PAKISTAN SERVICES LIMITED

ANNUAL REPORT | 2017

Pearl - Continental Hotel - Bhurban

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 - Rawalpindi

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
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 Technology Trade (Private) Limited
Dagia House, 241-C, Block-2, PECHS, Off
Shahrah-e-Quaideen, Karachi

Pearl - Continental Hotel - Lahore

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

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

Notice of Annual General Meeting

NOTICE OF 58TH ANNUAL GENERAL MEETING

Notice is hereby given that the 58th Annual General Meeting of Pakistan Services Limited will be held on Wednesday, October 25, 2017 at 11:00 a.m. at Islamabad Marriott Hotel to transact the following business:

1. To confirm the minutes of the Extraordinary General Meeting held on March 21, 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, 2017.

3. To approve payment of final cash dividend of Rs. 5/- per share i.e. 50 % as recommended by the Board of Directors in addition to 150 % interim dividend already paid.

4. To appoint Auditors for the year 2017-18 and fix their remuneration.

SPECIAL BUSINESS:

5. To apprise the members of the Company, in abundant caution, about rescission of an agreement regarding purchase of land admeasuring 20,269 square yards located in Karachi from an associated company i.e. M/s. Gulf Properties (Pvt) Limited and to **seek approval thereof.**

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
Islamabad: September 19, 2017
Company Secretary

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, 2017 to October 25, 2017 (both days inclusive).

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

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

a. For Attending the Meeting:

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

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

b. For Appointing Proxies:

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

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

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

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

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

E). As per the provisions of Section-242 of the Companies Act, 2017 and directives of Securities & Exchange Commission of Pakistan vide Circular no. 18 dated August 01, 2017, after October 31, 2017 the cash dividends will only paid through electronic mode directly in the bank accounts of the shareholders, therefore the Shareholders are requested to provide copies of their valid CNICs and Dividend Mandate including Name, Bank Account Number, Bank and Respective Branch addresses to the Company in order to enable the Company to pay cash dividend electronically. The Dividend Mandate Form is attached with Printed annual report and also placed on Company's website www.psl.com.pk.

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

G). The Government of Pakistan through Finance Act, 2017 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the Companies. These tax rates are as under:

(i). For filers of Income Tax return	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. (Copy attached)	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. Technology Trade (Pvt) Limited,
Dagia House, 241-C, Block-2, P.E.C.H.S.,
Off: Shahra-e-Quaideen, Karachi
Phone: 2134391316-7 & 34387960-61
E-mail: mail@ttpl.com.pk

H). The Corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their participants, whereas corporate physical shareholders should send a copy of their NTN certificates to the Company or our share registrar i.e. M/s. Technology Trade (Private) 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.

REVERSAL OF SALE TRANSACTION

The Company entered into a transaction for purchase of commercial property ideally located at Machi Miani, Ghulam Hussain Kassam Quarters, Karachi for the purpose of construction of high rise commercial project from an associated company namely M/s. Gulf Properties (Pvt) Limited and paid an advance of Rs. 3,648 million in terms of Agreement dated December 13, 2016. Subsequently Sindh Building Control Authority vide its notification dated 23 May 2017 placed ban on construction of high rise buildings beyond ground plus two stories in Karachi region in compliance with the directives of Honorable Supreme Court of Pakistan. Consequently, the objective of purchase of the said land was frustrated and performance of the afore-mentioned agreement has become impossible. Therefore, the company was compelled to rescind the agreement and accordingly parties have agreed for cancellation of the agreement and refund of the advance amount and the amount is now appearing as other receivable.

Although, the provisions of Section-199 of the Companies Act, 2017are not attracted on this transaction but the Board, taking abundant caution, decided to place this matter before the members **for approval.**

Pearl - Continental Hotel - Muzaffarabad

Chairman's Review

DEAR MEMBERS

I am pleased to place before you the 58th annual report together with audited financial statements (both unconsolidated and consolidated) of Pakistan Services Limited ("the Company"), for the year ended on 30 June 2017 and the auditors' report thereon.

THE ECONOMIC ENVIRONMENT

The eurozone economy has grown twice as fast as the UK in recent months, according to official figures that underscore the divergence between Britain and its neighboring currency bloc after the Brexit vote. GDP expanded by 0.6% in the second quarter of 2017, building on growth of 0.5% in the first quarter.

The UK economic growth held up better than expected in the six months following the Brexit vote. The UK economy grew by 2% in the year to Q1 2017, but the quarterly rate fell to 0.2%, primarily as a result of a softening in consumer expenditure and the service sector.

USA's GDP growth slowed since Mr. Trump won the presidential election, most measures of actual economic activity have failed to display the same strength.

The world economy and financial markets have been firming up since mid-2016, partly because of fiscal stimulus in China. The Chinese have now achieved 6.9% growth in the first and second quarters, an uptick on last year's 6.7% expansion. Its solid growth reinforces recoveries for commodity exporters and keeps 2017's pick-up in global growth on track.

Japan's economy grew in the second quarter at the fastest pace in more than two years with the biggest increase since January-March 2015. GDP expanded an annualized 4.0% in April-June more than the median estimate for 2.5% annualized growth.

PAKISTAN

Pakistan's outlook for economic growth is favorable, with real GDP estimated at 5.3% in FY 2017 and strengthening to 6% over the medium term on the back of stepped-up China Pakistan Economic Corridor (CPEC) investments, improved availability of energy and growth-supporting structural reforms. Inflation has been gradually increasing but remains contained while the financial sector has remained sound. An important milestone reached during the year is that Pakistan's GDP in absolute terms is now estimated to be higher than USD 300 billion, owing mainly to the fast pace of the economic activity.

Major constituent of this growth, however, remains the services sector which grew at the rate of 6%, while the growth of industrial and agricultural sectors remained moderate at 5.02% and 3.46%, respectively. Over the years, the contribution of services sector has also increased significantly, thus it has greater impact on overall GDP growth.

It is widely acknowledged that Pakistan has immense economic potential. According to the expectation of economists, Pakistan is projected to become the world's 20th largest economy by 2030 and 16th largest by 2050.

The energy sector saw major developments in its history since development of the first major power plant development. Currently the country is facing energy crisis and it creates the impression that power crisis had dissolved around 2 – 2.5% of annual GDP. The present government from the very beginning, had given high priority to energy sector, thus making significant efforts on all fields ranging from immediate step to long-term plan. Alternative Energy Development Board (AEDB) are playing vital role on behalf of the Government of Pakistan in materializing government commitment of adding sustainable and affordable power generation to the national grid. Thus, energy imports of liquefied natural gas (LNG) and coal along with utilization of domestic resources will significantly reduce the country's reliance on oil in the medium term and improve the energy mix.

Recently Government of Pakistan has also successfully completed the 6th Housing and Population Census despite various odds and challenges, which showed that the demographic and social landscape of Pakistan has completely changed over the last two decades. The said changes may lead to more economic activities in the country.

PROSPECTS

Promoting tourism is instrumental for in the development of hospitality sector, in the nation. Pakistan has witnessed significant increase in both neighborhood and worldwide traveler because of stable law and order situation. Pakistan's tourism sector has tremendous potential to be capitalized to attract national and foreign tourists. Pakistan being a developing country is rich in both heritage as well as natural beauty and has a great plausibility of fruitful economy. Moreover, after resounding victory in Zarb-E-Azab, presently continuous military operation, Radd-ul-Fasaad, also played an outstanding part to revive tourism in Pakistan. Once tranquility prevails in the country, tourism will certainly thrive in Pakistan, resulting in attracting domestic and international tourists.

In the recent past, a lot of attention has been paid to organizing international sports in Pakistan. Pakistan Super League 2017 finale was held in Lahore in which, apart from Pakistani Cricketers, far-famed players also participated. This event was followed by visits of famous international wrestlers, and then the renowned international footballers playing friendly matches in Pakistan. World XI's tour of Pakistan featuring several top international cricketers from a number of ICC Members indicates better law and order situation and promotes soft image of Pakistan. Hospitality industry has largely benefited and will benefit with the revival of the sports activities.

Increase in economic activities, particularly in connection with CPEC brought about change in the hospitality sector. Alongside foreign visitors, CPEC persuaded foreign investors to invest in Pakistan which is expected to generate generous increase in economic development of all sectors in Pakistan.

OVERALL PERFORMANCE OF THE COMPANY

The Company achieved total revenue (exclusive of GST) of Rs. 9,812 million during the year under review in comparison to last year's revenue of Rs. 9,151 million, showing a growth of about 7.22%. The Company's growth is due to driving towards more revenue generating policies along with dispensing excellent quality of services in the hospitality sector in Pakistan.

The Company for the year under review earned a profit before tax of Rs. 1,662 million compared with that of Rs. 1,216 million of the previous year.

PERFORMANCE OF ROOMS DEPARTMENT

The revenue (exclusive of GST) was Rs. 4,762 million against Rs. 4,421 million in the last year indicating a growth of 7.7%. In terms of revenue, the increase in this segment is Rs. 341 million. The Average Daily Rate (ADR) of Rs. 11,867 in the immediate preceding year increased to Rs. 13,505 showing 13.8% growth.

PERFORMANCE OF FOOD & BEVERAGE DEPARTMENT

The revenue (exclusive of GST) was Rs. 4,613 million as against Rs. 4,328 million of the last year. It has increased by 285 million registering growth of 6.6% from last year.

PERFORMANCE OF OTHER RELATED SERVICES/ LICENSE FEE/TRAVEL & TOUR DIVISION

Revenue (exclusive of GST) during the year under review was Rs. 437 million as compared with Rs. 402 million of the prior year, indicating an increase of Rs. 35 million.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company 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.

CORPORATE PHILANTHROPY

The Company is committed toward its Corporate Social Responsibility and has contributed a total of Rs. 376.35 million 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 has evolved Conserve Energy policy across its properties and is keen on cutting down energy waste by installing energy efficient equipment, as the energy is in short supply and is a major component of operating costs. Promotion of green technologies and necessary 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 and making it more sustainable, workshops and seminars along with trainings on regular basis are being organized to impart environmental, saving water and energy education. Overall, an environment improvement program has been implemented across the board.

CUSTOMER PROTECTION MEASURES

For any successful organization, customer satisfaction and feedback is considered vital, therefore, the Company has engaged an international firm “Revinate” to keep track record of this valuable feedbacks and suggestions from the valued customers. “Revinate” 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, Facebook pages of each hotel is maintained. The Company attaches maximum importance to safety and security, and therefore effectively maintains a foolproof system.

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

The Company gives utmost priority to the occupational safety. Training programs and workshops are regularly organized to emphasize safe work practices and to inculcate awareness of safety-first policies. Any unsafe practice is strictly prohibited. Group health and life insurance coverage is provided to employees.

BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

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

CONTRIBUTION TO GOVERNMENT EXCHEQUER

The Company in the year under review contributed an amount of Rs. 3,208 million as against Rs. 3,212 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. 9,921 million, as compared to Rs. 9,251 million that of the last year thus registering a growth of 7.2% amounting to revenue increase of Rs. 670 million. The consolidated profits before and after tax for the year under review were Rs. 1,514 million and Rs. 978 million respectively resulting increase in profit after tax of Rs.362 million.

The wholly-owned subsidiary company, M/s Pearl Tours and Travels (Private) Limited, engaged in the business of Rent-a-Car and arranging package tours, generated revenue of Rs. 200 million during the year under report as compared to Rs. 174 million of corresponding period of last year. It represents an increase of Rs. 26 million.

The wholly owned subsidiaries M/s City Properties (Private) Limited, M/s Elite Properties (Private) Limited engaged in real estate business are yet to start its commercial operations whereas M/s Pearl Continental Hotels (Private) Limited remained non-operational throughout the year 2016-17.

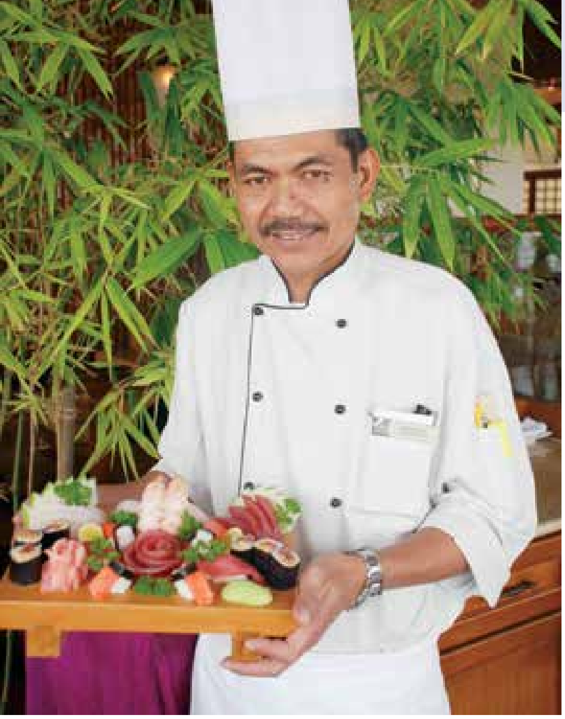
ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

SADRUDDIN HASHWANI
Chairman
19 September 2017


寿司
寿司



Sakura

The Blossoming of Japanese Cuisine in Karachi

Cherry blossoms and Japanese aesthetics, Sushi and artfully cultivated Bonsai, Sakura is the Karachi Pearl Continental Hotel's answer to the great Japanese dream. Nestled on the tenth floor of the hotel it is an artist's delight, a food connoisseur's treasure trove and a busy executive's retreat besides being a one of its kind Japanese restaurant in Pakistan.

Sakura literally translates into cherry blossom, which happens to be the national flower of Japan. Once you step inside this heavenly abode, serenity envelops the senses and the mood becomes exclusively oriental. The painstakingly executed accuracy of detail justifies a fantasy trip into the land of the kimono and floral art for; there is no doubt that the scenario boasts Japanese to the hilt. So complete is the cherry blossom artistry that there simply can be no looking back and all else fades into the background. At a more real life level, the eatery is fenced with life size glass windows on three sides. Thus from this decidedly Japanese vantage point you are simultaneously treated to a splendid view of the city of Karachi for the world opens out as you turn round sideways and the sprawling green fields of the Gymkhana put in the perfect finishing touch to the overall ambience.

With decor being a dictating factor in as far as setting the tone of any eating place goes, the Pearl Continental management saw to it that the best available talent was hired to create a mood to complement the restaurant's specific culinary offerings. The light brown wooden flooring of Sakura is at the same time, a striking and complimentary backdrop to the pale, and stone-brick water fountain strategically situated at the right hand side of the entrance. The image of the cherry blossom around which the mood has been created, is repeatedly used in the decor with deliberate intent but its presence frosted on small glass walls around the live-cooking counter of the restaurant brings additional thematic re-enforcement. Colorful Japanese

paintings adorn the walls and bright red Japanese lamps hanging from the ceiling add to the overall oriental ambiance. The choice of cherry colored napkins, with a touch of dull gold, accompanying custom designed crockery, with the image of the cherry blossom trees, definitely shows that nothing has been left to chance by the interior designer and the management. The cherry colored upholstery comes into its own as down-lit effects of the Japanese lamps conspire with it to create a special intimacy with the food and your company. The Bonsai, a very oriental plant, sits on every table giving Sakura an environmentally friendly and refreshing feel. Not to be missed is the Japanese music playing in the background which, like all music has universal appeal. The eatery can easily host up to eighty-five people with its spacious seating arrangement and but room can be expanded to accommodate a total of hundred and twenty individuals when booked for a party. For guests, who wish to have more privacy, a secluded enclosure offset by sliding bamboo doors, offers seating for ten people in one corner of the restaurant. So whether there are two, or twenty, or a hundred more, Sakura is the perfect homing ground for trying out a pure and wholesome Japanese adventure. Sakura opened its doors in 2001. "At Sakura, we aim to give a complete dining experience to our guests. Therefore the food is as authentic as one can find in the native country," says June Galo, Head Chef at Sakura. With nearly three decades of experience in the industry, Galo is proud to present authentic Sushi in Pakistan. "Sushi is the most popular food in Japan and anyone who wants to try Japanese food should not miss it," she adds. Made with raw fish packed in sushi vinegar rice, this is a delicacy Sakura proudly offers to its guests at the Sushi bar. Artistically dressed up with a blend of colors, the variety of Sushi offered at the restaurant will bring back delicious gourmet memories of the homeland for all the Japanese guests visiting this place. For others it will be the beginning of a new adventure most likely to become a habit in terms of taste and decor!
We promise.

Serving an a la carte menu, Sakura's live - cooking counter has evolved into a conversation piece to be written back home about . At the Payaki Platter, situated right where you cannot miss it, in the middle of the restaurant, the act of putting various ingredients together for a delicious Japanese meal is a sheer culinary delight even to watch. But that is just where the fun and the taste begins to come together because all ingredients and sauces like the Teriyaki Sauce are imported from Japan so that guests do not miss out on the tiniest detail. The eatery also offers Sashimi Noodles and a good variety of rice dishes. Tori Teriyaki, grilled and pan-fried chicken in Teriyaki sauce accompanied by a sweet creamy cabbage salad is not to be missed as well. Teppanyaki, which is red snapper in a garlic and Soya based sauce is another heavenly, albeit oriental experience while Shrimp Tempura takes pride of place among Chef Galo's own creations. As the story goes, the tempura was brought to Japan by the Portuguese who simply could not eat the raw fish like the Japanese. Therefore they deep-fried it and later this became so very popular that the locals were bowled over too. Sakura also offers some of the best desserts in the city. Their Tempura Ice-cream, a mix of cold vanilla ice-cream coated with hot sweet batter made of flour, is an out of the world delight designed to appease the most fastidious of sweet teeth.

Overall, Sakura offers a delicious culinary experience complemented by impeccable service. The restaurant opens its doors to guests for lunch from 12:30 to 15:30 and dinner is served from 19:00 to 23:30. A lot of Japanese visitors and executives can be seen at the tables at about 19:30. "The Japanese take their food early, but the local guests come in late," informs the Head Waiter. In any case the variety of guest nationalities...from homesick Japanese, to touring Europeans, to locals with the daring to experiment ....is proof enough of the charismatic and authentic nature of the food at Sakura.

"Japanese companies based in Karachi like to bring their guests from back home to Sakura, since it offers the best Japanese cuisine in the city plus the view is simply awesome," says Shagufta Khan, Director, Public Affairs Pearl Continental Hotel Karachi.

The best news is that in keeping with contemporary security concerns, the Pearl Continental Karachi is totally committed to providing maximum security to its valuable guests. The idea is to provide good cuisine in an environment free from all concerns so that guests can really enjoy the taste of the food. To this end a dedicated team comprising of highly trained security personnel including guards, security officers and supervisors are present twenty-four hours on the premises. They are either assigned to a specific post or patrol the building throughout the day and night. Surveillance devices like metal detectors and x-ray machines have also been installed to check and ward off any potential threat. Steel blockers and concrete bollards are some of the barriers employed to prevent vehicles from getting too close to the hotel. All transport entering the premises, including delivery vehicles, are checked through vehicle scanning cameras manned by trained guards and snifter dogs. The management has also built a blast proof boundary wall around the hotel to provide maximum security to its guests. Putting a premium on security concerns Sakura as well as most of the restaurants on the premises are situated on the tenth floor.

So whether you happen to be a Japanese national yearning for home food, or a foreigner wanting to avail of a new experience, or a Karachi-ite with a fancy for a special evening out, Sakura is the place to visit. All you need to do is go in the doors of this very exclusive restaurant and leave the world behind. Trust us, you will not be disappointed.

Directors' Report

Dear Members,

The Board of Directors ("the Board") of Pakistan Services Limited ("the Company") is pleased to present the 58th Annual Report with the audited unconsolidated financial statements of the Company for the year ended 30 June 2017 along with the Auditors' Report thereon.

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

	(Rupees, 000)
Profit from operations	1,537,155
Impairment loss	(40,509)
Un-realized gain on re-measurement of investments	165,120
Profit before taxation	1,661,766
Taxation	(515,929)
Profit for the year	1,145,837
Other Comprehensive Income for the year	(27,387)
Distribution during the year	(569,173)
Un-appropriated profit brought forward	5,580,999
Profit available for appropriation	6,130,276

EARNINGS PER SHARE

Unconsolidated Earnings per share for the year 2016-17 arrived at Rs. 35.23.

DIVIDEND

The Board of Directors proposed a final cash dividend of Rs. 5/- per share for the year ended 30 June 2017 in addition to already paid interim dividend of Rs. 15/- per share.

COMPLIANCE STATEMENT

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

The financial statements, prepared by the management of the listed company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.

Proper books of accounts of the Company have been maintained.

Appropriate accounting policies have been consistently applied in the preparation of financial statements, and the accounting estimates are based on reasonable and prudent judgment.

International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements and any departure therefrom has been adequately disclosed and explained.

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

There are no significant doubts upon the Company's ability to continue as a "going concern".

Key operating and financial data of the last six years in summarized form is annexed to this report.

There are no statutory payments on account of taxes, duties, levies, and charges which were outstanding as on June 30, 2017 except those disclosed in the financial statements.

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

The Board has been making arrangements for orientation course for its directors to apprise them of their duties and responsibilities.
During the year the directors, executives, and their spouses

and minor children have not traded in Company's share during the year.

The value of investment of provident fund as per financial statements of Employees' Provident Fund-Pakistan Services Limited for the year ended on 30 June 2017 was Rs. 745.626 million.

The pattern of shareholding as required under section 236 of the Companies Ordinance, 1984 and Sub clause (x) of clause 5.19.11 of the Pakistan Stock Exchange Regulations is annexed to this report.

During the year, the Board held 6 meetings, the attendance record of the Directors is as follows:

Name of Directors	Attendance
Mr. Sadruddin Hashwani	1
Mr. Murtaza Hashwani	1
Mr. M.A. Bawany	6
Mr. Mansoor Akbar Ali	4
Syed Sajid Ali	6
Mr. Nikolaos Fragkos	4
Mr. Shakir Abu Bakar	6
Syed Haseeb Amjad Gardezi	6
Mr. M. Ahmed Ghazali Marghoob	3

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

ELECTION OF THE BOARD AND APPOINTMENT OF CHIEF EXECUTIVE

During the period the term of office of the Board of Directors expired and the new Board of Directors was elected through ballot in an extraordinary general meeting held on 21 March 2017. The members have elected following directors namely Mr. Sadruddin Hashwani, Mr. Murtaza Hashwani, Mr. M.A. Bawany, Mr. Mansoor Akbar Ali, Syed Sajid Ali, Mr. Shakir Abu Bakar, Mr. Nikolaos Fragkos, Syed Haseeb Amjad Gradezi and Mr. M. Ahmed Ghazali Marghoob, for the next term commencing from 29 March 2017, subsequently Mr. Nikolaos Fragkos resigned from the Board, and following to year end the casual vacancy filled through appointment of Syed Asad Ali Shah.

The newly elected Board appointed Mr. Murtaza Hashwani as Chief Executive Officer of the Company for the next term of its office commencing from 29 March 2017. Information pursuant to section 218 of the Companies Ordinance 1984 in respect of remuneration of Chief Executive and Executive Directors has already been circulated to the members and also annexed to interim financial information for the nine months period ended 31 March 2017.

PRINCIPAL BOARD COMMITTEES

Audit Committee

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

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

Name of Directors	Attendance
Mr. M. Ahmed Ghazali Marghoob	4
Mr. Mansoor Akbar Ali	4
Syed Sajid Ali	4
Mr. Shakir Abu Bakar	4

Human Resource & Remuneration Committee

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

During the year, the Committee had one meeting, the attendance record of its members is as follows:

Name of Directors	Attendance
Mr. M.A. Bawany	1
Syed Sajid Ali	1
Mr. Shakir Abu Bakar	1

AUDITORS

The retiring auditors, M/s. KPMG Taseer Hadi & Co, Chartered Accountants being eligible, offer themselves for re-appointment as the Company's auditors. The Board, on the recommendation of the Audit Committee, has proposed appointment of M/s KPMG Taseer Hadi & Co, Chartered Accountants as auditors of the Company for the year ending 30 June 2018.

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

At the time of the meeting of the Board of Directors, the Chief Executive was not in Pakistan, as such this Director's report, as approved by the Board of Directors, have been signed by two Directors.

