریکارڈ کیا گیا۔ گزشتہ برس کے اسی عرصے کے دوران ۲۲۰ ملین روپے کے مقابلے میں ۲۴۵ ملین روپے کی آمدنی (خالص) حاصل کی گئی۔

مستقبل کے امکانات:

کمپنی جدید ٹیکنالوجی اور بہتر خدمات پر خصوصی توجہ دینے کے ساتھ ساتھ جدت اور توسیع کے منصوبوں پر مسلسل سرگرم عمل ہے۔ پرنٹنگ اینڈ ہول ملتان اور میرپور ٹیکسٹائل کے مراحل تیزی سے عبور کر رہے ہیں۔

توسیع کے منصوبوں کو جلد از جلد پایہ تکمیل تک پہنچانے کیلئے کمپنی نے ۷ ارب روپے طویل مدتی اور محفوظ ۶ سالہ سکوک جاری کرنے کے انتظامات مکمل کر لیے ہیں۔


مجموعی نتائج:


زیر جائزہ عرصے کے دوران گروپ نے ۸ فیصد اضافے کے ساتھ ۵,۳۸۲ ملین روپے کے محصولات (خالص) ریکارڈ کئے جو گزشتہ سال اسی عرصے میں ۴,۹۸۷ ملین روپے تھے۔ گزشتہ برس اسی عرصے کے دوران ۰.۳۳ ملین روپے کی نسبت ۲۶۰ ملین روپے کا بعد از ٹیکس منافع ریکارڈ کیا گیا۔

اظہار تشکر:

ہم بورڈ کی جانب سے خصوصی پیشہ ورانہ خدمات کے لیے کمپنی کے عملے کا شکریہ ادا کرتے ہیں اور ہم اپنے معزز مہمانوں کے بھی شکر گزار ہیں، جو ہمیشہ ہماری اور اسٹاف کی حوصلہ افزائی کرتے ہیں تاکہ بہترین پروڈکٹس اور خدمات کی فراہمی میں ان کا مسلسل تعاون اور سرپرستی حاصل رہے۔ ہم ان تمام مشوروں، تعاون اور باہمی ادراک کے لیے اپنے کنسلٹنٹس، بینکاروں، مشیران اور شراکت داروں کے ممنون ہیں، جو ہمارے پروگراموں، پروڈیکٹس اور عمومی کاروباری امور میں کامیابی کے لیے انتہائی اہم ہیں۔

منجانب بورڈ آف ڈائریکٹرز


شاہد علی
ڈائریکٹر


شاہد علی
ڈائریکٹر

اسلام آباد: ۲۲ فروری ۲۰۱۸ء

Auditors' Report to Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim unconsolidated balance sheet of Pakistan Services Limited ("the Company") as at 31 December 2017, and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement, condensed interim unconsolidated statement of changes in equity and notes to the accounts for the six months period then ended (here-in-after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matters

The figures of the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income for the quarter ended 31 December 2017, have not been reviewed and we do not express a conclusion on them.

Islamabad: 22 February 2018



KPMG Taseer Hadi & Co.

Chartered Accountants

Engagement Partner: Riaz Pesnani



**Condensed Interim Unconsolidated
Financial Information** (Unaudited)
For the six months period ended 31 December 2017



Condensed Interim Unconsolidated Balance Sheet

As at 31 December 2017

		Unaudited 31 December 2017	Audited 30 June 2017
	Note	(Rupees'000)	
SHARE CAPITAL AND RESERVES			
Share capital	4	325,242	325,242
Reserves		1,869,424	1,869,424
Unappropriated profit		6,047,065	6,130,276
		<u>8,241,731</u>	<u>8,324,942</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
		23,779,515	23,779,515
NON CURRENT LIABILITIES			
Long term financing	5	6,916,415	6,816,692
Deferred liabilities		834,629	809,299
		<u>7,751,044</u>	<u>7,625,991</u>
CURRENT LIABILITIES			
Trade and other payables	6	2,028,057	1,656,447
Markup accrued	7	169,120	103,859
Short term borrowings	8	1,294,606	339,943
Current portion of long term financing	5	744,167	492,500
		<u>4,235,950</u>	<u>2,592,749</u>
		<u>44,008,240</u>	<u>42,323,197</u>
CONTINGENCIES AND COMMITMENTS			
	9		

The annexed notes 1 to 28 form an integral part of this condensed interim unconsolidated financial information.

	Unaudited 31 December 2017	Audited 30 June 2017
Note	(Rupees'000)	
NON CURRENT ASSETS		
Property, plant and equipment	10 33,994,629	32,898,795
Advance for capital expenditure	11 1,601,921	1,346,935
Investment property	50,000	50,000
Long term investments	12 2,275,364	1,141,794
Long term advance	-	400,000
Long term deposits	13 33,851	22,323
	37,955,765	35,859,847
CURRENT ASSETS		
Stores, spare parts and loose tools	183,745	175,714
Stock in trade - food and beverages	82,128	83,160
Trade debts	933,834	601,610
Advances	14 174,237	100,041
Trade deposits and prepayments	15 127,464	66,985
Interest accrued	1,605	20,945
Other receivables	16 3,090,520	3,707,279
Other financial assets	17 1,111,973	1,373,707
Advance tax - net	143,967	63,251
Cash and bank balances	18 203,002	270,658
	6,052,475	6,463,350
	<u>44,008,240</u>	<u>42,323,197</u>


M.A. Bawany
Director


Shakir Abu Bakar
Director


Abdul Qadeer Khan
Chief Financial Officer

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the six months period ended 31 December 2017

	Note	Three months ended 31 December		Six months ended 31 December	
		2017	2016	2017	2016
(Rupees'000)					
Sales and services - net	19	2,831,588	2,490,020	5,331,141	4,938,439
Cost of sales and services	20	(1,436,804)	(1,331,606)	(2,757,735)	(2,647,821)
Gross profit		1,394,784	1,158,414	2,573,406	2,290,618
Administrative expenses		(963,000)	(610,112)	(1,646,925)	(1,316,578)
Finance cost	21	(167,113)	(77,207)	(322,388)	(146,159)
Other (loss) / income - net	22	(43,479)	101,622	(197,251)	208,677
Profit before taxation		221,192	572,717	406,842	1,036,558
Taxation		(71,854)	(130,801)	(164,811)	(269,229)
Profit for the period		149,338	441,916	242,031	767,329
Earnings per share - basic and diluted (Rupees)	23	4.59	13.59	7.44	23.59

The annexed notes 1 to 28 form an integral part of this condensed interim unconsolidated financial information.


M.A. Bawany
Director


Shakir Abu Bakar
Director


Abdul Qadeer Khan
Chief Financial Officer

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited) For the six months period ended 31 December 2017

	Three months ended 31 December		Six months ended 31 December	
	2017	2016	2017	2016
	(Rupees'000)			
Profit for the period	149,338	441,916	242,031	767,329
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>149,338</u>	<u>441,916</u>	<u>242,031</u>	<u>767,329</u>

The annexed notes 1 to 28 form an integral part of this condensed interim unconsolidated financial information.