For and on behalf of the Board of Directors

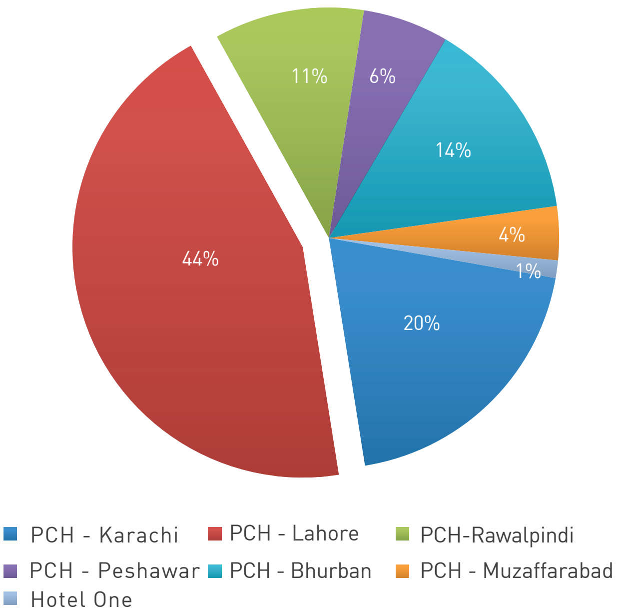
M.A. Bawany
Director

Shakir Abu Bakar
Director

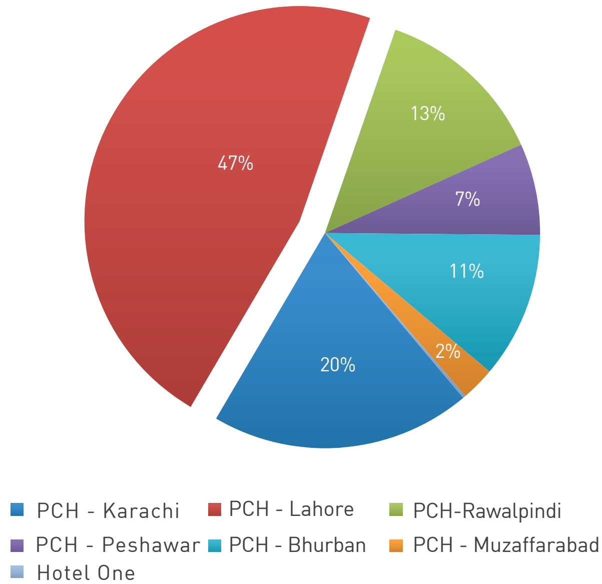
Islamabad: 19 September 2017

Pearl - Continental Hotel - Karachi

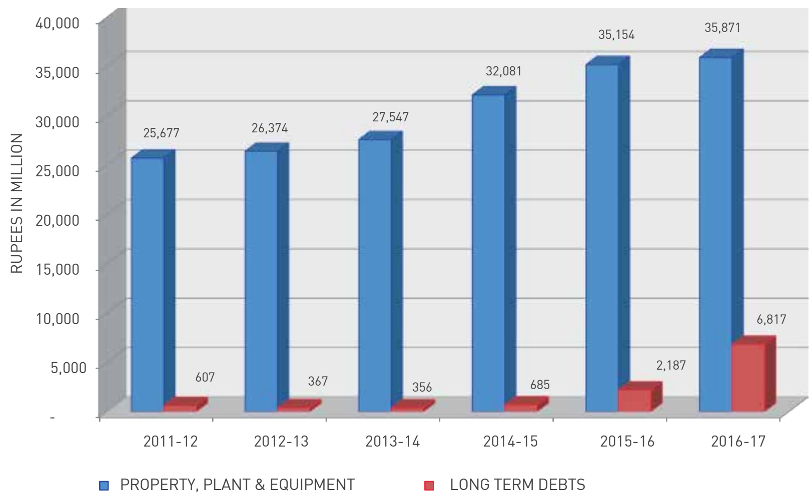
ROOMS REVENUE - HOTEL WISE 2016-17



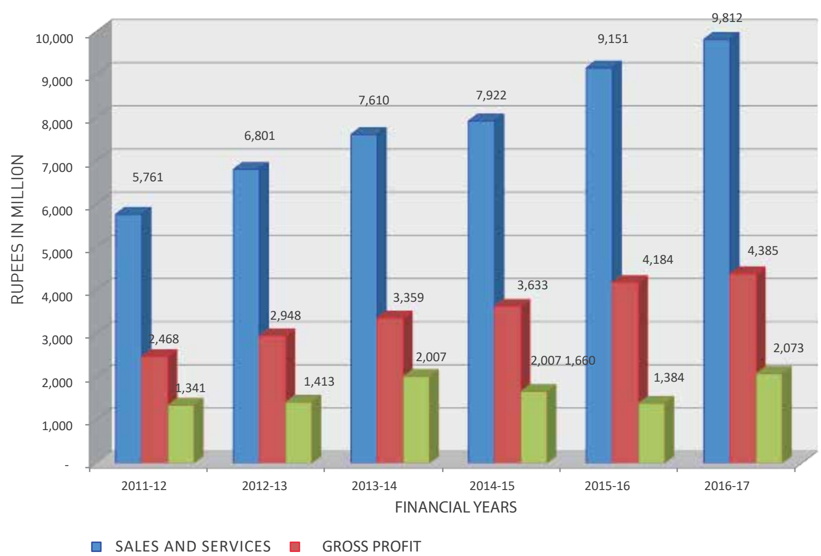
FOOD AND BEVERAGES REVENUE - HOTEL WISE 2016-17



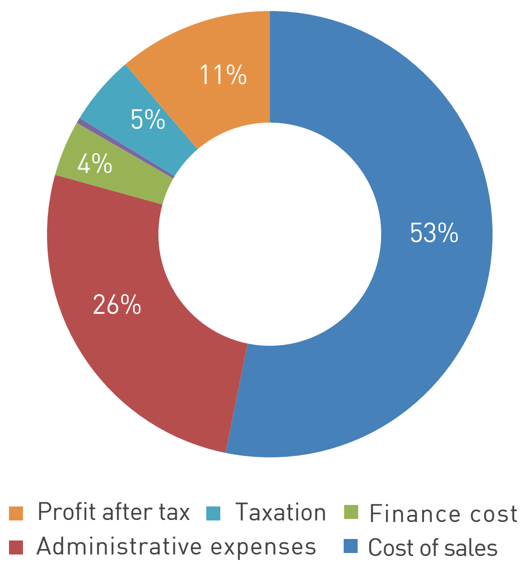
PROPERTY,PLANT & EQUIPMENT AT COST V/S LONG TERM DEBTS



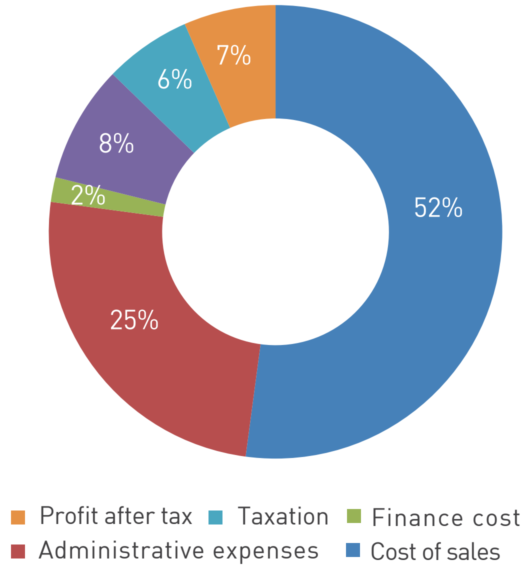
TREND ANALYSIS -SALES & SERVICES-NET,GROSS PROFIT & OPERATING PROFIT



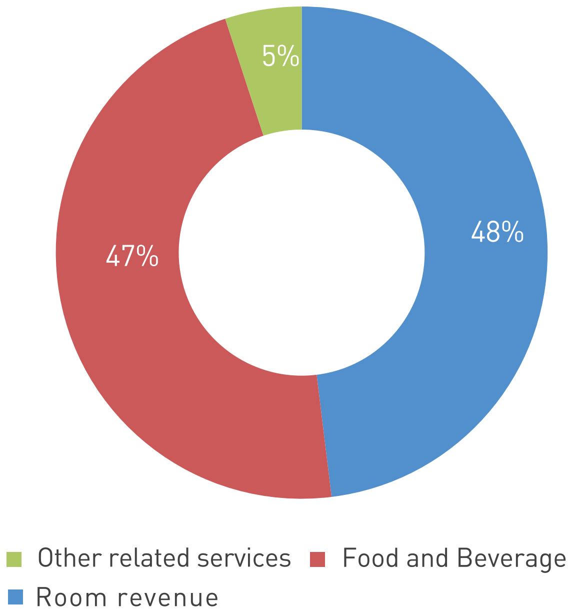
APPLICATION OF SALES & OTHER INCOME FINANCIAL YEAR 2016-17



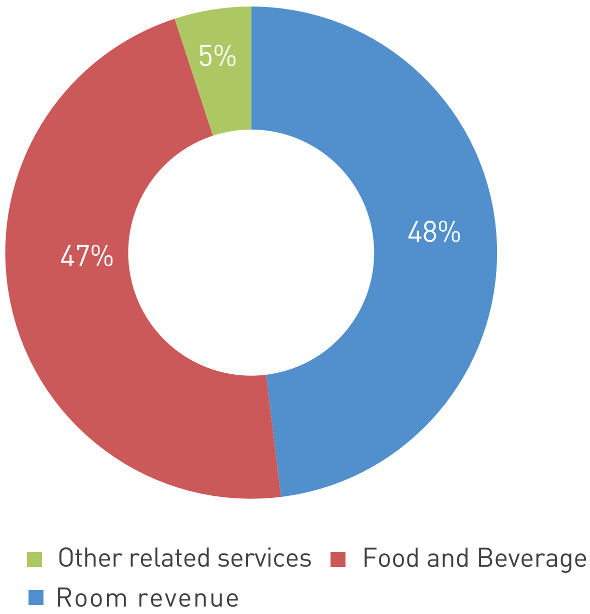
APPLICATION OF SALES & OTHER INCOME FINANCIAL YEAR 2015-16



CONTRIBUTION OF MAJOR REVENUE GENERATING DEPARTMENTS FINANCIAL YEAR 2016-17



CONTRIBUTION OF MAJOR REVENUE GENERATING DEPARTMENTS FINANCIAL YEAR 2015-16



ڈائریکٹرز رپورٹ

محترم حصص داران:

پاکستان سروسز لمیٹڈ (کمپنی) کے بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ کمپنی کی ۵۸ ویں سالانہ رپورٹ بمعہ کمپنی کی محاسبہ شدہ مالی گوشوارے برائے سال جوکہ مورخہ ۳۰ جون ۲۰۱۷ کو اختتام پذیر ہوا، بمعہ محاسب رپورٹ پیش خدمت ہے۔

کمپنی کی مالیاتی کارکردگی درج ذیل ہے:۔

(۰۰۰'روپے)

آپریشنز سے کاروباری منافع	۱،۵۳۷،۱۵۵
سرمایہ کاری سے ہونے والا نقصان	(۴۰،۵۰۹)
سرمایہ کاری کی مد میں دوبارہ پیمائش/تخمینہ سے منافع	۱۶۵،۱۲۰
منافع قبل از ٹیکس	۱،۶۶۱،۷۶۶
ٹیکس	(۵۱۵،۹۲۹)
سالانہ منافع	۱،۱۴۵،۸۳۷
دیگر سالانہ جامع آمدن	(۲۷،۳۸۷)
سال بھر میں منافع کی تقسیم	(۵۶۹،۱۷۳)
غیر تقسیم شدہ منافع	۵،۵۸۰،۹۹۹
قابل تقسیم دستیاب منافع	۶،۱۳۰،۲۷۶

فی حصہ آمدنی

فی حصہ آمدنی برائے سال ۱۷-۲۰۱۶ مبلغ ۳۵٫۲۳ ہے۔

منافع کی تقسیم

بورڈ آف ڈائریکٹرز نے منافع جات کی تقسیم بمقدار مبلغ ۵ روپے فی حصہ برائے سال جوکہ مورخہ ۳۰ جون ۲۰۱۷ کو اختتام پذیر ہوا، تجویز کیا ہے۔ جوکہ عبوری طور پر ادا کیئے گئے منافع جات بمقدار ۱۵ روپے فی حصہ کے علاوہ ہے۔

تعمیلی بیان

کمپنی کا بورڈ سال بھر میں بطور پالیسی 'کوڈ آف کارپوریٹ گورننس' کے مروجہ اصولوں کا پابند رہا جوکہ پاکستان اسٹاک ایکسچینج لمیٹڈ کے اصولی کتاب میں درج ہیں اور انتہائی مسرت کے ساتھ اس بات کی تصدیق کرتا ہے کہ:

* مالیاتی گوشوارے جسے کمپنی کی انتظامیہ نے تیار کیا ہے کمپنی کے معاملات، اس کے کاروباری نتائج، روپے کی آمدورفت کا گوشوارہ اور سرمایہ میں تغیر کا گوشوارہ پیش کرتا ہے۔

* کمپنی کے کھاتہ جات کے باقاعدہ رجسٹر رکھے گئے ہیں۔

* مالیاتی گوشوارے بناتے وقت حساباتی پالیسیوں کا لحاظ رکھا گیا اور یہ حساباتی تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔

* مالیاتی رپورٹنگ کی بین الاقوامی معیارات (IFRS) جس طرح ملک پاکستان میں رائج ہیں، مالیاتی گوشواروں کی تیاری اور حساباتی اعداد و شمار میں ان کی اتباع کی گئی اور ان کے برعکس عمل کو بیان اور وضاحت کی گئی ہے۔

* جانچ پڑتال کا مختص نظام اپنی جگہ درست اور مئوثر طور پر نافذ العمل اور زیر نگرانی ہے۔

* کمپنی کے کاروبار کے تسلسل کی استعداد کار میں کوئی واضح شکوک و شبہات موجود نہیں ہیں۔

* گزشتہ چھ سالوں پر محیط اہم کاروباری اور مالیاتی معلومات کی مختصر کیفیت اس رپورٹ کے ساتھ منسلک ہے۔

* کسی قسم کی قانونی ٹیکس، واجبات، لگان اور فیس وغیرہ مورخہ ۳۰ جون ۲۰۱۷ء تک واجب الادا نہیں، ماسوائے ان کے جو مالیاتی گوشوارے میں بیان کئے گئے ہیں۔

* 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۔

* بورڈ اپنے ڈائریکٹرز کی تربیت کا انتظام کرتا رہا ہے تاکہ انہیں اپنے فرائض اور ذمہ داریوں سے روشناس رکھا جائے۔

* دوران سال ڈائریکٹرز، ایگزیکٹوز اور ان کے ازواج اور کمسن بچوں نے کمپنی کے حصص میں کاروبار نہیں کیا۔

* پاکستان سروسز لمیٹڈ کی ایمپلائز پراویڈنٹ فنڈ کی سرمایہ کاری کی مالیت اس کے محاسبہ شدہ مالیاتی گواشواروں کے مطابق برائے سال اختتام ۳۰ جون ۲۰۱۷ء کو ۴۵.۶۲۶ ملین روپے ہیں۔

* حصہ داران کا تناسب جو کمپنیز کی آرڈیننس ۱۹۸۴ء کی دفعہ نمبر ۲۳۶ اور پاکستان اسٹاک ایکسچینج کی دفعہ ۵.۱۹.۱۱ کی ذیلی دفعہ ۱۰ کی رو سے درکار ہے اس رپورٹ کے ساتھ منسلک ہے۔

دوران سال بورڈ نے چھ اجلاس منعقد کیئے اور سال بھر میں ڈائریکٹران کے حاضری کا ریکارڈ درج ذیل ہے:

ڈائریکٹران کے نام	حاضری
جناب صدرالدین ہاشوانی	۱
جناب مرتضی ہاشوانی	۱
جناب محمد اختر باوانی	۶
جناب منصور اکبر علی	۴
سید ساجد علی	۶
جناب نکولس فریگ کوس	۴
جناب شاکر ابوبکر	۶
سید حسیب امجد گردیزی	۶
جناب محمد احمد غزالی مرغوب	۳

جو ڈائریکٹرز صاحبان دوران سال منعقدہ اجلاس میں شرکت نہ کر سکے، ان کو بورڈ کی طرف سے غیر حاضری کی رخصت دی گئی۔

بورڈ کا انتخاب اور چیف ایگزیکٹو کی تقرری

اسی عرصہ میں بورڈ آف ڈائریکٹرز کی تین سالہ مدت ختم ہوگئی اور نئے بورڈ آف ڈائریکٹرز کا انتخاب ۲۱ مارچ ۲۰۱۷ کو ہونے والے غیر معمولی عمومی اجلاس میں بیلٹ کے ذریعے کیا گیا۔ حصص داران نے ۲۹ مارچ ۲۰۱۷ سے آئندہ مدت کے لئے درج ذیل ڈائریکٹرز کا چناؤ کیا۔ جن کے نام یہ ہیں: جناب صدرالدین ہاشوانی، جناب مرتضی ہاشوانی، جناب ایم۔اے۔ باوانی، جناب منصور اکبر علی، سید ساجد علی، جناب شاکر ابوبکر، جناب نکولس فریگ کوس، سید حسیب امجد گردیزی اور جناب محمد احمد غزالی مرغوب شامل ہیں۔ اسی دوران جناب نکولس فریگ کوس نے بورڈ سے استعفی دے دیا، جس کے نتیجے میں عارضی آسامی پر سال کے اختتام پر سید اسد علی شاہ کی تقرری کی گئی۔

نئے منتخب بورڈ نے جناب مرتضی ہاشوانی کو ۲۹ مارچ ۲۰۱۷ء سے شروع ہونے والی آئندہ تین سالہ مدت کے لیے کمپنی کا چیف ایگزیکٹو آفیسر مقرر کیا کمپنیز آرڈیننس ۱۹۸۴ کی شق ۲۱۸ کے تحت چیف ایگزیکٹو اور ایگزیکٹو ڈائریکٹرز کے معاوضے کی معلومات پہلے ہی حصص داران کو مہیا کر دی گئی ہے جو کہ ۳۱ مارچ ۲۰۱۷ کو ختم ہونے والی نو ماہ کی مدت کی عبوری مالیاتی معلومات کیساتھ بھی منسلک کی گئی ہے۔

بورڈ کی ذیلی کمیٹیاں

محاسب کمیٹی

یہ کمیٹی چار ارکان پر مشتمل ہے اور اس کا چیئرمین خود مختار ڈائریکٹر ہے۔ یہ کمیٹی تجارتی مقابلوں، جانچ پڑتال کے قوائد اور تجارتی معاملات میں ایک فعال

اور مئوثر طور پر انتظامی امور میں بورڈ کی معاونت کی ذمہ دار ہے۔ کمیٹی بورڈ کی جانب سے عبوری مالیاتی نتائج کی منظوری سے قبل کم از کم سہ ماہی کے دوران ایک اجلاس منعقد کرتی ہے۔ محاسب کمیٹی کے شرائط وضوابط بورڈ آف ڈائریکٹرز سے منظور شدہ ہیں۔

سال کے دوران کمیٹی کے چار اجلاس ہوئے، اس کے ارکان کی حاضری کا ریکارڈ درج ذیل ہے۔

ڈائریکٹرز کے نام	حاضری
جناب محمد احمد غزالی مرغوب	۴
جناب منصور اکبر علی	۴
سید ساجد علی	۴
جناب شاکر ابوبکر	۴

افرادی قوت اور معاوضے کی کمیٹی

یہ کمیٹی تین ارکان پر مشتمل ہے جو کمپنی کے انسانی وسائل کی دانشوارانہ صلاحیت اور کارکردگی بڑھانے میں بورڈ کی معاونت کرتی ہے۔

سال کے دوران کمیٹی کا ایک اجلاس ہوا اس کے ارکان کی حاضری کا ریکارڈ درج ذیل ہے:

ڈائریکٹرز کے نام	حاضری
جناب محمد اختر باوانی	۱
سید ساجد علی	۱
جناب شاکر ابوبکر	۱

محاسب

ریٹائر ہونے والے محاسب کے پی ایم جی تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس اہلیت کے ساتھ محاسب کے طور پر خود کو کمپنی میں دوبارہ تعیناتی کیلئے پیش کرتی ہے۔ بورڈ محاسب کمیٹی کی سفارش سے کے پی ایم جی تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو مورخہ ۳۰ جون ۲۰۱۸ء کو اختتام پذیر ہونے والے مالی سال کے لئے نامزدگی کی تجویز پیش کرتی ہے۔

کمپنیز آرڈیننس ۱۹۸۴ کی دفعہ (۲)۲۴۱ کی رو سے بیان

بورڈ آف ڈائریکٹرز کے اجلاس کے دوران چیف ایگزیکٹو پاکستان میں موجود نہ تھے اور اس طرح یہ ڈائریکٹرز رپورٹ جو کہ بورڈ آف ڈائریکٹرز نے منظور کی ہیں جس پر دو ڈائریکٹرز کے دستخط ہیں۔

منجانب بورڈ آف ڈائریکٹرز

ایم۔اے۔باوانی
ڈائریکٹر

شاکر ابوبکر
ڈائریکٹر

اسلام آباد ۱۹ ستمبر ۲۰۱۷ء

Key operating and Financial Data

Based on Unconsolidated Financial Statements For the year ended / as at June, 30

		2017	2016	2015	2014	2013	2012
Profitability Ratios							
Gross profit ratio	%	44.69	45.72	45.87	44.14	43.35	42.83
Net profit to sales	%	11.68	6.83	13.51	18.27	13.04	13.61
EBIDTA margin to sales	%	26.29	20.69	26.23	30.91	24.70	27.16
Return on equity	%	13.76	8.04	14.29	21.68	17.29	18.50
Return on capital employed	%	2.88	1.82	3.28	5.10	3.42	3.10
Return on assets	%	2.71	1.71	3.12	4.72	3.20	2.91
Liquidity Ratios							
Current ratio		2.49	1.24	1.89	1.36	1.23	1.22
Quick / acid test ratio		2.39	1.11	1.76	1.26	1.11	1.12
Cash to current liabilities		0.10	0.17	0.44	0.07	0.06	0.08
Cash flow from operations to sales		0.16	0.22	0.13	0.19	0.14	0.12
Activity Turnover Ratios							
Inventory turnover	Days	19	22	24	23	23	21
Debtors turnover	Days	35	34	40	42	41	40
Creditors turnover	Days	18	22	34	51	25	23
Operating cycle	Days	36	34	30	14	39	38
Property, plant & equipment turnover	Times	0.30	0.29	0.27	0.31	0.30	0.26
Total assets turnover	Times	0.23	0.25	0.23	0.26	0.25	0.21
Investment / Market Ratios							
Earnings/ (loss) per share - basic and diluted	Rs	35.23	19.22	32.92	42.74	27.28	24.10
Price earning ratio		25.62	35.10	15.04	11.50	10.86	6.22
Dividend yield ratio	%	1.66	1.11	1.01	-	-	-
Dividend payout ratio	%	42.58	39.02	15.19	-	-	-
Dividend cover ratio		2.35	2.56	6.58	-	-	-
Cash dividend per share	Rs	15.00	7.50	5.00	-	-	-
Market value per share at year end	Rs	902.5	674.73	495	491.36	296.10	150.00
Highest market value per share during the year	Rs	980	674.73	574.50	520.00	390.00	162.89
Lowest market value per share during the year	Rs	699.99	499.2	411.00	222.00	142.50	131.90
Breakup value per share (Including the effect of surplus on revaluation of property, plant & equipment).	Rs	987.10	970.21	961.46	807.58	772.31	745.04
Breakup value per share (Excluding surplus on revaluation of property, plant & equipment).	Rs	255.96	239.07	230.32	197.15	157.73	130.46
Capital Structure Ratios							
Financial leverage ratio		0.23	0.09	0.02	0.02	0.02	0.03
Debt : Equity (Including the effect of surplus on revaluation of property, plant & equipment)		0.21	0.07	0.02	0.01	0.01	0.03
Debt : Equity (Excluding surplus on revaluation of property, plant & equipment)		0.82	0.28	0.09	0.06	0.07	0.14
Interest cover ratio		5.04	8.25	16.11	15.26	9.17	7.26
Summary of Cash Flows							
Net cash flow from operating activities	(Rs.000)	1,594,698	2,013,492	1,023,940	1,465,055	920,364	667,313
Net cash flow from investing activities	(Rs.000)	(6,095,428)	(4,005,839)	(577,521)	(1,325,932)	(730,338)	(551,458)
Net cash flow from financing activities	(Rs.000)	4,052,315	1,605,435	157,785	(10,227)	(223,131)	262,219
Net change in cash and cash equivalents	(Rs.000)	(448,415)	(386,912)	604,204	128,896	(33,105)	378,074