M.A. Bawany
Director



Shakir Abu Bakar
Director



Abdul Qadeer Khan
Chief Financial Officer

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the six months period ended 31 December 2017

CASH FLOWS FROM OPERATING ACTIVITIES	Note	Six months ended 31 December	
		2017	2016
(Rupees'000)			
Cash flow from operating activities before working capital changes	24	1,330,495	1,389,469
Working capital changes (Increase)/ decrease in current assets			
Stores, spare parts and loose tools		(8,031)	3,336
Stock in trade		1,032	8,013
Trade debts		(334,853)	(242,784)
Advances		(74,196)	(51,078)
Trade deposits and prepayments		(60,479)	(46,777)
Other receivables		616,759	(7,228)
Increase in trade and other payables			
Trade and other payables		356,748	117,339
Cash generated from / (used in) operations		496,980	(219,179)
Staff retirement benefit - gratuity paid		(21,691)	(20,745)
Compensated leave absences paid		(19,370)	(10,763)
Income tax paid		(241,264)	(195,296)
Finance cost paid		(261,786)	(142,487)
Net cash generated from operating activities		1,283,364	800,999
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(1,407,711)	(538,618)
Advance for capital expenditure		(254,986)	(2,465,996)
Proceeds from disposal of property, plant and equipment		37,174	3,399
Long term investment		(714,000)	(62,000)
Long term advance		-	(400,000)
Dividend income received		355	350
Return on bank deposits		10,393	10,162
Long term deposits		(11,528)	4,823
Net cash used in investing activities		(2,340,303)	(3,447,880)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(225,000)	(258,333)
Proceeds from long term financing		570,000	2,400,000
Dividend paid		(310,380)	(122,671)
Net cash from financing activities		34,620	2,018,996
Net decrease in cash and cash equivalents		(1,022,319)	(627,885)
Cash and cash equivalents at beginning of the period		(69,285)	379,130
Cash and cash equivalents at end of the period	25	(1,091,604)	(248,755)

The annexed notes 1 to 28 form an integral part of this condensed interim unconsolidated financial information.



M.A. Bawany
Director



Shakir Abu Bakar
Director



Abdul Gadeer Khan
Chief Financial Officer

Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited) For the six months period ended 31 December 2017

Share capital	Capital reserve	Revenue reserves		Total equity
	Share premium	General reserve	Unappropriated profit	

(Rupees'000)

Balance at 01 July 2016 325,242 269,424 1,600,000 5,580,999 7,775,665

Total comprehensive income for the period

Profit for the period	-	-	-	767,329	767,329
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	767,329	767,329

Transaction with owners of the Company Distribution

Final cash dividend for the year ended 30 June 2016 declared subsequent to the year end (@ Rs. 2.50 per share)

-	-	-	(81,310)	(81,310)
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First interim cash dividend for the year 2016-17 (@ Rs. 5.0 per share)

-	-	-	(162,621)	(162,621)
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Total distribution

-	-	-	(243,931)	(243,931)
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Balance at 31 December 2016

325,242	269,424	1,600,000	6,104,397	8,299,063
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Balance at 01 July 2017

325,242	269,424	1,600,000	6,130,276	8,324,942
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Total comprehensive income for the period

Profit for the period	-	-	-	242,031	242,031
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	242,031	242,031

Transaction with owners of the Company Distribution

Final cash dividend for the year ended 30 June 2017 declared subsequent to the year end (@ Rs. 5.0 per share)

-	-	-	(162,621)	(162,621)
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First interim cash dividend for the year 2017-18 (@ Rs. 5.0 per share)

-	-	-	(162,621)	(162,621)
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Total distribution

-	-	-	(325,242)	(325,242)
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Balance at 31 December 2017

325,242	269,424	1,600,000	6,047,065	8,241,731
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The annexed notes 1 to 28 form an integral part of this condensed interim unconsolidated financial information.



M.A. Bawany
Director



Shakir Abu Bakar
Director



Abdul Qadeer Khan
Chief Financial Officer

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

1 STATUS AND NATURE OF BUSINESS

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

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

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

This condensed interim unconsolidated financial information of the Company for the six months period ended 31 December 2017 has been prepared in accordance with the requirements of the International Accounting Standard 34 – Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The disclosures in this condensed interim unconsolidated financial information do not include the information that was reported for annual audited unconsolidated financial statements and should therefore be read in conjunction with the annual audited unconsolidated financial statements for the year ended 30 June 2017. Comparative unconsolidated balance sheet numbers are extracted from the annual audited unconsolidated financial statements for the year ended 30 June 2017, whereas comparative unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity are stated from unaudited condensed interim unconsolidated financial information for the six months period ended 31 December 2016.

This condensed interim unconsolidated financial information is unaudited and is being submitted to the members as required under Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Pakistan Stock Exchange Limited.

3 SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

- 3.1 The accounting policies, significant judgments made in the application of accounting policies, key sources of estimations and the methods of computation adopted in preparation of this condensed interim unconsolidated financial information and financial risk management policy are the same as those applied in preparation of annual audited unconsolidated financial statements for the year ended 30 June 2017.
- 3.2 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2018 and are not expected to have any significant effect on the Company’s financial statements:

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

-Amendments to IFRS 2 - 'Share-based Payment'	(effective 01 January 2018)
-Amendments to IAS 40 'Investment Property'	(effective 01 January 2018)
-Amendments to IAS 28 'Investments in Associates and Joint Ventures'	(effective 01 January 2018)
-IFRIC 23 'Uncertainty over Income Tax Treatments'	(effective 01 January 2019)
-IFRS 15 'Revenue from contracts with customers'	(effective 01 July 2018)
-IFRIC 22 'Foreign Currency Transactions and Advance Consideration'	(effective 01 January 2018)
-IFRS 9 'Financial Instruments' and amendment	(effective 01 July 2018)
-Amendments to IAS 28 'Investments in Associates and Joint Ventures'	(effective 01 January 2019)

Annual improvements to IFRS standards 2015-2017 cycle:

- IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangement' (effective 01 January 2019)
 - IAS 12 'Income Taxes' (effective 01 January 2019)
 - IAS 23 'Borrowing Cost' (effective 01 January 2019)
- In addition, the Companies Act, 2017 was enacted on 30 May 2017 and Securities and Exchange Commission of Pakistan (SECP) vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements, including interim financial information, in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for the financial year beginning on 01 January 2018 requires certain additional disclosures and changes for certain accounting treatments including accounting for surplus on revaluation of property, plant and equipment and investment in associates which may require change in the relevant accounting policy. Whilst management is in the process of assessing the impact of such changes on the financial statements, one significant change would be the presentation of "surplus on revaluation of property, plant and equipment" which is presently shown below the shareholder's equity as required by the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires that such surplus should be presented as required by IAS 16 under the shareholders' equity.

4 SHARE CAPITAL

There is no change in authorised and issued, subscribed and paid up share capital of the Company from 30 June 2017.

		Unaudited 31 December 2017	Audited 30 June 2017
5 LONG TERM FINANCING - secured	Note	(Rupees '000)	
From banking companies - Conventional banks			
Term Finance Loan - 1		850,000	850,000
Term Finance Loan - 2		2,150,000	2,150,000
Term Finance Loan - 3		3,000,000	3,000,000
Term Finance Loan - 4	5.2	570,000	-
Syndicated term loan		1,125,000	1,350,000
		7,695,000	7,350,000
Transaction cost		(34,418)	(40,808)
		7,660,582	7,309,192
Current portion of long term financing		(744,167)	(492,500)
		6,916,415	6,816,692

- 5.1 Except for the facility as disclosed in note 5.2 below, the markup rates, facility limits and securities offered for long term financing facilities are the same as disclosed in the annual audited unconsolidated financial statements of the Company for the year ended 30 June 2017.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

5.2 This represent utilized amount of term finance loan of Rs. 2,000 million carrying markup of 6-month KIBOR plus 0.65% per annum payable quarterly (30 June 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 moveable assets of Pearl Continental Hotel, Peshawar with 25% margin. The loan is repayable in ten equal semi-annual installments commencing from 22 May 2020.

	Unaudited 31 December 2017	Audited 30 June 2017
(Rupees '000)		
6 TRADE AND OTHER PAYABLES		
Creditors	449,759	263,464
Accrued liabilities	558,436	571,715
Advances from customers	403,386	323,783
Shop deposits	58,080	55,630
Retention money	125,152	95,109
Due to related parties - unsecured	17,738	20,105
Sales tax payable - net	179,252	101,024
Bed tax payable	2,639	-
Unclaimed dividend	31,450	16,588
Income tax deducted at source	7,055	3,300
Un-earned income	149,817	155,375
Other liabilities	45,293	50,354
	<u>2,028,057</u>	<u>1,656,447</u>

7 MARKUP ACCRUED - Conventional banks

Accrued markup pertains to financing facilities availed from conventional banks.

8 SHORT TERM BORROWINGS - Secured - Conventional banks

These facilities are obtained from various commercial banks with an aggregate limit of Rs. 2,025 million (30 June 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 1.5% (30 June 2017: 1-month KIBOR to 3-month KIBOR plus 0.6% to 1.5%) per annum.

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

Contingencies are the same as disclosed in the annual audited unconsolidated financial statements of the Company for the year ended 30 June 2017 except for the guarantees as disclosed below:

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

	Unaudited 31 December 2017	Audited 30 June 2017
	(Rupees '000)	
9.1.1 Guarantees	214,123	201,721

This includes guarantee of Rs. 50 million (30 June 2017: Rs. 50 million), issued on behalf of a subsidiary company.

	Unaudited 31 December 2017	Audited 30 June 2017
	(Rupees '000)	
9.2 Commitments		
Commitments for capital expenditure	1,004,185	992,863

10 PROPERTY, PLANT AND EQUIPMENT

	Assets	Capital work in progress	Total
	(Rupees in '000)		
Unaudited 31 December 2017			
Carrying value at beginning of the period	30,824,665	2,074,130	32,898,795
Additions during the period	271,656	1,147,104	1,418,760
Transfer from capital work in progress	464,105	(464,105)	-
Disposal during the period	(37,068)	-	(37,068)
Depreciation charge for the period	(285,858)	-	(285,858)
Carrying value at end of the period	<u>31,237,500</u>	<u>2,757,129</u>	<u>33,994,629</u>

Audited 30 June 2017

Carrying value at beginning of the year	30,456,155	1,144,282	31,600,437
Additions during the year	589,908	1,272,851	1,862,759
Transfer from capital work in progress	343,003	(343,003)	-
Disposal during the year	(57,187)	-	(57,187)
Depreciation charge for the year	(507,214)	-	(507,214)
Carrying value at end of the year	<u>30,824,665</u>	<u>2,074,130</u>	<u>32,898,795</u>

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

		Unaudited 31 December 2017	Audited 30 June 2017
	Note	(Rupees '000)	
10.1 CAPITAL WORK IN PROGRESS			
Construction of Pearl Continental Multan		897,725	831,940
Construction of Pearl Continental Mirpur		831,005	523,484
Other civil works		1,028,399	718,706
		<u>2,757,129</u>	<u>2,074,130</u>
11 ADVANCE FOR CAPITAL EXPENDITURE			
Advance for purchase of land		676,820	666,820
Advance for purchase of Malir Delta Land	11.1	381,656	381,656
		1,058,476	1,048,476
Advance for purchase of apartment		40,509	40,509
Impairment loss		(40,509)	(40,509)
		-	-
Advance for purchase of fixed assets		463,509	173,154
Advance for Pearl Continental Multan Project		30,701	47,986
Advance for Pearl Continental Mirpur Project		49,235	77,319
		543,445	298,459
		<u>1,601,921</u>	<u>1,346,935</u>

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

12 LONG TERM INVESTMENTS

During the period, the Company made further equity investment of Rs. 560 million and Rs. 154 million in its wholly owned subsidiary companies City Properties (Private) Limited and Elite Properties (Private) Limited, in addition to these investments, the Company also converted long term advance of Rs. 400 million and interest thereon extended to City Properties (Private) Limited, into long term investment. The subsidiary companies are in the process of issuance of shares, against these equity investment.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

13 LONG TERM DEPOSITS

This includes deposit amounting to Rs. 31.387 million (30 June 2017: Rs. 19.860 million) with an Islamic bank to acquire assets under Ijarah agreements.

14 ADVANCES - Non-interest bearing

These includes advances to related parties for rendering of services and purchase of goods aggregating Rs. 27.969 million (30 June 2017: Rs. 24.518 million).

15 TRADE DEPOSITS AND PREPAYMENTS

The trade deposits are non - interest bearing.

16 OTHER RECEIVABLES

These are general receivables and does not include receivables to be classified under conventional or Islamic mode of banking. This includes Rs. 3,018 million (30 June 2017: Rs 3,648 million) balance due from an associated company Gulf Properties (Private) Limited, on account of cancellation of agreement for purchase of land.

		Unaudited 31 December 2017	Audited 30 June 2017
17 OTHER FINANCIAL ASSETS	Note	(Rupees '000)	
Shares of listed companies - Non shariah compliant	17.1	1,102,450	1,364,184
Term Deposit Receipt - Conventional banks		9,523	9,523
		1,111,973	1,373,707

17.1 This mainly includes investment in an associated company having carrying value of Rs. 1,095 million (30 June 2017 : Rs. 1,355 million).

17.2 Out of total shares held by the Company, 12,500,000 (30 June 2017: 3,000,000) ordinary shares are placed / marked lien as security against running finance facility of the Company (Refer to note 8).

18 CASH AND BANK BALANCES

This includes funds placed with conventional banks.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

19 SALES AND SERVICES - net	Note	Unaudited		Unaudited	
		Three months ended		Six months ended	
		2017	2016	2017	2016
		(Rupees '000)			
Rooms		1,649,569	1,434,538	3,111,138	2,798,717
Food and beverages		1,507,109	1,339,241	2,820,078	2,710,927
Other related services	19.1	151,906	140,460	292,263	272,878
Shop license fees		12,495	10,504	24,844	20,286
		<u>3,321,079</u>	<u>2,924,743</u>	<u>6,248,323</u>	<u>5,802,808</u>
Discounts and commissions		(43,600)	(40,582)	(78,298)	(79,772)
Sales tax		(445,891)	(394,141)	(838,884)	(784,597)
		<u>2,831,588</u>	<u>2,490,020</u>	<u>5,331,141</u>	<u>4,938,439</u>

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

20 COST OF SALES AND SERVICES	Unaudited		Unaudited	
	Three months ended		Six months ended	
	2017	2016	2017	2016
	(Rupees '000)			
Food and beverages				
Opening balance	86,762	99,908	83,160	96,189
Purchases during the period	434,517	383,223	817,847	796,371
Closing balance	(82,128)	(88,176)	(82,128)	(88,176)
Consumption during the period	<u>439,151</u>	<u>394,955</u>	<u>818,879</u>	<u>804,384</u>
Direct expenses				
Salaries, wages and benefits	394,246	344,219	757,135	698,920
Heat, light and power	148,711	135,911	368,218	355,452
Repairs and maintenance	141,641	185,882	221,978	255,704
Depreciation	131,725	114,424	257,272	226,672
Guest supplies	61,638	56,539	119,328	112,912
Linen, china and glassware	29,753	29,210	56,768	53,481
Communication and other related services	20,274	19,091	38,869	37,227
Banquet and decoration	24,132	15,942	43,789	35,952
Transportation	18,559	12,977	33,184	26,643
Uniforms	7,761	7,484	12,891	13,616
Music and entertainment	3,380	3,339	6,208	6,076
Others	15,833	11,633	23,216	20,782
	<u>1,436,804</u>	<u>1,331,606</u>	<u>2,757,735</u>	<u>2,647,821</u>

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

21 FINANCE COST

The finance cost relates to borrowing arrangements from conventional banks.