Horizontal Analysis

As at / for the year ended June, 30

Balance Sheet

(Rupees. '000)	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs 14	2014	14 Vs 13	2013	13 Vs 12	2012
		%		%		%		%		%	
Share Capital and Reserves											
Share capital	325,242	-	325,242	-	325,242	-	325,242	-	325,242	-	325,242
Reserves	1,869,424	-	1,869,424	-	1,869,424	-	1,869,424	-	1,869,424	-	1,869,424
Unappropriated profit	6,130,276	9.84	5,580,999	5.37	5,296,346	25.58	4,217,567	43.68	2,935,427	43.31	2,048,291
	8,324,942	7.06	7,775,665	3.80	7,491,012	16.82	6,412,233	24.99	5,130,093	20.91	4,242,957
Surplus on revaluation of property, plant and equipment	23,779,515	-	23,779,515	-	23,779,515	19.77	19,853,565	(0.68)	19,988,725	-	19,988,725
Non Current Liabilities											
Long term financing	6,816,692	211.69	2,187,001	219.21	685,128	97.06	347,667	(0.67)	350,000	(40.00)	583,333
Liabilities against assets subject to finance lease	-	-	-	-	-	(100.00)	7,748	(53.47)	16,651	100.00	24,029
Long term deposits	-	-			-	-	-	-	-	-	-
Deferred liabilities	809,299	15.01	703,672	9.08	645,072	0.40	642,532	39.09	461,953	(4.66)	484,531
	7,625,991	163.81	2,890,673	117.31	1,330,200	33.29	997,947	20.44	828,604	(24.11)	1,091,893
Current Liabilities											
Trade and other payables	1,656,447	3.31	1,603,418	(1.80)	1,632,799	(12.46)	1,865,116	27.88	1,458,466	11.74	1,305,231
Markup payable	103,859	22.39	84,856	121.83	38,253	9.10	35,063	69.48	20,689	(35.99)	32,323
Short term borrowings	339,943	100.00	-	0	-	-	-	(100.00)	75,395	17.92	63,936
Current portion of long term financing	492,500	(1.50)	500,000	572.12	74,392	(69.28)	242,195	0.42	241,186	7.86	223,606
Provision for taxation - net	-	-	-	-	-	-	37,634	494.06	6,335	100.00	-
	2,592,749	18.48	2,188,274	25.37	1,745,444	(19.93)	2,180,008	20.97	1,802,071	10.89	1,625,096
	42,323,197	15.53	36,634,127	6.66	34,346,171	16.65	29,443,753	6.11	27,749,493	2.97	26,948,671
Non Current Assets											
Property, plant and equipment	32,898,795	3.95	31,600,437	9.52	28,897,404	18.78	24,328,755	5.84	22,987,048	2.13	22,507,365
Advance for capital expenditure	1,346,935	14.77	1,220,607	(0.16)	1,175,457	(0.85)	1,185,480	7.81	1,099,645	14.28	962,220
Investment property	50,000	11.11	45,000	-	45,000	-	45,000	(4.26)	47,000	-	47,000
Long term investments	1,141,794	10.02	1,037,794	14.70	904,763	8.01	837,668	(38.77)	1,368,038	4.00	1,315,377
Long term advance	400,000	100									
Advance for equity investment			-	0	-	(100.00)	55,000	100.00	-	(100.00)	113,080
Long term deposits and prepayments	22,323	(6.35)	23,838	26.37	18,864	(7.23)	20,335	(41.98)	35,049	161.85	13,385
	35,859,847	134	33,927,676	9.30	31,041,488	17.26	26,472,238	3.66	25,536,780	2.32	24,958,427
Current Assets											
Stores, spare parts and loose tools	175,714	(6.70)	188,338	25.23	150,389	3.28	145,619	12.21	129,770	27.80	101,538
Stock in trade - food and beverages	83,160	(13.55)	96,189	6.03	90,715	4.24	87,021	8.06	80,533	22.78	65,589
Trade debts	601,610	13.78	528,735	3.63	510,208	(12.61)	583,847	5.28	554,553	19.66	463,439
Advances	100,041	(0.16)	100,198	(82.75)	580,723	1.01	574,928	(2.25)	588,170	3.15	570,211
Trade deposits and prepayments	66,985	(3.30)	69,269	8.43	63,883	8.17	59,057	(17.94)	71,965	21.59	59,188
Interest accrued	20,945	1,971.71	1,011	(82.84)	5,893	(24.49)	7,804	19.88	6,510	(15.77)	7,729
Other receivables	3,707,279	7,520.31	48,650	27.97	38,018	24.12	30,630	(27.59)	42,302	37.68	30,724
Other financial assets	1,373,707	13.66	1,208,587	10.41	1,094,604	(17.12)	1,320,771	109.05	631,787	27.92	493,887
Non Current Assets held for sale		-		-	-	-	-	-	-	(100.00)	55,955
Advance tax - net	63,251	-	86,344	-	4,208	-	-	-	-	(100.00)	13,215
Cash and bank balances	270,658	(28.61)	379,130	(50.51)	766,042	373.34	161,838	51.08	107,123	(16.81)	128,769
	6,463,350	138.81	2,706,451	(18.10)	3,304,683	11.21	2,971,515	34.29	2,212,713	11.18	1,990,244
	42,323,197	15.53	36,634,127	6.66	34,346,171	16.65	29,443,753	6.11	27,749,493	2.97	26,948,671
Profit and Loss Account											
Sales and services - net	9,811,986	7.22	9,151,060	15.51	7,922,016	4.10	7,609,885	11.89	6,801,170	18.06	5,760,754
Cost of sales and services	5,427,241	9.25	4,967,545	15.83	4,288,554	0.88	4,251,249	10.33	3,853,039	17.00	3,293,237
Gross profit	4,384,745	4.81	4,183,515	15.14	3,633,462	8.18	3,358,636	13.92	2,948,131	19.48	2,467,517
Administrative expenses	2,663,169	11.73	2,383,614	5.39	2,261,735	15.21	1,963,093	7.18	1,831,583	24.99	1,465,373
Impairment loss	40,509	(94.92)	797,536	100.00	-	(100.00)	73,368	0.62	72,919	100.00	-
Other income	391,614	2.55	381,870	32.39	288,438	(57.07)	671,855	82.13	368,879	8.87	338,821
Operating profit	2,072,681	49.73	1,384,235	(16.62)	1,660,165	(16.74)	1,994,030	41.17	1,412,508	5.34	1,340,965
Finance cost	410,915	144.95	167,753	62.75	103,073	(21.10)	130,639	(15.16)	153,988	(16.65)	184,741
Profit before taxation	1,661,766	36.60	1,216,482	(21.87)	1,557,092	(16.44)	1,863,391	48.06	1,258,520	8.85	1,156,224
Taxation	515,929	(12.74)	591,277	21.55	486,446	2.75	473,411	27.47	371,384	(0.27)	372,373
Profit for the year	1,145,837	83.27	625,205	(41.60)	1,070,646	(22.97)	1,389,980	56.68	887,136	13.18	783,851
Earnings per share - basic and diluted (Rupees)	35.23	83.27	19.22	(41.60)	32.92	(22.97)	42.74	56.68	27.28	13.18	24.10

Verticale Analysis

As at / for the year ended June, 30

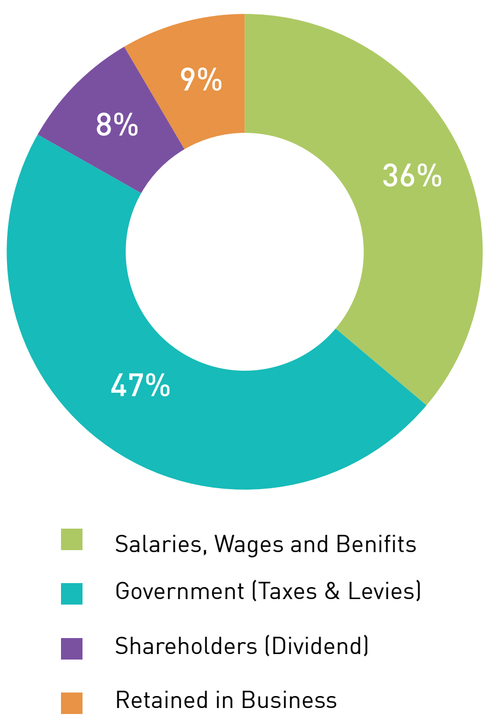
Balance Sheet

(Rupees. '000)	2017	%	2016	%	2015	%	2014	%	2013	%	2012	%
Share Capital and Reserves												
Issued, subscribed and paid up share capital	325,242	0.77	325,242	0.89	325,242	0.95	325,242	1.10	325,242	1.17	325,242	1.21
Reserves	1,869,424	4.42	1,869,424	5.10	1,869,424	5.44	1,869,424	6.35	1,869,424	6.74	1,869,424	6.94
Unappropriated profit	6,130,276	14.48	5,580,999	15.23	5,296,346	15.42	4,217,567	14.32	2,935,427	10.58	2,048,291	7.60
	8,324,942	19.67	7,775,665	21.23	7,491,012	21.81	6,412,233	21.78	5,130,093	18.49	4,242,957	15.74
Surplus on revaluation of property, plant and equipment	23,779,515	56.19	23,779,515	64.91	23,779,515	69.23	19,853,565	67.43	19,988,725	72.03	19,988,725	74.17
Non Current Liabilities												
Long term financing - secured	6,816,692	16.11	2,187,001	5.97	685,128	1.99	347,667	1.18	350,000	1.26	583,333	2.16
Liabilities against assets subject to finance lease	-	-	-	-	-	-	7,748	0.03	16,651	0.06	24,029	0.09
Long term deposits	-	-	-	-	-	-	-	-	-	-	-	0.00
Deferred liabilities	809,299	1.91	703,672	1.92	645,072	1.88	642,532	2.18	461,953	1.66	484,531	1.80
	7,625,991	18.02	2,890,673	8.42	1,330,200	3.87	997,947	3.39	828,604	2.99	1,091,893	4.05
Current Liabilities												
Trade and other payables	1,656,447	3.91	1,603,418	4.38	1,632,799	4.75	1,865,116	6.33	1,458,466	5.26	1,305,231	4.84
Markup payable	103,859	0.25	84,856	0.23	38,253	0.11	35,063	0.12	20,689	0.07	32,323	0.12
Short term borrowings - secured	339,943	0.80	-	-	-	-	75,395	0.27	63,936	0.24		
Current portion of long term financing	492,500	1.16	500,000	1.36	74,392	0.22	242,195	0.82	241,186	0.87	223,606	0.83
Provision for taxation - net	-	-	-	-	-	-	37,634	0.13	6,335	0.02	-	-
	2,592,749	6.13	2,188,274	5.97	1,745,444	5.08	2,180,008	7.40	1,802,071	6.49	1,625,096	6.03
	42,323,197	100.00	36,634,127	100.00	34,346,171	100.00	29,443,753	100.00	27,749,493	100.00	26,948,671	100.00
Non Current Assets												
Property, plant and equipment	32,898,795	77.73	31,600,437	86.39	28,897,404	84.14	24,328,755	82.63	22,987,048	82.84	22,507,365	83.52
Advance for capital expenditure	1,346,935	3.18	1,220,607	3.20	1,175,457	3.42	1,185,480	4.03	1,099,645	3.96	962,220	3.57
Investment property	50,000	0.12	45,000	0.12	45,000	0.13	45,000	0.15	47,000	0.17	47,000	0.17
Long term investments	1,141,794	2.70	1,037,794	2.83	904,763	2.63	837,668	2.84	1,368,038	4.93	1,315,377	4.88
Long term advance	400,000	100										
Advance for equity investment			-	-	-	55,000	0.19	-	-	113,080	0.42	
Long term deposits and prepayments	22,323	0.05	23,838	0.07	18,864	0.05	20,335	0.07	35,049	0.13	13,385	0.05
	35,859,847	84.73	33,927,676	92.61	31,041,488	90.38	26,472,238	89.91	25,536,780	92.03	24,958,427	92.61
Current Assets												
Stores, spare parts and loose tools	175,714	0.42	188,338	0.51	150,389	0.44	145,619	0.49	129,770	0.47	101,538	0.38
Stock in trade - food and beverages	83,160	0.20	96,189	0.26	90,715	0.26	87,021	0.30	80,533	0.29	65,589	0.24
Trade debts	601,610	1.42	528,735	1.44	510,208	1.49	583,847	1.98	554,553	2.00	463,439	1.72
Advances	100,041	0.24	100,198	0.27	580,723	1.69	574,928	1.95	588,170	2.12	570,211	2.12
Trade deposits and prepayments	66,985	0.16	69,269	0.19	63,883	0.19	59,057	0.20	71,965	0.26	59,188	0.22
Interest accrued	20,945	0.05	1,011	0.00	5,893	0.02	7,804	0.03	6,510	0.02	7,729	0.03
Other receivables	3,707,279	8.76	48,650	0.13	38,018	0.11	30,630	0.10	42,302	0.15	30,724	0.11
Other financial assets	1,373,707	3.25	1,208,587	3.30	1,094,604	3.19	1,320,771	4.49	631,787	2.28	493,887	1.83
Non Current Assets held for sale	-	-	-	-	-	-	-	-	-	-	55,955	0.21
Advance tax - net	63,251	0.15	86,344	0.24	4,208	0.01	-	-	-	-	13,215	0.05
Cash and bank balances	270,658	0.64	379,130	1.03	766,042	2.23	161,838	0.55	107,123	0.39	128,769	0.48
	6,463,350	15.27	2,706,451	7.39	3,304,683	9.62	2,971,515	10.09	2,212,713	7.97	1,990,244	7.39
	-											
	42,323,197	100.00	36,634,127	100.00	34,346,171	100.00	29,443,753	100.00	27,749,493	100	26,948,671	100.00
Profit and Loss Account												
Sales and services - net	9,811,986	100.00	9,151,060	100.00	7,922,016	100.00	7,609,885	100.00	6,801,170	100.00	5,760,754	100.00
Cost of sales and services	5,427,241	(55.31)	4,967,454	(52.15)	4,288,554	(54.13)	4,251,249	(55.86)	3,853,039	(56.65)	3,293,237	57.17
Gross profit	4,384,745	44.69	4,183,515	47.85	3,633,462	45.87	3,358,636	44.14	2,948,131	43.35	2,467,517	42.83
Administrative expenses	2,663,169	27.14	2,383,614	28.18	2,261,735	28.55	1,963,093	25.80	1,831,583	26.93	1,465,373	25.44
Impairment loss	40,509	0.41	797,536	8.72	-	-	73,368	0.96	72,919	1.07	-	-
Other income	391,614	3.99	381,870	4.17	288,438	3.64	671,855	8.83	368,879	5.42	338,821	5.88
Operating profit	2,072,681	21.12	1,384,235	15.13	1,660,165	20.96	1,994,030	26.20	1,412,508	20.77	1,340,965	23.28
Finance cost	410,915	4.19	167,753	1.83	103,073	1.30	130,639	1.72	153,988	2.26	184,741	3.21
Profit before taxation	1,661,766	16.94	1,216,482	13.29	1,557,092	19.66	1,863,391	24.49	1,258,520	18.50	1,156,224	20.07
Taxation	515,929	5.26	591,277	6.46	486,446	6.14	473,411	6.22	371,384	5.46	372,373	6.46
Profit for the year	1,145,837	11.68	625,205	6.83	1,070,646	13.51	1,389,980	18.27	887,136	13.04	783,851	13.61
Earnings per share - basic and diluted (Rupees)	35.23		19.22		32.92		42.74		27.28		24.10	

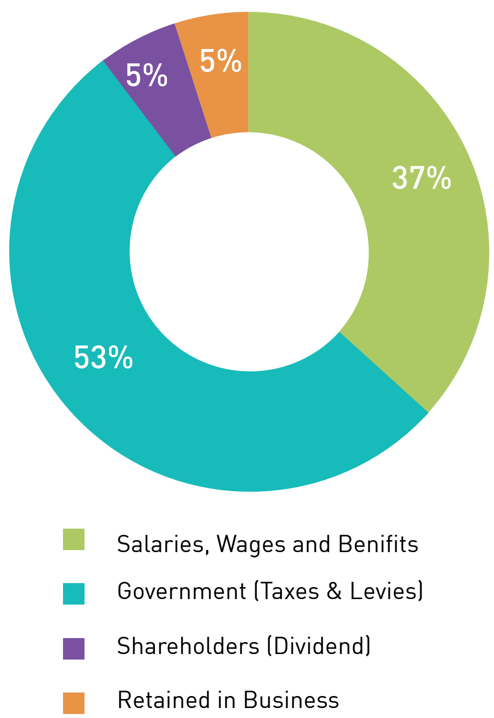
Statement of Value Addition and its Distribution

	2017	2016
	(Rupees'000)	
VALUE ADDED		
Sales and Services (Inclusive of GST and other taxes)	11,377,889	10,642,765
Other operating income - net	391,614	381,870
	11,769,503	11,024,635
Cost of sales and other expenses (Excluding salaries, wages and benefits & taxes)	(4,949,135)	(4,960,418)
	6,820,368	6,064,217
DISTRIBUTION		
Salaries, wages and benefits	2,466,542	2,227,012
Government (Taxes & Levies)	3,207,989	3,212,000
Shareholders (Dividend)	569,173	325,242
Retained in Business	576,664	299,963
	6,820,368	6,064,217

Value added & Distribution 2016-17



Value added & Distribution 2015-16



Statement of Compliance

Statement of Compliance with the Code of Corporate Governance For the year ended 30 June 2017

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 5.19.24 of Listing Regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Director	1) Mr. 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

The independent Director meets the criteria of independence under clause 5.19.1 (b) of the CCG.

2. The directors have confirmed that none of them is serving as director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurred on the board on 19 August 2016, 16 September 2016 and 05 May 2017 which were filled up by the directors within 90 days, vacancy for the 05 May 2017 were filled up subsequent to the reporting date.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed vision and mission statements, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and the decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board met at least once in every quarter and written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has been making arrangements for orientation course for its directors to apprise them of their duties and responsibilities.
10. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an audit committee. It comprises four members, the members of the committee are non-executive directors and the chairman of the committee is an independent director.
15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the Chairman of the Committee is an executive director.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any 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.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The 'closed period', prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchange.
21. Material/ price sensitive information has been disseminated among all market participants at once through stock exchange.
22. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
23. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of Board of Directors.

M. A. Bawany
Director

Shakir Abu Bakar
Director

Islamabad: 19 September 2017

Pearl - Continental Hotel - Peshawar

UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of Pakistan Services Limited ("the Company") as at 30 June 2017 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion-

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

KPMG Taseer Hadi & Co.

Date: 19 September 2017
Islamabad

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

Review Report

To the Members On Statement Of Compliance with the Code Of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Pakistan Services Limited ("the Company") for the year ended 30 June 2017 to comply with the requirements of Listing Regulation No. 5.19.24 of the Pakistan Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report and if it does not, to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2017.

Date: 19 September 2017
Islamabad

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

Unconsolidated Balance Sheet
As at 30 June 2017

	Note	2017	2016
		(Rupees'000)	
SHARE CAPITAL AND RESERVES			
Share Capital	4	325,242	325,242
Reserves	5	1,869,424	1,869,424
Unappropriated profit		6,130,276	5,580,999
		8,324,942	7,775,665
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	12.2	23,779,515	23,779,515
NON CURRENT LIABILITIES			
Long term financing	6	6,816,692	2,187,001
Deferred liabilities	7	809,299	703,672
		7,625,991	2,890,673
CURRENT LIABILITIES			
Trade and other payables	8	1,656,447	1,603,418
Markup accrued	9	103,859	84,856
Short term borrowings	10	339,943	-
Current portion of long term financing	6	492,500	500,000
		2,592,749	2,188,274
		42,323,197	36,634,127
CONTINGENCIES AND COMMITMENTS	11		

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

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

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

	Note	2017	2016
		(Rupees'000)	
NON CURRENT ASSETS			
Property, plant and equipment	12	32,898,795	31,600,437
Advance for capital expenditure	13	1,346,935	1,220,607
Investment property	14	50,000	45,000
Long term investments	15	1,141,794	1,037,794
Long term advance	16	400,000	-
Long term deposits and prepayments	17	22,323	23,838
		35,859,847	33,927,676
CURRENT ASSETS			
Stores, spare parts and loose tools	18	175,714	188,338
Stock in trade - food and beverages		83,160	96,189
Trade debts	19	601,610	528,735
Advances	20	100,041	100,198
Trade deposits and prepayments	21	66,985	69,269
Interest accrued		20,945	1,011
Other receivables	22	3,707,279	48,650
Other financial assets	23	1,373,707	1,208,587
Advance tax - net	24	63,251	86,344
Cash and bank balances	25	270,658	379,130
		6,463,350	2,706,451
		42,323,197	36,634,127

M.A. Bawany
Director

Shakir Abu Bakar
Director

Unconsolidated Profit and Loss Account

For the year ended 30 June 2017

	Note	2017	2016
		(Rupees'000)	
Sales and services - net	26	9,811,986	9,151,060
Cost of sales and services	27	(5,427,241)	(4,967,545)
Gross profit		4,384,745	4,183,515
Administrative expenses	28	(2,663,169)	(2,383,614)
Finance cost	29	(410,915)	(167,753)
Other income	30	391,614	381,870
Impairment loss	31	(40,509)	(797,536)
Profit before taxation		1,661,766	1,216,482
Taxation	32	(515,929)	(591,277)
Profit for the year		1,145,837	625,205
Earnings per share - basic and diluted (Rupees)	33	35.23	19.22

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

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

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

M.A. Bawany
Director

Shakir Abu Bakar
Director

Unconsolidated Statement of Comprehensive Income

For the year ended 30 June 2017

	2017	2016
	(Rupees'000)	
Profit for the year	1,145,837	625,205
Other comprehensive income for the year		
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefits liability	(39,124)	(21,871)
Related tax	11,737	6,561
	(27,387)	(15,310)
Comprehensive income transferred to equity	1,118,450	609,895

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

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

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M.A. Bawany
Director

Shakir Abu Bakar
Director

Unconsolidated Cash Flow Statement

For the year ended 30 June 2017

	Note	2017	2016
		(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operating activities before working capital changes	34	2,487,816	2,508,263
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		13,609	(37,949)
Stock in trade		13,029	(5,474)
Trade debts		(52,341)	(29,522)
Advances		157	480,525
Trade deposits and prepayments		2,284	(5,386)
Other receivables		(10,209)	(10,632)
Increase / (decrease) in trade and other payables		37,224	(34,447)
Cash (used in) / generated from operations		3,753	357,115
Staff retirement benefit - gratuity paid	7.1	(41,981)	(30,339)
Compensated leave absences paid	7.3	(18,768)	(18,545)
Income tax paid	24	(452,902)	(652,939)
Finance cost paid		(383,220)	(150,063)
Net cash generated from operating activities		1,594,698	2,013,492
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(1,862,759)	(3,174,835)
Advance for capital expenditure		(166,837)	(84,627)
Advance for purchase of land	22	(3,648,420)	-
Proceeds from disposal of property, plant and equipment	12.4	19,574	41,484
Purchase of long term investments		(104,000)	(930,567)
Long term advance		(400,000)	-
Proceeds of other financial assets		-	2,876
Dividend income received	30.1	42,034	54,451
Receipts of return on bank deposits and short term advance		23,465	90,353
Long term deposits and prepayments		1,515	(4,974)
Net cash used in investing activities		(6,095,428)	(4,005,839)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(500,000)	(66,667)
Proceeds from long term financing		5,150,000	2,000,000
Dividend paid		(561,185)	(320,176)
Payment of transaction cost of long term financing		(36,500)	-
Repayment of liabilities against assets subject to finance lease		-	(7,722)
Net cash generated from financing activities		4,052,315	1,605,435
Net decrease in cash and cash equivalents		(448,415)	(386,912)
Cash and cash equivalents at beginning of the year		379,130	766,042
Cash and cash equivalents at end of the year	35	(69,285)	379,130

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

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

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

M.A. Bawany
Director

Shakir Abu Bakar
Director

Unconsolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Share capital	Capital reserve	Revenue reserves		Total equity
		Share premium	General reserve	Unappropriated profit	
	(Rupees'000)				
Balance at 01 July 2015	325,242	269,424	1,600,000	5,296,346	7,491,012
Total comprehensive income for the year					
Profit for the year	-	-	-	625,205	625,205
Other comprehensive income for the year	-	-	-	(15,310)	(15,310)
Total comprehensive income for the year	-	-	-	609,895	609,895
Transaction with owners of the Company					
Distribution:					
Final cash dividend 30 June 2015 Rs. 5 per share	-	-	-	(162,621)	(162,621)
Interim cash dividend 2016 Rs. 5 per share	-	-	-	(162,621)	(162,621)
Total distribution	-	-	-	(325,242)	(325,242)
Balance at 30 June 2016	325,242	269,424	1,600,000	5,580,999	7,775,665
Balance at 01 July 2016	**325,242**	**269,424**	**1,600,000**	**5,580,999**	**7,775,665**
Total comprehensive income for the year					
Profit for the year	-	-	-	1,145,837	1,145,837
Other comprehensive income for the year	-	-	-	(27,387)	(27,387)
Total comprehensive income for the year	-	-	-	1,118,450	1,118,450
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	**325,242**	**269,424**	**1,600,000**	**6,130,276**	**8,324,942**

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

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

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

M.A. Bawany
Director

Shakir Abu Bakar
Director

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2017

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'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, Mirpur, Azad Jammu & Kashmir.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

2.2 Basis of measurement and preparation

During the year, on 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the Companies Ordinance, 1984 (the repealed Ordinance). However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular No. 17 of 2017 dated 20 July 2017 has advised that the Companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

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.

- certain items of property, plant and equipment have been measured at revalued amounts;
- investment property has been measured at fair value;
- held for trading investments have been recognised at fair value; and
- liability related to staff retirement gratuity and compensated absences is stated at present values determined through actuarial valuation.

These 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 Pak 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

The preparation of unconsolidated financial statements in conformity with approved accounting standards require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods is the revision effects of both current and future periods.

Judgments and estimates made by management in the application of approved accounting standards that may have significant effect on the unconsolidated financial statements and estimates with a significant risk of material adjustments in the next years are discussed in the ensuing paragraphs;

2.4.1 Property, plant and equipment

The Company reviews the residual values and useful lives of property, plant and equipment on a regular basis. Fair value of property, plant and equipment is determined by independent surveyors on market value. Any change in such estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge, impairment and revaluation surplus and related deferred tax liability.

During the year, the Company revised its estimate and changed its depreciation rate for buildings at 5%, which was previously being depreciated at 10%. If the Company had not revised its estimate, the profit and loss would have been reduced by Rs. 106.673 million.

2.4.2 Taxation

The Company takes into account the current income tax laws and decisions taken by the taxation authorities. Instances where the Company's view differs from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

2.4.3 Employee benefits

The present value of the obligation for gratuity and compensated absences depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge for the year include the discount rate, expected increase in eligible salary and mortality rate. Any changes in these assumptions will impact the carrying amount of obligations for gratuity and compensated leave absences.

2.4.4 Stores, spare parts and loose tools and stock in trade

The Company reviews the carrying value of stores, spare parts and loose tools and stock in trade to assess any diminution in the respective carrying values. Any change in estimates in future years might affect the carrying value of store, spares parts and loose tools and stock in trade. Net realisable value is determined with reference to estimated selling price less estimated cost of completion and expenditure to make the sales.

2.4.5 Provision against trade debts, advances and other receivables

The Company reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against, on a regular basis.

2.4.6 Impairment of financial assets

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

2.4.7 Impairment of non-financial assets

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

2.4.8 Fair value of investment property

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

2.4.9 Fair value of investments - held for trading

The fair value of investments "held for trading" are determined by reference to their quoted closing price at the reporting date. Any change in the estimate might affect carrying amount of investments "held for trading" with corresponding effect in unconsolidated profit and loss account.

2.4.10 Provision and contingencies

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

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

2.4.11 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 valuation team 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 might be categorized in 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.

2.5. Standards, interpretations and amendments to the approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

- Amendments to IAS 12 Income Taxes are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

- Amendments to IAS 7 Statement of Cash Flows are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. 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.

- Amendments to IFRS 2 Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 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 recognised 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 1 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 IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

    - Amendments to IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

    - Amendments to IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 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 1 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 recognised. 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 recognised. 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.

    - IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 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.

    In addition, the Companies Act, 2017 was enacted on 30 May 2017 and Securities and Exchange Commission of Pakistan (SECP) vide its circular 17 of 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on 01 July 2017 requires certain additional disclosures and changes for certain accounting treatments including accounting for surplus on revaluation of property, plant and equipment investments in associates which may require change in the relevant accounting policy.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as set out below have been applied consistently to all periods presented in these unconsolidated financial statements.

3.1 Property, plant and equipment 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. 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.

Surplus arising out of revaluation of land is treated in accordance with the requirements of Section 235 of the Companies Ordinance, 1984.

Capital work in progress and advance for capital expenditure are transferred to the respective item of property, plant and equipment when 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 unconsolidated profit and loss account.

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 generally recognised in unconsolidated profit and loss account at rates given in Note-12 to these unconsolidated financial statements. 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 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 the asset and the 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.

Lease 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.

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.

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

Ijarah

Assets held under Ijarah arrangement are classified as operating leases and are not recognised in the Company's balance sheet.

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

3.2 Investment property

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

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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 unconsolidated profit and 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 unconsolidated profit and loss account.

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. At subsequent reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense in the unconsolidated profit and loss account. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the unconsolidated profit and loss account.

The profits and losses of associated and jointly controlled entities are carried forward in their financial statements and not dealt within these financial statement 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 Stores, spare parts and loose tools

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

3.5 Stock in trade

Stock of food and beverages

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

Goods in transit

These are stated at cost, accumulated to the unconsolidated balance sheet date, less impairment losses, if any.

3.6 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.

3.6.1 Non-derivative financial assets and financial liabilities

3.6.1.1 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 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 realize the asset and settle the liability simultaneously.

3.6.1.2 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 unconsolidated profit and loss account 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 unconsolidated profit and loss account.

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 OCI and accumulated in the fair value reserve in equity. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to unconsolidated profit and loss account.

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, as reduced by appropriate provision for impairment. Know impaired assets are written off, while assets considered doubtful of recovery are fully provided for. The provision for these assets is based on the Company's assessment of the collectability of counterparty accounts. The Company regularly reviews assets which remain outstanding past their applicable payment terms and establishes provision and potential write offs by considering factors such as historical experience, credit quality, age of these assets and current economic conditions that may affect a counterparty's ability to pay.

3.6.1.3 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.

3.6.1.4 Offsetting of financial assets and financial liabilities

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

3.7 Provisions

A provision is recognised in the balance sheet 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.

3.8 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

The accounting policies for employee benefits are described below:

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 unconsolidated profit and loss account.

3.9.3 Defined benefit plans

The Company operates the following defined benefit plans

a. Gratuity

The Company operates a defined benefit plan comprising an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to unconsolidated profit and loss account. Actuarial valuations are carried out by a qualified actuarial expert using the Projected Unit Credit (PUC) Actuarial Cost Method. Net interest expense and other expenses related to defined benefit plan is recognised in unconsolidated profit and loss account.

b. Compensated leave absences

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

3.10 Income tax

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

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, revenue from sale of ceramic products, communication towers, other rental income, shop license 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.
- Revenue from sale of ceramics products is recognized on dispatch of goods to customers.
- Communication towers and other rental income and shop license fee is recognized in unconsolidated profit and loss account on a straight-line basis over the term of the lease.
- Revenue from minor operating departments is recognized as and when services are provided to the customers.

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 unconsolidated balance sheet date and exchange differences, if any, are recognized in profit and loss account. 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 unconsolidated profit and loss account.

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. 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 and loss account 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 unconsolidated profit and loss account.

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 unconsolidated profit and loss account, 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. Goodwill is tested annually for impairment.

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). Goodwill arising from a business combination is allocated to CGUs or groups that are expected to benefit from the synergies of the combination.

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 unconsolidated profit and loss account. 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 in respect of goodwill is not reversed. For other assets, 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 Cash and cash equivalents

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

3.16 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.

4 SHARE CAPITAL

4.1 Authorised share capital

Authorised share capital is 200,000,000 (2016: 200,000,000) ordinary share of Rs. 10 each.

4.2 Issued, subscribed and paid up share capital

2017	2016		2017	2016
Numbers of shares			(Rupees'000)	
		Ordinary shares of Rs.10 each		
25,672,620	25,672,620	- Fully paid in cash	256,726	256,726
362,100	362,100	- For consideration other than cash (against property)	3,621	3,621
6,489,450	6,489,450	- Fully paid bonus shares	64,895	64,895
32,524,170	32,524,170		325,242	325,242

As of the reporting date 7,255,136 (2016: 3,225,136) and 585,438 (2016: 584,938) ordinary shares of Rs. 10 each were held by associated companies and directors of the Company respectively.

5 RESERVES

	Note	2017	2016
		(Rupees'000)	
Capital reserve			
Share premium	5.1	269,424	269,424
Revenue reserve			
General reserve		1,600,000	1,600,000
		1,869,424	1,869,424

5.1 Capital reserve represents share premium received in the fiscal years 1992, 1994 and 1996 on issue of 21,724,720 right shares at a premium of Rs. 15 each adjusted by Rs. 56.45 million issued as bonus shares in the fiscal years 2000-2001 and 2003-2004.

6 LONG TERM FINANCING - Secured

	Note	2017	2016
		(Rupees'000)	
From banking companies - Conventional banks			
Term Finance Loan - 1		-	50,000
Term Finance Loan - 2	6.1	850,000	850,000
Syndicated term loan	6.2	1,350,000	1,800,000
Term Finance Loan - 3	6.3	2,150,000	-
Term Finance Loan - 4	6.4	3,000,000	-
Transaction cost		(40,808)	(12,999)
		7,309,192	2,687,001
Current portion of long term financing		(492,500)	(500,000)
		6,816,692	2,187,001

6.1 This represents term finance loan of Rs. 350 million (2016: Rs. 350 million) and Rs. 500 million (2016: Rs. 500 million) carrying markup of 3-month KIBOR plus 1.5% per annum (2016: 3-month KIBOR plus 1.5%). 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 (2016: 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 (2016: 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 commencing from June 2018.

6.2 This represents the outstanding balance of syndicated term loan of Rs. 1,800 million carrying markup of 6-month KIBOR plus 1.95% per annum payable semi-annually (2016: 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. Repayments have started from July 2016.

6.3 This represents term finance loan availed during the year carrying markup of 3-month KIBOR plus 0.75% per annum payable quarterly (2016: Nil). 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 (2016: Nil) and Rs. 1,667 million (2016: Nil) respectively. The loan is repayable in twenty equal quarterly installments of Rs. 107.50 million commencing from March 2019.

6.4 This represents term finance loan availed during the year carrying markup of 3-month KIBOR plus 0.75% per annum payable quarterly (2016: Nil). 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 (2016: Nil). The loan is repayable in eighteen equal quarterly installments of Rs. 166.67 million commencing from September 2018.

	Note	2017	2016
		(Rupees'000)	
7 DEFERRED LIABILITIES			
Staff retirement benefit - gratuity	7.1	457,280	417,143
Deferred tax liability	7.2	216,934	188,737
Compensated leave absences	7.3	135,085	97,792
		809,299	703,672

7.1 Staff retirement benefit - gratuity

Company operated an unfunded gratuity scheme for its employees detail of which are as follows:

	Note	2017	2016
		(Rupees'000)	
Movement in the liability recognised in the balance sheet			
Opening balance		417,143	370,406
Charge for the year	7.1.1	49,928	55,205
Payments made during the year		(41,981)	(30,339)
Benefits payable		(6,934)	-
Experience adjustments on defined benefit obligation	7.1.2	39,124	21,871
Closing balance		457,280	417,143

	2017	2016
	(Rupees'000)	
Reconciliation of liability recognised in the balance sheet		
Present value of defined benefit obligation	457,280	417,143
7.1.1 Charge to profit and loss account		
Current service cost	21,458	20,571
Interest cost	28,470	34,634
	49,928	55,205
7.1.2 Charge to statement of other comprehensive income		
Actuarial loss / (gain) from changes in financial assumptions	233	(1,104)
Experience adjustments on defined benefit obligation	38,891	22,975
	39,124	21,871

The latest actuarial valuation was carried out on 30 June 2017 using projected unit credit method.

Actuarial assumption	2017	2016
Discount rate	7.25%	9.75%
Expected increase in eligible salary	7.75%	7.25%
Mortality rate	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year

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).

Sensitivity analysis

For a change of 100 basis points, present value of defined benefit obligation as at 30 June 2017 would have been as follows:

	2017		2016	
	Increase	Decrease	Increase	Decrease
	(Rupees'000)		(Rupees'000)	
Discount rate	428,558	489,356	390,222	447,317
Salary increase rate	489,531	427,858	447,488	389,558

Risk associated with defined benefit plan

Salary Risk- (linked to inflation risk)

The risk that the final salary at the time of cessation of service is greater than what we 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.

Expected benefit payments for the next 10 years and beyond:

Years	(Rupees '000)
FY 2018	49,747
FY 2019	40,999
FY 2020	38,908
FY 2021	49,302
FY 2022	48,774
FY 2023	46,596
FY 2024	50,517
FY 2025	63,124
FY 2026	64,910
FY 2027	72,641
FY 2028 onwards	983,832

		Note	2017	2016
			(Rupees'000)	
7.2	**Deferred tax liability**			
	Taxable temporary differences			
	Accelerated tax depreciation		456,039	413,617
	Less: deductible temporary differences			
	Provision for staff retirement benefit		145,825	125,143
	Impairment loss on investment in associated companies		36,876	36,876
	Provision against doubtful debts		54,380	60,541
	Impairment loss in value of investment		1,590	1,590
	Provision for stores, spare parts and loose tools		434	730
			239,105	224,880
			216,934	188,737
7.2.1	Charge for the year is recognised as follows:			
	- Recognised in unconsolidated profit and loss account	32	39,934	20,474
	- Recognised in unconsolidated statement of comprehensive income		(11,737)	(6,561)
			28,197	13,913
7.3	**Compensated leave absences**			
	Movement in the liability recognised in the balance sheet			
	Opening balance		97,792	99,842
	Charge for the year	7.3.1	56,944	16,495
	Payments made during the year		(18,768)	(18,545)
	Benefits payable		(883)	-
	Closing balance		135,085	97,792
7.3.1	**Charge to profit and loss account**			
	Current service cost		23,292	22,626
	Interest cost		6,378	8,830
	Experience adjustments on defined benefit obligation		27,274	(14,961)
			56,944	16,495
	Actuarial assumption			
	Discount rate		7.25%	9.75%
	Expected increase in eligible salary		7.75%	7.25%
	Mortality rate		SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year

8 TRADE AND OTHER PAYABLES

	Note	2017	2016
		(Rupees'000)	
Creditors		263,464	296,075
Accrued liabilities		571,715	540,656
Advances from customers		323,783	260,598
Shop deposits		55,630	54,395
Retention money		95,109	83,138
Due to related parties - unsecured		20,105	9,416
Sales tax payable - net		101,024	96,159
Bed tax payable		-	60,359
Unclaimed dividend	8.1	16,588	8,600
Income tax deducted at source		3,300	6,477
Un-earned income		155,375	147,472
Other liabilities		50,354	40,073
		1,656,447	1,603,418

8.1 This includes an amount of Rs. 0.05 million (2016: Rs. 0.02 million) payable to related parties.

9 MARKUP ACCRUED - Conventional Banks

Accrued markup pertains to financing facilities availed from conventional banks.

10 SHORT TERM BORROWINGS - Conventional Banks - Secured

	Note	2017	2016
		(Rupees'000)	
Running finance facilities - from banking companies		339,943	-

10.1 These facilities are obtained from various commercial banks with an aggregate limit of Rs. 1,250 million (2016: Rs. 1,050 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 (Refer note 23.2.2). These facilities carry markup rates ranging from 1-month KIBOR to 3-month KIBOR plus 0.6% to 1.5% (2016: 1-month KIBOR to 3-month KIBOR plus 1.5% to 2.0%) per annum.

10.2 The Company has unutilised running finance facilities aggregating to Rs. 910.06 million (2016: Rs. 1,050 million) at the year end.

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 The income tax assessments of the Company have been finalised and returns have been filed up to and including the tax year 2016. 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 (2016: 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.

11.1.2 Guarantees

	Note	2017	2016
		(Rupees'000)	
	11.1.2.1	251,721	240, 243

11.1.2.1 These include guarantee of Rs. 50 million (2016: Rs. 50 million), issued on behalf of a subsidiary company.

11.2 Commitments

		2017	2016
Commitments for capital expenditure		992,863	426,609

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2017

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land	Buildings on free-hold land	Buildings on lease-hold land	Plant and machinery	Furniture, fix-tures, fittings and office equipment	Computers	Vehicles	Leased vehicles	Capital work in progress (Note 12.1)	Total
						(Rupees'000)					
Cost / Revalued amounts											
Balance at 01 July 2015	10,981,000	13,323,790	1,381,944	1,603,365	3,035,837	1,383,536	210,844	126,633	33,760	1,034,293	33,115,002
Additions during the year	1,544,094	50,000	332,519	84,979	325,018	241,876	60,645	3,768	-	602,196	3,245,095
Disposals	-	-	-	-	(19,791)	-	(356)	(41,603)	-	-	(61,750)
Transfer from CWIP	-	-	15,072	144,169	115,035	198,626	19,305	-	-	(492,207)	-
Transfer from lease assets to owned assets	-	-	-	-	-	-	-	33,760	(33,760)	-	-
Balance at 30 June 2016	12,525,094	13,373,790	1,729,535	1,832,513	3,456,099	1,824,038	290,438	122,558	-	1,144,282	36,298,347
Balance at 01 July 2016	12,525,094	13,373,790	1,729,535	1,832,513	3,456,099	1,824,038	290,438	122,558	-	1,144,282	36,298,347
Additions during the year	15,360	-	3,626	66,451	42,107	387,903	64,030	10,431	-	1,272,851	1,862,759
Disposals	-	-	(47,924)	(63,435)	(44,857)	(50,048)	(2,947)	(6,830)	-	-	(216,041)
Transfer from CWIP	-	-	-	112,289	99,287	67,373	64,054	-	-	(343,003)	-
Balance at 30 June 2017	12,540,454	13,373,790	1,685,237	1,947,818	3,552,636	2,229,266	415,575	126,159	-	2,074,130	37,945,065
Accumulated depreciation											
Balance at 01 July 2015	-	-	582,426	652,004	2,078,208	669,708	154,847	67,789	12,616	-	4,217,598
Charge for the year	-	-	80,800	98,079	164,246	132,301	24,921	5,742	2,962	-	509,051
On disposals	-	-	-	-	(14,477)	-	(195)	(14,067)	-	-	(28,739)
Transfer from lease assets to owned assets	-	-	-	-	-	-	-	15,578	(15,578)	-	-
Balance at 30 June 2016	-	-	663,226	750,083	2,227,977	802,009	179,573	75,042	-	-	4,697,910
Balance at 01 July 2016	-	-	663,226	750,083	2,227,977	802,009	179,573	75,042	-	-	4,697,910
Charge for the year	-	-	46,514	60,046	181,739	161,010	50,195	7,710	-	-	507,214
On 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	-	-	5,046,270
Carrying value - 2017	12,540,454	13,373,790	1,009,696	1,177,749	1,179,613	1,306,831	188,264	48,268	-	2,074,130	32,898,795
Carrying value - 2016	12,525,094	13,373,790	1,066,309	1,082,430	1,228,122	1,022,029	110,865	47,516	-	1,144,282	31,600,437
Rates of depreciation per annum	-	-	5%	5%	15%	15%	30%	15%	15%	-	

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2017

		Note	2017	2016
			(Rupees'000)	
12.1	**Capital work in progress**			
	Opening balance		1,144,282	1,034,293
	Additions during the year		1,272,851	602,196
	Transfer to Property, Plant & Equipment		(343,003)	(492,207)
		12.1.1	2,074,130	1,144,282
12.1.1	Construction of Pearl Continental Multan		831,940	616,713
	Construction of Pearl Continental Mirpur		523,484	270,094
	Other civil works	12.1.2	718,706	257,475
		12.1.3	2,074,130	1,144,282

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

12.1.3 This also includes capitalized borrowing cost amounting to Rs. 135.75 million (2016: Rs. 103.31 million). During the year borrowing cost amounting to Rs. 32.44 million (2016: Rs. 30.79 million) were capitalized at the rate of 7.2% (2016: 8.32%) per annum.

12.2 Surplus on revaluation of property, plant and equipment

Freehold and leasehold land were revalued on 30 June 2015 by M/s. Oceanic Surveyors (Private) Limited, an independent valuer, based on market value basis method.

Had the aforementioned revaluation not carried out, the book values of freehold and leasehold land would have been Rs. 2,134.73 million (2016: Rs. 2,119.37 million).

		Note	2017	2016
			(Rupees'000)	
12.3	Depreciation charge has been allocated as follows:			
	Cost of sales and services	27	456,493	458,146
	Administrative expenses	28	50,721	50,905
			507,214	509,051

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2017

12.4 Detail of disposal of property, plant and equipment:

Description	Cost	Carrying value	Sale proceeds	Mode of disposal	Purchaser
		(Rupees'000)			
Building	111,359	37,100	8,823	Negotiation	Various
Furniture, fixture and equipment	50,049	9,464	2,324	Negotiation	Various
Plant and Machinery	44,857	8,164	2,004	Negotiation	Various
Computers	2,947	490	167	Negotiation	Various
Vehicle	854	187	759	Auction	Mr. Siddiqullah
Vehicle	550	56	402	Auction	Mr. Javed Hashim
Vehicle	67	67	533	Auction	Mr. M. Mohsin
Vehicle	65	65	553	Auction	Mr. M. Mohsin
Vehicle	67	67	452	Auction	Mr. Liaqat Ali
Vehicle	67	67	555	Auction	Mr. Adnan Naseer
Vehicle	1,959	835	1,414	Auction	Mr.Abrar Hussain
Vehicle	595	94	325	Auction	Mr. Mehmood Akhter
Vehicle	555	70	395	Auction	Mr. Javed Hashim
Vehicle	2,050	461	868	Auction	Mr.Abrar Hussain
Total - 2017	216,041	57,187	19,574		
Total - 2016	61,750	33,011	41,484		

	Note	2017	2016
		(Rupees'000)	
13 ADVANCE FOR CAPITAL EXPENDITURE			
Advance for purchase of land	13.1	666,820	666,820
Advance for purchase of Malir Delta Land	13.2	381,656	381,656
		1,048,476	1,048,476
Advance for purchase of apartment		40,509	40,509
Impairment loss	13.3 & 31	(40,509)	-
		-	40,509
Advance for purchase of fixed assets		173,154	84,627
Advances for Pearl Continental Multan Project		47,986	20,160
Advances for Pearl Continental Mirpur Project		77,319	26,835
		298,459	131,622
		1,346,935	1,220,607

13.1 This includes amount of Rs. 626.820 million (2016: Rs. 626.820 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.

13.2 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. 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 regularisation fee paid to the seller and the Land Regularisation Department respectively.

13.3 This represents amount paid to Creek Marina (Private) Limited ("the developer") for purchase of an apartment. The developer failed to complete the construction within time frame stipulated in the agreement, The Company, in order to safeguard its interest has filed a case for recovery of its advance. Recoverability of this advance is not envisage in foreseeable future, therefore, impairment loss of Rs. 40.509 million (2016: Nil) has been provided against advance for purchase of apartment.

	Note	2017	2016
		(Rupees'000)	
14 INVESTMENT PROPERTY			
14.1 Reconciliation of carrying amount			
Opening balance		45,000	45,000
Increase in fair value of investment property		5,000	-
	14.1.1	50,000	45,000

14.1.1 This represents piece of land, located at Gawadar, owned by the Company. On 30 June 2017, 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.

Changes in fair value are recognised as gains / (losses) in unconsolidated profit and loss account and included in other income. All (decrease) / increase in fair value of investment property are unrealised.

14.2 Measurement of fair values

14.2.1 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 (See note 14.2.2).

14.2.2 Valuation techniques and significant unobservable inputs

The following tables shows the valuation technique used by the valuer in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Land Valuation techniques	Significant Unobservable Input	Inter-relationship between key unobservable inputs and fair value measurement
- Inquiries to check the price of a similar land in the surroundings of the land, status and condition of the plot / land.	- Rate (value) of appreciation of land, and - Prime location of land with infrastructure.	- The estimated fair value would increase / (decrease) if: - The rate of appreciation of land changed - Infrastructure plan of the city changed.

Since the value has been determined by a third party and inputs are unobservable, sensitivity analysis has not been presented.

15 LONG TERM INVESTMENTS	Percentage of holding	Note	2017	2016
			(Rupees'000)	
Investments in related parties				
Subsidiary companies - at cost - unquoted				
Pearl Continental Hotels (Private) Limited	100%	15.1	5,000	5,000
Pearl Tours and Travels (Private) Limited	100%	15.2	102,227	102,227
City Properties (Private) Limited	100%	15.3	990,001	925,001
Elite Properties (Private) Limited	100%	15.4	44,566	5,566
			1,141,794	1,037,794

	Percentage of holding	Note	2017	2016
			(Rupees'000)	
Associated undertaking - at cost - unquoted				
Hashoo Group Limited - British Virgin Island	14%	15.5	586,403	586,403
Impairment loss			(586,403)	(586,403)
Hotel One (Private) Limited - Pakistan	17.85%	15.6	50,000	50,000
Impairment loss			(50,000)	(50,000
			-	-
Investment in jointly controlled entity - at cost - unquoted				
Pearl Continental Hotels Limited - UAE	50%	15.7	284,052	284,052
Impairment loss			(284,052)	(284,052)
			-	-
Other Investments				
Available for sale - unquoted company				
Malam Jabba Resorts Limited			1,000	1,000
Impairment loss			(1,000)	(1,000)
			-	-
			1,141,794	1,037,794

15.1 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 (2016: 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 2017 was Rs. 21.37 (2016: Rs. 20.77).

15.2 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 (2016: 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 2017 was Rs. 12.08 (2016: Rs. 14.65).

15.3 City Properties (Private) Limited

This represents the Company's investment in 100% equity shares of City Properties (Private) Limited (CPPL). The Company holds 99,000,100 (2016: 92,500,100) ordinary shares of Rs. 10 each. During the year the Company made further investment against issuance of 6,500,000 ordinary shares of Rs. 10 each.

Break-up value per share based on its audited financial statements for the year ended 30 June 2017 was Rs. 9.65 (2016: Rs. 9.86).

15.4 Elite Properties (Private) Limited

This represents the Company's investment in 100% equity shares of Elite Properties (Private) Limited (EPPL). The Company holds 4,456,600 (2016: 556,600) ordinary shares of Rs. 10 each. During the year, the Company made further investment against issuance of 3,900,000 ordinary shares of Rs. 10 each.

Break-up value per share based on its audited financial statements for the year ended 30 June 2017 was Rs. 9.08 (2016: Rs. 9.78).

15.5 Hashoo Group Limited

The Company holds 98,000 (2016: 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.

15.6 Hotel One (Private) Limited

The Company holds 500,000 (2016: 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.

15.7 Pearl Continental Hotels Limited

The Company holds 95 (2016: 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.

16 LONG TERM ADVANCE - interest bearing

During the year, the Company extended a long term advance of Rs. 400 million (30 June 2016: Nil) to its wholly owned subsidiary company City Properties (Private) Limited for a period not exceeding five years which carries markup of 3-month KIBOR plus 1.5% (30 June 2016: Nil) per annum.