22 OTHER (LOSS) / INCOME - NET	Note	Unaudited Three months ended 31 December		Unaudited Six months ended 31 December	
		2017	2016	2017	2016
		(Rupees '000)			
Income from financial assets					
Return on bank deposits / Certificate of investments - (Conventional banks)		5,453	5,082	10,623	10,569
Exchange gain-net-actual currency		935	1,015	1,423	2,207
Dividend income	22.1	-	-	355	350
Unrealised (loss) / gain on remeasurement of investments to fair value - net (Non shariah compliant)		(74,667)	90,047	(261,733)	102,180
Interest on long term advance to related party		-	4,465	-	4,465
		<u>(68,279)</u>	<u>100,609</u>	<u>(249,332)</u>	<u>119,771</u>
Income from non financial assets					
Concessions and commissions		2,559	2,463	4,383	4,233
Gain / (loss) on disposal of property, plant and equipment		(388)	(28,380)	106	(28,063)
Liabilities written back		-	-	-	63,910
Communication towers and other rental income		17,059	18,576	35,277	34,797
Others - net		5,570	8,354	12,315	14,029
		<u>24,800</u>	<u>1,013</u>	<u>52,081</u>	<u>88,906</u>
		<u>(43,479)</u>	<u>101,622</u>	<u>(197,251)</u>	<u>208,677</u>
22.1 Dividend income					
Pakistan Telecommunication Company Limited		-	-	350	350
Fauji Fertilizer Bin Qasim Limited		-	-	5	-
		<u>-</u>	<u>-</u>	<u>355</u>	<u>350</u>
23 EARNINGS PER SHARE					
Profit for the period (Rupees '000)		<u>149,338</u>	<u>441,916</u>	<u>242,031</u>	<u>767,329</u>
Weighted average number of ordinary shares (Numbers)		<u>32,524,170</u>	<u>32,524,170</u>	<u>32,524,170</u>	<u>32,524,170</u>
Earnings per share - basic (Rupees)		<u>4.59</u>	<u>13.59</u>	<u>7.44</u>	<u>23.59</u>

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

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

	Unaudited Six months ended 31 December	
	2017	2016
(Rupees '000)		
24 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES		
Profit before taxation	406,842	1,036,558
Adjustments for:		
Depreciation	285,858	251,857
(Gain) / loss on disposal of property, plant and equipment	(106)	28,063
Provision for staff retirement benefit - gratuity	31,475	24,995
Provision for compensated leave absences	30,654	18,381
Provision for doubtful debts	2,629	1,020
Return on bank deposits / certificate of investment	(10,623)	(10,569)
Interest on long term advance to related party	-	(4,465)
Finance cost	322,388	146,159
Dividend income	(355)	(350)
Unrealised loss/(gain) on remeasurement of investments to fair value-net	261,733	(102,180)
	<u>1,330,495</u>	<u>1,389,469</u>
25 CASH AND CASH EQUIVALENTS		
Cash and bank balances	203,002	312,014
Short term borrowings	(1,294,606)	(560,769)
	<u>(1,091,604)</u>	<u>(248,755)</u>

26 TRANSACTIONS AND BALANCES 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. Transactions and balances as of this reporting date with related parties are disclosed in notes 6, 9, 12, 14, 16 and 17 to the condensed interim unconsolidated financial information. Other balances and transactions with related parties are as follows:

	Unaudited Six months ended 31 December	
	2017	2016
(Rupees '000)		
Transactions and balances with subsidiary companies		
Sales	1,686	1,437
Services provided	4,893	6,508
Services availed	44,601	31,852
Interest income on advance	-	4,465
Investment	714,000	62,000
Long term loan and accrued interest thereon converted into equity investment	419,570	-

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

	Unaudited Six months ended 31 December	
	2017	2016
	(Rupees '000)	
<i>Balances as at the period end:</i>		
- Trade debts	5,047	*4,344
- Long term investments	2,275,364	* 1,141,794
- Accrued interest on Advance	-	* 19,570
- Long term advance	-	* 400,000
Transactions and balances with associated undertakings		
Sales	107	333
Services provided	990	909
Services availed	20,432	22,146
Purchases	64,037	59,416
Franchise fee - income	2,381	2,537
Franchise and management fee - expense	5,413	5,600
Refund of advance for purchase of land	630,000	-
Dividend paid	88,610	31,864
<i>Balances as at the period end:</i>		
- Trade debts	2,056	* 12,166
- Advances	27,969	*24,518
- Receivables	3,018,420	* 3,648,420
Transactions and balances with other related parties		
Sales	-	9
Services provided	44	52
Services availed	55,492	21,889
Purchases	2,359	1,607
Contribution to defined contribution plan - provident fund	22,394	18,406
Dividend paid	3	2
Advance for purchase of vehicle	3,950	-
<i>Balances as at the period end:</i>		
- Trade debts	734	*851
- Advance for capital expenditure	630,770	*626,820
Transactions with key management personnel		
Remuneration and allowances including staff retirement benefits	57,906	29,973
Dividend paid	4,916	4,330

*Represents balance as at 30 June 2017

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

27.1 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.

On-balance sheet financial instruments	Note	Carrying amount			Fair value				
		Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2017		(Rupees'000)							
Financial assets measured at fair value									
Shares of listed companies	17	1,102,450	-	-	1,102,450	1,102,450	-	-	1,102,450
Financial assets not measured at fair value									
Long term deposits	27.2	-	33,851	-	33,851	-	-	-	-
Trade debts		-	933,834	-	933,834	-	-	-	-
Advance to employees		-	53,450	-	53,450	-	-	-	-
Trade deposits		-	20,137	-	20,137	-	-	-	-
Interest accrued		-	1,605	-	1,605	-	-	-	-
Other receivables		-	3,090,520	-	3,090,520	-	-	-	-
Term deposit receipt		-	9,523	-	9,523	-	-	-	-
Cash and bank balances		-	203,002	-	203,002	-	-	-	-
		-	4,345,922	-	4,345,922	-	-	-	-
Financial liabilities not measured at fair value									
Long term financing	27.2	-	-	7,695,000	7,695,000	-	-	-	-
Short term borrowings		-	-	1,294,606	1,294,606	-	-	-	-
Trade and other payables	27.3	-	-	1,292,963	1,292,963	-	-	-	-
Markup accrued		-	-	169,120	169,120	-	-	-	-
		-	-	10,451,689	10,451,689	-	-	-	-

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

On-balance sheet financial instruments	Note	Carrying amount				Fair value			
		Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2017									
(Rupees'000)									
Financial assets measured at fair value									
Shares of listed companies		1,364,184	-	-	1,364,184	1,364,184	-	-	1,364,184
Financial assets not measured at fair value 272									
Long term advance		-	400,000	-	400,000	-	-	-	-
Long term deposits		-	22,323	-	22,323	-	-	-	-
Trade debts		-	601,610	-	601,610	-	-	-	-
Advance to employees		-	5,546	-	5,546	-	-	-	-
Trade deposits		-	19,658	-	19,658	-	-	-	-
Interest accrued		-	20,945	-	20,945	-	-	-	-
Other receivables		-	3,707,279	-	3,707,279	-	-	-	-
Term deposit receipt		-	9,523	-	9,523	-	-	-	-
Cash and bank balances		-	270,658	-	270,658	-	-	-	-
		-	5,057,542	-	5,057,542	-	-	-	-
Financial liabilities not measured at fair value 272									
Long term financing		-	-	7,350,000	7,350,000	-	-	-	-
Short term borrowings		-	-	339,943	339,943	-	-	-	-
Trade and other payables	273	-	-	1,072,965	1,072,965	-	-	-	-
Markup accrued		-	-	103,859	103,859	-	-	-	-
		-	-	8,866,767	8,866,767	-	-	-	-

27.2 The Company has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

27.3 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.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

28 GENERAL

28.1 Non-adjusting event after reporting date

Subsequent to the reporting date, on 06 February 2018, the Company entered into an arrangement of rated, secured, long term privately placed sukuk issue of Rs. 7,000 million with six years tenor, carrying markup of 6-month KIBOR plus 1% per annum payable semi-annually. The redemption will be in nine equal semi-annual installments starting after twenty-four months from first drawdown.

28.2 The amount of depreciation charge Rs. 53.213 million in comparative profit and loss account is restated pursuant to change in useful life of building, as disclosed in the annual audited financial statements for the year ended 30 June 2017.

28.3 Date of authorisation for issue

This unaudited condensed interim unconsolidated financial information was authorised for issue by the Board of Directors of the Company in their meeting held on 22 February 2018.



M.A. Bawany
Director



Shakir Abu Bakar
Director



Abdul Qadeer Khan
Chief Financial Officer







**Condensed Interim Consolidated
Financial Information (Unaudited)**
For the six months period ended 31 December 2017

Condensed Interim Consolidated Balance Sheet

As at 31 December 2017

		Unaudited 31 December 2017	Audited 30 June 2017
	Note	(Rupees'000)	
SHARE CAPITAL AND RESERVES			
Share capital	4	325,242	325,242
Reserves		2,680,224	2,737,968
Unappropriated profit		5,199,324	5,233,980
		<u>8,204,790</u>	<u>8,297,190</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		23,779,515	23,779,515
NON CURRENT LIABILITIES			
Long term financing	5	6,916,415	6,816,692
Liabilities against assets subject to finance lease	6	19,780	10,949
Deferred liabilities		889,735	853,844
		<u>7,825,930</u>	<u>7,681,485</u>
CURRENT LIABILITIES			
Trade and other payables	7	2,091,379	1,676,390
Markup accrued	8	169,569	104,285
Short term borrowings	9	1,294,606	339,943
Current portion of long term financing and liabilities against assets subject to finance lease		755,000	505,619
		<u>4,310,554</u>	<u>2,626,237</u>
		<u>44,120,789</u>	<u>42,384,427</u>
CONTINGENCIES AND COMMITMENTS	10		

The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information.

	Unaudited 31 December 2017	Audited 30 June 2017
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(Rupees'000)

NON CURRENT ASSETS

	Note	Unaudited 31 December 2017	Audited 30 June 2017
Property, plant and equipment	11	34,363,984	33,273,710
Advance for capital expenditure	12	1,601,921	1,346,935
Investment property		50,000	50,000
Long term investments		1,095,030	1,355,100
Long term deposits	13	37,454	24,510
		37,148,389	36,050,255

CURRENT ASSETS

Stores, spare parts and loose tools		183,745	175,714
Stock in trade - food and beverages		82,128	83,160
Development properties		1,850,624	1,097,196
Trade debts		977,449	626,337
Advances	14	181,606	104,601
Trade deposits and prepayments	15	136,969	72,444
Interest accrued		1,727	1,375
Other receivables	16	3,094,812	3,711,142
Other financial assets	17	26,166	27,914
Advance tax - net		210,193	108,318
Cash and bank balances	18	226,981	325,971
		6,972,400	6,334,172
		<u>44,120,789</u>	<u>42,384,427</u>



M.A. Bawany
Director



Shakir Abu Bakar
Director



Abdul Qadeer Khan
Chief Financial Officer

Condensed Interim Consolidated Profit and Loss Account (Unaudited) For the six months period ended 31 December 2017

	Note	Three months ended 31 December		Six months ended 31 December	
		2017	2016	2017	2016
(Rupees'000)					
Sales and services - net	19	2,855,900	2,514,072	5,381,905	4,986,699
Cost of sales and services	20	(1,457,574)	(1,352,250)	(2,806,138)	(2,699,848)
Gross profit		1,398,326	1,161,822	2,575,767	2,286,851
Administrative expenses		(968,298)	(635,292)	(1,654,478)	(1,336,059)
Finance cost	21	(167,638)	(77,580)	(323,458)	(147,511)
Other (loss) / income - net	22	19,821	95,297	(152,324)	197,007
		282,211	544,247	445,507	1,000,288
Share of gain in equity accounted investment-net		(4,760)	14,207	14,761	32,390
Profit before taxation		277,451	558,454	460,268	1,032,678
Taxation		(75,337)	(133,113)	(169,682)	(274,433)
Profit for the period		202,114	425,341	290,586	758,245

The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information.


M.A. Bawany
Director


Shakir Abu Bakar
Director


Abdul Qadeer Khan
Chief Financial Officer

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited) For the six months period ended 31 December 2017

	Three months ended 31 December		Six months ended 31 December	
	2017	2016	2017	2016
	(Rupees'000)			
Profit for the period	202,114	425,341	290,586	758,245
Other comprehensive income for the period				
Items to be reclassified to profit and loss account in subsequent periods				
Surplus on remeasurement of available for sale securities	(57,744)	(11,205)	(57,744)	(22,410)
Total comprehensive income for the period	<u>144,370</u>	<u>414,136</u>	<u>232,842</u>	<u>735,835</u>

The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information.


M.A. Bawany
Director


Shakir Abu Bakar
Director


Abdul Qadeer Khan
Chief Financial Officer

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the six months period ended 31 December 2017

CASH FLOWS FROM OPERATING ACTIVITIES	Note	Six months ended 31 December	
		2017	2016
		(Rupees'000)	
Cash flow from operating activities before working capital changes	23	1,335,607	1,376,425
Working capital changes			
(Increase)/ decrease in current assets			
Stores, spare parts and loose tools		(8,031)	3,336
Stock in trade		1,032	8,013
Development Property		(753,428)	(487,430)
Trade debts		(353,741)	(250,310)
Advances		(77,005)	(60,422)
Trade deposits and prepayments		(64,525)	(45,189)
Other receivables		616,330	(7,622)
Increase in trade and other payables			
Trade and other payables		400,127	123,138
Cash used in operations		(239,241)	(716,486)
Staff retirement benefit - gratuity paid		(21,691)	(20,745)
Compensated leave absences paid		(19,370)	(10,763)
Income tax paid		(257,927)	(197,491)
Finance cost paid		(262,836)	(143,664)
Net cash generated from operating activities		534,542	287,276
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(1,407,792)	(539,215)
Advance for capital expenditure		(254,986)	(2,465,996)
Proceeds from disposal of property, plant and equipment		49,032	4,449
Proceeds from other financial assets		85	9,277
Dividend income received		355	350
Return on bank deposits and certificate of investments		11,056	11,589
Long term deposits		(12,944)	3,370
Net cash used in investing activities		(1,615,194)	(2,976,176)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(225,000)	(258,333)
Proceeds from long term financing		570,000	2,400,000
Dividend paid		(310,380)	(122,671)
Repayment of liabilities against assets subject to finance lease		(7,621)	(9,529)
Net cash from financing activities		26,999	2,009,467
Net decrease in cash and cash equivalents		(1,053,653)	(679,433)
Cash and cash equivalents at beginning of the period		(13,972)	459,779
Cash and cash equivalents at end of the period	24	(1,067,625)	(219,654)

The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information.