17 LONG TERM DEPOSITS AND PREPAYMENTS

	Note	2017	2016
		(Rupees'000)	
Deposits	17.1	22,323	22,213
Prepayments		-	1,625
		22,323	23,838

17.1 This includes deposit amounting to Rs. 19.860 million (2016: Rs. 19.975 million) with an Islamic bank to acquire assets under Ijarah agreements.

18 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2017	2016
		(Rupees'000)	
Stores		121,667	139,568
Spare parts and loose tools		55,493	51,202
		177,160	190,770
Provision for obsolescence		(1,446)	(2,432)
		175,714	188,338

19 TRADE DEBTS

	Note	2017	2016
Considered good			
Due from related parties - unsecured	19.1	17,361	17,573
Others - unsecured		584,249	511,162
		601,610	528,735
Considered doubtful		181,269	201,803
		782,879	730,538
Provision against doubtful debts		(181,269)	(201,803)
		601,610	528,735

19.1 Due from related parties - unsecured

	2017	2016
Pearl Tours and Travels (Private) Limited	4,336	2,453
City Properties (Private) Limited	8	31
Hashwani Hotels Limited	373	328
Hashoo Foundation	648	519
Hotel One (Private) Limited	197	1,235
Jubilee General Insurance Company Limited	13	21
Ocean Pakistan Limited	889	900
OPI Gas (Private) Limited	-	41
Pearl Communications (Private) Limited	128	128
Pearl Real Estate Holdings (Private) Limited	203	213
Trans Air Travels (Private) Limited	268	1,051
Tejari Pakistan (Private) Limited	362	478
Zahdan Technologies (Private) Limited	-	70
Zahdan Retail (Private) Limited	9,936	10,105
	17,361	17,573

		2017	2016
19.2	**Age analysis of due from related parties is as follows:**	(Rupees'000)	
	Past due by 30 days	779	220
	Past due by 31 to 90 days	2,597	949
	Past due over 91 days	895	2,613
	Past due over 1 year	13,090	13,791
		17,361	17,573

20 ADVANCES - considered good

	2017	2016
Advances to:		
- Employees - Non-interest bearing	5,546	24,674
- Suppliers and contractors - Non-interest bearing	94,495	75,524
	100,041	100,198

21 TRADE DEPOSITS AND PREPAYMENTS

	2017	2016
Trade deposits - non-interest bearing	19,658	17,209
Prepayments	47,327	52,060
	66,985	69,269

22 OTHER RECEIVABLES - non interest bearing

These include an amount of Rs. 3,648 million paid during the year to an associated Company, Gulf Properties (Pvt) Ltd., towards the purchase of a piece of land measuring 4.18 acres for construction of multi-story building in Karachi. Accordingly, the amount was recognized as an advance for capital expenditure. Subsequently, the Sindh Building Control Authority in its notification dated 23 May 2017 imposed complete ban on construction of multi-story/ high rise buildings beyond ground plus two stories in Karachi region. Consequently the agreement for purchase of said land stood frustrated and has become impossible of performance and the Company was compelled to rescind the agreement and accordingly parties have agreed for cancellation of the agreement and refund of the advance amount.

23 OTHER FINANCIAL ASSETS

	Note	2017	2016
		(Rupees'000)	
Held to maturity			
Certificate of investments		5,300	5,300
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 - Conventional banks	23.1	9,523	9,523
Financial assets at fair value			
through profit or loss - held for trading			
Short term investments in shares of listed companies			
- (Non shariah compliant)	23.2	1,364,184	1,199,064
		1,373,707	1,208,587

23.1 This represent 01 year term deposit receipts carrying interest rate at 5% (2016: 5%) per annum.

23.2 Short term investments in shares of listed companies - Non shariah compliant

	No. of ordinary shares of Rs. 10 each		Unrealised gain/ (loss)	Amount in Rs'000	
	2017	2016		2017	2016
Pakistan Telecommunication Company Limited	350,000	350,000	203	5,464	5,261
Lotte Chemical Pakistan Limited	150,000	150,000	576	1,478	902
Fauji Fertilizer Bin Qasim Limited	50,000	50,000	(509)	2,142	2,651
Jubilee General Insurance Company Limited - an associated company (Note 23.2.1 & 23.2.2)	13,598,606	11,902,500	164,850	1,355,100	1,190,250
			165,120	1,364,184	1,199,064

23.2.1 During the year, Jubilee General Insurance Limited announced bonus shares at 15%. The Company received 1,696,106 shares in the current year while balance of 89,269 shares were received subsequent to year end.

23.2.2 Out of total shares held by the Company, 3,000,000 (2016: 3,000,000) ordinary shares are placed / lien marked as security against running finance facility of the Company (Refer to note 10).

24 ADVANCE TAX - net

	Note	2017	2016
		(Rupees'000)	
Opening balance		86,344	4,208
Income tax paid during the year		452,902	652,939
Charge for the year	32	(475,995)	(570,803)
Closing balance		63,251	86,344

25 CASH AND BANK BALANCES

	Note	2017	2016
Cash in hand		15,723	65,990
Cash at bank: Conventional banks			
Current accounts - Local currency		28,989	17,715
Deposit accounts - Local currency	25.1	225,914	293,812
- Foreign currency	25.2	32	1,613
		254,935	313,140
		270,658	379,130

25.1 Deposit accounts carry interest rate ranging from 1.75% to 5.75% (2016: 2% to 5.75%) per annum.

25.2 Deposit accounts carry interest ranging from 0.25% (2016: 0.25%) per annum.

26 SALES AND SERVICES - NET

	Note	2017	2016
		(Rupees'000)	
Rooms		5,548,995	5,156,028
Food and beverages		5,415,114	5,086,489
Other related services	26.1	538,299	507,224
Shop license fees		43,204	33,270
		11,545,612	10,783,011
Discounts and commissions		(178,970)	(150,639)
Sales tax		(1,554,656)	(1,481,312)
		9,811,986	9,151,060

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

	Note	2017	2016
		(Rupees'000)	
27 COST OF SALES AND SERVICES			
Food and beverages			
Opening balance		96,189	90,715
Purchases during the year		1,595,140	1,590,870
Closing balance		(83,160)	(96,189)
Consumption during the year		1,608,169	1,585,396
Direct expenses			
Salaries, wages and benefits	27.1	1,415,828	1,363,037
Heat, light and power		700,862	698,805
Repairs and maintenance		631,863	299,586
Depreciation	12.3	456,493	458,146
Guest supplies		225,179	213,420
Linen, china and glassware		103,171	90,379
Communication and other related services		78,856	74,101
Banquet and decoration		69,965	67,945
Transportation		57,506	50,946
Uniforms		23,749	22,081
Music and entertainment		12,253	12,327
Others		43,347	31,376
		5,427,241	4,967,545

27.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 87.66 million (2016: Rs. 63.59 million).

	Note	2017	2016
		(Rupees'000)	
28 ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	28.1	1,050,714	863,975
Rent, rates and taxes		182,045	186,574
Security and protective services		310,689	269,285
Advertisement and sales promotion		91,302	83,192
Repairs and maintenance		90,402	44,587
Heat, light and power		81,357	78,860
Travelling and conveyance		83,826	108,436
Depreciation	12.3	50,721	50,905
Communications		18,792	23,666
Printing and stationery		39,535	38,749
Legal and professional charges		64,144	79,025
Insurance		90,766	83,428
Entertainment		15,332	10,111
Subscriptions		46,652	37,808
Laundry and dry cleaning		7,560	8,617
Uniforms		6,655	5,588
Auditors' remuneration	28.2	3,472	3,729
(Reversal of provision) / provision against doubtful debts		(20,534)	10,995
Donations		376,350	332,500
Vehicle rentals and registration charges	28.3	37,277	45,875
Franchise fee		10,642	11,923
Miscellaneous		25,470	5,786
		2,663,169	2,383,614

28.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 55.69 million (2016: Rs. 39.46 million).

	2017	2016
	(Rupees'000)	
28.2 Auditors' remuneration		
Annual audit fee	1,588	1,575
Audit of consolidated financial statements	495	450
Half yearly review	572	520
Special reports and certificates	632	476
Tax advisory	185	708
	3,472	3,729

28.3 This includes Ijarah payments of Rs. 36.97 million (2016: Rs. 44.72 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) ujarah payments under an Ijarah (lease) agreement are recognised as an expense in the profit and loss account on straight line basis over the term of Ijarah. The amount of future ujarah payments and the periods in which these will be due are as follows:

	Note	2017	2016
		(Rupees'000)	
Within one year		31,759	32,714
After one year but not more than five years		61,729	44,661
		93,488	77,375
29 FINANCE COST - Conventional banks			
Markup on long term financing		296,223	94,268
Markup on short term borrowings		34,420	3,859
Markup on liabilities against assets subject to finance lease		-	277
Credit cards, bank and other charges		80,272	69,349
		410,915	167,753
30 OTHER INCOME			
Income from financial assets			
Return on bank deposits / Certificate of investments			
- Conventional banks		23,829	47,411
Exchange gain - net - actual currency		3,778	4,961
Dividend income	30.1	42,034	54,451
Unrealised gain on remeasurement of investments to fair value - net	23.2	165,120	116,859
Interest on long term advance to related party		19,570	-
Interest on short term advance to related party		-	38,060
		254,331	261,742
Income from non financial assets			
Concessions and commissions		8,745	8,772
(Loss) /gain on disposal of property, plant and equipment		(37,613)	8,473
Liabilities written back		68,209	2,980
Unrealised gain on remeasurement of investments property	14	5,000	-
Communication towers and other rental income		61,441	61,155
Others - net	30.2	31,501	38,748
		137,283	120,128
		391,614	381,870
30.1 Dividend income			
Jubilee General Insurance Company Limited- associated company		41,659	53,562
Fauji Fertilizer Bin Qasim Limited		25	889
Pakistan Telecommunication Company Limited		350	-
		42,034	54,451

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2017

		Note	2017	2016
			(Rupees'000)	
30.2	**Others**			
	Franchise fee		4,972	3,996
	Shuttle service		1,295	1,401
	Multimedia rentals		18	1,563
	Parking / other fee		6,230	6,295
	ATM rental		3,356	3,112
	Other services		15,630	22,381
			31,501	38,748

31 IMPAIRMENT LOSS

	Note	2017	2016
Impairment loss on advance for purchase of apartment	13.2	40,509	-
Impairment loss on investment in associated undertaking		-	586,403
Impairment loss on investment in jointly controlled entity		-	211,133
		40,509	797,536

32 TAXATION

	2017	2016
Provision for taxation		
- Current	478,278	593,145
- Prior	(2,283)	(22,342)
	475,995	570,803
- Deferred	39,934	20,474
Tax expense for the year	515,929	591,277

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

	2017	2016
Accounting profit for the year	1,661,766	1,216,482
Tax charge @ 31% (2016: 32%)	515,147	389,274
Tax effect of permanent differences	23,408	224,026
Tax effect of exempt income	(52,239)	(36,800)
Tax effect of income subject to lower taxation	(12,070)	(15,122)
Tax effect of super tax	43,966	52,241
Prior years' tax charge	(2,283)	(22,342)
	515,929	591,277

33 EARNINGS PER SHARE

	2017	2016
Profit for the year (Rupees '000)	1,145,837	625,205
Weighted average number of ordinary shares (Numbers)	32,524,170	32,524,170
Earnings per share - basic (Rupees)	35.23	19.22

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

	Note	2017	2016
		(Rupees'000)	

34 CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES

	Note	2017	2016
Profit before tax		1,661,766	1,216,482
Adjustments for:			
Depreciation	12.3	507,214	509,051
Loss / (gain) on disposal of property, plant and equipment	30	37,613	(8,473)
Provision for staff retirement benefit - gratuity	7.1	49,928	55,205
Provision for compensated absences	7.3	56,944	16,495
(Reversal) / provision for doubtful debts	28	(20,534)	10,995
Return on bank deposits / certificate of investment	30	(23,829)	(47,411)
Interest on short term advance to related party		-	(38,060)
Interest on long term advance to related party	30	(19,570)	-
Finance cost	29	410,915	167,753
Dividend income	30	(42,034)	(54,451)
Unrealised gain on remeasurement of investments to fair value	30	(165,120)	(116,859)
Impairment loss	31	40,509	797,536
Unrealised gain on remeasurement of investments property	14	(5,000)	-
Reversal of provision on stores, spares and loose tools	18	(986)	-
		2,487,816	2,508,263

35 CASH AND CASH EQUIVALENTS

	2017	2016
Cash and bank balances	270,658	379,130
Short term borrowing	(339,943)	-
	(69,285)	379,130

36 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2017			2016		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees'000)					
Managerial remuneration	31,935	31,843	512,186	18,000	30,299	366,106
Provident fund contribution	1,032	1,616	12,194	-	1,595	8,988
Provision for Gratuity	986	1,278	7,875	-	3,104	1,560
Meeting fee	15	450	-	45	495*	-
	33,968	35,187	532,255	18,045	35,493	376,654
Number of persons	1	2	169	1	3	141

36.1 * This includes Rs. 300,000 (2016: Rs. 330,000) paid to non-executive directors of the Company.

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

37 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated and subsidiary companies, directors as well as their close family members, companies with common directorship, executives, key management personnel, major shareholders and provident fund. Balances and transaction with related parties are disclosed in notes 4, 8, 11, 13, 15, 16, 19, 22 and 23 to the un-consolidated financial statements. Other transactions with related parties are as follows:

	Note	2017	2016
		(Rupees'000)	
Transactions and balances with subsidiary companies			
Sales		3,550	3,710
Services provided		21,937	10,278
Services availed		66,345	59,919
Interest income on long term advance		19,570	-
Investments made		104,000	930,567
Interest accrued		19,570	-
Transactions and balances with associated undertakings			
Sales		1,096	663
Services provided		2,194	6,172
Services availed		45,765	42,785
Purchases		134,957	116,442
Purchase of air tickets		-	23,289
Franchise fee - income		4,972	3,996
Franchise and management fee - expense		10,642	11,922
Dividend income		41,659	53,561
Interest income on short term advance		-	38,060
Sale of stores, spares and loose tools		-	763
Sale of construction material		-	20,486
Dividend paid		151,335	59,968
Purchase of property, plant and equipment		-	1,949,967
Advances		24,518	8,441
Other receivable		3,648,420	-
Transactions and balances with other related parties			
Sales		9	7
Services provided		181	53
Services availed		44,913	83,969
Purchases		5,262	4,435
Contribution to defined contribution plan - provident fund		38,284	33,410
Dividend paid		6	16
Advance given for purchase of vehicle		-	3,500
Advances		-	12,275
Transactions with key management personnel			
Remuneration and allowances including staff retirement benefits	37.1	73,189	55,759
Dividend paid		10,127	5,770

37.1 Compensation to key management personnel

	2017	2016
Salaries and other benefits	63,778	48,299
Contribution to provident fund	2,648	1,595
Gratuity	2,264	3,104
Bonus	2,555	2,221
Meeting fee	465	540
Others	1,479	-
	73,189	55,759
Number of persons	4	4

38 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

FAIR VALUES

38.1 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

		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	Note	(Rupees'000)							
Financial assets measured at fair value									
Other financial assets	23	1,364,184	-	-	1,364,184	1,364,184	-	-	1,364,184
Financial assets not measured at fair value	38.2								
Long term advance	16	-	400,000	-	400,000	-	-	-	-
Long term deposits	17	-	22,323	-	22,323	-	-	-	-
Trade debts	19	-	601,610	-	601,610	-	-	-	-
Advance to employees	20	-	5,546	-	5,546	-	-	-	-
Trade deposits	21	-	19,658	-	19,658	-	-	-	-
Interest accrued		-	20,945	-	20,945	-	-	-	-
Other receivables	22	-	3,707,279	-	3,707,279	-	-	-	-
Term deposit receipt	23	-	9,523	-	9,523	-	-	-	-
Cash and bank balances	25	-	270,658	-	270,658	-	-	-	-
		-	5,057,542	-	5,057,542	-	-	-	-
Financial liabilities not measured at fair value									
Long term financing	6	-	-	7,350,000	7,350,000	-	-	-	-
Short term borrowings		-	-	339,943	339,943	-	-	-	-
Trade and other payables	8	-	-	1,072,965	1,072,965	-	-	-	-
Markup accrued	9	-	-	103,859	103,859	-	-	-	-
		-	-	8,866,767	8,866,767	-	-	-	-

On-balance sheet financial instruments

30 June 2016	Note	Carrying amount: Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Fair value: Level 1	Level 2	Level 3	Total
		(Rupees'000)							
Financial assets measured at fair value									
Other financial assets	23	1,199,064	-	-	1,199,064	1,199,064	-	-	1,199,064
Financial assets not measured at fair value	38.2								
Long term advance		-	-	-	-	-	-	-	-
Long term deposits	17	-	22,213	-	22,213	-	-	-	-
Trade debts	19	-	528,735	-	528,735	-	-	-	-
Advance to employees	20	-	24,674	-	24,674	-	-	-	-
Trade deposits	21	-	17,209	-	17,209	-	-	-	-
Interest accrued		-	1,011	-	1,011	-	-	-	-
Other receivables	22	-	48,650	-	48,650	-	-	-	-
Term deposit receipt	23	-	9,523	-	9,523	-	-	-	-
Cash and bank balances	25	-	379,130	-	379,130	-	-	-	-
		-	1,031,145	-	1,031,145	-	-	-	-
Financial liabilities not measured at fair value									
Long term financing	6	-	-	2,700,000	2,700,000	-	-	-	-
Trade and other payables	8	-	-	1,032,353	1,032,353	-	-	-	-
Markup accrued	9	-	-	84,856	84,856	-	-	-	-
		-	-	3,817,209	3,817,209	-	-	-	-

38.2 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.

38.3 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 both financial and non-financial assets and liabilities. 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 present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non - derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

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.

38.4 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 exposures 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 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	2017	2016
		(Rupees'000)	
Long term advance	16	400,000	-
Long term deposits	17	22,323	22,213
Trade debts	19	601,610	528,735
Advance to employees	20	5,546	24,674
Trade deposits	21	19,658	17,209
Interest accrued		20,945	1,011
Other receivables	22	3,707,279	48,650
Term Deposit Receipt	23	9,523	9,523
Bank balances	25	254,935	313,140
		5,041,819	965,155

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:

	2017	2016
	(Rupees'000)	
From related parties	17,361	17,573
From government institutions	55,951	54,058
From foreign embassies	3,545	7,549
Banks and financial institutions	323,449	411,877
Others	4,641,513	474,098
	5,041,819	965,155

Impairment losses
The aging of trade debts at the reporting date was:

	Note	2017		2016	
		Gross	Impairment	Gross	Impairment
		(Rupees'000)		(Rupees'000)	
Less than one year		601,610	-	528,735	-
Over one year		181,269	181,269	201,803	201,803
	19	782,879	181,269	730,538	201,803

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

	Note	2017	2016
		(Rupees'000)	
Opening balance		201,803	190,808
(Reversal)/ Provision made during the year	28	(20,534)	10,995
Closing balance		181,269	201,803

Impairment includes Rs. 13.090 million (2016: Rs. 13.791 million) provided against due from related parties.

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

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 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. The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

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

	2017	2016
	(Rupees'000)	
Long term advance		
Counterparties without external credit ratings	400,000	-
Long term deposits		
Counterparties with external credit ratings of AA+	19,860	19,975
Counterparties without external credit ratings	2,463	2,238
	22,323	22,213
Trade debts		
Counterparties with external credit ratings of A-1 to A1+	67,796	17,719
Counterparties without external credit ratings	533,814	511,016
	601,610	528,735
Advance to employees		
Counterparties without external credit ratings	5,546	24,674
Trade deposits		
Counterparties without external credit ratings	19,658	17,209
Interest accrued		
Counterparties with external credit ratings A1+	1,375	1,011
Counterparties without external credit ratings	19,570	-
	20,945	1,011
Other receivables		
Counterparties without external credit ratings	3,707,279	48,650
Term deposit receipt		
Counterparties with external credit ratings of A-	9,523	9,523
Cash at Bank		
Counterparties with external credit ratings of A- to A1+	254,935	313,140

38.5 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 flows	Maturity up to one year	Maturity after one year and up to five years
		(Rupees' 000)			
2017					
Long term financing	6	7,350,000	9,026,283	984,620	8,041,663
Trade and other payables	8	1,072,965	1,072,965	1,072,965	-
Markup payable	9	103,859	103,859	103,859	-
Short term borrowings	10	339,943	339,943	339,943	-
		8,866,767	10,543,050	2,501,387	8,041,663
2016					
Long term financing		2,700,000	3,630,584	778,313	2,852,271
Trade and other payables		1,032,353	1,032,353	1,032,353	-
Markup payable		84,856	84,856	84,856	-
Short term borrowings		-	-	-	-
		3,817,209	4,747,793	1,895,522	2,852,271

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

The contractual cash flows relating to long and short term borrowings have been determined on the basis of expected mark up rates. The mark up rates have been disclosed in notes 6 and 10 to these unconsolidated financial statements.

38.6 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 and loss account. 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:

	2017		2016	
	(Rupees'000)	USD'000	(Rupees'000)	USD'000
Bank Balance	32	0.30	1,613	15.44

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2017	2016	2017	2016
PKR/ US Dollars	104.33	104.29	104.58	104.50

Foreign Currency Sensitivity Analysis

Following is the demonstration of the sensitivity to a reasonably possible change in exchange rate of USD applied to assets and liabilities as at 30 June 2017 represented in foreign currency, with all other variables held constant, of the Company's profit before tax.

	2017	2016
	(Rupees'000)	
Increase in 5% USD rate	1.59	80.60
Decrease in 5% USD rate	(1.59)	(80.60)

Interest rate risk

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

	2017	2016	2017	2016
	Effective interest rates%		(Rupees'000)	
Fixed rate instruments				
Financial assets	0.25 to 5.75	0.25 to 5.75	225,946	295,425
Variable rate instruments				
Financial assets			400,000	-
Financial liabilities	KIBOR +	KIBOR +	(7,689,943)	(2,700,000)
	0.6 to 1.5	1.5 to 2.5	(7,289,943)	(2,700,000)

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. 70.64 million (2016: Rs. 24.05 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

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. 13.64 million (2016: Rs. 11.99 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 2016 and assumes that all other variables remain the same.

Assets carried at fair value	Level 1	Level 2 (Rupees '000)	Level 3
2017			
Financial assets at fair value through profit or loss - held for trading	1,364,184	-	-
2016			
Financial assets at fair value through profit or loss - held for trading	1,199,064	-	-

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

38.7 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business. The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions to maximize the return. In order to maintain or adjust the optimal capital structure , the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or / and issue new shares.

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

39 APPLICATION OF IFRIC INTERPRETATION 12 - SERVICE CONCESSION ARRANGEMENTS

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

	2017	2016
	(Rupees'000)	
Increase in profit after tax for the year	8,647	10,880
Derecognition of property, plant and equipment	(251,995)	(281,320)
Recognition of intangible asset	408,280	425,292
Recognition of financial liability	(29,059)	(29,279)
Increase in taxation obligations	3,885	5,120
Increase in unappropriated profits	87,786	77,991

40 CAPACITY

	Note	No. of letable rooms 2017	No. of letable rooms 2016	Average occupancy 2017	Average occupancy 2016
Pearl Continental Hotel				%	%
- Karachi		286	286	70	72
- Lahore		607	607	64	73
- Rawalpindi		193	193	61	64
- Peshawar		148	148	56	46
- Bhurban		190	190	63	70
- Muzaffarabad		102	102	46	50
- Hotel One The Mall, Lahore	40.1	32	32	70	82

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

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2017

		2017	2016
41	**NUMBER OF EMPLOYEES**		
	Number of employees at the year end	3,281	3,407
	Average number of employees during the year	3,317	3,447

		2017	2016
		(Rupees'000)	
42	**EMPLOYEES' PROVIDENT FUND**		
	Size of the fund	782,946	708,845
	Cost of investment made	679,075	630,795
	Percentage of investment made	87%	89%
	Fair value of investments	745,626	679,075

	2017		2016	
	(Rupees'000)	%	(Rupees'000)	%
Fair value of investments made:				
Listed shares	185,637	25%	164,125	24%
Mutual funds	208,877	28%	204,254	30%
Special Savings Certificates	351,112	47%	310,696	46%
	745,626	100%	679,075	100%

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

43 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on 19 September 2017, has proposed a final cash dividend of Rs. 5/- (2016: Rs. 2.5/-) for approval of the members at the Annual General Meeting. The unconsolidated financial statements for the year ended 30 June 2017 do not include the effect of the proposed cash dividend which will be accounted for in the financial statements for the year ending 30 June 2018.

44 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on 19 September 2017.