M.A. Bawany
Director


Shakir Abu Bakar
Director


Abdul Gadeer Khan
Chief Financial Officer

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited) For the six months period ended 31 December 2017

Share capital	Capital reserve		Revenue reserves			Unappropriated profit	Total equity
	Share premium	Share of associate's capital reserve	General reserve	Exchange translation reserve (net of tax)	Surplus on remeasurement of available for sale securities		

(Rupees'000)

Balance at 01 July 2016	325,242	269,424	147,221	1,600,000	493,439	140,546	4,853,511	7,829,383
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Total comprehensive income for the period

Profit for the period	-	-	-	-	-	-	758,245	758,245
Other comprehensive income for the period	-	-	-	-	-	(22,410)	-	(22,410)
Total comprehensive income for the period	-	-	-	-	-	(22,410)	758,245	735,835

Transaction with owners of the Company**Distribution**

Final cash dividend for the year ended 30 June 2016

declared subsequent to the year end

(@ Rs. 2.50 per share)

-	-	-	-	-	-	-	(81,310)	(81,310)
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First interim cash dividend for the year 2016-17

(@ Rs. 5 per share)

-	-	-	-	-	-	-	(162,621)	(162,621)
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Total distribution

-	-	-	-	-	-	-	(243,931)	(243,931)
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Balance at 31 December 2016

325,242	269,424	147,221	1,600,000	493,439	118,136	5,367,825	8,321,287
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Balance at 01 July 2017

325,242	269,424	147,221	1,600,000	498,809	222,514	5,233,980	8,297,190
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Total comprehensive income for the period

Profit for the period	-	-	-	-	-	-	290,586	290,586
Other comprehensive income for the period	-	-	-	-	-	(57,744)	-	(57,744)
Total comprehensive income for the period	-	-	-	-	-	(57,744)	290,586	232,842

Transaction with owners of the Company**Distribution**

Final cash dividend for the year ended

30 June 2017 declared subsequent to the year end

(@ Rs. 5.0 per share)

-	-	-	-	-	-	-	(162,621)	(162,621)
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First interim cash dividend for the year 2017-18

(@ Rs. 5.0 per share)

-	-	-	-	-	-	-	(162,621)	(162,621)
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Total distribution

-	-	-	-	-	-	-	(325,242)	(325,242)
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Balance at 31 December 2017

325,242	269,424	147,221	1,600,000	498,809	164,770	5,199,324	8,204,790
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The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information.



M.A. Bawany
Director



Shakir Abu Bakar
Director



Abdul Qadeer Khan
Chief Financial Officer

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

1 STATUS AND NATURE OF BUSINESS

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

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

This condensed interim consolidated financial information includes the condensed interim financial information of the Parent Company and the following Subsidiary Companies together constituting “the Group”.

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%

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

This condensed interim consolidated financial information of the Group for the six months period ended 31 December 2017 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The disclosures in this condensed interim consolidated financial information do not include the information that was reported for annual audited consolidated financial statements and should therefore be read in conjunction with the annual audited consolidated financial statements for the year ended 30 June 2017. Comparative consolidated balance sheet numbers are extracted from the annual audited consolidated financial statements for the year ended 30 June 2017, whereas comparative consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity are stated from unaudited condensed interim consolidated financial information for the six months period ended 31 December 2016.

This condensed interim consolidated financial information is unaudited and is being submitted to the members as required under Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Pakistan Stock Exchange Limited.

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

- 3.1 The accounting policies, significant judgments made in the application of accounting policies, key sources of estimations and the methods of computation adopted in preparation of this condensed interim consolidated financial information and financial risk management policy are the same as those applied in preparation of annual audited consolidated financial statements for the year ended 30 June 2017.
- 3.2 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2018 and are not expected to have any significant effect on condensed interim consolidated financial information of the Group:

Amendments to IFRS 2 - 'Share-based Payment'	(effective 01 January 2018)
Amendments to IAS 40 'Investment Property'	(effective 01 January 2018)
Amendments to IAS 28 'Investments in Associates and Joint Ventures'	(effective 01 January 2018)
IFRIC 23 'Uncertainty over Income Tax Treatments'	(effective 01 January 2019)
IFRS 15 'Revenue from contracts with customers'	(effective 01 July 2018)
IFRIC 22 'Foreign Currency Transactions and Advance Consideration'	(effective 01 January 2018)
IFRS 9 'Financial Instruments' and amendment	(effective 01 July 2018)
Amendments to IAS 28 'Investments in Associates and Joint Ventures'	(effective 01 January 2019)
Annual improvements to IFRS standards 2015-2017 cycle:	
- IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangement'	(effective 01 January 2019)
- IAS 12 'Income Taxes'	(effective 01 January 2019)
- IAS 23 'Borrowing Cost'	(effective 01 January 2019)

In addition, the Companies Act, 2017 was enacted on 30 May 2017 and Securities and Exchange Commission of Pakistan (SECP) vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements, including interim financial information, in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for the financial year beginning on 01 January 2018 requires certain additional disclosures and changes for certain accounting treatments including accounting for surplus on revaluation of property, plant and equipment and investment in associates which may require change in the relevant accounting policy. Whilst management is in the process of assessing the impact of such changes on the financial statements, one significant change would be the presentation of "surplus on revaluation of property, plant and equipment" which is presently shown below the shareholder's equity as required by the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires that such surplus should be presented as required by IAS 16 under the shareholders' equity.

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

4 SHARE CAPITAL

There is no change in authorised and issued, subscribed and paid up share capital of the Group from 30 June 2017.

		Unaudited 31 December 2017	Audited 30 June 2017
5 LONG TERM FINANCING - secured	Note	(Rupees '000)	
From banking companies - Conventional banks			
Term Finance Loan - 1		850,000	850,000
Term Finance Loan - 2		2,150,000	2,150,000
Term Finance Loan - 3		3,000,000	3,000,000
Term Finance Loan - 4	5.2	570,000	-
Syndicated term loan		1,125,000	1,350,000
		7,695,000	7,350,000
Transaction cost		(34,418)	(40,808)
		7,660,582	7,309,192
Current portion of long term financing		(744,167)	(492,500)
		6,916,415	6,816,692

- 5.1 Except for the facility as disclosed in note 5.2 below, the markup rates, facility limits and securities offered for these long term financing facilities are the same as disclosed in the annual audited consolidated financial statements of the Group for the year ended 30 June 2017.
- 5.2 This represent utilized amount of term finance loan of Rs. 2,000 million carrying markup of 6-month KIBOR plus 0.65% per annum payable semi-annually (30 June 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 moveable assets of Pearl Continental Hotel, Peshawar with 25% margin. The loan is repayable in ten equal semi-annual installments commencing from 22 May 2020.

6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE- secured Conventional bank

		Unaudited 31 December 2017	Audited 30 June 2017
(Rupees '000)			
Present value of minimum lease payments			
Balance at beginning of the period/ year		24,068	18,873
Asset acquired during the period		14,166	21,851
Repayments made during the period/ year		(7,621)	(16,656)
		30,613	24,068
Current portion		(10,833)	(13,119)
		19,780	10,949

The markup rate, facility limit and securities offered for these lease finance arrangement are the same as disclosed in the annual audited consolidated financial statements of the Group for the year ended 30 June 2017.

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

	Unaudited 31 December 2017	Audited 30 June 2017
7 TRADE AND OTHER PAYABLES	(Rupees '000)	
Creditors	452,864	267,906
Accrued liabilities	571,991	580,056
Advances from customers	403,488	323,783
Shop deposits	58,080	55,630
Retention money	125,152	95,109
Due to related parties - unsecured	22,743	25,129
Sales tax payable	179,252	103,030
Bed tax payable	2,639	-
Income tax deducted at source	10,106	3,300
Un-earned income	149,817	155,375
Unclaimed dividend	31,450	16,588
Other liabilities	83,797	50,484
	<u>2,091,379</u>	<u>1,676,390</u>

8 MARKUP ACCRUED - Conventional Banks

Accrued markup pertains to financing facilities availed from conventional banks.

9 SHORT TERM BORROWINGS - secured - Conventional Banks

These facilities are obtained from various commercial banks with an aggregate limit of Rs. 2,025 million (30 June 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 1.5% (30 June 2017: 1-month KIBOR to 3-month KIBOR plus 0.6% to 1.5%) per annum.

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

Contingencies are the same as disclosed in the annual audited consolidated financial statements of the Group for the year ended 30 June 2017 except for the guarantees as disclosed below:

	Unaudited 31 December 2017	Audited 30 June 2017
	(Rupees '000)	
10.1.1 Guarantees - secured	214,124	201,721
10.2 Commitments		
Commitments for capital expenditure	<u>1,004,185</u>	<u>992,863</u>

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

11 PROPERTY, PLANT AND EQUIPMENT

	Owned assets	Leased assets	Capital work in progress	Total
(Rupees in '000)				
Unaudited 31 December 2017				
Carrying value at beginning of the period	31,162,232	37,348	2,074,130	33,273,710
Additions during the period	271,740	14,166	1,147,104	1,433,010
Transfer from capital work in progress	464,105	-	(464,105)	-
Disposal during the period	(48,078)	-	-	(48,078)
Transfer from leased assets	4,563	(4,563)	-	-
Depreciation charge for the period	(286,304)	(8,354)	-	(294,658)
Carrying value at end of the period	<u>31,568,258</u>	<u>38,597</u>	<u>2,757,129</u>	<u>34,363,984</u>

Audited 30 June 2017

Carrying value at beginning of the year	30,792,333	35,773	1,144,282	31,972,388
Additions during the year	590,723	21,851	1,272,851	1,885,425
Transfer from capital work in progress	343,003	-	(343,003)	-
Disposal during the year	(57,838)	-	-	(57,838)
Transfer from leased assets	15,569	(15,569)	-	-
Depreciation charge for the year	(521,558)	(4,707)	-	(526,265)
Carrying value at end of the year	<u>31,162,232</u>	<u>37,348</u>	<u>2,074,130</u>	<u>33,273,710</u>

Unaudited
31 December
2017

Audited
30 June
2017

11.1 CAPITAL WORK IN PROGRESS

Note (Rupees '000)

Construction of Pearl Continental Multan		897,725	831,940
Construction of Pearl Continental Mirpur		831,005	523,484
Other civil works		1,028,399	718,706
		<u>2,757,129</u>	<u>2,074,130</u>

12 ADVANCE FOR CAPITAL EXPENDITURE

Advance for Purchase of land		676,820	666,820
Advance for purchase of Malir Delta Land	12.1	381,656	381,656
		1,058,476	1,048,476
Advance for Purchase of apartment		40,509	40,509
Impairment Loss		(40,509)	(40,509)
		-	-
Advance for purchase of fixed assets		463,509	173,154
Advance for Pearl Continental Multan Project		30,701	47,986
Advance for Pearl Continental Mirpur Project		49,235	77,319
		543,445	298,459
		<u>1,601,921</u>	<u>1,346,935</u>

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

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

13 LONG TERM DEPOSITS

This includes deposit amounting to Rs.31.387 million (30 June 2017: Rs. 19.860 million) with an Islamic bank to acquire assets under Ijarah agreements.

14 ADVANCES - Non-interest bearing

These includes advances to related parties for rendering of services and purchase of goods aggregating Rs. 27.969 million (30 June 2017: Rs. 24.518 million).

15 TRADE DEPOSITS AND PREPAYMENTS

The trade deposits are non - interest bearing.

16 OTHER RECEIVABLES

These are general receivables and does not include receivables to be classified under conventional or Islamic mode of banking. This includes Rs. 3,018 million (30 June 2017: Rs 3,648 million) balance due from an associated company Gulf Properties (Private) Limited on account of cancellation of agreement for purchase of land.

	Unaudited 31 December 2017	Audited 30 June 2017
	(Rupees '000)	
17 OTHER FINANCIAL ASSETS		
Shares of listed companies - Non shariah compliant	7,420	9,083
Term Deposit Receipt / Treasury bills - Conventional banks	18,746	18,831
	26,166	27,914

18 CASH AND BANK BALANCES

This includes funds placed with conventional banks.

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

19 SALES AND SERVICES - net	Note	Unaudited Three months ended 31 December		Unaudited Six months ended 31 December	
		2017	2016	2017	2016
		(Rupees '000)			
Rooms		1,647,559	1,431,040	3,106,245	2,792,209
Food and beverages		1,506,214	1,338,529	2,818,392	2,709,490
Other related services	19.1	156,831	146,284	304,232	283,883
Vehicles Rental		42,015	41,324	82,440	82,696
Shop license fees		12,495	10,504	24,844	20,286
		<u>3,365,114</u>	<u>2,967,681</u>	<u>6,336,153</u>	<u>5,888,564</u>
Discounts and commissions		(54,016)	(50,599)	(97,346)	(100,276)
Sales tax		(455,198)	(403,010)	(856,902)	(801,589)
		<u>2,855,900</u>	<u>2,514,072</u>	<u>5,381,905</u>	<u>4,986,699</u>

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

20 COST OF SALES AND SERVICES	Unaudited Three months ended 31 December		Unaudited Six months ended 31 December	
	2017	2016	2017	2016
	(Rupees '000)			
Food and beverages				
Opening balance	86,762	99,908	83,160	96,189
Purchases during the period	434,517	383,223	817,847	796,371
Closing balance	(82,128)	(88,176)	(82,128)	(88,176)
Consumption during the period	<u>439,151</u>	<u>394,955</u>	<u>818,879</u>	<u>804,384</u>
Direct expenses				
Salaries, wages and benefits	407,384	357,939	782,955	724,986
Heat, light and power	148,711	135,911	368,218	355,452
Repairs and maintenance	142,012	186,467	222,962	256,837
Depreciation	135,319	113,389	264,791	234,745
Guest supplies	61,638	56,539	119,328	112,912
Linen, china and glassware	29,753	29,210	56,768	53,481
Communication and other related services	20,274	19,091	38,869	37,227
Banquet and decoration	24,132	15,942	43,789	35,952
Transportation	6,424	4,625	12,149	10,852
Uniforms	7,761	7,484	12,891	13,616
Music and entertainment	3,380	3,339	6,208	6,076
Insurance	1,383	793	2,622	2,327
Vehicle Operating Expense	7,460	6,900	16,865	14,495
Vehicle Rental and registration charges	7,222	8,003	14,057	14,596
Others	15,570	11,663	24,787	21,910
	<u>1,457,574</u>	<u>1,352,250</u>	<u>2,806,138</u>	<u>2,699,848</u>

21 FINANCE COST

The finance cost relates to borrowing arrangements from conventional banks.