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

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

M. A. Bawany
Director

Shakir Abu Bakar
Director

PATTERN OF SHAREHOLDINGS
As at 30 June 2017

NO. OF SHAREHOLDERS	SHAREHOLDINGS	NO.OF SHARES HELD
589	Shareholding From 1 To 100	15,037
215	Shareholding From 101 To 500	46,375
27	Shareholding From 501 To 1000	18,634
38	Shareholding From 1001 To 5000	85,634
5	Shareholding From 5001 To 10000	31,331
4	Shareholding From 10001 To 15000	51,416
1	Shareholding From 20001 To 25000	21,146
1	Shareholding From 25001 To 30000	28,815
1	Shareholding From 45001 To 50000	47,088
1	Shareholding From 55001 To 60000	56,625
1	Shareholding from 75001 To 80000	75,074
1	Shareholding From 170001 To 175000	172,913
1	Shareholding From 335001 To 340000	336,535
1	Shareholding Prom 380001 To 385000	382,900
1	Shareholding From 415001 To 420000	418,460
1	Shareholding From 570001 To 575000	571,976
1	Shareholding From 750001 To 755000	753,000
1	Shareholding From 855001 To 860006	859,000
1	Shareholding From 1050001 To 1055000	1,052,085
1	Shareholding From 1100001 To 1105000	1,104,551
1	Shareholding From 1160001 To 1165000	1,163,890
1	Shareholding from 1205001 To 1210000	1,208,650
1	Shareholding From 1320001 To 1325000	1,324,443
1	Shareholding From 1905001 To 1910000	1,906,260
1	Shareholding From 2465001 To 2470000	2,466,332
1	Shareholding From 2755001 To 2760000	2,760,000
1	Shareholding From 2900001 To 2905000	2,905,000
1	Shareholding From 3145001 To 3150000	3,150,000
2	Shareholding From 3165001 To 3170000	6,340,000
1	Shareholding From 3170001 To 3175000	3,171,000
903		32,524,170

Categories of Shareholders:	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	585,438	1.80
Associated Companies, undertaking and related parties	7,255,136	22.31
CDC-Trustee National Investment (UNIT)	1,104,551	3.40
Trustee National Bank of Pakistan	75,074	0.23
Banks, Development Financial Institutions and Non-Banking Financial Institutions	418,947	1.29
Modarabas and Mutual Funds	19,600	0.06
Insurance Companies	28,815	0.09
Foreign Investors	21,141,143	65.00
Individual:		
Local	201,339	0.62
Others:		
Galadari Invest International	1,052,085	3.23
President of Pakistan	336,535	1.03
Pakistan International Airlines Corporation	172,913	0.53
Kaizen Construction (Private) Limited	59,475	0.18
Asian Co-Operative Society Limited	47,088	0.14
National Investment Trust Limited	21,146	0.07
Trustee National Bank of Pakistan Emp BE	2,634	0.01
Other Joint Stock Companies	2,251	0.01
	32,524,170	100

DISCLOSURE TO PATTERN OF SHAREHOLDINGS
As at 30 June 2017

SHAREHOLDERS	SHARES HELD
ASSOCIATED COMPANIES:	
Hashoo Holdings (Private) Limited	864,504
Zaver Petroleum Corporation Limited	2,466,332
Hashoo (Private) Limited	300
OPI Gas (Private) Limited	753,000
Gulf Properties (Private) Limited	3,171,000
	7,255,136
NIT/ ICP:	
CDC-Trustee National Investment (UNIT)	1,104,551
Trustee National Bank of Pakistan	75,074
	1,179,625
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR 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
	585,438
PUBLIC SECTOR COMPANIES & CORPORATIONS:	
Pakistan International Airlines Corporation	172,913
President of Pakistan	336,535
	509,448
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE, COMPANIES, INSURANCE COMPANIES	
National Bank of Pakistan	418,921
The Bank of Punjab, Treasury Division	26
Alpha Insurance Co. Limited	28,815
	447,762
MODARBAS & MUTUAL FUNDS:	
CDC - Trustee AKD Index Tracker Fund	6,200
Golden Arrow Selected Stocks Fund Limited	13,400
	19,600
FOREIGN INVESTORS:	
Greenley Investments Limited	1,163,890
Amcorp Investments Limited	1,906,260
Dominion Hospitality Investments Limited	3,150,000
Orient Drilling & Oilfield Services Limited	1,324,443
Ocean Pakistan Limited	3,170,000
Penoramic International General Trading	382,900
Castle Participations INC.	3,170,000
Sharan Associates S.A	2,760,000
Azucena Holdings Limited	1,208,650
Brickwood Investment Holdings S.A	2,905,000
	21,141,143
OTHERS:	
Galadari Invest International	1,052,085
Kaizen Construction (Private) Limited	59,475
Asian Co-Operative Society Limited	47,088
National Investment Trust Limited	21,146
Trustee National Bank of Pakistan Emp BE	2,634
Other Joint Stock Companies	2,251
	1,184,679
INDIVIDUAL:	201,339
TOTAL	32,524,170

Pearl - Continental Hotel - Lahore

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

DIRECTOR'S REPORT CONSOLIDATED

Dear Members,

The Board of Directors of Pakistan Services Limited, the Parent Company, is pleased to present before you 58th Annual Report carrying therewith also the audited consolidated financial statements for the year ended on June 30, 2017 and Auditors' Report thereon.

The financial results reflected in the Consolidated Financial Statements for the year ended on June 30, 2017 are as under:

	(Rupees '000)
Profit before taxation	**1,513,947**
Taxation	**(535,778)**
Profit after taxation	**978,169**

Earnings per share

Earnings per share for the year worked out at Rs. 30.08.

During the year under review; M/s Pearl Tours & Travels (Private) Limited remained engage in the business of rent-a-car as well as arrangement of tour packages and generated revenue of Rs. 200 million as compared to Rs. 174 million of last year and registered 15% increase in its revenue. During the year under review the Company recorded loss after tax of Rs. 24.02 million as compared to profit after tax of Rs. 1.778 million achieved 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 2016-17.

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.

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

At the time of the meeting of the Board of Directors, the Chief Executive of the Parent Company was not in Pakistan, as such this consolidated Director's report, as approved by the Board of Directors, have been signed by two Directors.

For and on behalf of the Board of Directors

M. A. Bawany
Director

Shakir Abu Bakar
Director

Islamabad: 19 September 2017

ڈائریکٹرز رپورٹ (مجموعی)

محترم حصص داران:

پاکستان سروسز لمیٹڈ (پی ایس ایل) کے بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ کمپنی کی ۸۵ویں سالانہ رپورٹ پیش کرتی ہے، جس کے ساتھ محاسبہ شدہ مجموعی مالیاتی گوشوارے بمعہ محاسب رپورٹ برائے سال جو کہ مورخہ ۳۰ جون ۲۰۱۷ء کو اختتام پذیر ہوا، شامل ہے۔

مالیاتی نتائج برائے سال جو کہ مورخہ ۳۰ جون ۲۰۱۷ء کو اختتام پذیر ہوا اور مجموعی مالیاتی گوشواروں میں دیئے گئے ہیں، درج ذیل ہے۔

	(روپے '۰۰۰)
منافع قبل از ٹیکس	۱،۵۱۳،۹۴۷
ٹیکس	(۵۳۵،۷۷۸)
منافع بعد از ٹیکس	۹۷۸،۱۶۹

فی حصہ آمدنی

فی حصہ آمدنی برائے سال ۲۰۱۶-۱۷ مبلغ ۳۰ء۰۸ ہے۔

زیر نظر جائزہ مدت کے دوران پرل ٹورز اینڈ ٹریولز (پرائیویٹ) لمیٹڈ رینٹ۔اے کار اور ٹور پیکجز کے کاروبار سے منسلک رہا اور گزشتہ سال ۱۷۴ ملین کے مقابلے میں ۲۰۰ ملین روپے کی آمدن ریکارڈ کی اور اس طرح آمدن میں ۱۵ فیصد اضافہ ریکارڈ کیا گیا۔ زیر جائزہ سال کے دوران کمپنی نے گزشتہ سال حاصل ہونے والے ۱۷۷ء۸ ملین کے بعد از ٹیکس منافع کے مقابلے میں ۲۴ء۰۲ ملین کا بعد از ٹیکس نقصان ریکارڈ کیا۔
مکمل ملکیتی ذیلی کمپنیوں سٹی پراپرٹیز (پرائیویٹ) لمیٹڈ اور ایلیٹ پراپرٹیز (پرائیویٹ) لمیٹڈ نے اپنے کمرشل آپریشن شروع نہیں کئے جبکہ دوسری مکمل ملکیتی ذیلی کمپنی پرل کانٹینینٹل ہوٹلز (پرائیویٹ) لمیٹڈ سال ۲۰۱۶-۱۷ 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۔

کمپنیز آرڈیننس ۱۹۸۴ کی دفعہ (۲)۲۴۱ کی رو سے بیان

بورڈ آف ڈائریکٹرز کے اجلاس کے دوران چیف ایگزیکٹو پاکستان میں موجود نہ تھے اور اس طرح یہ ڈائریکٹرز رپورٹ جو کہ بورڈ آف ڈائریکٹرز نے منظور کی ہیں جس پر دو ڈائریکٹرز کے دستخط ہیں۔

منجانب بورڈ آف ڈائریکٹر

ایم۔اے۔ باوانی
ڈائریکٹر

شاکر ابوبکر
ڈائریکٹر

اسلام آباد ۱۹ ستمبر ۲۰۱۷ء

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Pakistan Services Limited and its subsidiary companies as at 30 June 2017 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Pakistan Services Limited and its subsidiary companies. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Pakistan Services Limited and its subsidiary companies as at 30 June 2017 and the results of their operations for the year then ended.

Date: 19 September 2017
Islamabad

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

Pearl - Continental Hotel - Muzaffarabad

Consolidated Balance Sheet

As at 30 June 2017

	Note	2017	2016
		(Rupees'000)	
SHARE CAPITAL AND RESERVES			
Share Capital	4	325,242	325,242
Reserves	5	2,737,968	2,650,630
Unappropriated profit		5,233,980	4,853,511
		8,297,190	7,829,383
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	13.2	23,779,515	23,779,515
NON CURRENT LIABILITIES			
Long term financing	6	6,816,692	2,187,001
Liabilities against assets subject to finance lease	7	10,949	6,565
Deferred liabilities	8	853,844	700,166
		7,681,485	2,893,732
CURRENT LIABILITIES			
Trade and other payables	9	1,676,390	1,619,775
Markup accrued	10	104,285	85,032
Short term borrowings	11	339,943	-
Current portion of long term financing	6	492,500	500,000
Current portion of liabilities against assets subject to finance lease	7	13,119	12,308
		2,626,237	2,217,115
		42,384,427	36,719,745
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

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

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

	Note	2017	2016
		(Rupees'000)	
NON CURRENT ASSETS			
Property, plant and equipment	13	33,273,710	31,972,388
Advance for capital expenditure	14	1,346,935	1,220,607
Investment property	15	50,000	45,000
Long term investments	16	1,355,100	1,190,250
Long term deposits and prepayments	17	24,510	26,332
		36,050,255	34,454,577
CURRENT ASSETS			
Stores, spare parts and loose tools	18	175,714	188,338
Stock in trade - food and beverages		83,160	96,189
Development properties	19	1,097,196	592,901
Trade debts	20	626,337	550,167
Advances	21	104,601	103,268
Trade deposits and prepayments	22	72,444	74,913
Interest accrued		1,375	1,011
Other receivables	23	3,711,142	48,832
Other financial assets	24	27,914	27,613
Advance tax - net	25	108,318	122,157
Cash and bank balances	26	325,971	459,779
		6,334,172	2,265,168
		42,384,427	36,719,745

M.A. Bawany
Director

Shakir Abu Bakar
Director

Consolidated Profit and Loss Account

For the year ended 30 June 2017

	Note	2017	2016
		(Rupees'000)	
Sales and services - net	27	9,920,572	9,250,709
Cost of sales and services	28	(5,553,384)	(5,071,269)
Gross profit		4,367,188	4,179,440
Administrative expenses	29	(2,691,403)	(2,396,421)
Finance cost	30	(413,068)	(170,455)
Other income	31	191,240	347,824
Impairment loss	32	(40,509)	(826,526)
		1,413,448	1,133,862
Share of profit in equity accounted investments - net	16.4 & 16.5	100,499	91,003
Profit before taxation		1,513,947	1,224,865
Taxation	33	(535,778)	(608,565)
Profit for the year		978,169	616,300

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

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

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

M.A. Bawany
Director

Shakir Abu Bakar
Director

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2017

	2017	2016
	(Rupees'000)	
Profit for the year	978,169	616,300
Other comprehensive income for the year		
Items that will not be reclassified to consolidated profit and loss account		
Remeasurement of defined benefits liability	(39,124)	(21,871)
Related tax	11,737	6,561
	(27,387)	(15,310)
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	5,370	33,107
Surplus on remeasurement of available for sale securities	81,968	(44,819)
Share of remeasurement of defined benefit obligation of associate	(1,053)	364
Share of exchange translation reserve for the year	(87)	(330)
Related tax	-	(9,932)
	86,198	(21,610)
Total other comprehensive income for the year	58,811	(36,920)
Total comprehensive income for the year	1,036,980	579,380

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

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

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

M.A. Bawany
Director

Shakir Abu Bakar
Director

Consolidated Cash Flow Statement

For the year ended 30 June 2017

	Note	2017	2016
		(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operating activities before working capital changes	34	2,500,567	2,512,225
Working capital changes			
Decrease / (increase) in current assets			
Stores, spare parts and loose tools		13,610	(37,949)
Stock in trade - food and beverages		13,029	(5,474)
Development property		(504,295)	(592,901)
Trade debts		(57,822)	(21,912)
Advances		(1,333)	480,400
Trade deposits and prepayments		2,469	(8,482)
Other receivables		(13,890)	(13,159)
Decrease in trade and other payables		40,811	(34,510)
Cash used in operations		(507,421)	(233,987)
Staff retirement benefit - gratuity paid	8.1	(44,546)	(30,339)
Compensated leave absences paid	8.3	(19,087)	(18,545)
Income tax paid	25	(466,264)	(664,383)
Finance cost paid		(385,124)	(153,005)
Net cash (used in) / generated from operating activities		1,078,125	1,411,966
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(1,863,574)	(3,448,386)
Advance for capital expenditure		(166,837)	(84,627)
Advance for purchase of land		(3,648,420)	-
Proceeds from disposal of property, plant and equipment	13.4	21,991	63,042
Purchase of other financial assets		(31)	-
Proceeds from maturity of other financial assets		-	2,400
Dividend income received		42,034	54,451
Receipts of return on bank deposits, short term advance and certificates of investments		25,480	92,492
Long term deposits and prepayments		1,822	(2,305)
Net cash used in investing activities		(5,587,535)	(3,322,933)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(500,000)	(66,667)
Proceeds from long-term financing		5,150,000	2,000,000
Payment of transaction cost of long term financing		(36,500)	-
Dividend paid		(561,185)	(320,176)
Repayment of liabilities against assets subject to finance lease		(16,656)	(22,807)
Net cash generated from financing activities		4,035,659	1,590,350
Net decrease in cash and cash equivalents		(473,751)	(320,617)
Cash and cash equivalents at beginning of the year		459,779	780,396
Cash and cash equivalents at end of the year	35	(13,972)	459,779

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

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

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

M.A. Bawany
Director

Shakir Abu Bakar
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

		Capital reserve		Revenue reserves				
	Share capital	Share premium	Share of associate's capital reserve	General reserve	Exchange translation reserve (net of tax)	Surplus on remeasurement of available for sale securities	Unappropriated profit	Total equity
	(Rupees'000)							
Balance at 01 July 2015	325,242	269,424	147,221	1,600,000	470,594	185,365	4,577,399	7,575,245
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	616,300	616,300
Other comprehensive income for the year	-	-	-	-	22,845	(44,819)	(14,946)	(36,920)
Total comprehensive income for the year	-	-	-	-	22,845	(44,819)	601,354	579,380
Transaction with owners of the Company Distribution:								
Final cash dividend 30 June 2015-Rs. 5 per share	-	-	-	-	-	-	(162,621)	(162,621)
Interim cash dividend 2016 - Rs. 5 per share	-	-	-	-	-	-	(162,621)	(162,621)
Total distribution	-	-	-	-	-	-	(325,242)	(325,242)
Balance at 30 June 2016	325,242	269,424	147,221	1,600,000	493,439	140,546	4,853,511	7,829,383
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	978,169	978,169
Other comprehensive income for the year	-	-	-	-	5,370	81,968	(28,527)	58,811
Total comprehensive income for the year	-	-	-	-	5,370	81,968	949,642	1,036,980
Transaction with owners of the Parent 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	325,242	269,424	147,221	1,600,000	498,809	222,514	5,233,980	8,297,190

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

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

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

M.A. Bawany
Director

Shakir Abu Bakar
Director

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

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'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 a 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".

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%

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified by the Commission, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail. The applicable financial reporting framework for insurance companies also includes the Insurance Ordinance, 2001 and the provisions of and directives issued by the Securities and Exchange Commission of Pakistan.

Details of the Group's accounting policies are included in Note 3.

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 profit and loss account 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 profit and loss account. 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 profit and loss account.

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 profit and loss account. 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 Company 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 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.

Intera-group transactions
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 and 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 profit and loss account.

2.3 Basis of measurement and preparation

During the year, on 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the Companies Ordinance, 1984 (the repealed Ordinance). However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular No. 17 of 2017 dated 20 July 2017 has advised that the Companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

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.

- certain items of property, plant and equipment have been measured at revalued amounts;
- investment property has been measured at fair value;

- held for trading investments have been recognised at fair value; and
- liability related to staff retirement gratuity and compensated absences is stated at present values determined through actuarial valuation.

2.4 Functional and presentation currency

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

2.5 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting standards as applicable in Pakistan require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods is the revision effects of both current and future periods.

Judgments and estimates made by management in the application of approved accounting standards that may have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the next years are discussed in the ensuing paragraphs;

2.5.1 Property, plant and equipment

The Group reviews the useful lives and residual values of property, plant and equipment on regular basis. Fair value of property, plant and equipment is determined by independent surveyors on market value. Any change in such estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge, impairment and revaluation surplus and related deferred tax liability.

During the year, the Group revised its estimate and changed its depreciation rate for buildings at 5%, which was previously being depreciated at 10%. If the Company had not revised its estimate, the profit would have been lower by Rs.107.55 million.

2.5.2 Taxation

The Group takes into account the current income tax laws and decisions taken by the taxation authorities. Instances where the Group view differs from the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

2.5.3 Employee benefits

The present value of the obligation for gratuity and compensated absences depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge for the year include the discount rate, expected increase in eligible salary and mortality rate. Any changes in these assumptions will impact the carrying amount of obligation for gratuity and compensated leave absences.

2.5.4 Stores, spare parts and loose tools and stock in trade

The Group reviews the carrying value of stores, spare parts and loose tools and stock in trade to assess any diminution in the respective carrying values. Any change in estimates in future years might affect the carrying value of store, spares parts and loose tools and stock in trade. Net realisable value is determined with reference to estimated selling price less estimated cost of completion and expenditure to make the sales.

2.5.5 Provision against trade debts, advances and other receivables

The Group reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

2.5.6 Impairment of financial assets

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

2.5.7 Impairment of non-financial assets

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

2.5.8 Fair value of investment property

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

2.5.9 Fair value of investments - held for trading

The fair value of "held for trading" investments are determined by reference to their quoted closing price at the reporting date. Any change in the estimate might affect carrying amount of investments "held for trading" with corresponding effect in consolidated profit and loss account.

2.5.10 Provision and contingencies

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

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

2.5.11 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 valuation team 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 might be categorized in 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.

2.6 Standards, interpretations and amendments to the approved accounting standards that are not yet effective.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

- Amendments to IAS 12 Income Taxes are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Group's consolidated financial statements.

- Amendments to IAS 7 Statement of Cash Flows are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. 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.

- Amendments to IFRS 2 Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 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 recognised 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 1 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 IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

- Amendments to IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The amendments are not likely to have an impact on Group's consolidated financial statements.

- Amendments to IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organisation 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 1 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 recognised. 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 recognised. 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.

- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 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.

In addition, the Companies Act, 2017 was enacted on 30 May 2017 and Securities and Exchange Commission of Pakistan (SECP) vide its circular 17 of 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on 01 July 2017 requires certain additional disclosures and changes for certain accounting treatments including accounting for surplus on revaluation of property, plant and equipment investments in associates which may require change in the relevant accounting policy.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as set out below have been applied consistently to all periods presented in these consolidated financial statements.

3.1 Property, plant and equipment and advance for capital expenditure

3.1.1 Owned

Recognition and measurement

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

Surplus arising out of revaluation of land is treated in accordance with the requirements of the Section 235 of the Companies Ordinance, 1984.

Capital work in progress and advance for capital expenditure are transferred to the respective item of property, plant and equipment when 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 profit and loss account.

Subsequent expenditure

Subsequent expenditure is capitalised 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 profit and loss account at rates given in note 13 to these consolidated financial statements. Land and capital work in progress are not depreciated.

Depreciation on additions to property, plant and equipment is charged 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.

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.

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

Ijarah

Assets held under Ijarah arrangement are classified as operating leases and are not recognised in the Group's balance sheet.

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

3.2 Investment property

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

3.3 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at weighted average cost except for items in transit which are stated at cost incurred up to the 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.

3.4 Stock in trade

Stock of food and beverages

These are stated at the 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 estimated cost of completion and estimated cost necessary to make the sale. The cost of stock of food and beverages is determined on a moving average basis.

Goods in transit

These are stated at cost, accumulated to the consolidated balance sheet date, less impairment losses, if any.

3.5 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.

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The Group 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 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 entity 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.

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 consolidated profit and loss account 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 profit and loss account.

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 OCI 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 profit and loss account.

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, as reduced by appropriate provision for impairment. Known impaired assets are written off, while assets considered doubtful of recovery are fully provided for. The provision for these assets is based on the Group's assessment of the collectability of counterparty accounts. The Group regularly reviews assets which remain outstanding past their applicable payment terms and establishes provision and potential write offs by considering factors such as historical experience, credit quality, age of these assets and current economic conditions that may affect a counterparty's ability to pay.

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.

3.5.1.4 Offsetting of financial assets and financial liabilities

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

3.6 Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are 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 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 profit and loss account.

3.8.3 Defined benefit plans

The Group operates the following defined benefit plans:

a. Gratuity

The Group operates a defined benefit plan comprising an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to consolidated profit and loss account. Actuarial valuations are carried out by a qualified actuarial expert using the Projected Unit Credit (PUC) Actuarial Cost Method. Net interest expense and other expenses related to defined benefit plan is recognised in consolidated profit and loss account.

b. Compensated leave absences

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

3.9 Income tax

Income tax expense comprises current and deferred tax. It is recognised in consolidated profit and loss account 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 profit and loss account on a straight-line basis over the term of the lease.
- Revenue from minor operating departments is recognized as and when services are provided to the customers.
- Privilege Club Card fee is recognised in the consolidated profit and loss account on a straight line basis over the term of the related card.

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 consolidated balance sheet date and exchange differences, if any, are recognised in consolidated profit and loss account. 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 profit and loss account.

3.12 Finance income and finance cost

The Group'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. 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 profit and loss account 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 profit and loss account.

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 profit and loss account, 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 profit and loss account. 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 Development properties

Development properties include land acquired to carry on real estate business and property development. These are carried in the consolidated balance sheet 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.

3.15 Cash and cash equivalents

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

3.16 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.

3.17 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.

4 SHARE CAPITAL

4.1 Authorised share capital

Authorized share capital is 200,000,000 (2016: 200,000,000) ordinary share of Rs. 10 each.

4.2 Issued, subscribed and paid up share capital

2017	2016		2017	2016
Numbers of shares			(Rupees'000)	
		Ordinary shares of Rs.10 each		
25,672,620	25,672,620	- Fully paid in cash	256,726	256,726
362,100	362,100	- For consideration other than cash (against property)	3,621	3,621
6,489,450	6,489,450	- Fully paid bonus shares	64,895	64,895
32,524,170	32,524,170		325,242	325,242

As of the reporting date 7,255,136 (2016: 3,225,136) and 585,438 (2016: 584,938) ordinary shares of Rs. 10 each were held by associated companies and directors of the Company respectively.

5 RESERVES

	Note	2017	2016
		(Rupees'000)	
Capital reserve			
Share premium	5.1	269,424	269,424
Share of associate's capital reserve		147,221	147,221
Revenue Reserves			
General reserve		1,600,000	1,600,000
Exchange translation reserve		498,809	493,439
Surplus on remeasurement of available for sale securities		222,514	140,546
		2,737,968	2,650,630

5.1 This represents share premium received in the fiscal years 1992, 1994 and 1996 on issue of 21,724,720 right shares at a premium of Rs. 15 each adjusted by Rs. 56.45 million issued as bonus shares in the fiscal years 2000-2001 and 2003-2004.

6 LONG TERM FINANCING - Secured

	Note	2017	2016
		(Rupees'000)	
From banking companies - Conventional banks			
Term Finance Loan - 1		-	50,000
Term Finance Loan - 2	6.1	850,000	850,000
Syndicated term loan	6.2	1,350,000	1,800,000
Term Finance Loan - 3	6.3	2,150,000	-
Term Finance Loan - 4	6.4	3,000,000	-
Transaction cost		(40,808)	(12,999)
		7,309,192	2,687,001
Current portion of long term financing		(492,500)	(500,000)
		6,816,692	2,187,001

6.1 This represents term finance loan of Rs. 350 million (2016: Rs. 350 million) and Rs. 500 million (2016: Rs. 500 million) carrying markup of 3-month KIBOR plus 1.5% per annum (2016: 3-month KIBOR plus 1.5%). 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 (2016: 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 (2016: 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, commencing from June 2018.