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

	Note	Unaudited Three months ended 31 December		Unaudited Six months ended 31 December	
		2017	2016	2017	2016
22 OTHER INCOME - net		(Rupees '000)			
Income from financial assets					
Return on bank deposits / Certificate of investments (Conventional banks)		5,827	5,734	11,408	11,996
Exchange gain - net - actual currency		912	1,015	1,400	2,207
Dividend income	22.1	-	-	355	350
Unrealised (loss)/ gain on remeasurement of investments to fair value-net-(Non shariah compliant)		(752)	(293)	(1,663)	1,009
Impairment/(reversal) on investment in associated company		(11,410)	87,338	(217,087)	91,191
		(5,423)	93,794	(205,587)	106,753
Income from non financial assets					
Concessions and commissions		2,559	2,463	4,383	4,233
Gain / (loss) on disposal of property, plant and equipment		(111)	(28,380)	954	(27,452)
Liabilities written back		-	-	-	63,910
Communication towers and other rental income		17,059	18,576	35,277	34,797
Others - net		5,737	8,844	12,649	14,766
		25,244	1,503	53,263	90,254
		19,821	95,297	(152,324)	197,007
22.1 Dividend income					
Pakistan Telecommunication Company Limited		-	-	350	350
Fauji Fertilizer Bin Qasim Limited		-	-	5	-
		-	-	355	350

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

Unaudited
Six months ended
31 December
2017 2016
(Rupees'000)

23 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES

Profit before taxation	460,268	1,032,678
Adjustments for:		
Depreciation	294,658	261,324
Gain / (loss) on disposal of property, plant and equipment	(954)	27,452
Provision for staff retirement benefit - gratuity	32,668	24,995
Provision for compensated leave absences	30,654	18,381
Provision for doubtful debts	2,629	1,020
Return on bank deposits/ Certificate of investments	(11,408)	(11,996)
Share of profit in equity accounted investments	(14,761)	(32,390)
Finance cost	323,458	147,511
Dividend income	(355)	(350)
Unrealised loss / (gain) on remeasurement of investments to fair value	1,663	(1,009)
Impairment/ (reversal) on investment in associated company	217,087	(91,191)
	1,335,607	1,376,425

24 CASH AND CASH EQUIVALENTS

Cash and bank balances	226,981	341,115
Short term borrowings	(1,294,606)	(560,769)
	(1,067,625)	(219,654)

25 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise associated and subsidiary companies, directors as well as their close family members, companies with common directorship, executives, key management personnel, major shareholders and Provident Fund. Balances as of this reporting date with related parties are disclosed in notes 7, 14, and 16 to the condensed interim consolidated financial information. Other balances and transactions with related parties are as follows:

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

Six months ended
31 December
2017 2016
(Rupees '000)

Transactions and balances with associated undertakings

Sales	107	333
Services provided	8,689	8,583
Services availed	25,270	25,002
Purchases	65,344	60,649
Franchise fee - income	2,381	2,537
Franchise and management fee - expense	5,413	5,600
Refund of advance for purchase of land	630,000	-
Dividend paid	88,610	31,864
Balances as at the period end:		
- Trade debts	12,292	*20,468
- Advances	27,969	* 24,518
- Receivables	3,018,420	*3,648,420

Transactions and balances with other related parties

Sales	-	9
Services provided	44	52
Services availed	55,492	21,889
Purchases	2,359	1,607
Contribution to defined contribution plan - provident fund	22,394	18,406
Dividend paid	3	2
Advance for purchase of vehicle	3,950	-
Balances as at the period end:		
- Trade debts	873	*908
- Advance for capital expenditure	630,770	*626,820

Transactions with key management personnel

Remuneration and allowances including staff retirement benefits	57,906	29,973
Dividend paid	4,916	4,330

*Represents balance as at 30 June 2017

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

26.1 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.

On-balance sheet financial instruments	Note	Carrying amount			Fair value				
		Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2017		(Rupees'000)							
Financial assets measured at fair value		7,420	-	-	7,420	7,420	-	-	7,420
Other financial assets									
Financial assets not measured at fair value		26.2							
Long term deposits		-	37,454	-	37,454	-	-	-	-
Trade debts		-	977,449	-	977,449	-	-	-	-
Advance to employees		-	58,385	-	58,385	-	-	-	-
Trade deposits		-	23,185	-	23,185	-	-	-	-
Interest accrued		-	1,727	-	1,727	-	-	-	-
Other receivables		-	3,094,812	-	3,094,812	-	-	-	-
Term Deposit Receipt		-	18,746	-	18,746	-	-	-	-
Cash and bank balances		-	226,981	-	226,981	-	-	-	-
		-	4,438,739	-	4,438,739	-	-	-	-
Financial liabilities not measured at fair value		26.2							
Long term financing - secured		-	-	7,695,000	7,695,000	-	-	-	-
Short term borrowings		-	-	1,294,606	1,294,606	-	-	-	-
Liabilities against assets subject to finance lease		-	-	30,613	30,613	-	-	-	-
Trade and other payables		26.3	-	1,356,183	1,356,183	-	-	-	-
Markup accrued		-	-	169,569	169,569	-	-	-	-
		-	-	10,545,971	10,545,971	-	-	-	-

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2017

On-balance sheet financial instruments	Note	Carrying amount			Fair value				
		Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees'000)									
30-Jun-2017									
Financial assets measured at fair value									
Other financial assets		9,083	-	-	9,083	9,083			9,083
Financial assets not measured at fair value 26.2									
Long term deposits		-	24,510	-	24,510	-	-	-	-
Trade debts		-	626,337	-	626,337	-	-	-	-
Advance to employees		-	10,047	-	10,047	-	-	-	-
Trade deposits		-	25,019	-	25,019	-	-	-	-
Interest accrued		-	1,375	-	1,375	-	-	-	-
Other receivables		-	3,711,142	-	3,711,142	-	-	-	-
Term Deposit Receipt/Certificate of Investments		-	18,831	-	18,831	-	-	-	-
Cash and bank balances		-	325,971	-	325,971	-	-	-	-
		-	4,743,232	-	4,743,232	-	-	-	-
Financial liabilities not measured at fair value									
Long term financing - secured	26.2	-	-	7,350,000	7,350,000	-	-	-	-
Short term borrowings		-	-	339,943	339,943	-	-	-	-
Liabilities against assets subject to finance lease		-	-	24,068	24,068	-	-	-	-
Trade and other payables	26.3	-	-	1,090,902	1,090,902	-	-	-	-
Markup accrued		-	-	104,285	104,285	-	-	-	-
		-	-	8,909,198	8,909,198	-	-	-	-

26.2 The Group has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

26.3 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.

27 GENERAL

27.1 Non-adjusting event after reporting date

Subsequent to the reporting date, on 06 February 2018, the Company entered into an arrangement of rated, secured, long term privately placed sukuk issue of Rs. 7,000 million with six years tenor, carrying markup of 6-month KIBOR plus 1% per annum payable semi-annually. The redemption will be in nine equal semi-annual installments starting after twenty-four months from first drawdown.

27.2 The amount of depreciation charge Rs. 53,213 million in comparative profit and loss account is restated pursuant to change in useful life of building, as disclosed in the annual audited financial statements for the year ended 30 June 2017.

27.3 Date of authorisation for issue

This unaudited condensed interim consolidated financial information was authorised for issue by the Board of Directors of the Parent Company in its meeting held on 22 February 2018.


M.A. Bawany
Director


Shakir Abu Bakar
Director


Abdul Qadeer Khan
Chief Financial Officer



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