6.2 This represents the outstanding balance of syndicated term loan of Rs. 1,800 million carrying markup of 6-month KIBOR plus 1.95% per annum payable semi-annually (2016: 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. Repayments have started from July 2016.

6.3 This represents term finance loan availed during the year carrying markup of 3-month KIBOR plus 0.75% per annum payable quarterly (2016: Nil). 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 (2016: Nil) and Rs. 1,667 million (2016: Nil) respectively. The loan is repayable in twenty equal quarterly installments of Rs. 107.50 million commencing from January 2019.

6.4 This represents term finance loan availed during the year carrying markup of 3-month KIBOR plus 0.75% per annum payable quarterly (2016: Nil). 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 (2016: Nil). The loan is repayable in eighteen equal quarterly installments of Rs. 166.67 million commencing from September 2018.

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured - Conventional banks

	Present value of minimum lease payments	Financial charges for future periods	Total lease rentals
		2017 - (Rupees'000)	
Not later than one year	13,119	1,211	14,330
Later than one year and not later than five years	10,949	701	11,650
	24,068	1,912	25,980
		2016- (Rupees'000)	
Not later than one year	12,308	960	13,268
Later than one year and not later than five years	6,565	224	6,789
	18,873	1,184	20,057

7.1 This represents utilised amount out of total lease finance facilities of Rs. 100 million (2016: Rs. 100 million) availed by a subsidiary for purchase of vehicles. These carry markup of 3-month KIBOR plus 1% per annum. This facility is secured against ownership of leased vehicles and guarantee of Rs. 50 million (2016: Rs. 50 million) by the Parent Company.

8 DEFERRED LIABILITIES

	Note	2017	2016
		(Rupees'000)	
Staff retirement benefit - gratuity	8.1	486,683	417,143
Deferred tax liability	8.2	229,168	185,231
Compensated leave absences	8.3	137,993	97,792
		853,844	700,166

8.1 Staff retirement benefit - gratuity

The Group operated an unfunded gratuity scheme of its employees detail of which are as follows:

	Note	2017	2016
		(Rupees'000)	
Movement in the liability recognised in the balance sheet			
Opening balance		417,143	370,406
Charge for the year	8.1.1	81,896	55,205
Payments made during the year		(44,546)	(30,339)
Benefits payable		(6,934)	-
Experience adjustments on defined benefit obligation	8.1.2	39,124	21,871
Closing balance		486,683	417,143
Reconciliation of liability recognised in the balance sheet			
Present value of defined benefit obligation		486,683	417,143

8.1.1 Charge to profit and loss account

	2017	2016
Current service cost	23,380	20,571
Interest cost	28,470	34,634
Past service cost	30,046	-
	81,896	55,205

8.1.2 Charge to statement of other comprehensive income

	2017	2016
Actuarial losses/ (gains) from changes in financial assumptions	233	(1,104)
Experience adjustments on defined benefit obligation	38,891	22,975
	39,124	21,871

The latest actuarial valuation was carried out on 30 June 2017 using projected unit credit method.

	2017	2016
	(Rupees'000)	
Actuarial assumption		
Discount rate	7.25%	9.75%
Expected increase in eligible salary	7.75%	7.25%
Mortality rate	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year

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

Sensitivity analysis

For a change of 100 basis points, present value of defined benefit obligation as at 30 June 2017 would have been as follows:

	2017		2016	
	Increase	Decrease	Increase	Decrease
	(Rupees'000)		(Rupees'000)	
Discount rate	428,558	489,356	390,222	447,317
Salary increase rate	489,531	427,858	447,488	389,558

Risk associated with defined benefit plan

Salary Risk - (linked to inflation risk)

The risk that the final salary at the time of cessation of service is greater than what we 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.

Expected benefit payments for the next 10 years and beyond;

Years	(Rupees '000)
FY 2018	49,747
FY 2019	40,999
FY 2020	38,908
FY 2021	49,302
FY 2022	48,774
FY 2023	46,596
FY 2024	50,517
FY 2025	63,124
FY 2026	64,910
FY 2027	72,641
FY 2028 onwards	983,832

		Note	2017	2016
			(Rupees'000)	
8.2	**Deferred tax liability**			
	Taxable temporary differences			
	Accelerated tax depreciation		467,783	427,204
	Exchange translation reserve		141,110	141,760
			608,893	568,964
	Less: deductible temporary differences			
	Provision for staff retirement benefit		155,519	125,143
	Provision against doubtful debts and other receivables		59,661	65,165
	Unabsorbed tax losses and depreciation		122	122
	Impairment loss in value of investment		1,590	1,590
	Provision for stores, spare parts and loose tools		434	730
	Share in loss of equity accounted investments		28,176	56,804
	Income not yet received		44	-
	Write down of investment to its net selling price		134,179	134,179
			379,725	383,733
			229,168	185,231
8.2.1	**Charge for the year is recognised as follows:**			
	- Recognised in consolidated profit and loss account	33	55,675	31,619
	- Recognised in consolidated statement of comprehensive income		(11,737)	3,371
			43,938	34,990

		Note	2017	2016
			(Rupees'000)	
8.3	**Compensated leave absences**			
	Movement in the liability recognised in the balance sheet			
	Opening balance		97,792	99,842
	Charge for the year	8.3.1	60,171	16,495
	Payments made during the year		(19,087)	(18,545)
	Benefits payable		(883)	-
	Closing balance		137,993	97,792
8.3.1	**Charge to consolidated profit and loss account**			
	Current service cost		23,348	22,626
	Interest cost		6,378	8,830
	Past service cost		3,171	-
	Experience adjustments on defined benefit obligation		27,274	(14,961)
			60,171	16,495

Actuarial assumption

	2017	2016
Discount rate	7.25%	9.75%
Expected increase in eligible salary	7.75%	7.25%
Mortality rate	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year

		Note	2017	2016
			(Rupees'000)	
9	**TRADE AND OTHER PAYABLES**			
	Creditors		267,906	298,820
	Accrued liabilities		580,056	547,187
	Advances from customers		323,783	260,598
	Unclaimed dividend	9.1	16,588	8,600
	Retention money		95,109	83,138
	Shop deposits		55,630	54,395
	Due to related parties - unsecured		25,129	14,814
	Sales tax payable - net		103,030	97,516
	Bed tax payable		-	60,359
	Income tax deducted at source		3,300	6,477
	Un-earned income		155,375	147,472
	Other liabilities		50,484	40,399
			1,676,390	1,619,775

9.1 This includes an amount of Rs. 0.05 million (2016: 0.02 million) payable to related parties.

10 MARKUP ACCRUED - Conventional Banks

Accrued markup pertain to financing facilities availed from conventional banks.

		2017	2016
		(Rupees'000)	
11	**SHORT TERM BORROWINGS - Conventional Banks - Secured**		
11.1	**Running finance facilities - from banking companies**	339,943	-

These facilities are obtained from various commercial banks with an aggregate limit of Rs. 1,250 million (2016: 1,050 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 group. These facilities carry markup rates ranging from 1-month KIBOR to 3-month KIBOR plus 0.6% to 1.5% (2016: 1-month KIBOR to 3-month KIBOR plus 1.5% to 2.0%) per annum.

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11.2 The Parent Company has unutilised running finance facilites aggregating to Rs. 910.06 million (2016: 1,050 million) at the year end.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies - Parent Company

12.1.1 The income tax assessments of the Parent Company have been finalised and returns have been filed up to and including the tax year 2016. 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. 73.17 million (2016: Rs. 73.17 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.

	2017	2016
	(Rupees'000)	
12.1.2 **Guarantees**	251,721	240,243
12.2 **Commitments**		
Commitments for capital expenditure	992,863	426,609

Notes to the Consolidated Financial Statements

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13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Furniture, fixtures, fittings and office equipment	Computers	Vehicles	Leased vehicles	Capital work in progress (Note 13.1)	Total
	Rupees'000										
Cost / revalued amounts											
Balance at 01 July 2015	10,981,000	13,323,790	1,381,943	1,664,969	3,049,363	1,387,726	212,267	298,545	83,954	1,034,293	33,417,850
Additions during the year	1,794,341	50,000	342,519	84,979	325,018	242,266	61,008	16,323	-	602,196	3,518,650
Disposals	-	-	-	-	(19,791)	-	(355)	(65,493)	-	-	(85,639)
Transfer from CWIP	-	-	15,072	144,169	115,035	198,626	19,299	-	-	(492,201)	-
Transfer from lease assets to owned assets	-	-	-	-	-	-	-	33,760	(33,760)	-	-
Balance at 30 June 2016	12,775,341	13,373,790	1,739,534	1,894,117	3,469,625	1,828,618	292,219	283,135	50,194	1,144,288	36,850,861
Balance at 01 July 2016	12,775,341	13,373,790	1,739,534	1,894,117	3,469,625	1,828,618	292,219	283,135	50,194	1,144,288	36,850,861
Additions during the year	15,360	-	3,626	66,451	42,107	388,433	64,315	10,431	21,851	1,272,851	1,885,425
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	-	-	-	112,289	99,287	67,373	64,054	-	-	(343,003)	-
Balance at 30 June 2017	12,790,701	13,373,790	1,695,236	2,009,422	3,566,162	2,234,376	417,641	309,287	46,792	2,074,136	38,517,543
Accumulated depreciation											
Balance at 01 July 2015	-	-	621,671	674,365	2,089,113	673,463	157,037	159,401	20,724	-	4,395,774
Charge for the year	-	-	80,883	98,079	164,246	132,630	25,084	18,410	9,275	-	528,607
On disposals	-	-	-	-	(14,477)	-	(195)	(31,236)	-	-	(45,908)
Transfer from lease assets to owned assets	-	-	-	-	-	-	-	15,578	(15,578)	-	-
Balance at 30 June 2016	-	-	702,554	772,444	2,238,882	806,093	181,926	162,153	14,421	-	4,878,473
Balance at 01 July 2016	-	-	702,554	772,444	2,238,882	806,093	181,926	162,153	14,421	-	4,878,473
Charge for the year	-	-	47,507	60,046	181,739	161,369	50,410	20,487	4,707	-	526,265
On 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	9,444	-	5,243,833
Carrying value - 2017	12,790,701	13,373,790	979,374	1,216,992	1,182,234	1,307,498	187,762	123,875	37,348	2,074,136	33,273,710
Carrying value - 2016	12,775,341	13,373,790	1,036,980	1,121,673	1,230,743	1,022,525	110,293	120,982	35,773	1,144,288	31,972,388
Rate of depreciation per annum		-	5%	5%	15%	15%	30%	15%	15%	-	-

Notes to the Consolidated Financial Statements

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	Note	2017	2016
		(Rupees'000)	
13.1 Capital work in progress			
Opening balance		1,144,288	1,034,293
Additions during the year		1,272,851	602,196
Transfer to property, plant and equipment		(343,003)	(492,201)
	13.1.1	2,074,136	1,144,288
13.1.1 Construction of Pearl Continental Multan		795,168	616,713
Construction of Pearl Continental Mirpur		500,346	270,094
Other civil works	13.1.2	778,622	257,481
	13.1.3	2,074,136	1,144,288

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

13.1.3 This also includes capitalized borrowing cost amounting to Rs. 135.75 million (2016: Rs. 103.31 million). During the year borrowing cost amounting to Rs. 32.44 million (2016: Rs. 30.79 million) was capitalized at the rate of 7.2% (2016: 8.32%) per annum.

13.2 Surplus on revaluation of land

Freehold and leasehold land were revalued on 30 June 2015 by M/s. Oceanic Surveyors (Private) Limited, an independent valuer, based on market value basis method.

Had the aforementioned revaluation not carried out, the book values of freehold and leasehold land would have been Rs. 2,384.98 million (2016: Rs. 2,369.62 million).

	Note	2017	2016
		(Rupees'000)	
13.3 Depreciation charge has been allocated as follows:			
Cost of sales and services	28	472,746	475,672
Administrative expenses	29	53,519	52,935
		526,265	528,607

Notes to the Consolidated Financial Statements

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13.4 Detail of disposal of property, plant and equipment:

Description	Cost	Carrying value	Sale proceeds	Mode of disposal	Purchaser
		(Rupees'000)			
Building	111,359	37,100	8,823	Negotiation	Various
Furniture, fixture and equipment	50,048	9,466	2,324	Negotiation	Various
Plant and Machinery	44,857	8,163	2,004	Negotiation	Various
Computers	2,947	489	167	Negotiation	Various
Vehicle	855	187	759	Auction	Mr. Siddiqullah
Vehicle	550	56	402	Auction	Mr. Javed Hashim
Vehicle	67	67	533	Auction	Mr.Muhammad Mohsin
Vehicle	65	65	553	Auction	Mr.Muhammad Mohsin
Vehicle	67	67	452	Auction	Mr. Liaqat Ali
Vehicle	67	67	555	Auction	Mr. Adnan Naseer
Vehicle	1,959	833	1,414	Auction	Mr.Abrar Hussain
Vehicle	595	94	325	Auction	Mr. Mehmood Akhter
Vehicle	555	70	395	Auction	Mr. Javed Hashim
Vehicle	2,050	461	868	Auction	Mr.Abrar Hussain
Vehicle	1,354	441	1,050	Auction	Syed Shrafat Hussain
Vehicle	1,348	212	1,367	Auction	Mr. Riaz Khan
2017	218,743	57,838	21,991		
2016	85,639	39,731	63,042		

	Note	2017	2016
		(Rupees'000)	
14 ADVANCE FOR CAPITAL EXPENDITURE			
Advance for purchase of Kurri and Gwadar land	14.1	666,820	666,820
Advance for purchase of Malir Delta Land	14.2	381,656	381,656
		1,048,476	1,048,476
Advance for purchase of apartment		40,509	40,509
Impairment loss	14.3 & 32	(40,509)	-
		-	40,509
Advance for purchase of fixed assets		173,154	84,627
Advances for Pearl Continental Multan Project		47,986	20,160
Advances for Pearl Continental Mirpur Project		77,319	26,835
		298,459	131,622
		1,346,935	1,220,607

14.1 This includes amount of Rs. 626.82 million (2016: 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.

14.2 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 Group 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 Group 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 Group will seek recovery of purchase consideration and land regularization fee paid to the seller and Land Regularization Department respectively.

14.3 This represents amount paid to Creek Marina (Private) Limited ("the developer") for purchase of an apartment. The developer failed to complete the construction within time frame stipulated in the agreement, The Group, in order to safeguard its interest has filed a case for recovery of its advance. Recoverability of this advance is not envisage in foreseeable future, therefore, impairment loss of Rs. 40.51 million (2016: Nil) has been provided against advance for purchase of apartment.

	Note	2017	2016
		(Rupees'000)	
15 INVESTMENT PROPERTY			
15.1 Reconciliation of carrying amount:			
Opening balance		45,000	45,000
Increase in fair value of investment property	31	5,000	-
	15.1.1	50,000	45,000

15.1.1 This represents piece of land, located at Gawadar, owned by the Parent Company. On 30 June 2017, 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.

Changes in fair value are recognised as gains / (losses) in consolidated profit and loss and included in other income. All increase / (decrease) in fair value of investment property are unrealized.

15.2 Measurement of fair values

15.2.1 Fair Value hierarchy

The fair value of investment property was determined by external, independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value measurement of the investment property has been categorised as a level 3 fair value based on the inputs to the valuation technique used (see note 15.2.2).

15.2.2 Valuation techniques and significant unobservable inputs

The following table shows the valuation technique used by the valuer in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Land Valuation techniques	Significant Unobservable Input	Inter-relationship between key unobservable inputs and fair value measurement
- Inquiries to check the price of a similar land in the surroundings of the land, status and condition of the plot / land.	- Rate (value) of appreciation of land, and - Prime location of land with infrastructure.	- The estimated fair value would increase / (decrease) if: - The rate of appreciation of land changed - Infrastructure plan of the city changed.

Since the value has been determined by a third party and inputs are unobservable, sensitivity analysis has not been presented.

		Percentage of holding	Note	2017	2016
				(Rupees'000)	
16	**LONG TERM INVESTMENTS**				
	Associated undertaking - unquoted				
	Hashoo Group Limited - British Virgin Island	14%	16.1	-	-
	Hotel One (Private) Limited	17.85%	16.2	-	-
	Associated undertaking - quoted				
	Jubilee General Insurance Company Limited - an associated company	7.6%		1,355,100	1,190,250
				1,355,100	1,190,250
	Investment in jointly controlled entity - unquoted				
	Pearl Continental Hotels Limited - UAE	50%	16.3	-	-
	Other investments				
	Available for sale - unquoted company				
	Malam Jabba Resorts Limited			1,000	1,000
	Less: Impairment loss			(1,000)	(1,000)
				-	-
				1,355,100	1,190,250

16.1 Hashoo Group Limited - British Virgin Island (HGL)

The Parent Company holds 98,000 (2016: 98,000) ordinary shares of US$ 100 each. 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, the investment has been fully impaired.

16.2 Hotel One (Private) Limited (HOPL)

The Parent Company holds 500,000 (2016: 500,000) ordinary shares of Rs.100 each in 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.

16.3 Pearl Continental Hotels Limited - UAE (PCHL - UAE)

The Parent Company holds 95 (2016: 95) ordinary shares of US $ 50,000 each in PCHL - UAE which represents 50% interest in PCHL - UAE, a jointly controlled entity of the Parent 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 Parent Company is putting all its efforts to recover the losses.

		2017	2016
		(Rupees'000)	
16.4	**Investment in associated undertakings**		
	Cost of investment	1,534,082	1,534,082
	Share of equity brought forward	1,017,180	995,854
	Share of profit for the year - net	101,916	92,786
	Share of surplus on remeasurement of available for sale securities for the year	81,968	(44,819)
	Share of experience adjustments on defined benefit obligation of associate	(1,053)	364
	Share of exchange translation reserve for the year	4,675	26,557
	Dividend received	(41,659)	(53,562)
		145,847	21,326
		1,163,027	1,017,180
	Impairment losses		
	Opening balance	(1,361,012)	(868,555)
	Loss recognised during the year	-	(613,090)
	Loss reversed during the year	19,003	120,633
		(1,342,009)	(1,361,012)
		1,355,100	1,190,250

16.4.1 Summarised financial information of associate and group share is as follows:

	Hashoo Group Limited		Hotel One (Pvt) Limited		Jubilee General Insurance	
	2017	2016	2017	2016	2017	2016
			(Rupees'000)			
Non current assets	7,712,402	7,706,502	157,467	165,459	10,726,115	7,060,064
Current assets	168,035	194,489	305,429	291,535	8,047,286	11,682,710
Non current Liabilities	-	-	30,396	48,069	7,049,960	7,984,196
Current Liabilities	267,174	252,730	94,764	126,354	5,068,851	4,838,723
Net Assets	7,613,263	7,648,261	337,736	282,571	6,654,590	5,919,855
Group share in net assets	1,065,857	1,070,757	47,553	39,786	504,751	449,021
Impairment	(1,066,236)	(1,071,136)	(58,686)	(50,000)	(235,514)	(262,259)
Other adjustments	379	379	11,133	10,214	9,830	9,907
Goodwill	-	-	-	-	709,299	709,299
Impact of policy alignment	-	-	-	-	366,734	284,282
Carrying amount of interest in associate	-	-	-	-	1,355,100	1,190,250
Revenues	-	-	478,110	475,820	5,879,092	5,313,359
Expenses	(40,755)	(28,255)	(416,420)	(415,159)	(4,581,114)	(4,281,435)
Profit / (loss)	(40,755)	(28,255)	61,690	60,661	1,297,978	1,031,924
Group share of profit / (loss)	(5,706)	(3,956)	8,686	8,541	98,452	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 profit and loss account are based on the financial statements of the year/ period ended 30 June 2017.

16.4.2 The Parent Company holds 13,598,606 (2016: 11,902,500) ordinary shares. During the year, Jubilee General Insurance Limited announced bonus shares at 15%. The Parent Company received 1,696,106 shares in current year while balance 89,269 shares were received subsequent to year end.

Out of total shares, 3,000,000 (2016: 3,000,000) ordinary shares are placed / lien marked as security against running finance facility amounting to Rs. 100 million availed by the Parent Company (Refer note 11).

	2017	2016
	(Rupees'000)	
16.5 Investment in jointly controlled entity		
Cost of investment	284,052	284,052
Post acquisition loss brought forward	(70,616)	(75,052)
Share of loss for the year	(1,417)	(1,783)
Share of exchange translation reserve for the year	608	6,219
	(809)	4,436
	(71,425)	(70,616)
Impairment loss	(212,627)	(213,436)
	-	-

	2017	2016
	(Rupees'000)	
16.5.1 Summarised financial information of jointly controlled entity is as follows:		
Non current assets	-	-
Current assets	457,457	456,175
Non current Liabilities	-	-
Current Liabilities	25,420	22,511
Net Assets	432,037	433,664
Group share of net assets	216,019	216,832
Impairment	(213,436)	(213,436)
Reversal of impairment	809	-
Other adjustments	(3,392)	(3,396)
Carrying amount of interest in jointly controlled entity	-	-
Revenues	-	-
Expenses	(2,834)	(3,566)
Loss	(2,834)	(3,566)
Group share of loss	(1,417)	(1,783)

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 and loss account are based on the financial statements of the period ended 30 June 2017.

17 LONG TERM DEPOSITS AND PREPAYMENTS

	Note	2017	2016
		(Rupees'000)	
Deposits	17.1	24,510	24,707
Prepayments		-	1,625
		24,510	26,332

17.1 This includes deposit amounting to Rs. 19.86 million (2016: Rs. 19.98 million) with an Islamic bank to acquire assets under Ijarah agreements.

18 STORES, SPARE PARTS AND LOOSE TOOLS

	2017	2016
	(Rupees'000)	
Stores	121,667	139,568
Spare parts and loose tools	55,493	51,202
	177,160	190,770
Provision for obsolescence	(1,446)	(2,432)
	175,714	188,338

19 DEVELOPMENT PROPERTIES

	Note	2017	2016
Land		1,003,696	562,901
Advance for purchase of land and property	19.1	93,500	30,000
		1,097,196	592,901

19.1 This represents amount of Rs. 60 million (2016: Nil) paid to Pearl Real Estate Holdings (Private) Limited, a related party, for purchase of properties measuring 500 square yards situated at Pearl City Multan.

		Note	2017	2016
			(Rupees'000)	
20	**TRADE DEBTS**			
	Considered good			
	Due from related parties - unsecured	20.1	21,376	17,696
	Others - unsecured		604,961	532,471
			626,337	550,167
	Considered doubtful		194,161	212,508
			820,498	762,675
	Provision against doubtful debts		(194,161)	(212,508)
			626,337	550,167
20.1	**Due from related parties - unsecured**			
	Hashwani Hotels Limited		8,025	2,171
	Hashoo Foundation		705	519
	Hotel One (Private) Limited		298	1,335
	Jubilee General Insurance Company Limited		13	21
	Ocean Pakistan Limited		982	987
	OPI Gas (Private) Limited		-	41
	Pearl Communications (Private) Limited		382	382
	Pearl Real Estate Holdings (Private) Limited		203	213
	Trans Air Travels (Private) Limited		470	1,254
	Tejari Pakistan (Private) Limited		362	478
	Associated Builders (Private) Limited		-	11
	Zahdan Technologies (Private) Limited		-	70
	Zahdan Retail (Private) Limited		9,936	10,105
	Zaver Petroleum Corporation Limited		-	2
	Zaver Mining Private Limited		-	50
	HOAP Foundation		-	57
			21,376	17,696
20.2	**Age analysis of due to related parties is as follows:**			
	Past due by 30 days		1,250	1,440
	Past due by 31 to 90 days		4,602	484
	Past due over 91 days		2,599	2,348
	Past due over 1 year		12,925	13,424
			21,376	17,696
21	**ADVANCES - Considered good**			
	Advances to:			
	Employees - Non-interest bearing		10,047	27,686
	Suppliers and contractors - Non-interest bearing		94,554	75,582
			104,601	103,268
22	**TRADE DEPOSITS AND PREPAYMENTS**			
	Trade deposits - non-interest bearing		25,019	22,598
	Prepayments		47,425	52,315
			72,444	74,913
23	**OTHER RECEIVABLES - non interest bearing**			
	Other receivables - considered good	23.1	3,711,142	48,832
	- considered doubtful		1,954	3,148
			3,713,096	51,980
	Provision for doubtful receivables		(1,954)	(3,148)
			3,711,142	48,832

23.1 These include an amount of Rs. 3,648 million paid during the year to an associated Company, Gulf Properties (Pvt) Ltd., towards the purchase of a piece of land measuring 4.18 acres for construction of multi-story building in Karachi. Accordingly, the amount was recognized as an advance for capital expenditure. Subsequently, the Sindh Building Control Authority in its notification dated 23 May 2017 imposed complete ban on construction of multi-story/ high rise buildings beyond ground plus two stories in Karachi region. Consequently the agreement for purchase of said land stood frustrated and has become impossible of performance and the Company was compelled to rescind the agreement and accordingly parties have agreed for cancellation of the agreement and refund of the advance amount.

24 OTHER FINANCIAL ASSETS

	Note	2017	2016
		(Rupees'000)	
Held to maturity			
Certificate of investments		5,300	5,300
Provision for impairment loss		(5,300)	(5,300)
Certificate of Musharika - Islamic bank		-	9,277
		-	9,277
Available for sale - unquoted			
National Technology Development Corporation (Private) Limited		200	200
Indus Valley Solvent Oil Extraction Limited		500	500
Impairment loss		(700)	(700)
		-	-
Loans and receivables			
Term Deposit Receipt/ Certificate of investments - Conventional banks	24.1	18,831	9,523
Financial assets at fair value through profit or loss - held for trading			
Short term investments in shares of listed companies - (Non shariah compliant)	24.2	9,083	8,813
		27,914	27,613

24.1 This represents 01 year term deposit receipts carrying interest rate at 5% (2016: 5%).

	Unrealised gain/ (loss)		Fair Value	
	(Rupees'000)			
	2017	2016	2017	2016
24.2 Short term investments in shares of listed companies - (Non shariah compliant)				
Pakistan Telecommunication Company Limited 350,000 (2016: 350,000) ordinary shares	203	(1,914)	5,464	5,261
Lotte Chemical Pakistan Limited 150,000 (2016: 150,000) ordinary shares	576	(137)	1,478	902
Fauji Fertilizer Bin Qasim Limited 50,000 (2016: 50,000) ordinary shares	(509)	(115)	2,141	2,651
	270	(2,166)	9,083	8,813

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

		Note	2017	2016
			(Rupees'000)	
25	**ADVANCE TAX - net**			
	Opening balance		122,157	34,720
	Income tax paid during the year		466,264	664,383
	Charge for the year	33	(480,103)	(576,946)
	Closing balance		108,318	122,157
26	**CASH AND BANK BALANCES**			
	Cash in hand		16,039	66,240
	Cash at bank: Conventional banks			
	Current accounts - Local currency		31,848	20,210
	Deposit accounts - Local currency	26.1	277,963	371,627
	Deposit accounts - Foreign currency	26.2	121	1,702
			309,932	393,539
			325,971	459,779

26.1 Deposit accounts carry interest rates ranging from 1.75% to 5.75% (2016: 2% to 5.75%) per annum.

26.2 Deposit accounts carry interest ranging from 0.25% (2016: 0.25%) per annum.

		Note	2017	2016
			(Rupees'000)	
27	**SALES AND SERVICES - net**			
	Rooms		5,527,058	5,145,750
	Food and beverages		5,411,564	5,082,779
	Other related services	27.1	572,700	524,248
	Vehicle rental		174,413	170,438
	Shop license fees		43,204	33,270
			11,728,939	10,956,485
	Discounts and commissions		(216,512)	(191,738)
	Sales tax		(1,591,855)	(1,514,038)
			9,920,572	9,250,709

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

	Note	2017	2016
		(Rupees'000)	
28 COST OF SALES AND SERVICES			
Food and beverages			
Opening balance		96,189	90,715
Purchases during the year		1,595,140	1,587,160
Closing balance		(83,160)	(96,189)
Consumption during the year		1,608,169	1,581,686
Direct expenses			
Salaries, wages and benefits	28.1	1,481,484	1,411,634
Heat, light and power		700,862	698,805
Repairs and maintenance		634,166	301,564
Depreciation	13.3	472,746	475,672
Guest supplies		225,179	213,420
Linen, china and glassware		103,171	90,379
Communication and other related services		78,856	74,101
Banquet and decoration		69,965	67,945
Transportation		28,066	21,954
Uniforms		23,749	22,081
Music and entertainment		12,253	12,327
Insurance		4,757	5,326
Vehicle operating expense		31,219	34,426
Vehicle rentals and registration charges		36,652	26,471
Others		42,090	33,478
		5,553,384	5,071,269

28.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs.100.44 million (2016: Rs.63.59 million).

	Note	2017	2016
		(Rupees'000)	
29 ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	29.1	1,084,514	878,033
Rent, rates and taxes		184,433	188,789
Security and protective services		310,689	269,285
Advertisement and sales promotion		91,359	83,397
Repairs and maintenance		94,840	44,587
Heat, light and power		82,121	79,501
Travelling and conveyance		52,462	80,203
Depreciation	13.3	53,519	52,935
Communications		20,931	25,839
Printing and stationery		40,563	40,036
Legal and professional charges		65,142	89,269
Insurance		90,766	83,428
Entertainment		15,332	10,111
Subscriptions		54,654	41,207
Laundry and dry cleaning		7,560	8,617
Uniforms		6,655	5,588
Auditors' remuneration	29.2	4,471	4,504
(Reversal of provision) / provision against doubtful debts		(18,347)	11,263
Donations		376,350	332,500
Vehicle rentals and registration charges	29.3	37,277	49,620
Franchise fee		10,642	11,923
Miscellaneous		25,470	5,786
		2,691,403	2,396,421

29.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 75.22 million (2016: Rs. 39.46 million).

	2017	2016
	(Rupees'000)	
29.2 Auditors' remuneration		
Annual audit fee	2,587	2,350
Audit of consolidated financial statements	495	450
Half yearly review	572	520
Special reports and certificates	632	476
Tax advisory	185	708
	4,471	4,504

29.3 This includes Ijarah payments of Rs. 36.97 million (2016: Rs. 44.72 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 consolidated profit and 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	2017	2016
		(Rupees'000)	
Within one year		31,759	32,714
After one but not more than five years		61,729	44,661
		93,488	77,375
30 FINANCE COST - Conventional banks			
Markup on long term financing		296,223	94,268
Markup on short term borrowings		34,420	3,859
Markup on liabilities against assets subject to finance lease		1,617	2,694
Credit cards, bank and other charges		80,808	69,634
		413,068	170,455
31 OTHER INCOME			
Income from financial assets			
Return on bank deposits /treasury bills - conventional banks		25,847	49,461
Exchange gain - net - actual currency		3,772	4,967
Dividend income	31.1	375	889
Unrealised gain /(loss) on remeasurement of investments to fair value - net	24.2	270	(2,166)
Interest on short term advance to related party		-	38,060
		30,264	91,211
Income from non financial assets			
Concessions and commissions		8,745	9,786
(Loss) / gain on disposal of property, plant and equipment		(35,847)	23,311
Unrealised gain on remeasurement of investments property	15	5,000	-
Liabilities written back		68,209	2,980
Communication towers and other rental income		61,441	61,155
Reversal of impairment loss on associates and jointly controlled entity		19,812	120,633
Others - net	31.2	33,616	38,748
		160,976	256,613
		191,240	347,824
31.1 Dividend income			
Fauji Fertilizer Bin Qasim Limited		25	889
Pakistan Telecommunication Company Limited		350	-
		375	889

		Note	2017	2016
			(Rupees'000)	
31.2	**Others**			
	Franchise fee		4,972	3,996
	Shuttle service		1,295	1,401
	Multimedia rentals		18	1,563
	Parking /other Fee		6,230	6,295
	ATM rental		3,356	3,112
	Other services		17,745	22,381
			33,616	38,748
32	**IMPAIRMENT LOSS**			
	Impairment loss on advance for purchase of apartment	14.3	40,509	-
	Impairment loss on investment in associated undertaking		-	613,090
	Impairment loss on investment in jointly controlled entity		-	213,436
			40,509	826,526
33	**INCOME TAX EXPENSE**			
	Provision for tax			
	- Current		482,386	599,288
	- Prior		(2,283)	(22,342)
			480,103	576,946
	- Deferred		55,675	31,619
	Tax expense for the year		535,778	608,565
	Relationship between accounting profit and tax expense is as follows:			
	Accounting profit for the year		1,513,947	1,224,865
	Tax charge @ 31% (2016: 32%)		469,324	391,957
	Tax effect of permanent differences		85,060	197,217
	Tax effect of exempt income		(52,239)	(36,800)
	Tax effect of income subject to lower taxation		(8,050)	(9,153)
	Tax effect of super tax		43,966	52,241
	Tax effect of change in tax rate		-	35,446
	Prior years' tax charge		(2,283)	(22,343)
			535,778	608,565
34	**CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES**			
	Profit before tax		1,513,947	1,224,865
	Adjustments for:			
	Depreciation	13.3	526,265	528,607
	Loss / (gain) on disposal of property, plant and equipment	31	35,847	(23,311)
	Provision for staff retirement benefit - gratuity	8.1	81,896	55,205
	Provision for compensated absences	8.3	60,171	16,495
	(Reversal of provision) / provision made for doubtful debts	29	(18,347)	11,263
	Return on bank deposits / treasury bills	31	(25,847)	(49,461)
	Interest on short term advance to related party	31	-	(38,060)
	Share of gain on equity accounted investments		(100,499)	(91,003)
	Finance cost	30	413,068	170,455
	Dividend income	31	(375)	(889)
	Reversal of impairment on investments in associated companies	31	(19,812)	(120,633)
	Unrealized loss on remeasurement of investment to fair value	31	(270)	2,166
	Unrealised gain on remeasurement of investments property	31	(5,000)	-
	Impairment loss	32	40,509	826,526
	Provision for obsolescence in stores, spares and loose tools	18	(986)	-
			2,500,567	2,512,225

35 CASH AND CASH EQUIVALENTS

	Note	2017	2016
		(Rupees'000)	
Cash and bank balances	26	325,971	459,779
Short term borrowing	11	(339,943)	-
		(13,972)	459,779

36 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2017			2016		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees'000)					
Managerial remuneration	31,935	31,843	521,500	18,000	30,299	375,346
Provident fund contribution	1,032	1,616	12,194	-	1,595	8,988
Provision for gratuity	986	1,278	7,875	-	3,104	1,560
Meeting fee	15	450	-	-	540	-
	33,968	35,187	541,569	18,000	35,538	385,894
Number of Persons	1	2	174	1	3	152

* This includes Rs. 300,000 (2016: Rs. 330,000) paid to non-executive directors of the Parent Company.

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

37 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated and subsidiary companies, directors as well as their close family members, companies with common directorship, executives, key management personnel, major shareholders and provident fund. Balances with related parties are disclosed in notes 4, 9, 14, 16, 19, 20 and 23 to the consolidated financial statements. Transactions with related parties are as follows:

	2017	2016
	(Rupees'000)	
Transactions with associated undertakings		
Sales	1,096	664
Services provided	16,904	21,370
Services received	58,620	42,946
Purchases	134,957	116,442
Purchase of air tickets	-	23,289
Franchise fee - income	4,972	3,996
Franchise and management fee - expense	10,642	11,923
Sale of stores, spares & loose tools	-	763
Interest income on advance	-	38,060
Dividend income	41,659	53,562
Dividend paid	151,335	59,968
Sale of constructions materials	-	20,486
Purchase of property, plant & equiptment	-	1,949,967
Advances	24,518	8,441
Other receivable	3,648,420	-

	Note	2017	2016
		(Rupees'000)	
Transactions and balances with other related parties			
Sales		9	6
Services provided		181	53
Services received		44,913	83,969
Purchases		5,262	4,435
Contribution to defined contribution plan - provident fund		38,284	33,410
Advance for purchase of vehicle		-	3,500
Dividend paid		6	16
Advances		-	12,275
Transactions with key management personnel			
Remuneration and allowances including staff retirement benefits	37.1	73,189	55,759
Dividend paid		10,127	5,770

37.1 **Compensation to key management personnel**

	2017	2016
Salaries and other benefits	63,778	48,299
Contribution to provident fund	2,648	1,595
Gratuity	2,264	3,104
Bonus	2,555	2,221
Meeting fee	465	540
Others	1,479	-
	73,189	55,759
Number of persons	4	4

38 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FAIR VALUES

38.1 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

		Carrying amount				Fair value			
30 June 2017	Note	Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees'000)							
Financial assets measured at fair value									
Other financial assets		9,083	-	-	9,083	9,083	-	-	9,083
Financial assets not measured at fair value	38.2								
Long term deposits	17	-	24,510	-	24,510	-	-	-	-
Trade debts	20	-	626,337	-	626,337	-	-	-	-
Advance to employees	21	-	10,047	-	10,047	-	-	-	-
Trade deposits	22	-	25,019	-	25,019	-	-	-	-
Interest accrued		-	1,375	-	1,375	-	-	-	-
Other receivables	23	-	3,711,142	-	3,711,142	-	-	-	-
Term Deposit Receipt/ certificate of investments	24.1	-	18,831	-	18,831	-	-	-	-
Cash and bank balances	26	-	325,971	-	325,971	-	-	-	-
		-	4,743,232	-	4,743,232	-	-	-	-
Financial liabilities not measured at fair value									
Long term financing	6	-	-	7,350,000	7,350,000	-	-	-	-
Liabilities against assets subject to finance lease	7	-	-	24,068	24,068	-	-	-	-
Short term borrowings	11			339,943	339,943				
Trade and other payables	38.2 & 38.3	-	-	1,090,902	1,090,902	-	-	-	-
Markup accrued	38.2	-	-	104,285	104,285	-	-	-	-
		-	-	8,909,198	8,909,198	-	-	-	-

On-balance sheet financial instruments

30 June 2016	Note	Carrying amount: Fair value through profit and 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									
Other financial assets		8,813	-	-	8,813	8,813	-	-	8,813
Financial assets not measured at fair value	38.2								
Long term deposits	17	-	24,707	-	24,707	-	-	-	-
Trade debts	20	-	550,167	-	550,167	-	-	-	-
Advance to employees	21	-	27,686	-	27,686	-	-	-	-
Trade deposits	22	-	22,598	-	22,598	-	-	-	-
Interest accrued		-	1,011	-	1,011	-	-	-	-
Other receivables	23	-	48,832	-	48,832	-	-	-	-
Certificate of investments	24.1	-	18,800	-	18,800	-	-	-	-
Cash and bank	26	-	459,779	-	459,779	-	-	-	-
		-	1,153,580	-	1,153,580	-	-	-	-
Financial liabilities not measured at fair value									
Long term financing	6	-	-	2,700,000	2,700,000	-	-	-	-
Liabilities against assets subject to finance lease	7	-	-	18,873	18,873	-	-	-	-
Short term borrowings	11	-	-	-	-	-	-	-	-
Trade and other payables	38.2 & 38.3	-	-	1,047,353	1,047,353	-	-	-	-
Markup accrued	38.2	-	-	85,032	85,032	-	-	-	-
		-	-	3,851,258	3,851,258	-	-	-	-

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

38.2 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.

38.3 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 Group approximate their carrying values. A number of Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and /or disclosure purposes based on the following methods.

Non - derivative financial assets
The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non - derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Financial Risk Management

The Group 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 Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

Risk Management Framework

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

The 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.

38.4 **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 exposures is categorised 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 credit-worthiness 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 credit-worthiness may transact with the Group only on a prepayment basis.

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

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:

	2017	2016
	(Rupees'000)	
Long term deposits	24,510	24,707
Trade debts	626,337	550,167
Advance to employees	10,047	27,686
Trade deposits	25,019	22,598
Interest accrued	1,375	1,011
Other receivables	3,711,142	48,832
Term Deposit Receipt/ certificate of investments	18,831	18,800
Bank balances	309,932	393,539
	4,727,193	1,087,340

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:

	2017	2016
	(Rupees'000)	
From related parties	21,376	17,696
From government institutions	55,951	54,058
From foreign Embassies	3,545	7,549
Banks and financial institutions	351,856	485,497
Others	4,294,465	522,540
	4,727,193	1,087,340

Impairment losses

The aging of trade debts at the reporting date was:

	Note	2017 Gross	2017 Impairment	2016 Gross	2016 Impairment
		(Rupees'000)		(Rupees'000)	
Less than one year		626,337	-	550,167	-
Over one year		194,161	194,161	212,508	212,508
	20	820,498	194,161	762,675	212,508

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

	Note	2017	2016
		(Rupees'000)	
Opening balance		212,508	201,245
(Reversal of provision) / provision made for doubtful debts	29	(18,347)	11,263
Closing balance	20	194,161	212,508

Provision includes Rs. 12.93 million (2016: Rs. 13.42 million) provided against due from related parties.

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

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 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 the group's 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 (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

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

	2017	2016
	(Rupees'000)	
Long term deposits		
Counterparties with external credit ratings of AA+	19,860	22,469
Counterparties without external credit ratings	24,510	24,707
	44,370	47,176
Trade debts		
Counterparties with external credit ratings of A-1 to A1+	67,796	17,719
Counterparties without external credit ratings	558,541	532,448
	626,337	550,167
Advance to employees		
Counterparties without external credit ratings	10,047	27,686
Trade deposits		
Counterparties without external credit ratings	25,019	22,598
Interest accrued		
Counterparties without external credit ratings	1,375	1,011
Other receivables		
Counterparties without external credit ratings	3,711,142	48,832
Term Deposit Receipt		
Counterparties with external credit ratings A-2 to AA+	18,831	18,800
Cash at Bank		
Counterparties with external credit ratings of A-2 to A1+	309,932	393,539

38.5 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:

	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year and up to five years
	(Rupees'000)			
2017				
Long term financing	7,350,000	9,026,283	984,620	8,041,663
Liabilities against assets subject to finance lease	24,068	25,980	14,330	11,650
Trade and other payables	1,090,902	1,090,902	1,090,902	-
Markup payable	104,285	104,285	104,285	-
Short term borrowings	339,943	339,943	-	-
	8,909,198	10,587,393	2,194,137	8,053,313
2016				
Long term financing	2,700,000	3,630,584	778,313	2,852,271
Liabilities against assets subject to finance lease	18,873	20,199	12,857	7,342
Trade and other payables	1,047,353	1,047,353	1,047,353	-
Markup payable	85,032	85,032	85,032	-
Short term borrowings	-	-	-	-
	3,851,258	4,783,168	1,923,555	2,859,613

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

The contractual cash flows relating to long and short term borrowings have been determined on the basis of expected mark up rates. The mark up rates have been disclosed in notes 6, 7 and 11 to these consolidated financial statements.

38.6 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 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 Group are periodically restated to PKR equivalent, and the associated gain or loss is taken to the consolidated profit and loss account. 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 Group. These currency risks are managed as part of overall risk management strategy. The Group does not enter into forward exchange contracts.

Exposure to forex risk on year end monetary balances:

	2017		2016	
	(Rupees'000)	USD' 000	(Rupees'000)	USD' 000
Bank balance	121	1.16	1,702	16.29

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2017	2016	2017	2016
PKR/ US Dollars	104.33	104.29	104.58	104.50

Foreign Currency Sensitivity Analysis

Following is the demonstration of the sensitivity to a reasonably possible change in exchange rate of USD applied to assets and liabilities as at 30 June 2017 represented in foreign currency, with all other variables held constant, of the Group's profit before tax.

	2017	2016
	(Rupees'000)	
Increase in 5% USD rate	6.05	85.09
Decrease in 5% USD rate	(6.05)	(85.09)

Interest rate risk

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

Exposure to interest rate risk:

	2017	2016	2017	2016
	Effective interest rates %		(Rupees'000)	
Fixed rate instruments				
Financial assets	0.25 to 5.75	0.25 to 5.75	296,915	392,129
Variable rate instruments				
Financial liabilities	KIBOR + 0.6 to 1.5	KIBOR + 1.5 to 2.5	(7,714,011)	(2,718,873)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not 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) consolidated profit and loss by Rs.74.17 million (2016: Rs. 23.27 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

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. 0.09 (2016: Rs. 0.08 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 2016 and assumes that all other variables remain the same.

	Level 1	Level 2	Level 3
		(Rupees'000)	
Assets carried at fair value			
2017			
Financial assets at fair value through profit or loss - held for trading	9,083	-	-
2016			
Financial assets at fair value through profit or loss - held for trading	8,813	-	-

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

38.7 **Capital risk management**

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business. The Group manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions to maximize the return. In order to maintain or adjust the optimal capital structure. The Group may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or / and issue new shares.

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

39 APPLICATION OF IFRIC INTERPRETATION 12 "SERVICE CONCESSION ARRANGEMENTS"

Securities and Exchange Commission of Pakistan through its S.R.O. NO 24 (I)/2012, dated 16 January 2012 has exempted the application of IFRIC 12 - "Service Concession Arrangements", for Companies in Pakistan. Consequently, the Group 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 Group were to follow IFRIC 12, the effect on the financial statements would have been as follows:

	2017	2016
	(Rupees'000)	
Increase in profit after tax for the year	8,647	10,880
Derecognition of property, plant and equipment	(251,995)	(281,320)
Recognition of intangible asset	408,280	425,292
Recognition of financial liability	(29,059)	(29,279)
Increase in tax obligations	3,885	5,120
Increase in unappropriated profits	87,786	77,991

40 CAPACITY

	Note	No. of letable rooms		Average occupancy	
		2017	2016	2017	2016
Pearl Continental Hotel				%	%
- Karachi		286	286	70	72
- Lahore		607	607	64	73
- Rawalpindi		193	193	61	64
- Peshawar		148	148	56	46
- Bhurban		190	190	63	70
- Muzaffarabad		102	102	46	50
- Hotel One The Mall, Lahore	40.1	32	32	70	82

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

41 NUMBER OF EMPLOYEES

	2017	2016
	(Rupees'000)	
Number of employees at the year end	3,461	3,611
Average number of employees during the year	3,505	3,647

42 EMPLOYEES' PROVIDENT FUND

	Note	2017	2016
		(Rupees'000)	
Size of the fund		782,946	708,845
Cost of investment made		679,075	630,795
Percentage of investment made		87%	89%
Fair value of investments	42.1	745,626	679,075

	2017		2016	
	(Rupees'000)	%	(Rupees'000)	%
42.1 Fair value of investments made:				
Listed shares	185,637	25%	164,125	24%
Mutual funds	208,877	28%	204,254	30%
Special Savings Certificates	351,112	47%	310,696	46%
	745,626	100%	679,075	100%

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

43 NON-ADUSTING EVENT AFTER THE BALANACE SHEET DATE

The Board of Directors of the Parent Company in its meeting held on 19 September 2017, has proposed a final cash dividend of Rs. 5/- (2016: Rs. 2.5/-) for approval of the members at the annual General Meeting. The consolidated financial statements for the year ended 30 June 2017 do not include the effect of the proposed cash dividend which will be accounted for in the financial statements for the year ending 30 June 2018.

44 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Parent Company in its meeting held on 19 September 2017.

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

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

M.A. Bawany
Director

Shakir Abu Bakar
Director

PAKISTAN SERVICES LIMITED
FORM OF PROXY
For the year ended 30 June 2017

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 Wednesday, October 25, 2017 at 11:00 a.m. at Islamabad Marriott Hotel, and any adjournment thereof.

Dated this __________ day of _________ 2017.

Specimen Signature of Proxy

Folio No. ________________________

Participant I.D. No.________________

Sub Account No.__________________

Revenue
Stamp
Rs. 5/=

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.

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پاکستان سروسز لمیٹڈ
پراکسی فارم

اختتام سال 30 جون 2017

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 .... کو اپنا پراکسی مقرر

کرتا/ کرتی ہوں جو کہ میری/ہماری جانب سے میری/ہماری عدم موجودگی کی صورت میں کمپنی کے سالانہ اجلاس عام جو کہ بروز بدھ مورخہ ۲۵ اکتوبر ۲۰۱۷ء کو اسلام آباد میرٹ ہوٹل میں منعقد ہوگا یا التواء کی صورت میں حاضر ہو کر میری/ہماری نمائندگی کرے۔

مورخہ .... بروز ۲۰۱۷ء

....

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۔

blank

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

PAKISTAN SERVICES LIMITED

OWNERS AND OPERATORS OF PEARL-CONTINENTAL HOTELS

September 21, 2017

Dear Shareholder,

ELECTRONIC PAYMENT OF CASH DIVIDENDS INSTEAD OF PHYSICAL DIVIDEND WARRANTS

Pursuant to Section-242 of the Companies Act, 2017 and Circular No. 18 dated August 01, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP), all listed companies shall pay future cash dividends through electronic mode into the bank accounts of the shareholders instead of issuing physical dividend warrants. Effective from November 1, 2017 dividend shall be paid through electronic mode.

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. Technology Trade (Pvt.) Ltd,
Independent Shares Registrar,
Dagia House, 241-C,
Block -2, P.E.C.H.S, Karachi
Tel: 021-34391316-17 & 19, 021-34387960-61
Fax: 021-34391318
e-mail: mail@ttpl.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.

Your information should reach us on or before October 31, 2017.

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

Pearl-Continental
HOTELS & RESORTS

Karachi	Lahore	Rawalpindi	Peshawar	Bhurban	Muzaffarabad
Tel: 021-111-505-505	042-111-505-505	051-111-505-505	091-111-505-505	051-3355700-30	05822-438000-14
Fax: 021-35681835-35682655	042-36362760-36364362	051-5563927-5566008	091-5276465-5271095	051-3355577-3355574	05822-438046

E-DIVIDEND MANDATE FORM TO ALL SHAREHOLDERS

Please fill following details & forward by letter duly signed to:-

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

Technology Trade (Pvt.) Ltd.

Dagia House,

241-C, Block-2, PECHS, Off: Shahrah-e-Quaideen, Karachi

Participant Id	
Investor / Sub Account No.	
Folio In case of 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:

Example

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

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SECP

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